NEWS RELEASE

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8 August 2018

Quilter plc interim results for the six months ended 30 June 2018

Quilter plc reports record adjusted profit before tax of £110 million and a special interim dividend of 12.0 pence per share in its first results as a listed company

Highlights

- Assets under Management/Administration ("AuMA") up 2% from 31 December 2017 to £116.5 billion (FY 2017: £114.4 billion) as a result of positive net flows of £2.2 billion, marginally offset by a weaker overall market performance of £0.1 billion.
- Net Client Cash Flow ("NCCF") (excl. Quilter Life Assurance) of £3.0 billion (H1 2017: £3.4 billion) representing 6% of NCCF/opening AuMA (annualised).
- Integrated NCCF (excl. Quilter Life Assurance) up 17% to £2.8 billion (H1 2017: £2.4 billion).
- Adjusted profit before tax of £110 million (H1 2017: £95 million), up 16% from H1 2017.
- IFRS profit before tax from continuing operations of £17 million, up 240% (H1 2017: £5 million).
- Diluted earnings per share of 18.7 pence (H1 2017: 5.1 pence) and adjusted diluted earnings per share of 5.5 pence (H1 2017: 4.4 pence), up 25%.
- Special interim dividend of 12.0 pence per share, returning £221 million surplus proceeds from the sale of the Single Strategy business to shareholders.
- Solvency II ratio of 195% after payment of special interim dividend (FY 2017: 154%).
- Further strengthening of the Board with the appointments of Ruth Markland as Senior Independent Director, and Paul Matthews and Dr. Suresh Kana as Independent Non-Executive Directors.
- UK Platform Transformation Programme now in testing phase and remains on time, on track and within previous cost guidance.
- Business optimisation project now mobilised and underlying work streams in planning phase.
- The Group continues to make good progress on delivering our voluntary remediation programme for customers as announced at the year end.

Paul Feeney, Chief Executive, said:

"I am delighted to announce a good set of results for our first reporting period since we listed on the London and Johannesburg stock exchanges. Growth in integrated flows of 17% and profit of 16% demonstrate the strength of the Quilter business model. We are also delighted to announce a special interim dividend of 12 pence per share, returning £221 million from the sale of our Single Strategy business to our shareholders.

We are focused on delivering what our customers want, an integrated wealth management offering that delivers good outcomes through the cycle. Our market offers significant growth opportunities and, while we have built a leading wealth management business, we are someway from demonstrating its full potential. Our priority now is to optimise the way we work to maximise the value of our integrated business for all our stakeholders over the coming years."

Quilter

Quilter highlights (from continuing operations[1] only)	H1 2018	H1 2017	Change
Assets and flows			
AuMA (£bn)[2]	**116.5**	107.3	9%
NCCF (£bn)[2]	**2.2**	3.2	(31%)
NCCF (excl. Quilter Life Assurance) (£bn)[2]	**3.0**	3.4	(12%)
NCCF/opening AuMA (excl. Quilter Life Assurance)[3]	**6%**	8%	(2pp)
Integrated NCCF (excl. Quilter Life Assurance) (£bn)[2]	**2.8**	2.4	17%
Productivity (£m)[4]	**1.8**	1.6	13%
Asset retention % (excl. Quilter Life Assurance)[5]	**91%**	90%	1pp
Profit & loss			
IFRS profit before tax from continuing operations (£m)	**17**	5	240%
IFRS profit after tax (£m)	**342**	94	264%
Adjusted profit before tax (£m)[2]	**110**	95	16%
Operating margin[2]	**29%**	27%	2pp
Revenue margin (bps)[2]	**57**	56	1 bp
Non-financial			
Restricted Financial Planners ("RFPs")	**1,590**	1,582	1%
Investment Managers ("IMs")	**168**	159	6%

[1] Continuing operations represent Quilter plc excluding results of the Single Strategy business and Old Mutual Wealth Italy S.p.A (up to the date its sale completed on 9 January 2017)
[2] Alternative Performance Measures ("APMs") are detailed on page 18.
[3] NCCF (annualised) as a % of opening AuMA (excluding Quilter Life Assurance)
[4] Average NCCF per Restricted Financial Planner.
[5] Calculated as 1 – (gross outflow/opening AuMA). Outflows are calculated on an annualised basis.

Quilter plc interim results for six months ended 30 June 2018

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An analyst presentation will take place today, 8 August 2018 at 8:15am for an 8:30am start (BST) at:

Quilter plc, Millennium Bridge House, 2 Lambeth Hill, London, EC4V 4AJ

Alternatively, if you are unable to attend but would like to watch a live webcast of the presentation, please click on the link below to join via our website

Live and on-demand: https://www.quilter.com/investor-relations

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Disclaimer

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

By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond Quilter plc's control including amongst other things, international and global economic and business conditions, 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.

Nothing in this announcement should be construed as a profit forecast.

Quilter

Business unit descriptor:

Previous Business Unit Name	New Business Unit Name
Advice & Wealth Management	
Multi-Asset	Quilter Investors
Quilter Cheviot	No change
Intrinsic	Quilter Financial Planning
Old Mutual Wealth Private Client Advisers	Quilter Private Client Advisers
Wealth Platforms	
UK Platform	Quilter Wealth Solutions
International	Quilter International
Heritage	Quilter Life Assurance

Chief Executive's Review

Execution

In the first half of 2018 we celebrated a significant moment in the history of Quilter. Six years after we set out to build a modern UK wealth management company and after two years of work to get the business ready for listing, on 25 June we demerged from Old Mutual plc and our stock began trading on the London and Johannesburg stock exchanges. We were delighted with the level of investor engagement and interest in Quilter from both new and existing investors throughout this process and we look forward to delivering prosperity for both our shareholders and broader stakeholders in the coming years.

I would particularly like to thank the teams within both Quilter plc and Old Mutual plc who worked tirelessly over the last two years to deliver this outcome which has been wholly focussed on delivering value for shareholders.

Despite all the work that has gone into the listing of Quilter plc, this is just the start of the next phase of Quilter's development. For this reason, we are delighted to announce a good set of results for our first reporting period as an independent listed company.

After three years of essentially flat annual profits given the investment in the business, the return to growth with an increase in adjusted profit of 16% to £110 million is particularly pleasing. Our financial performance is discussed in more detail below.

Clients

While the listing process placed significant demands across the business, the operational performance we have delivered during the first half illustrates the strength of the proposition we are building for our customers and our shareholders as well as the energy and commitment of our employees.

Good customer outcomes are at the heart of everything we do. Delivering that starts with trusted advice. Client confidence in our proposition is demonstrated through the strength of our increased integrated flows. This holds true despite lower overall levels of flows across the industry and for us after the record levels of 2017 including a slowing of overall NCCF in the second quarter.

The strength of our integrated business model is shown by our NCCF and increased integrated flows. Excluding Quilter Life Assurance, NCCF was £3.0 billion, a reduction of £0.4 billion from the record levels of £3.4 billion a year ago. This represented 6% of opening AuMA and was ahead of our annualised target growth of 5% over the medium-term. Overall NCCF of £2.2 billion was down 31% on prior year (H1 2017: £3.2 billion) with this largely due to the pre-announced run off of the institutional life book within our Quilter Life Assurance business and the natural attrition of the rest of that book.

In total, our integrated flows excluding Quilter Life Assurance grew 17% from £2.4 billion in H1 2017 to £2.8 billion in H1 2018. The restricted channel within Quilter Financial Planning accounted for £0.6 billion (29%) of Quilter Wealth Solutions net inflows in 2018 and £1.4 billion (78%) of net flows into Quilter Investors in 2018, principally into the Cirilium and Generation fund ranges. Integrated net inflows from Quilter Financial Planning into Quilter Cheviot amounted to £117 million, of which £52 million was through Quilter Private Client Advisers ("QPCA"). Direct flows onto our platforms and into our overall propositions remain an important source of new business generation for us. During the period we attracted non-integrated NCCF totalling £1.7 billion (H1 2017: £2.2 billion).

The subdued levels of NCCF experienced at the start of the year from Quilter International continued into the second quarter. This reflected the impact of the record 2017 fourth quarter, which depleted the pipeline and our strategy to reduce the geographical footprint and focus on the quality of new business. NCCF for Quilter Cheviot was slower in the second quarter resulting in H1 2018 NCCF of £0.5 billion against £0.6 billion for H1 2017. However, the level of new client proposals continued to rise, with Q2 figures higher than Q1, providing comfort that the pipeline for new business remains strong.

We have also shown growth in AuMA which increased by 2% from £114.4 billion at 31 December 2017 to £116.5 billion at the end of H1 2018. Markets were challenging in the first quarter but recovered in the second quarter, with the FTSE 100 down 1% overall in H1 2018.

Performance

As we discuss in the financial review below, our financial metrics for the first half of 2018 were strong. Adjusted profit for the first half of 2018 was £110 million, an increase of 16% on the prior year, despite an increase in Head Office costs of £10 million from the prior period, principally reflecting the increase in costs to become a standalone listed group. Our IFRS profit after tax from continuing operations was £32 million, compared to a loss of £17 million in H1 2017. We achieved a 29% operating margin (H1 2017: 27%).

We have added to our distribution capabilities within our QPCA business through the acquisition of Saint & Co, in Carlisle, DG Pryde in Duns outside Edinburgh, and A&M Financial Services based in Wiltshire. Across our appointed representative firms, we saw growth in adviser numbers, albeit this being lower than we had planned for. However, we saw good growth in Restricted Financial Planners within Charles Derby Group, in which we have a 10% shareholding, and have recruited newly appointed representative firms to our business, which overall have added a net 18 Restricted Financial Planners across the firm.

We have continued to deliver good medium and long-term investment performance for our clients. All of our discretionary and multi-asset funds are performing well against customer targets and have met the relevant target outcome. Within Quilter Investors we remain pleased with medium and long-term performance, especially in the Cirilium range. Short-term performance in certain portfolios has been held back somewhat by a range of factors but investment performance over the long-term remains a top priority.

During the last 12 months we have been investing in the Quilter Cheviot investment team and Investment Manager headcount has increased by 9 since June 2017 to reach 168 at June 2018. Since listing we have seen 12 resignations, which indicate that the IM headcount will fall back in the short-term to around the level of June 2017. This may lead to higher than trend outflows in 12 to 18 months' time.

Stewardship

The sale of our Single Strategy asset management business, which completed at the end of June, was consistent with the execution of our strategy and vision of building the UK's leading wealth management company. The full consideration from the sale of the business to its management team and funds managed by TA Associates was £583 million. We have received initial cash consideration of £576 million with a further £7 million expected by 2021.

Following the repayment of the £300 million senior unsecured term loan on the 29 June, the Board has decided to pay a special interim dividend of 12.0 pence per share from the proceeds of this transaction, equivalent to a return of capital to shareholders of £221 million representing the surplus capital proceeds from this disposal. All of our shareholders, those who were investors in Old Mutual plc and those who joined us since listing, will benefit from the investments we made to grow this business over the last five years. This special distribution underpins our philosophy towards running our business. We do not expect to retain excess capital without good reason and we are acutely aware that we are responsible for the stewardship of the capital that has been entrusted to us by our shareholders.

As we set out in our prospectus ahead of listing, we are not paying a normal interim dividend but we expect to declare a final dividend for 2018 when we announce our full year results in March 2019.

As we have previously said, we intend to grow our business and improve returns by:

- A relentless focus on ensuring good customer outcomes and strong investment returns while delivering quality customer service and building out our range of investment propositions and solutions;
- Growing our Advice business by adding advisers through acquisitions and recruitment, embedding recently acquired firms and supporting the Financial Adviser School intake and graduates as well as supporting our advisers to improve their individual productivity;
- Delivering the expected benefits from the implementation of our UK Platform Transformation Programme and investing in further training to support productivity; and
- Focusing on our recently initiated optimisation review where we intend to drive operational leverage through delivering enhanced scale and efficiency.

We are making good progress in delivering our remediation programme for customers within our Quilter Life Assurance business. We are still confident that the existing £69 million provision established at year end remains sufficient to meet the costs of the remediation that we have identified as we have gone through the review process.

We were also delighted that Ruth Markland joined the Board, as the Senior Independent Director, upon our listing. Ruth's extensive skills and her public company experience will be invaluable to the Board following our move into a listed environment. As noted in the prospectus, we are now fully compliant with the corporate governance code. We are also pleased to announce the appointments of Paul Matthews and Dr. Suresh Kana as Independent Non-Executive Directors, effective from 8 August 2018. Paul's deep knowledge of our industry, particularly distribution, and Suresh's extensive knowledge and experience in the South African business community, will make valuable additions to our Board.

Transformation

We are pleased to confirm that we remain on track and within budget with our UK Platform Transformation Programme. User acceptance and integration testing are well advanced, thousands of tests have been run, and defect fixing is underway. We are still planning for a soft launch either later this year or early in 2019. This will be on a limited basis and will be used to verify system functionality in a live environment. This will be followed by a phased controlled migration of our existing book. Maintaining high quality delivery is of utmost importance to us and we are preparing detailed migration plans to ensure customers and advisers remain well supported throughout the transition period.

Responsibility

We monitor employee engagement on a quarterly basis and are delighted that it has remained at a consistently high level throughout the period despite the significant work that that has been required to prepare us for listing.

Building an environment where our people can thrive is very important to me. One of the most important aspects of Quilter being liberated as a standalone business will be to reinforce the strength of our own identity and strengthen the ties that bind our people to deliver our purpose. Virtually all of our staff became shareholders in Quilter on listing and so have a direct stake in the outcomes of their efforts as we build the UK's leading wealth management company.

Our purpose is to create prosperity for the generations of today and tomorrow. Whether it is an adviser in one of our appointed representative firms or within our QPCA business, the staff working in our Quilter Wealth Solutions or Quilter Life Assurance businesses, our international colleagues or the investment professionals within Quilter Investors or Quilter Cheviot, we all share a single goal – to build prosperity for our customers and for their families.

We also appreciate that organisations need to have a broader moral compass beyond profit maximisation. Our shared prosperity plan is at the centre of this which seeks to build financial knowledge and skills across society to enhance public financial capability and engagement. By equipping people to make better financial decisions, we enable more people to have a secure financial future and we aim to protect customer assets over the long-term through inclusive and responsible investment.

We were also delighted to launch The Quilter Foundation at listing. As a registered charity, the Foundation's mission is to tackle the barriers to prosperity in our society – the flip side of the coin to our overarching corporate purpose. The Foundation's first step towards its mission is an innovative and collaborative partnership which will support hundreds of thousands of young carers in the UK to overcome the barriers they face such as isolation, mental health issues and poor outcomes in education and employment. We believe that unpaid carers play a critical, but often overlooked, role in society and their contribution will be increasingly important as our society ages in the coming years.

Outlook

As I highlighted at our Capital Markets Showcase event earlier this year, our near-term agenda is focussed on three key priorities:

First, we need to successfully implement our new platform and execute a smooth migration for existing customers.

Second, we will continue to invest in growth by recruiting and building our Adviser and Investment Manager base.

Third, I want to ensure that we optimise our business so that we deliver increased operating leverage, and I look forward to updating the market on our plans with our full year results in March 2019.

These are all on track and we remain confident in our strategic path and the growth prospects that we set out in our prospectus ahead of listing. We are very much where we expected to be at this stage on the Quilter journey. While short-term market fluctuations and Brexit induced uncertainty may exacerbate market volatility or temper momentum in near-term flows, we operate in a large and fragmented market that has plenty of growth potential. We are a young company with a 250 year heritage and we're just getting started.

Paul Feeney

Chief Executive

Quilter

Summary financial information

Reconciliation of adjusted profit to profit after tax (£m)	H1 2018	H1 2017	% Change
Net management fee	**319**	285	12%
Other revenue	**66**	61	8%
Total revenue	**385**	346	11%
Expenses	**(275)**	(251)	(10%)
Adjusted profit before tax	**110**	95	16%
Total adjusting items before tax	**(75)**	(119)	37%
Profit/(loss) before tax attributable to shareholders' profits	**35**	(24)	246%
Income tax (expense)/credit attributable to policyholder returns	**(18)**	29	(162%)
Profit before tax from continuing operations	**17**	5	240%
Income tax credit/(expense) on continuing operations	**15**	(22)	168%
Profit/(loss) after tax from continuing operations	**32**	(17)	288%
Profit after tax from discontinued operations	**310**	111	179%
Profit for the period after tax	**342**	94	264%
Adjusted weighted average number of ordinary shares (millions)	**1,830**	1,830	-
Basic earnings per ordinary share (pence)	**18.7**	5.1	267%

Adjusted profit before shareholder tax	**110**	95	16%
Shareholder tax on adjusted profit	**(9)**	(15)	40%
Adjusted profit after tax attributable to ordinary shareholders of Quilter plc	**101**	80	26%
Adjusted weighted average number of ordinary shares used to calculate adjusted basic and diluted earnings per share (millions)	**1,830**	1,830	-
Adjusted basic and diluted earnings per share (pence)	**5.5**	4.4	25%

Summary balance sheet (£m)	At 30 June 2018	At 31 December 2017	Change %
Assets			
Financial investments	**64,569**	64,250	0%
Reinsurers' share of policyholder liabilities	**2,666**	2,908	(8%)
Deferred acquisition costs	**12**	611	(98%)
Cash and cash equivalents	**3,375**	2,360	43%
Other assets	**2,915**	1,844	58%
Total assets	**73,537**	71,973	2%
Equity and liabilities			
Equity	**2,060**	1,099	87%
Liabilities			
Investment contract liabilities	**60,140**	59,139	2%
Third-party interests in consolidated funds	**8,105**	7,905	3%
Borrowings	**197**	782	(75%)
Trade, other payables and other liabilities	**1,937**	1,331	46%
Other liabilities	**1,098**	1,717	(36%)
Total liabilities	**71,477**	70,874	1%
Total equity and liabilities	**73,537**	71,973	2%

Review of Financial Performance

Analysis of performance for six months ended 30 June 2018

Key financial highlights For six months ended 30 June 2018 (continuing operations only)	**Advice & Wealth Management**	**Wealth Platforms**	**Head Office & Eliminations**	**Total Group**
Gross inflows (£bn)	4.5	5.5	(1.9)	**8.1**
Gross outflows (£bn)	(2.2)	(4.3)	0.6	**(5.9)**
NCCF (£bn)	2.3	1.2	(1.3)	**2.2**
NCCF (excl. Quilter Life Assurance (£bn))	2.3	2.2	(1.5)	**3.0**
Integrated NCCF (excl. Quilter Life Assurance) (£bn)	2.1	0.7	-	**2.8**
AuMA (£bn)	43.7	86.0	(13.2)	**116.5**
NCCF/opening AuMA (excl. Quilter Life Assurance (%))	11%	6%	n/a	**6%**
Asset retention (excl. Quilter Life Assurance (%))	89%	91%	n/a	**91%**

Key financial highlights For six months ended 30 June 2017 (continuing operations only)	Advice & Wealth Management	Wealth Platforms	Head Office & Eliminations	Total Group
Gross inflows (£bn)	4.0	6.3	(1.7)	8.6
Gross outflows (£bn)	(1.9)	(4.3)	0.8	(5.4)
NCCF (£bn)	2.1	2.0	(0.9)	3.2
NCCF (excl. Quilter Life Assurance (£bn))	2.1	2.5	(1.2)	3.4
Integrated NCCF (excl. Quilter Life Assurance) (£bn)	1.6	0.8	-	2.4
AuMA (£bn)	37.8	79.3	(9.8)	107.3
NCCF/opening AuMA (excl. Quilter Life Assurance (%))	13%	9%	n/a	8%
Asset retention (excl. Quilter Life Assurance (%))	88%	90%	n/a	90%

Net client cash flow (NCCF)

The Group had positive net flows of £2.2 billion in the first half of 2018, with NCCF as a percentage of opening AuMA (excl. Quilter Life Assurance) on an annualised basis of 6%, ahead of our 5% target. Excluding Quilter Life Assurance, the Group's NCCF stands at £3.0 billion, 12% down from the record flows in H1 2017, reflecting strong flows for Quilter Investors, more than offset by weaker flows for Quilter International and Quilter Cheviot, which were down 75% and 17% respectively on prior period. Detailed analysis of NCCF by business unit is shown on page 19 of this announcement.

Integrated flows (excl. Quilter Life Assurance) increased 17% to £2.8 billion (H1 2017: £2.4 billion). The restricted channel of Quilter Financial Planning accounted for £1.4 billion (78%) of Quilter Investors' net flows and £0.6 billion (29%) of Quilter Wealth Solutions' net flows. Integrated flows from Quilter Financial Planning and Quilter Private Client Advisers ("QPCA") into Quilter Cheviot amounted to £117 million of which £52 million was through QPCA.

NCCF for the Advice and Wealth Management segment of £2.3 billion was up 10% from H1 2017 (£2.1 billion), principally reflecting strong flows for Quilter Investors into Cirilium, which represented 57% of the segment's net flows. Net flows of £1.4 billion were from the restricted channel, of which £0.7 billion was from third party platforms and £0.7 billion from Wealth Solutions. Independent third party flows through Wealth Solutions was £0.6 billion for the period. NCCF for Quilter Cheviot was slower in the second quarter resulting in H1 2018 NCCF of £0.5 billion against £0.6 billion for H1 2017. However, the level of new client proposals continued to rise, with Q2 figures higher than Q1, providing comfort that the pipeline for new business remains strong.

The Wealth Platforms segment contributed total NCCF of £1.2 billion (H1 2017: £2.0 billion), with stable flows within Quilter Wealth Solutions more than offset by weaker flows for Quilter International and as expected outflows in Quilter Life Assurance. Quilter Wealth Solutions had net flows of £2.1 billion, in line with H1 2017. Our pension propositions continue to perform well with sales of £2.7 billion representing 61% of total Quilter Wealth Solutions gross sales (FY 2017: £5.4 billion representing 61% of FY 2017 gross sales). Within this, the industry-wide benefit from the Defined Benefit ("DB") to Defined Contribution ("DC") schemes continues despite some advisers withdrawing from advising on such transfers following regulatory commentary. In H1 2018, 41% (£1.1 billion) of Quilter Wealth Solutions total gross pension sales were attributable to DB to DC transfers. Continuing the trend reported within our Q1 trading update, Quilter International had a slow first half of the year, following a very strong final quarter in 2017, with net inflows of £0.1 billion, down 75% on prior year (H1 2017: £0.4 billion). International markets remain challenging, particularly given the changing regulatory environment, however the reduction in flows also reflects the Group's strategy to reduce its offshore geographic footprint and focus on the quality of new business. Quilter Life Assurance had net outflows of £1.0 billion for the first half (H1 2017: £0.5 billion) with the increase, as expected, being primarily due to the closure of the institutional life book of business, as announced in 2017.

Productivity for Quilter Financial Planning increased 13% to £1.8 million per RFP (H1 2017: £1.6 million per RFP) as a result of longer average adviser tenure leading to growth in the number of customers, continued strong investment performance, and an increase in flows from existing clients over time. Across our appointed representative firms, we saw growth in adviser numbers albeit this being lower than we had planned for. However, we saw good growth in RFPs within Charles Derby Group, in which we hold a 10% shareholding, and have recruited new appointed representatives firms to the business, which overall have added a net 18 RFPs to our business. Further growth is expected in the second half of the year.

Asset retention (excl. Quilter Life Assurance) on an annualised basis has remained broadly stable at 91% as a result of strong fund performance, our comprehensive product offering and high customer service standards, together with our continued focus on good customer outcomes.

Assets under management/administration (AuMA)

AuMA was £116.5 billion, up 2% from the end of 2017 (31 December 2017: £114.4 billion), driven by positive net flows (£2.2 billion) slightly offset by negative market movement of £0.1 billion. Markets were challenging in the first quarter but largely recovered in the second quarter, with the FTSE 100 down 1% overall in H1 2018.

Since the start of the year, the Cirilium fund range has increased by 17% to £8.8 billion in H1 2018, and the WealthSelect fund range has increased by 17% to £5.6 billion. Quilter Cheviot AuMA of £24.1 billion has increased 2% in the period, and reflects £11.1 billion from financial advisers and £13.0 billion from direct business. Quilter Wealth Solutions' AuMA increased by 4% to £52.3 billion, which includes £23.6 billion within pension propositions (of which £3.1 billion has been generated from the restricted channel and £20.5 billion from third party advisers) and £15.5 billion of ISA products.

Adjusted profit before tax

Adjusted profit (previously named "Operating profit" in the prospectus) reflects the directors' view of the underlying performance of the Group and is used for management decision making and internal performance management. It is the profit measure presented in the Group's segmental reporting. Adjusted profit is a non-GAAP measure which adjusts the IFRS profit for specific agreed items as detailed in note 7(a).

Adjusted profit before tax for the six months to 30 June 2018 was £110 million, 16% higher than the prior year (H1 2017: £95 million), driven by higher revenue from higher AuMA, partially offset by higher expenses due to the increased costs of operating as a standalone listed group.

Adjusted profit before tax for Advice and Wealth Management increased to £47 million, up 47% from prior year (H1 2017: £32 million). This increase was driven by high levels of NCCF and good investment performance driving higher revenue. Other revenue within Quilter Financial Planning was up 17% to £41 million, driven by growth in advice fees with the increase in the number of RFPs. Expenses increased from £116 million to £134 million, reflecting the cost of expanding the national advice business, the inclusion of full run rate costs for Caerus, which was acquired on 1 June 2017, increased variable incentive costs, and higher costs for Quilter Investors as they build out the standalone functionality of the business.

Adjusted profit before tax for Wealth Platforms increased to £83 million, up 12% from prior year (H1 2017: £74 million). This reflects higher revenue for Quilter Wealth Solutions from higher average AuMA, and lower expenses primarily due to an increase in VAT recoveries.

The Group's overall operating margin has remained broadly stable at 29% from 31 December 2017, as the increase in revenue has been offset by a proportionate increase in expenses.

Financial performance (from continuing operations only) Six months ended 30 June 2018 (£m)	**Advice & Wealth Management**	**Wealth Platforms**	**Head Office**	**Total Group**
Net management fee	136	183	-	**319**
Other revenue	45	20	1	**66**
Total revenue	**181**	**203**	**1**	**385**
Expenses	(134)	(120)	(21)	**(275)**
Adjusted profit/(loss) before tax	**47**	**83**	**(20)**	**110**
Tax				**(9)**
Adjusted profit after tax				**101**
Operating margin (%)	26%	41%		**29%**
Revenue margin (bps)	65	44		**57**

Financial performance (from continuing operations only) Six months ended 30 June 2017 (£m)	Advice & Wealth Management	Wealth Platforms	Head Office	Total Group
Net management fee	112	173	-	285
Other revenue	36	25	-	61
Total revenue	148	198	-	346
Expenses	(116)	(124)	(11)	(251)
Adjusted profit/(loss) before tax	32	74	(11)	95
Tax				(15)
Adjusted profit after tax				80
Operating margin (%)	21%	37%		27%
Revenue margin (bps)	64	46		56

Revenue

The Group's revenue increased by 11% to £385 million due to higher average AuMA, driven by strong NCCF, and positive market performance in 2017. Net management fee revenue, which principally comprises asset-based revenues including fixed fees, increased by £34 million to £319 million during the period, accounting for 83% of total revenue. Other revenue within Quilter Financial Planning was up 17% to £41 million, driven by growth in advice fees with the increase in the number of RFPs.

Higher AuM was the primary driver of revenue growth in the Advice and Wealth Management segment, with average assets increasing 14% from the start of the year to £42.0 billion in H1 2018, as a result of higher net management fee revenue for both Quilter Investors and Quilter Cheviot. Other revenue increased by £9 million to £45 million, principally due to growth in advice fees in Quilter Financial Planning, due to the benefit of the increased number of RFPs.

Total revenue for the Wealth Platforms segment increased to £203 million in H1 2018 (H1 2017: £198 million) as a result of higher net management fee revenue from increased average AuA to £83.2 billion, primarily in Quilter Wealth Solutions. The higher net management fee revenue was partially offset by a decline in other revenue, due to higher claims experience within the Protection book of business in Quilter Life Assurance.

The Group's blended revenue margin of 57 bps has remained broadly consistent with the prior period (H1 2017: 56 bps) as a result of the growth in AuMA for Advice and Wealth Management, which is generally at a higher revenue margin, offsetting continued revenue margin pressure within the industry.

The revenue margin for Advice and Wealth Management of 65 bps was 1 bp higher compared to the prior year, due to an increase in the revenue margin for Quilter Investors of 5 bps to 56 bps due to a change in the overall mix of AuM towards investment in products which earn a higher margin. Quilter Cheviot's revenue margin remained in line with prior year at 73 bps.

The revenue margin for Wealth Platforms decreased by 2 bps from the prior period to 44 bps. This decline was driven by lower margin gross inflows for Quilter Wealth Solutions and gross outflows of higher margin products for Quilter International. The revenue margin for Quilter Life Assurance increased by 6 bps to 63 bps, reflecting the continued run-off of the very low margin institutional life book.

Expenses

Total expenses increased by £24 million (H1 2017: £251 million) to £275 million in H1 2018, as a result of increased variable incentives (£11 million); incremental investment in new business initiatives (£6 million); additional recurring managed separation and standalone costs (£5 million); and other net organic and inflationary costs (£2 million). Investment in new business initiatives increased by 56% to £14 million in the period, due to the inclusion of the full run rate costs for Caerus, which was acquired on 1 June 2017, and the continued expansion of the QPCA business, which has undertaken nine business acquisitions over the past 12 months.

Compared to the second half of 2017, when total expenses were £268 million, H1 2018 expenses are up £7 million, or 3%. This includes the impact of FSCS levies of £11 million in H1 2018 and which arise in the first half of each financial year. Allowing for this and the continued investment in new business initiatives, the trend in expenses is pleasing as it reflects the increased focus on expense management to increase operating leverage. Total expenses in H1 2018 benefitted from the delayed timing of around £4 million of technology spend, which is expected to be incurred in the second half of 2018. The business optimisation programme is now fully mobilised, which will seek to further focus on the efficiency of the Group's operations as we grow the business.

Expenses by segment (£m)	H1 2018	H1 2017	FY 2017	FY 2016
Advice & Wealth Management	**134**	116	234	194
Wealth Platforms	**120**	124	253	226
Head Office	**21**	11	32	18
Total expenses	**275**	**251**	**519**	**438**

Advice & Wealth Management expenses increased to £134 million, up 16% from the prior period (H1 2017: £116 million), primarily driven by further investment in QPCA in Quilter Financial Planning and the inclusion of full run rate expenses for Caerus acquired on 1 June 2017, increased costs for Quilter Investors as we build out the functionality for the business to be standalone, increased variable incentive costs, and other organic and inflationary costs. These increases were partially offset by a small one-off reduction in FSCS levies in H1 2018, due to a change in the charging period by the FCA during the period.

Expenses for Wealth Platforms decreased by 3% to £120 million in H1 2018 (H1 2017: £124 million), primarily driven by an increase in VAT recoveries in the period and the benefit of delayed timing of technology spend of around £4 million, which is expected to be incurred in the second half of the year.

Head Office costs have increased by £10 million from the prior period, to £21 million (H1 2017: £11 million), reflecting the increase in costs to become a standalone listed group, and the increase in variable compensation and share-based payment costs in the period.

Taxation

The effective tax rate (ETR) in H1 2018 was 8% (H1 2017: 16%), which we expect to be broadly consistent with the ETR for the full year. This is lower than the 2017 effective tax rate due to utilisation of previously unrecognised deferred tax assets. The Group's ETR is lower than the UK corporation tax rate of 19%, principally due to utilisation of previously unrecognised deferred tax assets and the profits from our International business which are taxed at much lower rates.

Earnings Per Share (EPS)

Basic EPS was 18.7 pence, compared to 5.1 pence in H1 2017. During the period, the number of shares in issue increased to 1.9 billion following completion of the share capital restructure as part of the separation from Old Mutual plc. Comparative EPS has been restated accordingly. Adjusted basic EPS was 5.5 pence (H1 2017: 4.4 pence).

Reconciliation of adjusted profit to IFRS profit

IFRS profit after tax was £342 million for H1 2018, compared to £94 million in H1 2017, which has increased due to the profit on sale of £290 million (after tax) in relation to the sale of the Single Strategy business on 29 June 2018. The table below reconciles the Group's adjusted profit to the IFRS results in H1 2018 and H1 2017.

Reconciliation of adjusted profit to profit after tax For the 6 month period ended 30 June 2018 (£m)	H1 2018	H1 2017	% change
Adjusted profit before tax			
Advice and Wealth Management	**47**	32	47%
Wealth Platforms	**83**	74	12%
Head Office	**(20)**	(11)	(82%)
Adjusted profit before tax	**110**	95	16%
Adjusting for the following:			
Goodwill impairment and impact of acquisition accounting	**(28)**	(28)	0%
Business transformation costs	**(37)**	(59)	37%
Managed separation costs	**(17)**	(12)	(42%)
Finance costs	**(8)**	(20)	60%
Policyholder tax adjustments	**15**	-	
Total adjusting items before tax	**(75)**	(119)	37%
Profit/(Loss) before tax attributable to shareholders' profits	**35**	(24)	246%
Income tax (expense)/credit attributable to policyholder returns	**(18)**	29	(162%)
Profit before tax from continuing operations	**17**	5	240%
Income tax credit/(expense) on continuing operations	**15**	(22)	168%
Profit/(Loss) after tax from continuing operations	**32**	(17)	288%
Profit after tax from discontinued operations	**310**	111	179%
Profit for the period after tax	**342**	94	264%

Adjusted profit reflects the profit from the Group's core operations, and is calculated by making certain adjustments to IFRS profit to reflect the directors' view of the Group's long-term performance. Details of these adjustments are provided in note 7(a) of the consolidated financial statements and in respect of tax in note 10(c). A summary of significant adjustments is provided below.

Goodwill impairment and impact of acquisition accounting represents costs of completed acquisitions and the amortisation of intangible assets acquired by the Group. These charges remain broadly in line with prior period.

Business transformation costs were £37 million at H1 2018 (H1 2017: £59 million). H1 2018 includes £27 million in relation to the UK Platform Transformation Programme and £10 million of one-off costs associated with the separation of Quilter Investors as a result of the sale of the Single Strategy business. In H1 2017, the costs associated with the UK Platform Transformation Programme included £6 million relating to the new contract with FNZ and £53 million relating to the previous programme, including the contracts with IFDS which came to an end by mutual agreement with effect from 2 May 2017.

Managed separation costs of £17 million in H1 2018 (H1 2017: £12 million) represent the one-off transition costs to separate the Group from Old Mutual plc to become standalone and additional one off costs associated with listing. The increase from H1 2017 reflects the increase in advisor costs associated with the prospectus and subsequent listing coupled with costs associated with the debt financing. Remaining costs yet to be incurred are expected to be £19 million, in line with previous guidance.

Finance costs were £8 million in H1 2018 (H1 2017: £20 million). The prior year includes the cost of interest and finance charges on the Group's borrowings from Old Mutual plc. As previously reported, these were converted into equity or repaid in February 2018.

Policyholder tax adjustments of £15m for H1 2018 (H1 2017: nil) relate to the removal of distortions arising from market volatility that can, in turn, lead to volatility in the policyholder tax charge between periods.

Profit after tax from discontinued operations in H1 2018 relates to the trading profit and profit on sale of the Single Strategy business. The comparative figure for H1 2017 relates to the sale of Old Mutual Italy. Full details of these items are set out in note 5(d) to the consolidated interim financial statements.

Cash generation

Cash generation measures the proportion of adjusted profit that is recognised in the form of cash generated from operations.

Cash generated from operations is calculated by removing non-cash generative items from adjusted profit, such as deferrals required under IFRS to spread fee income and acquisition costs over the lives of the underlying contracts with customers. Cash generated from operations is stated after deducting an allowance for cash required to support the capital requirements of the business generated from normal operations (e.g. business growth).

The Group (excluding the now disposed Single Strategy business) achieved a cash generation rate of 83% of adjusted profit at H1 2018 (FY 2017: 83%).

Quilter

Review of Financial Position

Capital & Liquidity

The Group aims to maintain a strong solvency and liquidity position through disciplined management of capital resources and risks. This is important given the security and peace of mind that it affords customers and advisers.

The Group will maintain a disciplined approach to capital, in order to balance its current and anticipated liquidity, regulatory capital and investment needs, with a view to returning excess capital to shareholders as appropriate. As part of its disciplined approach to capital, the Group has a prudent capital management and liquidity policy.

On 23 February 2018, the Group entered into, and fully drew down on 28 February 2018 a £300 million senior unsecured term loan with a number of relationship banks. This term loan was fully repaid on 29 June 2018 from the proceeds of the sale of the Single Strategy business.

Also on 28 February 2018, we entered into a £125 million revolving credit facility, which remains undrawn, and we issued a £200 million subordinated debt security. This was issued in the form of a 10-year Tier 2 bond with a one-time issuer call option after five years to J.P. Morgan Securities plc, paying a semi-annual coupon of 4.478% p.a. The debt security is listed on the London Stock Exchange and has a Fitch instrument rating of BBB-. On 13 April 2018, the debt security was sold by J.P. Morgan Securities plc to traditional debt capital market investors. Including the impact of amortisation of set-up costs, the issuance of this security will increase financing costs by approximately £10 million on an annual basis.

The subordinated debt security and the revolving credit facility are in place to ensure that the Group has sufficient capital and liquidity to maintain strong capital ratios and free cash balances to withstand severe but plausible stress scenarios. The full amount of the subordinated debt security remains outstanding as at 30 June 2018, representing a leverage ratio of 12% (defined as the ratio of debt to debt plus the consolidated IFRS equity after deducting the intangible assets) before the payment of the special interim dividend.

Solvency II

The Group Solvency II surplus is £1,116 million at 30 June 2018 (31 December 2017: £651 million), representing a Solvency II ratio of 195% (31 December 2017: 154%) calculated under the standard formula. The Solvency II information in this results disclosure has not been audited.

Group regulatory capital (£m)	**At 30 June 2018**[1]	At 31 December 2017[2]
Own funds	**2,297**	1,849
Solvency capital requirements ("SCR")	**1,181**	1,198
Solvency II surplus	**1,116**	651
Solvency II coverage ratio	**195%**	**154%**

[1] Based on preliminary estimates. Formal filing due to the PRA by 21 September 2018.

[2] As represented within the Annual 2017 Solvency II submission of Old Mutual plc, the group of which Quilter plc previously formed part of, to the Prudential Regulation Authority (PRA). Own funds include a £566 million subordinated loan from the parent company. This subordinated loan has been effectively converted to equity after the year-end following the acquisition of the entity holding the loan.

The 41% increase in the Group Solvency II ratio is mainly due to corporate activity in the period with the two main contributors being the issuance in February 2018 of the Tier 2 bond described above and the proceeds received in respect of the sale of Single Strategy business exceeding its carrying value on the Solvency II balance sheet. The Group Solvency II ratio is stated after allowing for the impact of the special interim dividend payment to shareholders, and the actual changes in the capital requirements relating to the sale of the Single Strategy business. Other impacts were largely offsetting.

The Board believes that the Group Solvency II ratio includes sufficient free cash and capital to complete all committed strategic investments (including the UK Platform Transformation Programme) and to allow for any further potential costs arising from the FCA's review of the treatment of certain customers within our Quilter Life Assurance business, including for any potential penalty which may be imposed by the FCA, in respect of which no provision has yet been made (refer to note 24 of the consolidated interim financial statements). The impact of this prudent policy is that Quilter expects to continue to maintain a solvency position in excess of its target in the near-term.

Composition of qualifying Solvency II capital

The Group own funds for Solvency II purposes reflect the resources of the underlying businesses after excluding foreseeable dividends of £221 million. The Group 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 30 June 2018
Tier 1[1]	2,093
Tier 2[2]	204
Total Group Solvency II own funds	**2,297**

[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 177% of the Group SCR of £1,181 million. Tier 1 capital represents 91% of Group Solvency II own funds. Tier 2 capital represents 9% of Group Solvency II own funds and 18% of Group surplus.

Net Asset Value ("NAV")

The NAV of the Group was £2.1 billion at 30 June 2018 (31 December 2017: £1.1 billion). The increase reflects the conversion of previous loans from Old Mutual plc into equity in February 2018 and the increased resources following the gain of £290 million on the sale of the Single Strategy business. The NAV at 30 June 2018 is stated before the provision for the special interim dividend of £221 million.

Dividend

In line with statements given at the time of the company's listing, there is no normal interim dividend in relation to the first half of 2018. However, the Board has declared a special interim dividend of 12.0 pence per share from the surplus proceeds from the sale of the Single Strategy business. The special interim dividend will be paid on 21 September 2018 to shareholders on the UK and South African share registers on 24 August 2018. For Shareholders on our South African share register a dividend of 206.42952 South African cents per share will be paid on 21 September 2018, using an exchange rate of 17.20246.

Return on Equity ("RoE")

Adjusted RoE for the period ended 30 June 2018, calculated as annualised adjusted profit after tax divided by average equity (after adjusting for the special interim dividend) was 12.5%. This remained stable with the adjusted RoE of 12.7% for the full year ended 31 December 2017 (after adjusting equity for the acquisition of Skandia UK and equity allocated to the discontinued operations).

Holding company cash

At 30 June 2018, Quilter holding companies retained £587 million of cash resources and had £200 million of external debt liabilities represented in full by the Tier 2 bond. Of these cash resources, £221 million is held for the forthcoming payment of the special interim dividend. Other balances are held to be in line with, or in excess of, the Group's capital and liquidity policy ensuring that the Group can accommodate all committed strategic activity (including completing the UK Platform Transformation Project) and further potential costs arising from the FCA's review of the treatment of certain customers within our Quilter Life Assurance business, including any potential penalty which may be imposed by the FCA, in respect of which no provision has yet been made (refer to note 24 of the consolidated interim financial statements).

Quilter

Principal Risks and Uncertainties

The principal risks and uncertainties that could impact the Group are summarised below. Further details of these risks are set out in the Quilter plc Listing Prospectus issued on 20 April 2018. The principal risks and uncertainties are regularly considered by the Board and these remain appropriate for the second half of this financial year.

Non-financial risks

Strategy	The Group may not be able to successfully execute its strategic initiatives including the delivery of the UK Platform Transformation Programme and the business optimisation programme. If the Group fails to execute on or benefit from its strategy of aiming to be the leading UK wealth manager by continuing to focus on delivering good customer outcomes, it may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.
Brand and reputation	The Group is dependent on the strength of its brands, which are vulnerable to adverse market perception or negative publicity, and the Group may face challenges with regard to its ongoing rebranding initiative.
People and culture	The Group may fail to attract and retain talented advisers, investment managers, portfolio managers, senior management and other key employees, which presents a significant risk to the delivery of the Group's overall strategy, in particular during this period of significant change across all business units, and could have a material adverse effect on the Group's culture, business, financial condition, results of operations and prospects.
Competitive pressure	The Group's business is conducted in a competitive environment and, if the Group is not successful in anticipating and responding to competitive change, adviser or customer preferences or demographic trends in a timely and cost-effective manner, its business, financial condition, results of operations and prospects could be materially adversely affected.
Conduct	Conduct risk is the risk that decisions and behaviours of a company, its employees, its advisers or its appointed representatives lead to its customers being treated unfairly or otherwise result in detrimental customer outcomes. Conduct risk may arise where the Group fails to design, implement or adhere to appropriate policies and procedures, offer products, services or other propositions that do not meet the needs of customers or fails to perform in accordance with its intended design, fails to communicate appropriately with customers, fails to deal with complaints effectively, sells or recommends unsuitable products or solutions to customers, fails to provide them with adequate information to make informed decisions or provide unsuitable investment or financial planning advice to customers, or fails to do any of the foregoing on an ongoing basis after initial sales, among other things. This risk may also arise as a result of employee (mis)conduct.
Adviser and customer proposition	Failure by the Group to offer products, services and platforms that meet adviser and customer needs and which are considered suitable could result in advisers ceasing to recommend the Group's products or services, or recommending fewer of the Group's products or services, and declining persistency of the Group's products. The asset classes or investment strategies underlying the portfolios managed by the Group may become less attractive to customers or their advisers, which could reduce demand for the Group's products and have a material adverse effect on the Group's business, financial condition, results of operations and prospects.
Conflicts of interest	The Group faces significant potential and actual conflicts of interest, including those which result from the Group's advised distribution channel. If the Group fails to manage conflicts of interest between its advice channel and other businesses across the Group, it could result in reputational damage, regulatory liability or customer restitution, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.
Information technology	The Group uses computer systems to conduct its business, which involves managing and administering assets on behalf of customers in its wealth portfolios and on its platforms. The Group's business is highly dependent on its ability to access these systems to perform necessary business functions and to provide adviser and customer support, administer products, make changes to existing policies, file and pay claims, manage customers' investment portfolios and produce financial statements and regulatory returns.
Data Information and cyber-threats	The Group's business, by its nature, requires it to store, retrieve, evaluate and utilise customer and company data and information, which is highly sensitive. The Group is subject to the risk of actual or attempted IT security breaches from parties with criminal or malicious intent (including cyber-crime). Should the Group's intrusion detection and anti-penetration software not anticipate, prevent or mitigate a network failure or disruption, or should an incident occur in a system for which there is no duplication, it may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Third party	The Group outsources and procures certain functions and services externally to third parties and may increase its use of outsourcing in the future. If the Group does not effectively develop and implement its outsourcing strategies and its internal capability to manage such strategies, third party providers do not perform as anticipated, or the Group experiences technological or other problems with a transition, it may not realise productivity improvements or cost efficiencies and may experience operational difficulties, increased costs and a loss of business.
Legal and regulatory	The Group's regulated businesses are subject to extensive regulation both in the UK and internationally, and the Group faces risks associated with compliance with these regulations. The Group's businesses are subject to the risk of adverse changes in the laws, regulations and regulatory requirements in the markets in which they operate. Regulatory reform initiatives could also lead to increased compliance costs or other adverse consequences for firms within the financial services industry, including the Group.
Financial crime	The Group is required to comply with applicable anti-money laundering, anti-terrorism, sanctions, anti-tax evasion, anti-fraud, anti-bribery and corruption, insider dealing and other laws and regulations in the jurisdictions in which it operates. Where the Group is unable to comply with applicable laws, regulations and expectations, regulators and relevant law enforcement agencies have the ability and authority to impose significant fines and other penalties, including requiring a complete review of business systems, day-to-day supervision by external consultants and ultimately the revocation of regulatory authorisations and licences.

Financial risks

Market risks	The Group's results may be materially adversely affected by conditions in global capital markets, the global economy generally and the UK economy in particular that result in a decrease in the value of customer investment portfolios. The volatility and strength of debt and equity markets, the direction and pace of change of interest rates and inflation all affect the economic environment, investor confidence and, ultimately, the volume and profitability of the Group's business.
Insurance risks	The Group has exposure to mortality risk (the risk related to the frequency of deaths) and morbidity risk (the risk related to the prevalence of a disease) from its life assurance business, which issues policies that carry certain guaranteed benefits upon the death, or defined illness, of the policyholder. These risks could be aggravated by any potential failure in underwriting processes and standards designed to identify sub-standard lives at the new business stage.
Investment performance	An important factor in the Group's ability to maintain and grow its customer base and its network of advisers is the investment performance of the customer assets that the Group manages. Actual or perceived underperformance of customer assets that are managed by the Group could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Alternative Performance Measures ("APMs")

We assess our financial performance using a variety of measures. APMs are not defined by the relevant financial reporting framework (which for the Group is IFRS), but we use them to provide greater 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 IFRS consolidated income statement, IFRS consolidated statement of financial position and IFRS consolidated statement of cash flows, which are presented in the financial statements of this release.

Further details of APMs used by the consolidated Group in our financial review are provided below.

APM	Definition
Adjusted profit	Represents the underlying operating profit of the Group. It therefore adjusts IFRS profits for key adjusting items and excludes non-core operations, as detailed in note 7(a) in the financial statements. Due to the nature of the Group's businesses, we believe that adjusted profit is an appropriate basis by which to assess the Group's underlying operating results and it enhances comparability and understanding of the financial performance of the Group.
Revenue margin (bps)	Represents net management fees, divided by average AuMA.
Operating margin	Represents adjusted profit from continuing operations divided by total revenue (net management fees and other revenue). Operating margin excludes financing costs. Management use this APM as this represents an efficiency measure that allows users of our financial statements to assess what percentage of net revenues becomes adjusted profit.
Gross sales	Gross sales are the gross cash inflows received from customers during the period.
Net client cash flows (NCCF)	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 considered to be a lead indicator of reported net revenue.
Integrated net flows	Total NCCF, before intra-Group eliminations that have flowed through two or more segments within the Group. It is considered to be a lead indicator of revenue generation driven by our integrated business model.
AuMA	Represents the total market value of all financial assets managed and administered on behalf of customers and includes shareholder assets.
Average AuMA	Represents the average total market value of all financial assets managed and administrated 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.
Net management fees	Consists of revenue generated from AuMA, fixed fee revenues including charges for policyholder tax contributions, less trail commissions payable.
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).
Cash generation	This presents a shareholder view of underlying cash earnings. The IFRS consolidated statement of cash flows includes policyholder cash flows, and does not exclude adjustments for non-operating items. Cash generated from operations is calculated by removing non-cash items from adjusted profit. Cash generated from operations is stated after deducting an allowance for cash required to support the capital requirements of the business generated from normal operations. The capital requirements of the business are assessed on each company's solo regulatory solvency basis.
Asset retention	The asset retention rate measures the outflows of the assets under management during the period as a percentage of opening assets under management. Asset retention is calculated as 1 - (gross outflow divided by opening assets under management)

Supplementary Information

AuMA and NCCF

Gross sales (£bn)	2018			Change (H1-18 vs H1-17)		2017					
	Q1	Q2	H1	Value	%	Q1	Q2	H1	Q3	Q4	FY
Quilter Investors	1.6	1.5	**3.1**	0.6	24%	1.2	1.3	2.5	1.4	1.4	5.3
Quilter Cheviot	0.8	0.6	**1.4**	(0.1)	(7%)	0.7	0.8	1.5	0.7	0.6	2.8
Advice & Wealth Management	**2.4**	**2.1**	**4.5**	**0.5**	**13%**	1.9	2.1	4.0	2.1	2.0	8.1
Quilter Wealth Solutions	2.3	2.0	**4.3**	(0.1)	(2%)	2.2	2.2	4.4	2.3	2.2	8.9
Quilter International	0.5	0.4	**0.9**	(0.2)	(18%)	0.5	0.6	1.1	0.4	1.3	2.8
Quilter Life Assurance	0.2	0.1	**0.3**	(0.5)	(63%)	0.4	0.4	0.8	0.2	0.1	1.1
Wealth Platforms	**3.0**	**2.5**	**5.5**	**(0.8)**	**(13%)**	3.1	3.2	6.3	2.9	3.6	12.8
Elimination of intra-Group items	(1.0)	(0.9)	**(1.9)**	**(0.2)**	**12%**	(0.8)	(0.9)	(1.7)	(0.9)	(1.0)	(3.6)
Quilter plc	**4.4**	**3.7**	**8.1**	**(0.5)**	**(6%)**	4.2	4.4	8.6	4.1	4.6	17.3

NCCF (£bn)	2018			% of Opening AuMA Annualised	2017					
	Q1	Q2	H1		Q1	Q2	H1	Q3	Q4	FY
Quilter Investors	1.0	0.8	**1.8**	21%	0.7	0.8	1.5	0.9	0.9	3.3
Quilter Cheviot	0.3	0.2	**0.5**	4%	0.2	0.4	0.6	0.4	0.1	1.1
Advice & Wealth Management	**1.3**	**1.0**	**2.3**	**11%**	0.9	1.2	2.1	1.3	1.0	4.4
Quilter Wealth Solutions	1.3	0.8	**2.1**	8%	1.0	1.1	2.1	1.2	1.2	4.5
Quilter International	0.1	-	**0.1**	1%	0.2	0.2	0.4	0.2	0.8	1.4
Quilter Life Assurance	(0.5)	(0.5)	**(1.0)**	(13%)	(0.3)	(0.2)	(0.5)	(0.7)	(0.4)	(1.6)
Wealth Platforms	**0.9**	**0.3**	**1.2**	**3%**	0.9	1.1	2.0	0.7	1.6	4.3
Elimination of intra-Group items	**(0.6)**	**(0.7)**	**(1.3)**		(0.4)	(0.5)	(0.9)	(0.7)	(0.8)	(2.4)
Quilter plc	**1.6**	**0.6**	**2.2**	**4%**	1.4	1.8	3.2	1.3	1.8	6.3
Quilter plc (excl. Quilter Life Assurance)	**2.0**	**1.0**	**3.0**	**6%**	1.5	1.9	3.4	1.9	2.3	7.6
Integrated flows (excl. Quilter Life Assurance)			**2.8**				2.4			5.2

Quilter

AuMA (£bn)	2018		Change (H1-18 vs H1-17)		2017			
	Q1	H1	Value	%	Q1	H1	Q3	FY
Quilter Investors	17.1	**18.4**	4.3	30%	13.1	14.1	15.3	16.9
Quilter Cheviot	22.8	**24.1**	1.6	7%	21.8	22.5	23.0	23.6
Quilter Financial Planning	1.2	**1.2**	-	0%	-	1.2	1.2	1.2
Advice & Wealth Management	**41.1**	**43.7**	**5.9**	**16%**	34.9	37.8	39.5	41.7
Quilter Wealth Solutions	49.7	**52.3**	6.4	14%	44.0	45.9	47.6	50.2
Quilter International	18.6	**19.2**	1.4	8%	17.5	17.8	18.0	19.3
Quilter Life Assurance [1]	14.4	**14.5**	(1.1)	(7%)	16.0	15.6	15.1	15.3
Wealth Platforms	**82.7**	**86.0**	**6.7**	**8%**	77.5	79.3	80.7	84.8
Elimination of intra-Group items	**(12.2)**	**(13.2)**	**(3.4)**	**35%**	(9.1)	(9.8)	(10.6)	(12.1)
Quilter plc	**111.6**	**116.5**	**9.2**	**9%**	103.3	107.3	109.6	114.4

[1] Includes other shareholder assets of £0.3bn in Q1 2018 and £0.4bn in H1 2018 (Q1 2017: £0.1bn, H1 2017: £nil, Q3 2017: £0.1bn and FY 2017: £0.2bn)

Revenue (£m) H1 2018	Quilter Investors	Quilter Cheviot	Quilter Financial Planning	**Advice & Wealth Management**	Quilter Wealth Solutions	Quilter International	Quilter Life Assurance	**Wealth Platforms**	**Head Office**	**Group**
Net management fee	49	86	1	**136**	83	56	44	**183**	**-**	**319**
Other revenue	1	3	41	**45**	2	10	8	**20**	1	**66**
Total revenue	**50**	**89**	**42**	**181**	**85**	**66**	**52**	**203**	**1**	**385**

Revenue (£m) H1 2017	Quilter Investors	Quilter Cheviot	Quilter Financial Planning	Advice & Wealth Management	Quilter Wealth Solutions	Quilter International	Quilter Life Assurance	Wealth Platforms	Head Office	Group
Net management fee	33	79	-	112	75	55	43	173	-	285
Other revenue	-	1	35	36	2	11	12	25	-	61
Total revenue	33	80	35	148	77	66	55	198	-	346

Advice and Wealth Management

The following table sets forth certain key metrics utilised by management with respect to the business units of the Advice & Wealth Management segment, for the periods indicated.

	H1 2018	H1 2017	**% change**
Quilter Financial Planning			
Net management fee	1	-	-
Other revenue	41	35	17%
Total revenue	**42**	35	20%
RFPs + QPCA (#)	1,590	1,582	1%
Productivity (£m)	1.8	1.6	13%
Quilter Investors			
Net management fee	49	33	48%
Other revenue	1	-	-
Total revenue	**50**	33	52%
NCCF (£bn)	1.8	1.5	20%
Closing AuM (£bn)	18.4	14.1	30%
Average AuM (£bn)	17.5	13.1	34%
Revenue margin (bps)	56	51	5 bps
Quilter Cheviot			
Net management fee	86	79	9%
Other revenue	3	1	200%
Total revenue	**89**	80	11%
NCCF (£bn)	0.5	0.6	(17%)
Closing AuM (£bn)	24.1	22.5	7%
Average AuM (£bn)	23.5	21.6	9%
Revenue margin (bps)	73	73	-
Asset retention (%)	92%	91%	1 pp
Investment managers (#)	168	159	6%

Wealth Platforms

The following table sets forth certain key metrics utilised by management with respect to the business units of the Wealth Platforms segment, for the periods indicated.

	H1 2018	H1 2017	% change
Quilter Wealth Solutions			
Net management fee	83	75	11%
Other revenue	2	2	-
Total revenue	**85**	77	10%
NCCF (£bn)	2.1	2.1	-
Closing AuA (£bn)	52.3	45.9	14%
Average AuA (£bn)	51.8	44.7	16%
Revenue margin (bps)	32	34	(2) bps
Asset retention (%)	91%	89%	2 pp
Quilter International			
Net management fee	56	55	2%
Other revenue	10	11	(9%)
Total revenue	**66**	66	-
NCCF (£bn)	0.1	0.4	(75%)
Closing AuA (£bn)	19.2	17.8	8%
Average AuA (£bn)	18.9	17.3	9%
Revenue margin (bps)	59	64	(5) bps
% premium-based charging (%)	58%	53%	5 pp
Asset retention (%)	92%	92%	-
Quilter Life Assurance			
Net management fee	44	43	2%
Other revenue	8	12	(33%)
Total revenue	**52**	55	(5%)
NCCF (£bn)	(1.0)	(0.5)	(100%)
Closing AuA (£bn)	14.5	15.6	(7%)
Average AuA (£bn)	13.9	15.0	(7%)
Revenue margin (bps)	63	57	6 bps
Asset retention (%)	83%	83%	-

Shareholder Information

In line with statements given at the time of the Company's listing, there is no routine interim dividend in relation to the first half of 2018. However, the Board has declared a special interim dividend of 12.0 pence per share from the surplus proceeds from the sale of the Single Strategy business. The special interim dividend will be paid on 21 September 2018 to shareholders on the UK and South African share registers on 24 August 2018.

Dividend Timetable

Dividend Declaration in pounds sterling with South Africa ZAR Equivalent	Wednesday 8 August 2018
Last day to trade cum dividend in South Africa	Tuesday 21 August 2018
Shares trade ex-dividend in South Africa	Wednesday 22 August 2018
Shares trade ex-dividend in the UK	Thursday 23 August 2018
Record Date in UK and South Africa	Friday 24 August 2018
Payment date	Friday 21 September 2018

From the opening of trading on Wednesday 8 August 2018 until the close of business on Friday 24 August 2018, no transfers between the London and Johannesburg registers will be permitted. Share certificates for Shareholders on the South African register may not be dematerialised or rematerialised between 22 and 24 August 2018, both dates inclusive.

Additional information

For Shareholders on our South African share register a dividend of 206.42952 South African cents per share will be paid on 21 September 2018 to shareholders, based on an exchange rate of 17.20246. Dividend Tax will be withheld at the rate of 20% from the amount of the gross dividend of 206.42952 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 165.14362 South African cents per share. The Company had a total of 1,902,251,098 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 advisor.

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For the 6 month period ended 30 June 2018

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

For the 6 month period ended 30 June 2018

Each of the directors of Quilter plc, confirms to the best of his or her knowledge and belief that:

- The condensed set of consolidated financial statements, which comprises the consolidated income statement and statement of comprehensive income, reconciliation of adjusted profit to profit after tax, consolidated statement of changes in equity, consolidated statement of financial position, consolidated statement of cash flows and the related explanatory notes, has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union.

- The interim management report includes a fair review of the information required by:

    a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of consolidated financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

    b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the Group's 31 December 2017 Historical Financial Information, within the Group's listing prospectus, that could do so.

As per provision C1 of the UK Corporate Governance Code, the results for the half year 2018 results taken as a whole, present a fair, balanced and understandable position of the Company's prospects.

Paul Feeney
Chief Executive Officer
7 August 2018

Tim Tookey
Chief Financial Officer
7 August 2018

Independent review report to Quilter plc

For the 6 month period ended 30 June 2018

Conclusion

We have been engaged by the company to review the condensed set of financial statements for the half-yearly financial report for the six months ended 30 June 2018 which comprises the consolidated income statement and statement of comprehensive income, reconciliation of adjusted profit to profit after tax, consolidated statement of changes in equity, consolidated statement of financial position, the consolidated statement of cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Jonathan Mills
for and on behalf of KPMG LLP

Chartered Accountants
15 Canada Square
London
E14 5GL
7 August 2018

Consolidated income statement

For the 6 month period ended 30 June 2018

	Notes	**Six months ended 30 June 2018** £m	Six months ended 30 June 2017 £m	Year ended 31 December 2017 £m
Revenue				
Gross earned premiums		**75**	73	148
Premiums ceded to reinsurers		**(44)**	(43)	(88)
Net earned premiums		**31**	30	60
Fee income and other income from service activities	8	**523**	437	895
Investment return		**293**	2,681	5,195
Other income		**10**	5	13
Total revenue		**857**	3,153	6,163
Expenses				
Claims and benefits paid		**(45)**	(38)	(76)
Reinsurance recoveries		**29**	25	54
Net insurance claims and benefits incurred		**(16)**	(13)	(22)
Change in reinsurance assets and liabilities	17(c)	**20**	26	85
Change in insurance contract liabilities	21(a)	**(23)**	(22)	(78)
Change in investment contract liabilities		**(192)**	(2,264)	(4,308)
Fee and commission expenses, and other acquisition costs		**(230)**	(154)	(320)
Change in third party interest in consolidated funds		**3**	(325)	(673)
Other operating and administrative expenses		**(392)**	(376)	(816)
Finance costs	9	**(10)**	(20)	(39)
Total expenses		**(840)**	(3,148)	(6,171)
Profit on the acquisition and re-measurement of subsidiaries	5(a)	**-**	-	3
Profit/(Loss) before tax from continuing operations		**17**	5	(5)
Tax credit/(expense) attributable to policyholders' funds		**18**	(29)	(49)
Profit/(Loss) before tax attributable to shareholders' profits		**35**	(24)	(54)
Income tax credit/(expense)	10(a)	**15**	(22)	(41)
Less: tax (credit)/expense attributable to policyholders' funds		**(18)**	29	49
Tax credit/(expense) attributable to shareholders' profits		**(3)**	7	8
Profit/(Loss) after tax from continuing operations		**32**	(17)	(46)
Profit after tax from discontinued operations	5(d)	**310**	111	203
Profit for the period after tax		**342**	94	157
Attributable to:				
Equity holders of Quilter plc		**342**	94	157
Earnings per ordinary share on profit attributable to ordinary shareholders of Quilter plc				
Basic				
From continuing operations (pence)		**1.8**	(1.0)	(2.5)
From discontinued operations (pence)	5(d)	**16.9**	6.1	11.1
Basic earnings per ordinary share (pence)	11(a)	**18.7**	5.1	8.6
Diluted				
From continuing operations (pence)		**1.8**	(1.0)	(2.5)
From discontinued operations (pence)	5(d)	**16.9**	6.1	11.1
Diluted earnings per ordinary share (pence)	11(b)	**18.7**	5.1	8.6

The attached notes on pages 33 to 81 form an integral part of these condensed consolidated interim financial statements.

Consolidated statement of comprehensive income

For the 6 month period ended 30 June 2018

				£m
		Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
Profit for the period		**342**	94	157
Other comprehensive income:				
Exchange gains on translation of foreign operations[1]		**-**	1	3
Other comprehensive income / (expense) for the period[2]		**(1)**	-	-
Items that may be reclassified subsequently to income statement		**(1)**	1	3
Income tax on items that will not be reclassified subsequently to income statement[2]		**-**	2	3
Items that will not be reclassified subsequently to income statement		**-**	2	3
Total other comprehensive income, net of tax[1]		**(1)**	3	6
Total comprehensive income for the period		**341**	97	163
Attributable to:				
Continuing operations		**31**	(13)	(47)
Discontinued operations	5e	**310**	110	210
Equity holders of Quilter plc		**341**	97	163

[1]In the year ended 31 December 2017, £3 million previously shown within the consolidated statement of changes in equity as a change in participation in subsidiaries has been reclassified to other comprehensive income, to conform with current presentation.

[2]In the year ended 31 December 2017, £3 million previously shown within other comprehensive income for the period has been reclassified to income tax on items that will not be reclassified subsequently to income statement, to conform with current presentation.

The attached notes on pages 33 to 81 form an integral part of these condensed consolidated interim financial statements.

Reconciliation of adjusted profit to profit after tax

For the 6 month period ended 30 June 2018

	Notes	**Six months ended 30 June 2018**	Six months ended 30 June 2017	Year ended 31 December 2017
				£m
Adjusted profit before tax				
Advice and Wealth Management		**47**	32	82
Wealth Platforms		**83**	74	158
Head Office		**(20)**	(11)	(31)
Adjusted profit before tax	6(b)	**110**	95	209
Reconciliation of adjusted profit to Profit after tax				
Adjusting for the following:				
Goodwill impairment and impact of acquisition accounting		**(28)**	(28)	(54)
Profit on business acquisitions and disposals		**-**	-	3
Business transformation costs		**(37)**	(59)	(89)
Managed Separation costs		**(17)**	(12)	(32)
Finance costs		**(8)**	(20)	(39)
Policyholder tax adjustments		**15**	-	17
Voluntary customer remediation provision		**-**	-	(69)
Total adjusting items before tax	7(a)	**(75)**	(119)	(263)
Profit/(Loss) before tax attributable to shareholders' profits		**35**	(24)	(54)
Income tax attributable to policyholder returns		**(18)**	29	49
Profit/(Loss) before tax from continuing operations		**17**	5	(5)
Income tax credit/(expense) on continuing operations	10(b)	**15**	(22)	(41)
Profit/(Loss) after tax from continuing operations		**32**	(17)	(46)
Profit after tax from discontinued operations	5(d)	**310**	111	203
Profit for the period after tax		**342**	94	157

Adjusted profit after tax attributable to ordinary shareholders of Quilter plc

	Notes	**Six months ended 30 June 2018**	Six months ended 30 June 2017	Year ended 31 December 2017
				£m
Adjusted profit before shareholder tax		**110**	95	209
Shareholder tax on adjusted profit	10(c)	**(9)**	(15)	(14)
Adjusted profit after tax attributable to ordinary shareholders of Quilter plc	11(c)	**101**	80	195
Adjusted weighted average number of ordinary shares used to calculate adjusted basic and diluted earnings per share (millions)	11(c)	**1,830**	1,830	1,830
Adjusted basic and diluted earnings per share (pence)	11(c)	**5.5**	4.4	10.7

Basis of preparation of adjusted profit

Adjusted profit (previously named ‘Operating profit’ in the prospectus) reflects the directors’ view of the underlying performance of the Group and is used for management decision making and internal performance management. It is the profit measure presented in the Group’s segmental reporting. Adjusted profit is a non-GAAP measure which adjusts the IFRS profit for specific agreed items as detailed in note 7(a): Adjusted profit adjusting items.

Adjusted profit excludes the impairment of goodwill; amortisation and impairment of other intangibles acquired in business combinations; the profit or loss on business acquisitions and disposals; costs related to business transformation, in particular the development of our new platform capability and outsourcing of UK business administration and other one-off and restructuring costs; Managed Separation costs; the effects of interest costs on borrowings; and voluntary customer remediation provisions. Adjusted profit also treats policyholder tax as a pre-tax charge (to offset against the related income collected from policyholders), though adjusted to remove the impact of non-operating items.

Execution of the Group’s strategy of Managed Separation from Old Mutual plc entails a number of significant costs that are regarded as non-operating, or one-off in nature. These costs are recognised within IFRS profit and excluded from adjusted profit.

Adjusted earnings applied in the calculation of adjusted earnings per share is calculated based on adjusted profit after tax. The calculation of the adjusted weighted average number of shares includes own shares held in policyholders’ funds.

The notes on pages 33 to 81 form an integral part of these condensed consolidated interim financial statements.

Consolidated statement of changes in equity

For the 6 month period ended 30 June 2018

For the 6 month period ended 30 June 2018	Notes	Share capital	Share premium	Merger reserve	Share-based payments reserve	Other reserves	Foreign currency translation reserve	Retained earnings	Total share-holders' equity £m
Balance at 1 January 2018		**130**	**58**	**-**	**38**	**1**	**-**	**872**	**1,099**
Profit for the period		**-**	**-**	**-**	**-**	**-**	**-**	**342**	**342**
Other comprehensive income/(expense)		**-**	**-**	**-**	**1**	**-**	**-**	**(2)**	**(1)**
Total comprehensive income		**-**	**-**	**-**	**1**	**-**	**-**	**340**	**341**
Acquisition of Skandia UK	19	**-**	**-**	**591**	**-**	**-**	**-**	**-**	**591**
Issue of share capital	19	**3**	**-**	**(3)**	**-**	**-**	**-**	**-**	**-**
Movement in treasury shares		**-**	**-**	**-**	**-**	**-**	**-**	**1**	**1**
Equity share-based payment transactions[1]		**-**	**-**	**-**	**(2)**	**-**	**-**	**30**	**28**
Change in participation in subsidiaries		**-**	**-**	**-**	**(12)**	**-**	**-**	**12**	**-**
Total transactions with the owners of the Company		**3**	**-**	**588**	**(14)**	**-**	**-**	**43**	**620**
Balance at 30 June 2018		**133**	**58**	**588**	**25**	**1**	**-**	**1,255**	**2,060**

[1]Equity share-based payment transactions include £28 million of IFRS 2 costs and a £30 million transfer to retained earnings representing share-based payment schemes that have fully vested.

For the 6 month period ended 30 June 2017	Notes	Share capital	Share premium	Merger reserve	Share-based payments reserve	Other reserves	Foreign currency translation reserve	Retained earnings	Total share-holders' equity £m
Balance at 1 January 2017		130	-	-	75	3	2	782	992
Profit for the period		-	-	-	-	-	-	94	94
Other comprehensive income		-	-	-	-	-	-	3	3
Total comprehensive income		-	-	-	-	-	-	97	97
Dividends		-	-	-	-	-	-	(210)	(210)
Issue of share capital	19	200	-	-	-	-	-	-	200
Equity share-based payment transactions[1]		-	-	-	(9)	-	-	-	(9)
Change in participation in subsidiaries		-	-	-	(1)	(1)	(2)	4	-
Total transactions with the owners of the Company		200	-	-	(10)	(1)	(2)	(206)	(19)
Balance at 30 June 2017		330	-	-	65	2	-	673	1,070

[1]Equity share-based payment transactions include a £22 million payment in respect of the shares schemes offset by £13 million of IFRS 2 costs.

For the year ended 31 December 2017	Notes	Share capital	Share premium	Merger reserve	Share-based payments reserve	Other reserves	Foreign currency translation reserve	Retained earnings	Total share-holders' equity £m
Balance at 1 January 2017		130	-	-	75	3	2	782	992
Profit for the year		-	-	-	-	-	-	157	157
Other comprehensive income[3]		-	-	-	-	-	-	6	6
Total comprehensive income		-	-	-	-	-	-	163	163
Dividends		-	-	-	-	-	-	(210)	(210)
Issue of share capital	19	200	58	-	-	-	-	-	258
Reduction of share capital	19	(200)	-	-	-	-	-	200	-
Movement in treasury shares[1]		-	-	-	-	-	-	(99)	(99)
Equity share-based payment transactions[2]		-	-	-	(36)	-	-	31	(5)
Change in participation in subsidiaries[3]		-	-	-	(1)	(2)	(2)	5	-
Total transactions with the owners of the Company		-	58	-	(37)	(2)	(2)	(73)	(56)
Balance at 31 December 2017		130	58	-	38	1	-	872	1,099

[1]Movement in treasury shares includes £99 million of treasury shares within the JSOP Trust that transferred from Old Mutual plc to the Company during 2017. See note 20(g) for further details.
[2]Equity share-based payment transactions include a £31 million transfer to retained earnings representing share-based payment schemes that have fully vested.
[3]A credit to retained earnings of £3 million has been reclassified from changes in participation in subsidiaries to other comprehensive income, to conform with current year presentation.

The notes on pages 33 to 81 form an integral part of these condensed consolidated interim financial statements.

Consolidated statement of financial position

At 30 June 2018

	Notes	At 30 June 2018	At 30 June 2017	At 31 December 2017
				£m
Assets				
Goodwill and intangible assets	12	**566**	678	574
Property, plant and equipment		**17**	21	18
Investments in associated undertakings[2]		**1**	1	1
Deferred acquisition costs		**12**	636	611
Contract costs[1]		**575**	-	-
Contract assets[1]		**45**	-	-
Loans and advances	13	**219**	200	199
Financial investments[2]	14	**64,569**	58,493	64,250
Reinsurers' share of policyholder liabilities	17	**2,666**	3,085	2,908
Deferred tax assets		**19**	11	22
Current tax receivable		**3**	24	-
Trade, other receivables and other assets		**1,437**	1,063	497
Derivative assets		**33**	84	87
Cash and cash equivalents	18	**3,375**	2,171	2,360
Assets of operations classified as held for sale	5(g)	**-**	-	446
Total assets		**73,537**	66,467	71,973
Equity and liabilities				
Equity				
Ordinary share capital	19	**133**	330	130
Ordinary share premium reserve	19	**58**	-	58
Merger reserve	19	**588**	-	-
Share-based payments reserve		**25**	65	38
Other reserves		**1**	2	1
Retained earnings		**1,255**	673	872
Total equity		**2,060**	1,070	1,099
Liabilities				
Long-term business insurance policyholder liabilities	21	**513**	436	489
Investment contract liabilities	21	**60,140**	55,303	59,139
Third-party interests in consolidated funds		**8,105**	6,479	7,905
Provisions and accruals	22	**115**	34	104
Deferred tax liabilities		**164**	178	190
Current tax payable		**12**	35	38
Borrowings	23	**197**	838	782
Trade, other payables and other liabilities		**1,937**	1,416	1,331
Deferred revenue		**-**	254	244
Contract liabilities[1]		**235**	-	-
Derivative liabilities		**59**	424	433
Liabilities of operations classified as held for sale	5(g)	**-**	-	219
Total liabilities		**71,477**	65,397	70,874
Total equity and liabilities		**73,537**	66,467	71,973

[1]The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. It has applied IFRS 15 using the cumulative effect method, under which the comparative information is not restated. It has also taken advantage of the exemption in paragraph 7.2.15 of IFRS 9 from restating prior periods in respect of IFRS 9's classification and measurement (including impairment) requirements. Refer to note 4(b) for further information.
[2]As at 31 December 2017, £2 million has been reclassified from investments in associated undertakings to financial investments to conform with current year presentation.

Approved by the Board on 7 August 2018.

Paul Feeney
Chief Executive Officer

Tim Tookey
Chief Financial Officer

The attached notes on pages 33 to 81 form an integral part of these condensed consolidated interim financial statements.

Consolidated statement of cash flows

For the 6 month period ended 30 June 2018

The cash flows presented in this statement cover all the Group's activities and include flows from both policyholder and shareholder activities. All cash and cash equivalents are available for use by the Group except for cash and cash equivalents in Consolidated Funds.

	Notes	**Six months ended 30 June 2018**	Six months ended 30 June 2017	£m Year ended 31 December 2017
Cash flows from operating activities				
Profit before tax		**328**	123	227
Non-cash movements in profit before tax		**853**	1,969	4,061
Net changes in working capital[2]		**(368)**	335	1,281
Taxation paid		**(70)**	(19)	(9)
Total net cash flows from operating activities		**743**	2,408	5,560
Cash flows from investing activities				
Net acquisitions of financial investments		**(224)**	(1,982)	(4,760)
Acquisition of property, plant and equipment		**(2)**	(6)	(8)
Acquisition of intangible assets		**(2)**	(1)	(9)
Acquisition of interests in subsidiaries and associated undertakings joint ventures		**(568)**	(24)	(33)
Net proceeds from the disposal of interests in subsidiaries[1]		**350**	208	208
Total net cash used in investing activities		**(446)**	(1,805)	(4,602)
Cash flows from financing activities				
Dividends paid to ordinary equity holders of the Company		**-**	(210)	(210)
Finance costs		**(3)**	(20)	(39)
Proceeds from issue of ordinary shares		**591**	200	258
Proceeds from issue of subordinated and other debt		**497**	-	-
Subordinated and other debt repaid		**(516)**	(1)	(57)
Total net cash from/(used in) financing activities		**569**	(31)	(48)
Net increase in cash and cash equivalents		**866**	572	910
Cash and cash equivalents at beginning of the year		**2,508**	1,595	1,595
Effects of exchange rate changes on cash and cash equivalents		**1**	4	2
Cash and cash equivalents at end of the period	18	**3,375**	2,171	2,507

Cash flows include both continuing and discontinued operations and cash held for sale.

[1]Net proceeds from the disposal of interests in subsidiaries includes the cash consideration on disposal of the Single Strategy business of £540 million (see note 5(b)), less cash within the Single Strategy business at the point of disposal of £170 million and £20 million transaction costs.
[2]In the year end 31 December 2017, the cash flow statement has been amended to include cash of £147 million that was previously included in assets held for sale in respect of the Single Strategy business which has subsequently been sold in 2018.

The attached notes on pages 33 to 81 form an integral part of these condensed consolidated interim financial statements.

Basis of preparation and significant accounting policies

For the 6 month period ended 30 June 2018

General Information

These interim financial statements are the condensed consolidated interim financial statements for the Group, consisting of Quilter plc, formerly known as Old Mutual Wealth Management Limited, and its subsidiaries. Quilter plc (the 'Company'), a public limited company incorporated and domiciled in the United Kingdom ('UK'), together with its subsidiaries (collectively, the 'Group') offers investment and wealth management services, life assurance and long-term savings, and financial advice through its subsidiaries and associates primarily in the UK with a presence in a number of cross-border markets.

The address of the registered office is Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ.

The Company was, until 25 June 2018, a wholly owned subsidiary of Old Mutual plc, a FTSE 100 listed group. The Company formed part of the Old Mutual Wealth division of Old Mutual plc, for which it acted as a holding company and delivered strategic and governance oversight. On 25 June 2018, Quilter plc was listed on the London and the Johannesburg Stock Exchanges and is no longer part of the Old Mutual plc group.

1: Basis of preparation

The IFRS condensed consolidated interim financial statements ('interim financial statements') of Quilter plc for the six months to 30 June 2018 have been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board, as adopted by the European Union. These interim financial statements, which are unaudited, should be read in conjunction with the Group's Historical Financial Information ('HFI') as at and for the year ended 31 December 2017 included in the listing prospectus dated 20 April 2018, which is available on the Group's website.

Pursuant to section 435 of the Companies Act, the comparative figures for the financial year ended 31 December 2017 are not the company's statutory accounts for that financial year. Those accounts were company only accounts and have been reported on by the company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

They do not include all of the information required for a complete set of IFRS financial statements. However, selected notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the publication of the 2017 HFI report in the prospectus. The Board also believes that alternative performance measures ('APMs') provided, such as adjusted profit, are also useful for both management and investors.

This is the first set of the Group's financial statements where IFRS 9 *Financial Instruments* and IFRS 15 *Revenue* from *Contracts with Customers* have been applied. Changes in significant accounting policies to reflect these new IFRSs are explained in note 4. All other accounting policies for recognition, measurement, consolidation and presentation are as outlined in the 2017 HFI report in the prospectus. The interim financial statements have been prepared on the 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, taking into account its current financial position, the principal risks facing the business and the effectiveness of any mitigating strategies. 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 have sufficient financial resources to continue in business for a period of at least 12 months from the date of approval of these interim financial statements. They therefore continue to adopt the going concern basis in preparing the interim financial statements.

Critical accounting estimates and judgements

In preparing these interim financial statements, management has made estimates and judgements that affect the amounts of assets and liabilities, income and expense reported, as well as the application of the Group's accounting policies. The critical areas of accounting estimates and judgement are the same as the 2017 HFI report in the prospectus, except for new significant judgements and key sources of estimation uncertainty introduced through applying IFRS 9 and IFRS 15 for the first time. This is explained in more detail in note 4.

Acquisitions and disposals within the period ended 30 June 2018 and year ended 31 December 2017

Within these financial statements, the following acquisitions and disposals have taken place and therefore their financial impacts feature within certain reporting periods (further details of the acquisitions is included in note 5). As part of the separation from Old Mutual plc, the acquisition of Skandia UK Limited included £566 million of intercompany indebtedness which was replaced with equity in the form of share capital and a merger reserve (further details are included in note 19).

Acquisitions completed within the six month period ended 30 June 2018:

- Skandia UK Limited – acquired from Old Mutual Plc on 31 January 2018
- Quilter Private Client Advisers ('QPCA') – acquired six adviser businesses

Disposals completed within the six month period ended 30 June 2018:

- Old Mutual Wealth Single Strategy Business – sale completed on 29 June 2018

Acquisitions completed within the twelve month period ended 31 December 2017:

- Caerus Capital Group Limited – acquired on 1 June 2017
- QPCA – acquired eight adviser businesses during the year
- Attivo Investment Management Limited – acquired on 29 March 2017
- Commsale 2000 Limited – acquired from Old Mutual plc on 29 September 2017
- Global Edge Technology Limited – acquired from Old Mutual plc on 30 November 2017

Disposals completed within the twelve month period ended 31 December 2017:

- Old Mutual Wealth Italy S.p.A – sale completed on 9 January 2017

Basis of preparation and significant accounting policies

For the 6 month period ended 30 June 2018

Accounting policy elections

The following significant accounting policy election has been made by the Group:

Financial instruments

The Group has elected to designate at fair value through profit and loss ('FVTPL') some government debt securities, held to back insurance liabilities, which would ordinarily be held at amortised cost or fair value through other comprehensive income ('FVOCI') under IFRS 9, to eliminate or reduce an accounting mismatch that would otherwise arise.

Basis of consolidation

The consolidated interim financial statements incorporate the assets, liabilities and the results of the Company and its subsidiary undertakings (investees). Subsidiary undertakings are those entities, including structured entities, controlled by the Group. Subsidiaries are consolidated from the date the Group obtains control and are excluded form consolidation from the date the Group loses control.

Where necessary, adjustments are made to financial statements of subsidiaries to bring the accounting policies used in line with Group policies. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between Group companies are eliminated on consolidation.

On consolidation, the interests of parties other than the Group are assessed to determine whether they should be classified as liabilities or as non-controlling interests ('NCIs') on the consolidated statement of financial position under equity. The amounts are reported as a liability and described as 'Third-party interests in consolidated funds'. Such interests are not recorded as non-controlling interests as these instruments are puttable instruments as defined by IAS 32 *Financial Instruments: Presentation* and meet the liability classification requirements set out in IAS 32. These liabilities are regarded as current, as they are repayable on demand, although it is not expected that they will be settled in a short time period.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated interim financial statements.

Liquidity analysis of the statement of financial position

The Group's statement of financial position is in order of liquidity as is permitted by IAS 1 *Presentation of Financial Statements.* For each asset and liability line item, those amounts, expected to be recovered or settled after more than twelve months after the reporting date are disclosed separately in the notes to the financial statements, except where specific notes are not required within the consolidated interim financial statements.

Basis of preparation and significant accounting policies

For the 6 month period ended 30 June 2018

Critical accounting estimates and judgements

The preparation of financial statements requires management to exercise judgement in applying accounting policies and make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Critical accounting estimates and judgements are those that involve the most complex or subjective assessments and assumptions. Management uses its knowledge of current facts and circumstances and applies estimation and assumption setting techniques that are aligned with relevant actuarial and accounting guidance to make predictions about future actions and events. Actual results may differ significantly from those estimates.

The Group Audit Committee reviews the reasonableness of judgements and assumptions applied and the appropriateness of significant accounting policies adopted in the preparation of these financial statements.

The areas where judgements, estimates and assumptions have the most significant effect on the amounts recognised in the condensed consolidated financial statements are summarised separately below:

Area	**Critical accounting judgement**
Consolidation	Assessment of whether the Group controls underlying entities (investees), including investment funds, based on whether the Group has (1) power over the investee, (2) exposure or rights to variable returns from its involvement with the investee and (3) the ability to affect those returns through its power over the investee.
Insurance contracts – classification	Assessment of the significance of insurance risk transferred to the Group in determining whether a contract should be classified (and accounted for) as an insurance or investment contract.
Provisions and contingent liabilities - recognition	In assessing whether a provision should be recognised or a contingent liability disclosed, the Group evaluates the likelihood of a constructive or legal obligation to settle an event that took place in the past and whether a reliable estimate can be made.
Deferred tax	The calculation and recognition of temporary differences resulting in deferred tax balances includes judgement as to the extent to which future taxable profits are available against which temporary differences can be utilised.

Area	**Critical accounting assumption/estimate**
Insurance contracts – measurement	Measurement involves significant use of assumptions including mortality, morbidity, persistency, expense valuation and interest rates.
Provisions - measurement	The amount of provision is calculated based on the Group's estimation of the expenditure required to settle the obligation at the statement of financial position date.
Deferred tax	The estimation of future taxable profits is performed as part of the annual business planning process, and is based on estimated levels of assets under management, which are subject to a large number of factors including worldwide stock market movements, related movements in foreign exchange rates and net client cash flow, together with estimates of expenses and other charges.
Goodwill and intangible assets	The valuation of intangible assets that are recognised as the result of a business combination involves the use of valuation models. In relation to goodwill impairment, the determination of a cash generating unit's ('CGUs') recoverable value is based on the discounted value of the expected future profits of each business. Significant estimates include forecast cash flows, new business growth and discount rates. Intangible assets are tested for impairment using an income approach method using estimates such as forecast cash flows and discount rate.
Valuation of investments	Where quoted market prices are not available, valuation techniques are used to value financial investments, using both observable and unobservable market inputs. These are categorised as level 3 in the fair value hierarchy.
Impairment of financial assets at amortised cost	Under IFRS 9, a forward-looking impairment model, based on expected credit losses ('ECLs'), applies to financial assets held at amortised cost. ECLs are probability-weighted estimates of credit losses. In calculating this ECL allowance, the Group considers information about past events and current conditions as well as supportable information about future events and economic conditions. In addition, for loans to which the three stage general model of impairment is applied, judgement is required to determine which indicators represent a significant increase in credit risk and thereby trigger the recognition of a lifetime ECL allowance.

2: New standards, amendments to standards, and interpretations adopted in the 2018 condensed financial statements

The Group adopted IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* for the first time in 2018. Although significant standards, they did not have a material impact on the Group. The majority of the Group's financial assets and liabilities continue to be measured at fair value through profit or loss ('FVTPL') after the implementation of IFRS 9. In relation to IFRS 15 the Group was already largely compliant in the way it recognises fee and commission income. The impact of adopting these two new standards is outlined in note 4: Significant accounting policies.

Other standards:

There are a number of amendments to IFRS that have been issued by the International Accounting Standards Board ('IASB') that become mandatory during 2018 or in a subsequent accounting period. The Group has evaluated these changes and none are expected to have a significant impact on the condensed consolidated interim financial statements.

3: Future standards, amendments to standards, and interpretations not early-adopted in these financial statements

Certain new standards, interpretations and amendments to existing standards have been published by the IASB that are mandatory for the Group's annual accounting periods beginning after 1 January 2018. The Group has not early adopted these standards, amendments and interpretations. The new standards that will have a significant impact on the Group are summarised below:

- **IFRS 16 *Leases***

  The IASB issued IFRS 16 *Leases* in January 2016. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases standard, IAS 17 *Leases*, and related Interpretations.

  For lessees, IFRS 16 will result in almost all leases being recognised in the statement of financial position as IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognise:

  (a) assets (the right to use the leased item) and liabilities (to pay lease rentals); and

  (b) depreciation of lease assets separately from interest on lease liabilities in the income statement.

  The only exceptions to these requirements are for leased arrangements that are short term in nature (less than 12 months) or low value leased items.

  Accounting for lessors will not change significantly, as IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

  The most significant effect of the new requirements in IFRS 16 is a potential increase in the recognition of lease assets and financial liabilities on the statement of financial position. The Group is currently assessing the impact of IFRS 16 and has identified those lease arrangements for which the right to use assets and financial liabilities are required to be recognised, i.e. those that are neither short term nor low value. The Group is in the process of quantifying the right to use assets and financial liabilities. The new requirements are not likely to have a material impact on the Group.

  Effective date

  IFRS 16 will be effective for accounting periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

- **IFRS 17 *Insurance contracts***

  The IASB issued IFRS 17 *Insurance Contracts* in May 2017. IFRS 17 replaces its interim predecessor, IFRS 4 *Insurance Contracts*, and is a comprehensive standard which provides a single accounting model for all insurance contracts. IFRS 17 replaces a wide range of different accounting practices previously permitted, improving transparency and enabling investors and regulators to understand and compare the financial position and performance of an insurer, irrespective of where they are based geographically.

  The measurement model

  The use of current estimates at each reporting date and an explicit risk adjustment to measure obligations created by insurance contracts, provides up to date information about cash flows and associated risk and timing. 'Day one' profits are deferred and recognised in the income statement through the release of the contractual service margin ('CSM'), which has the effect of recognising revenue as services are provided and the insurer is released from risk. This is consistent with the treatment in IFRS 15.

  Presentation and disclosure

  Insurers' financial statements will look different under IFRS 17. Insurers will be required to provide information about sources of profit or losses from insurance service, comprising insurance revenue and insurance service expenses (underwriting activity), as well as insurance finance income or expense (investing activity). New performance metrics and KPIs will be required to explain business results to the investment community. Disclosure requirements focus on amounts recognised in the financial statements, significant judgements and changes in those judgements, as well as information about the nature and extent of risks that arise from insurance contracts.

  Effective date

  IFRS 17 has an effective date of 1 January 2021, with early adoption available. The standard is yet to be endorsed by the EU. Management is currently assessing the impact of this standard on the Group, prior to establishing a multi-functional project team involving Finance, Actuarial, Risk and IT to assess operational impacts.

- **Other**

  The IASB issued IFRIC 23 *Uncertainty over Income Tax Treatments* in June 2017. This Interpretation sets out how to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates (collectively referred to as 'accounting tax position') where there is uncertainty over treatment. The Group is currently evaluating the impact of the adoption of this interpretation. IFRIC 23 is effective for the Group for the year commencing 1 January 2019.

Although there are other new standards, interpretations and amendments to existing standards that have been published, they are not expected to have a significant impact on the condensed consolidated interim financial statements of the Group.

4: Significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's Historical Financial Information, within the listing prospectus, as at and for the year ended 31 December 2017.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018.

Changes in significant accounting policies

4(a): Merger accounting and the merger reserve

A pooling of interests method or merger accounting is used by the Group for common control combinations, which are transactions between entities that are ultimately controlled by the same party or parties. This method treats the merged entities as if they had been combined throughout the current and comparative accounting periods. Merger accounting principles for these combinations result in the recognition of a merger reserve in the consolidated statement of financial position, being the difference between the nominal value of any new shares issued by the parent company for the acquisition of the shares of the subsidiary and the subsidiary's Net Asset Value ('NAV'). Such transactions attract merger relief under section 612 of the Companies Act 2006. For further information see note 19.

4(b): New IFRSs

As outlined in note 2 above, the Group has adopted IFRS 9 *Financial instruments* (July 2014) and IFRS 15 *Revenue from Contracts with Customers* from 1 January 2018. The adoption of IFRS 15 has not resulted in any material impact on the Group's existing practises and accounting policies, except for the incorporation of new terminology introduced by the standard. The adoption of IFRS 9 during the six month period has resulted in changes to accounting policies and a small adjustment to opening retained earnings for moving to a forward looking impairment model, based on ECLs.

4(b)(i): IFRS 9 Financial Instruments

Financial instruments (other than derivatives)

Financial instruments cover a wide range of financial assets, including financial investments, trade receivables and cash and cash equivalents and financial liabilities, including investment contract liabilities, trade payables, and borrowings.

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes party to the contractual provisions of the instrument. The Group derecognises a financial asset when the contractual rights to receive cash flows have expired or been forfeited by the Group. A financial liability is derecognised when, and only when the liability is extinguished.

Classification and measurement of financial assets and financial liabilities

Initial measurement

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at fair value through the profit or loss ('FVTPL'), transaction costs that are directly attributable to its acquisition.

Subsequent measurement

Under IFRS 9, for the purpose of subsequent measurement, a financial asset is classified, on initial recognition, as measured at: amortised cost; FVOCI-debt instrument; FVOCI-equity investment; or FVTPL. The classification of financial assets depends on (i) the purpose for which they were acquired, (ii) the business model in which a financial asset is managed, and (iii) its contractual cash flow characteristics. This classification determines the subsequent measurement basis. The following accounting policies apply to the subsequent measurement of financial assets.

Measurement basis	**Accounting policies**
Financial assets at FVTPL	These financial assets are subsequently measured at fair value. Net gains and losses, including interest and dividend income, are recognised in profit or loss.
Amortised cost	These financial assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.
Debt investments at FVOCI	These financial assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These financial assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Business model assessment

The Group assesses the objective of a business model in which an asset is held at a portfolio level because this best represents the way the business is managed and information is reported to management. The assessment considers the stated portfolio policies and objectives. It is important to determine whether management's strategy in holding the financial asset is to earn contractual interest revenue, for example to match the duration of financial assets to the duration of liabilities that are funding those assets or to realise cash flows through the sale of the assets. The frequency, volume and timing of sales in prior periods may be reviewed, along with the reasons for such sales and expectations about future sales activity. This helps management determine whether financial assets should be measured at fair value.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets. Reclassifications are expected to occur infrequently.

Amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest ('SPPI') on the principal amount outstanding on specified dates.

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration of the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

Financial assets at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise to cash flows that are SPPI on the principal amount outstanding on specified dates.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets at FVTPL

All other financial assets that are not measured at amortised cost or FVOCI are classified as measured at FVTPL. This includes all derivative financial assets. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI, at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets that are held for trading or whose performance is evaluated on a fair value basis are measured at FVTPL because this best reflects the way they are managed and they do not satisfy the qualifying conditions for the other two business models.

The Group's interests in pooled investment funds, equity securities and debt securities are designated at FVTPL, as they are part of groups of financial assets which are managed and whose performance is evaluated on a fair value basis. These investments are recognised at fair value initially and subsequently, with changes in fair value recognised in investment return in the consolidated income statement.

The fair value of quoted financial investments, which represents the vast majority of the Group's investments, are based on the value within the bid-offer spread that is most representative of fair value. If the market for a financial investment is not active, the Group establishes fair value by using valuation techniques such as recent arm's length transactions, reference to similar listed investments, discounted cash flow or option pricing models.

The Group recognises purchases and sales of financial investments on trade date, which is the date that the Group commits to purchase or sell the assets. The costs associated with investment transactions are included within expenses in the statement of comprehensive income.

Loans and advances

Loans with fixed maturities, including policyholder loans, are recognised when cash is advanced to borrowers or policyholders. Policyholder loans are interest free and are designated at FVTPL since they are taken from the policyholder's account and thereby linked to underlying investments held at FVTPL. Other loans and advances are carried at amortised cost using the effective interest rate method. These assets are subject to the impairment requirements outlined below.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible to a known amount of cash. Cash and cash equivalents held within consolidated unit trust funds are classified as FVTPL. All other cash and cash equivalents are classified as at amortised cost which means they are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method and are subject to the impairment requirements outlined below.

Financial liabilities and equity

Management also determines the classification of financial liabilities at initial recognition. The Group classifies its financial liabilities, as measured at either amortised cost or FVTPL.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. At inception, investment contract liabilities for unit linked business are designated as financial liabilities and measured at FVTPL. For unit-linked contracts, the fair value liability is equal to the total value of units allocated to the policyholders, based on the bid price of the underlying assets in the fund. The FVTPL classification reflects the fact that the matching investment portfolio, that mirrors the unit-linked liabilities, is managed, and its performance evaluated, on a fair value basis. Other financial liabilities are measured at amortised cost using the effective interest method.

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

Trade payables and receivables

Due to the short term nature of trade payables and receivables, their carrying amount is considered to be the same as their fair value.

Investments in subsidiaries

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

Impairment of financial assets

IFRS 9 introduces an expected loss accounting model for credit losses that differs significantly from the incurred loss model under IAS 39 and results in earlier recognition of credit losses. For further details of our credit risk management practices, refer to the credit risk section of our 2017 Historical Financial Information, within the listing prospectus.

The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Financial assets at amortised cost include trade receivables, cash and cash equivalents and corporate debt securities.

Under IFRS 9, credit loss allowances are measured on each reporting date according to a three stage ECL impairment model.

Performing financial assets

Stage 1

From initial recognition of a financial asset to the date on which an asset has experienced a significant increase in credit risk relative to its initial recognition, a stage 1 loss allowance is recognised equal to the credit losses expected to result from its default occurring over the earlier of the next 12 months or its maturity date ('12-month ECL').

Stage 2

Following a significant increase in credit risk relative to the initial recognition of the financial asset, a stage 2 loss allowance is recognised equal to the credit losses expected from all possible default events over the remaining lifetime of the asset ('Lifetime ECL').

The assessment of whether there has been a significant increase in credit risk requires considerable judgment, based on the lifetime probability of default ('PD'). Stage 1 and 2 allowances are held against performing loans; the main difference between stage 1 and stage 2 allowances is the time horizon. Stage 1 allowances are estimated using the PD with a maximum period of 12 months, while stage 2 allowances are estimated using the PD over the remaining lifetime of the asset.

Impaired financial assets

Stage 3

When a financial asset is considered to be credit-impaired, the allowance for credit losses ('ACL') continues to represent lifetime expected credit losses, however, interest income is calculated based on the amortised cost of the asset, net of the loss allowance, rather than its gross carrying amount.

Application of the new impairment model

The Group applies IFRS 9's new ECL model to two main types of financial assets that are measured at amortised cost or FVOCI:

- Trade receivables and contract assets, to which the simplified approach prescribed by IFRS 9 is applied. This approach requires the recognition of a Lifetime ECL allowance on day one.
- Loans at amortised cost, to which the general three stage model (described above) is applied, whereby a 12 month ECL is recognised initially and the balance is monitored for significant increases in credit risk which triggers the recognition of a Lifetime ECL allowance.

ECLs are a probability-weighted estimate of credit losses. ECLs for financial assets that are not credit-impaired at the reporting date are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due in accordance with the contract and the cash flows that the Group expects to receive). ECLs for financial assets that are credit-impaired at the reporting date are measured as the difference between the gross carrying amount and the present value of estimated future cash flows. ECLs are discounted at the effective interest rate of the financial asset. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

The measurement of ECLs considers information about past events and current conditions, as well as supportable information about future events and economic conditions. The Group has revised its impairment methodology for estimating the ACL, taking into account forward-looking information in determining the appropriate level of allowance. In addition it has identified indicators and set up procedures for monitoring for significant increases in credit risk.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and any debt financial assets carried at FVOCI are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes events such as significant financial difficulty of the borrower or issuer, a breach of contract such as a default or past due event or the restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the asset.

Write-offs

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

Hedge accounting

The Group does not currently apply hedge accounting and has elected to defer the application of hedge accounting requirements in IFRS 9 and will assess them once the IASB has completed its project. It will disclose information on the impact of adoption in the first set of financial statements, in which it has applied the IFRS 9 hedging requirements.

IFRS 9 Transition

Assessments have been carried out on the basis of the facts and circumstances that existed at the date of initial application to determine the business model within which a financial asset is held and to establish the designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except that, in accordance with the transitional provisions in IFRS 9 (7.2.15), comparative information for prior periods has not been restated. Accordingly, all comparative period information is presented in accordance with the Group's previous accounting policies, as described in the 2017 Historical Financial Information report. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 January 2018.

Classification and measurement on adoption

For the Quilter Group, there is no financial impact on adopting IFRS 9 for changes in the measurement basis for financial assets and liabilities and consequently no adjustment to opening retained earnings at 1 January 2018. There has however been a change to classification terminology, outlined below for the Group's main financial instruments:

	IFRS 9	**IAS 39**	
Financial instrument	**Classifications and measurement models**	**Classifications**	**Measurement model**
• Cash and cash equivalents • Trade receivables • Loans and advances (not unit-linked)	Amortised Cost	Loans and receivables	Amortised Cost
• Debt instruments (unit-linked)[1] • Equity instruments (unit-linked) • Loans and advances (unit-linked)	FVTPL (mandatory)	FVTPL (designated)	FVTPL

[1]Quilter's unit-linked business, where a portfolio of financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with its risk management strategy, is required to be held at FVTPL (not elected) under IFRS 9. This is due to the business model being neither (i) held to collect contractual cash flows nor (ii) held both to collect contractual cash flows and to sell financial assets.

IFRS 9 introduces a third classification and measurement model, fair value through other comprehensive income ('FVOCI'), which was not applicable to the Group on transition.

Impairment on adoption

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase. The Group has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in a small additional impairment allowance as follows:

	£m
Opening retained earnings IAS 39	872.0
Increase in provision for trade receivables	(0.1)
Increase in provision for loans	(0.1)
Total adjustment to retained earnings for adoption of IFRS 9	**(0.2)**
Opening retained earnings IFRS 9	**871.8**

4(b)(ii): IFRS 15 Revenue from Contracts with Customers

As indicated in note 2 above, the Group has adopted IFRS 15 *Revenue from Contracts with Customers* as issued by the IASB in May 2014 using the cumulative effect method. Accordingly, the information presented for 2017 has not been restated, i.e. it is presented, as previously reported, under IAS 18 *Revenue.*

Under IFRS 15, revenue is recognised when a customer obtains control of goods or services. Determining the timing of the transfer of control, at a point in time or over time, requires judgement. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised.

The Group performed an assessment to determine the impact of the new standard on the Group's statement of financial position and performance. It considered the five-step analysis prescribed by the standard, taking into account the different types of contracts it has with its customers, the corresponding types of services provided to customers and when these service obligations are satisfied. In addition, the Group considered the types of fee income generated across all products from the contracts with its customers and when the fee income is recognised – see the table below for further information. The assessment concluded that new requirements would not result in the Group having to change the nature or timing of satisfaction of performance obligations and significant payment terms. Consequently, the cumulative impact of adoption was nil and as a result no adjustment to the Group's opening retained earnings as at 1 January 2018 has been recognised.

Fee and commission income represents the fair value of services provided, net of value-added tax and consists predominantly of fees charged to clients in respect of investment contracts, fund management activities and the provision of financial advice. This includes income in respect of plan and policy administration, investment management services, surrenders and other contract-related services in relation to the Group's unit linked business. The fees may be for fixed amounts or vary with the amounts being managed, and will generally be charged as an adjustment to the client's balance.

Basis of preparation and significant accounting policies

For the 6 month period ended 30 June 2018

Fee and commission income is recognised as revenue as investment management and other services are provided to policyholders. Typically these services are deemed to be provided evenly over the lifetime of a contract, except where service obligations are fully delivered at the inception of the relevant contract. Where fees such as initiation and advice fees are received at the beginning of the contract for services not yet provided, either immediately at inception or over an initial period, the income is deferred and recognised as a contract liability on the statement of financial position and released to the income statement as services are provided over the lifetime of the contract.

Performance-based incentive fees are charged for managing certain investment funds in the Group's asset management business. These fees are based on the fund's performance at fixed dates relative to a benchmark. Revenue is recognised only when the performance of the fund for the period is known and has crystallised, usually bi-annually.

The table below summarises the types of fee and commission income generated by the Group.

Type of fee	**Description**	**Nature of change in accounting policy**
Premium based fees	This relates to initial fees taken on receipt of clients' investments and recognised on receipt over the life of the contract.	IFRS 15 did not have a significant impact on the Group's accounting policies.
Fund based fees	Periodic fee income based on the market valuation of the investment contracts and recognised over time in line with the provision of investment management services.	
Fixed fees	Periodic fee income fixed in value according to underlying contract terms, and transactional dealing fees. These are recognised on provision of the transaction.	
Surrender fees	Fee income relates to client charges received on the surrender of an investment contract or insurance contract, which is based on the value of the policy and recognised on surrender of the policy.	
Other fee and commission income	Fees in respect of advice provided to clients. Typically, fee income is paid by providers of the financial products at the point of sale to the client. This is when the advice has been provided to the client and the financial adviser's performance obligation has been fully delivered. Accordingly, fee income is recognised at the inception of the financial product sold.	

The introduction of IFRS 15 did not result in changes to the Group's significant accounting policies, except to update them for new terminology introduced by the new standard for contract costs (previously known as deferred acquisition costs for non-insurance contracts), contract assets (previously known as accrued income from contracts with customers), and contract liabilities (previously known as deferred fee income from contracts with customers).

5: Acquisitions, discontinued operations and disposal groups held for sale

This note provides details of the acquisitions and disposals of subsidiaries the Group has made during the period, together with details of businesses held for sale during that same period.

5(a) Business acquisitions completed during the period

Business acquisitions completed during period ended 30 June 2018

Acquisition of Skandia UK Limited from Old Mutual plc

On 31 January 2018, the Group acquired the Skandia UK Limited group of entities from Old Mutual plc which comprises seven Old Mutual plc group entities with a net asset value ('NAV') of £591 million. The transfer was financed by the issue of a share and with the balance represented by a merger reserve. No debt was taken on as a result of this transaction. The most significant asset within these entities is a £566 million receivable which corresponds to an equivalent payable within the Group's statement of financial position. The net effect of this transaction for the Group is to replace a payable due to Old Mutual plc with equity. For further information see note 19.

Quilter Private Client Advisers ('QPCA') (formerly Old Mutual Wealth Private Client Advisers)

During the first half of 2018, the Group completed the acquisition of six adviser businesses as part of the expansion of the QPCA business. The total cash consideration paid was an initial £2 million with additional potential deferred consideration of £5.5 million which is expected to be paid in full (discounted to net present value for this and all other listed acquisitions below), dependent upon meeting certain performance targets, generally relating to funds under management.

Goodwill of £3 million and other intangible assets of £3 million were recognised as a result of the transaction. The deferred consideration was capitalised in the calculation of goodwill recognised.

Business acquisitions completed during year ended 31 December 2017

Caerus Capital Group Limited ('Caerus')

On 1 June 2017, the Group, completed the acquisition of 100% of the share capital of Caerus, a UK based adviser network that operates in a similar manner to Intrinsic (another Group business within the Advice and Wealth Management segment) and which has approximately £4 billion of funds under advice and 300 advisers.

The total consideration of £24 million includes £15 million cash consideration and up to £3 million that has been deferred for two years and up to £6 million that has been deferred for three years. The deferred consideration has been included as part of the cost of the acquisition as there is no continuing employment condition applying to the sellers of the business. The deferred consideration payable is dependent on turnover targets post acquisition and is potentially reduced by the amount of any relevant claims arising from in-force business existing prior to the payment dates.

The purchase price has been allocated based on the fair value of assets acquired and liabilities assumed at the date of acquisition determined in accordance to IFRS 3 *Business Combinations*.

The carrying value of assets and liabilities in Caerus's consolidated statement of financial position on acquisition date approximates the fair value of these items determined by the Group. In addition, the Group recognised identified intangible assets of £10 million relating to customer distribution channels. The value of the intangible assets was determined by applying cash flows to standard industry valuations models. Goodwill of £10 million was recognised on the acquisition which is attributable to the delivery of cost and revenue synergies that cannot be linked to identifiable intangible assets.

Transaction costs incurred of £1 million relating to the acquisition have been recognised within other expenses in the consolidated income statement, but not included within adjusted profit.

Quilter Private Client Advisers ('QPCA')

During 2017, the Group completed the acquisition of eight adviser businesses as part of the expansion of its QPCA business that was launched in October 2015. The aim is to develop an Quilter plc branded, employed adviser business focused upon servicing upper affluent and high net worth clients, offering a centrally-defined restricted advice proposition focused upon Group's investment solutions and platform.

The purchase price has been allocated based on the fair value of assets acquired and liabilities assumed at the date of acquisition determined in accordance to IFRS 3 *Business Combinations*.

The aggregate estimated consideration payable is £20 million, of which £10 million was cash consideration and up to £10 million in relation to deferred payments. The amount of deferred consideration is dependent upon meeting certain performance targets, generally relating to the value of funds under management and levels of on-going fee income. The deferred consideration has been included as part of the cost of the acquisition. Total other intangible assets of £9 million in respect of customer relationships have been recognised as a result of the acquisitions, together with goodwill of £7 million, £2 million of which has been transferred from intangibles to goodwill following a review of the purchase price allocations in 2018 (see note 12a).

Transaction costs incurred of £1 million relating to the acquisitions have been recognised within other operating expenses in the consolidated income statement, but not included within adjusted profit.

Attivo Investment Management Limited ('AIM')

On 29 March 2017, the Group completed the acquisition of 100% of the share capital of AIM, a UK based investment management business offering a comprehensive investment management service.

The fair value of the total estimated consideration was £9 million, of which £5 million was cash consideration and £4 million was deferred for two years. The deferred consideration is included within the cost of the acquisition because it is dependent on levels of assets under management being maintained, with no requirement for continuing employment applied to the sellers of the business.

The book value of total assets and total net assets of the acquired business were both less than £1 million.

The purchase price has been based on the fair value of assets acquired and liabilities assumed at the date of acquisition determined in accordance to IFRS 3 *Business Combinations*.

5: Acquisitions, discontinued operations and disposal groups held for sale *continued*

5(a) Business acquisitions completed during the period *continued*

The carrying value of assets and liabilities in AIM's statement of financial position on acquisition date approximates the fair value of these items determined by the Group. Other intangible assets of £8 million, relating to customer relationships, were recognised as a result of the acquisition. No goodwill was recognised on this transaction.

Transaction costs incurred of £0.5 million relating to the acquisition have been recognised within other operating expenses in the consolidated income statement, but not included within adjusted profit.

Commsale 2000 Limited ('Commsale')
On 29 September 2017, the Group acquired Commsale from Old Mutual plc. Commsale is a UK based service company that runs the lease for the head office building and is responsible for the payment of rent, rates and service charges relating to the building and recharging the costs to all tenants through a service charge.

This represents a business combination involving entities or businesses under common control because the combining businesses are ultimately controlled by the same party or parties before and after the business combination.

The total consideration was £0.29 million. The fair value of the identifiable assets at the date of acquisition was £0.45 million, with a gain on purchase of £0.16 million being recognised, representing assets not valued within the agreed consideration.

Global Edge Technology Ltd ('GET')
On 30 November 2017, the Group acquired 100% of the issued share capital of GET from Old Mutual plc. GET is a service company incorporated in South Africa, with a branch in the UK that provides IT support for the Quilter group's Platform business services.

This represents a business combination involving entities or businesses under common control because the combining businesses are ultimately controlled by the same party or parties before and after the business combination.

The total consideration was £0.8 million. The fair value of the identifiable assets at the date of acquisition was £4.1 million, with a gain on purchase £3.3 million being recognised. We determined that the excess of book value over consideration paid was attributable to potential future integration costs which, if incurred, would be expensed in future periods. As potential future integrating activities do not qualify to be recognised as a liability in the application of the acquisition method of accounting, no such liability was recognised, and we recorded the excess as a bargain purchase gain.

5(b) Disposal of subsidiaries, associated undertakings and strategic investments

Period ended 30 June 2018
In December 2017, the Group announced that it had entered into an agreement to sell its Single Strategy asset management business ('Single Strategy business') to a special purpose vehicle ultimately owned by funds managed by TA Associates and certain members of the Single Strategy management team (together 'the Acquirer'). On 29 June 2018, the Group completed the sale for a total consideration of £583 million, comprising cash consideration of £540 million on completion, with an additional £7 million anticipated to be payable thereafter, paid primarily in 2019 to 2021 as surplus capital associated with the separation from the Group is released in the business. The deferred consideration is not subject to performance conditions. The remaining proceeds of £36 million were received in cash as a pre-completion dividend on 15 June 2018. Economic ownership of the Single Strategy business has passed to the Acquirer effective from 1 January 2018 with all profits and performance fees generated up until 31 December 2017 for the account of Quilter plc. The results of the Single Strategy business continued to be included as part of the Group up until the date of sale on the 29 June 2018. The Group recognised a post tax profit on disposal of £290 million.

Year ended 31 December 2017
In August 2016, the Group announced that it has agreed to sell Old Mutual Wealth Italy S.p.A. to Ergo Previdenza S.p.A. ('Ergo'), a member of the Flavia insurance group. The sale completed on 9 January 2017. The consideration for the transaction was £221 million (€278 million) in cash, plus interest to completion recognising a profit on disposal of £80 million.

5(c) Discontinued operations

For the period ended 30 June 2017, and year ended 31 December 2017, the Group's Discontinued Operations included the Single Strategy Business (previously part of Old Mutual Global Investors) and Old Mutual Wealth Italy S.p.A (up to the date its sale completed on 9 January 2017).

			£m
	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
	Single Strategy business	Old Mutual Wealth Italy S.p.A.	Old Mutual Wealth Italy S.p.A.
Consideration received[1]	**546**	221	221
Less: transaction costs	**(20)**	(4)	(4)
Net proceeds from sale	**526**	217	217
Carrying value of net assets disposed of	**(241)**	(137)	(137)
Profit on sale of operations before tax	**285**	80	80
Tax on disposals	**5**	-	-
Profit on sale of operations after tax	**290**	80	80

[1]Consideration received in respect of the Single Strategy business includes cash received together with the deferred consideration (discounted), and excludes any pre-completion dividend.

5: Acquisitions, discontinued operations and disposal groups held for sale *continued*

5(d) Discontinued income statement

The table below sets out the trading results of the Group's discontinued operations and also any profit on the sale of discontinued operations during the period.

	Note	**Six months ended 30 June 2018**	Six months ended 30 June 2017	Year ended 31 December 2017
				£m
Revenue				
Fee income and other income from service activities	8	**136**	134	389
Investment return		**-**	3	7
Other income		**2**	1	3
Total revenue		**138**	138	399
Expenses				
Fee and commission expenses, and other acquisition costs		**(31)**	(28)	(62)
Other operating and administrative expenses		**(81)**	(72)	(185)
Total expenses		**(112)**	(100)	(247)
Profit on the disposal of subsidiaries	5(c)	**285**	80	80
Profit before tax from discontinued operations		**311**	118	232
Tax (expense) attributable to shareholders' funds		**(1)**	(7)	(29)
Profit for the period after tax from discontinued operations		**310**	111	203
Attributable to:				
Equity holders of Quilter plc		**310**	111	203
Earnings per ordinary share on profit attributable to ordinary shareholders of Quilter plc				
Basic - from discontinued operations (pence)		**16.9**	6.1	11.1
Diluted - from discontinued operations (pence)		**16.9**	6.1	11.1

5(e) Statement of comprehensive income from discontinued operations

	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
		£m	**£m**
Profit for the period	**310**	111	203
Other comprehensive income from discontinued operations:			
Items that may be reclassified subsequently to income statement			
Exchange gains on translation of foreign operations	**-**	1	4
Other comprehensive income/(expenses) for the period	**-**	(2)	3
Total other comprehensive income from discontinued operations, net of tax	**-**	(1)	7
Total comprehensive income for the period from discontinued operations	**310**	110	210

5(f): Net cash flows from discontinued operations

	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
			£m
Total net cash flows used in operating activities	**(63)**	(55)	(22)
Total net cash from investing activities	**131**	135	137
Total net cash used in financing activities	**(45)**	-	-
Net increase in cash and cash equivalents	**23**	80	115

5: Acquisitions, discontinued operations and disposal groups held for sale *continued*

5(g) Assets and liabilities held for sale

Assets and liabilities of operations classified as held for sale at 31 December 2017 relate to the Single Strategy business. The operation has been classified as held for sale from December 2017 and on 29 June 2018, the Group completed the sale. See note 5(b) above. The assets and liabilities held for sale are disclosed in the table below.

	Note	**At 30 June 2018**	At 30 June 2017	£m At 31 December 2017
Assets classified as held for sale				
Goodwill and intangible assets	12(b)	**-**	-	82
Deferred acquisition costs		**-**	-	4
Deferred tax assets		**-**	-	9
Trade, other receivables and other assets		**-**	-	204
Cash and cash equivalents	18	**-**	-	147
Assets of operations classified as held for sale		**-**	-	446
Liabilities directly associated with assets classified as held for sale				
Current tax payable		**-**	-	33
Trade, other payables and other liabilities		**-**	-	186
Liabilities of operations classified as held for sale		**-**	-	219
Net assets of operations classified as held for sale		**-**	-	227

6: Segmental information

6(a) Segmental presentation

There have been no changes to the presentation of segment information for the period in these financial statements. The businesses have been segmented based on our agreed segmentation post separation from Old Mutual plc.

The Group's operating segments comprise Advice and Wealth Management and Wealth Platforms. Head Office revenues and expenses are also included within continuing business and this segmentation is consistent with how the Group is managed. For all reporting periods, these businesses have been classified as continuing operations in the IFRS income statement and as core operations in determining the adjusted profit. Head Office includes certain revenues and central costs that are not allocated to the segments.

For the periods ended 30 June 2018, 30 June 2017 and 31 December 2017, the Group has classified the European operations and the Single Strategy business as discontinued because they have either been sold or held for sale. Further detail is included in note 5(c).

The Group's segmental results are analysed and reported on a basis with the way that management and the Board of directors of Quilter plc assess performance of the underlying businesses and allocate resources. Information is presented to the Board on a consolidated basis in pounds sterling (the presentation currency) and in the functional currency of each business.

Adjusted profit is one of the key measures reported to the Group's management and Board of directors for their consideration in the allocation of resources to, and the review of, the performance of the segments. As appropriate to the business line, the Board reviews additional measures to assess the performance of each of the segments. These typically also include sales, net client cash flows, assets under management and administration, and revenue and operating margins.

Consistent with internal reporting, assets, liabilities, revenues and expenses that are not directly attributable to a particular segment are allocated between segments where appropriate and where there is a reasonable basis for doing so. The Group accounts for inter-segment revenues and transfers as if the transactions were with third parties at current market prices.

The revenues generated in each reported segment are provided in the analysis of profits and losses in note 6(b). The segmental information in this note reflects the adjusted and IFRS measures of profit or loss and the assets and liabilities for each operating segment as provided to management and the Board of directors. There are no differences between the measurement of the assets and liabilities reflected in the primary statements and that reported for the segments.

The Group is primarily engaged in the following business activities from which it generates revenue: investment contracts, asset management and financial advice (fee income and other income from service activities), and life assurance (premium income). Other revenue includes gains and losses on investment securities.

The principal lines of business from which each operating segment derives its revenues are as follows:

Advice and Wealth Management

This segment comprises Quilter Investors (formerly Old Mutual Global Investors), Quilter Cheviot Limited and Quilter Financial Planning, including Quilter Private Client Advisers ('QPCA').

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 Quilter plc and third party clients. It has several fund ranges which vary in breadth of underlying asset class. The business has primarily been accumulation focused, with recent development of decumulation solutions.

Quilter Cheviot Limited provides discretionary investment management in the United Kingdom with bespoke investment portfolios tailored to the individual needs of affluent and 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 branches in Jersey, Channel Islands and the Republic of Ireland.

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

Wealth Platforms

This segment comprises Quilter Wealth Solutions ('QWS') and Quilter Life Assurance ('QLA'), and Quilter International cross-border businesses.

QWS and QLA provides advice based predominantly unit linked wealth management products and services in the UK, which serves a largely affluent customer base through advised multi-channel distribution. The QLA business is predominantly a closed book, made up of legacy products. Protection and institutional pension products are also part of the business.

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

In addition to the two operating segments, Head Office comprises the investment return on centrally held assets, central function expenses, such as Group treasury and finance functions, along with central core structural borrowings and certain tax balances in the segmental statement of financial position.

Notes to the condensed consolidated interim financial statements

For the 6 month period ended 30 June 2018

6: Segmental information *continued*

6(b)(i): Adjusted profit statement - segmental information for the 6 month period ended 30 June 2018

		Adjusted profit - Continuing operations				Reconciliation to IFRS		£m
		Operating segments						
	Notes	Advice and Wealth Management	Wealth Platforms	Head Office	Adjusted profit	Consolidation Adjustments[1]	Adjusting items (Note 7(a))	IFRS Income Statement
Revenue								
Gross earned premiums		-	75	-	**75**	-	-	**75**
Premiums ceded to reinsurers		-	(44)	-	**(44)**	-	-	**(44)**
Net earned premiums		-	31	-	**31**	-	-	**31**
Fee income and other income from service activities	8	272	256	-	**528**	(5)	-	**523**
Investment return		4	207	1	**212**	81	-	**293**
Other income		-	63	3	**66**	(56)	-	**10**
Segmental revenue		276	557	4	**837**	20	-	**857**
Expenses								
Claims and benefits paid		-	(45)	-	**(45)**	-	-	**(45)**
Reinsurance recoveries		-	29	-	**29**	-	-	**29**
Net insurance claims and benefits incurred		-	(16)	-	**(16)**	-	-	**(16)**
Change in reinsurance assets and liabilities		-	20	-	**20**	-	-	**20**
Change in insurance contract liabilities		-	(23)	-	**(23)**	-	-	**(23)**
Change in investment contract liabilities		-	(192)	-	**(192)**	-	-	**(192)**
Fee and commission expenses, and other acquisition costs		(82)	(86)	-	**(168)**	(62)	-	**(230)**
Change in third-party interest in consolidated funds		-	-	-	**-**	3	-	**3**
Other operating and administrative expenses		(145)	(180)	(24)	**(349)**	39	(82)	**(392)**
Finance costs	9	(2)	-	-	**(2)**	-	(8)	**(10)**
Segmental expenses		(229)	(477)	(24)	**(730)**	(20)	(90)	**(840)**
Adjusted profit/(loss) before all tax		47	80	(20)	**107**	-	(90)	**17**
Tax attributable to policyholders' funds		-	3	-	**3**	-	15	**18**
Adjusted profit/(loss) before tax attributable to shareholders' funds		47	83	(20)	**110**	-	(75)	**35**
Reconciliation to IFRS:								
Adjusted for non-operating items:	7(a)							
Goodwill impairment and impact of acquisition accounting		(28)	-	-	**(28)**			
Business transformation costs		(10)	(27)	-	**(37)**			
Managed Separation costs		-	-	(17)	**(17)**			
Finance costs		-	-	(8)	**(8)**			
Policyholder tax adjustments		-	15	-	**15**			
Reallocation of central costs[2]		-	(2)	2	**-**			
Adjusting items before tax		(38)	(14)	(23)	**(75)**			
IFRS profit before tax attributable to shareholders' funds		9	69	(43)	**35**			

[1]Consolidation adjustments comprise the elimination of inter-segment transactions and the consolidation of investment funds.
[2]Reallocation of central costs reverses management reallocations included within adjusted profit to reconcile back to IFRS profit.

6: Segmental information *continued*

6(b)(ii): Adjusted profit statement - segmental information for the 6 month period ended 30 June 2017

		Adjusted profit - Continuing operations				Reconciliation to IFRS		£m
		Operating segments						
	Notes	Advice and Wealth Management	Wealth Platforms	Head Office	Adjusted profit	Consolidation Adjustments[1]	Adjusting items (Note 7(a))	IFRS Income Statement
Revenue								
Gross earned premiums		-	73	-	**73**	-	-	**73**
Premiums ceded to reinsurers		-	(43)	-	**(43)**	-	-	**(43)**
Net earned premiums		-	30	-	**30**	-	-	**30**
Fee income and other income from service activities	8	185	262	-	**447**	(10)	-	**437**
Investment return		1	2,306	-	**2,307**	374	-	**2,681**
Other income		-	46	-	**46**	(41)	-	**5**
Segmental revenue		186	2,644	-	**2,830**	323	-	**3,153**
Expenses								
Claims and benefits paid		-	(38)	-	**(38)**	-	-	**(38)**
Reinsurance recoveries		-	25	-	**25**	-	-	**25**
Net insurance claims and benefits incurred		-	(13)	-	**(13)**	-	-	**(13)**
Change in reinsurance assets and liabilities		-	26	-	**26**	-	-	**26**
Change in insurance contract liabilities		-	(22)	-	**(22)**	-	-	**(22)**
Change in investment contract liabilities		-	(2,264)	-	**(2,264)**	-	-	**(2,264)**
Fee and commission expenses, and other acquisition costs		(26)	(101)	-	**(127)**	(27)	-	**(154)**
Change in third-party interest in consolidated funds		-	-	-	**-**	(325)	-	**(325)**
Other operating and administrative expenses		(128)	(167)	(11)	**(306)**	29	(99)	**(376)**
Finance costs	9	-	-	-	**-**	-	(20)	**(20)**
Segmental expenses		(154)	(2,541)	(11)	**(2,706)**	(323)	(119)	**(3,148)**
Adjusted profit/(loss) before all tax		32	103	(11)	**124**	-	(119)	**5**
Tax attributable to policyholders' funds		-	(29)	-	**(29)**	-	-	**(29)**
Adjusted profit/(loss) before tax attributable to shareholders' funds		32	74	(11)	**95**	-	(119)	**(24)**
Reconciliation to IFRS:								
Adjusted for non-operating items:	7(a)							
Goodwill impairment and impact of acquisition accounting		(28)	-	-	**(28)**			
Business transformation costs		-	(59)	-	**(59)**			
Managed Separation costs		-	-	(12)	**(12)**			
Finance costs		-	-	(20)	**(20)**			
Adjusting items before tax		(28)	(59)	(32)	**(119)**			
IFRS profit/(loss) before tax attributable to shareholders' funds		4	15	(43)	**(24)**			

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

6: Segmental information *continued*

6(b)(iii): Adjusted profit statement - segmental information for the year ended 31 December 2017

		Adjusted profit - Continuing operations				Reconciliation to IFRS		£m
		Operating segments						
	Notes	Advice and Wealth Management	Wealth Platforms	Head Office	Adjusted profit	Consolidation Adjustments[1]	Adjusting items (Note 7(a))	IFRS Income Statement
Revenue								
Gross earned premiums		-	148	-	**148**	-	-	**148**
Premiums ceded to reinsurers		-	(88)	-	**(88)**	-	-	**(88)**
Net earned premiums		-	60	-	**60**	-	-	**60**
Fee income and other income from service activities	8	382	526	-	**908**	(13)	-	**895**
Net investment income		3	4,412	1	**4,416**	779	-	**5,195**
Other income		2	83	3	**88**	(75)	-	**13**
Segmental revenue		387	5,081	4	**5,472**	691	-	**6,163**
Expenses								
Claims and benefits paid		-	(76)	-	**(76)**	-	-	**(76)**
Reinsurance recoveries		-	54	-	**54**	-	-	**54**
Net insurance claims and benefits incurred		-	(22)	-	**(22)**	-	-	**(22)**
Change in reinsurance assets and liabilities		-	85	-	**85**	-	-	**85**
Change in insurance contract liabilities		-	(78)	-	**(78)**	-	-	**(78)**
Change in investment contract liabilities		-	(4,308)	-	**(4,308)**	-	-	**(4,308)**
Fee and commission expenses, and other acquisition costs		(52)	(198)	-	**(250)**	(70)	-	**(320)**
Change in third-party interest in consolidated funds		-	-	-	**-**	(673)	-	**(673)**
Other operating and administrative expenses		(253)	(336)	(35)	**(624)**	52	(244)	**(816)**
Finance costs	9	-	-	-	**-**	-	(39)	**(39)**
Segmental expenses		(305)	(4,857)	(35)	**(5,197)**	(691)	(283)	**(6,171)**
Profit on disposal of subsidiaries, associated undertakings and strategic investments		-	-	-	**-**	-	3	**3**
Adjusted profit/(loss) before all tax		82	224	(31)	**275**	-	(280)	**(5)**
Tax attributable to policyholders' funds		-	(66)	-	**(66)**	-	17	**(49)**
Adjusted profit/(loss) before tax attributable to shareholders' funds		82	158	(31)	**209**	-	(263)	**(54)**
Reconciliation to IFRS:								
Adjusted for non-operating items:	7(a)							
Goodwill impairment and impact of acquisition accounting		(53)	-	(1)	**(54)**			
Net profit on business disposals and acquisitions		-	-	3	**3**			
Business transformation costs		-	(89)	-	**(89)**			
Managed Separation costs		-	-	(32)	**(32)**			
Finance costs		-	-	(39)	**(39)**			
Policyholder tax adjustments		-	17	-	**17**			
Voluntary customer remediation provision		-	(69)	-	**(69)**			
Adjusting items before tax		(53)	(141)	(69)	**(263)**			
IFRS profit/(loss) before tax attributable to shareholders' funds		29	17	(100)	**(54)**			

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

6: Segmental information *continued*

6(c)(i): Statement of financial position – segmental information at 30 June 2018

	Notes	Advice & Wealth Management	Wealth Platforms	Head Office	Consolidation Adjustments[1]	Total Continuing Operations	Discontinued Operations	Total
								£m
Assets								
Goodwill and intangible assets	12	401	165	-	-	**566**	-	**566**
Property, plant and equipment		10	7	-	-	**17**	-	**17**
Investments in associated undertakings		-	-	1	-	**1**	-	**1**
Deferred acquisition costs		-	12	-	-	**12**	-	**12**
Contract costs		-	575	-	-	**575**	-	**575**
Contract assets		45	-	-	-	**45**	-	**45**
Loans and advances	13	22	190	7	-	**219**	-	**219**
Financial investments	14	5	57,735	2	6,827	**64,569**	-	**64,569**
Reinsurers' share of policyholder liabilities	17	-	2,666	-	-	**2,666**	-	**2,666**
Deferred tax assets		6	13	-	-	**19**	-	**19**
Current tax receivable		-	3	-	-	**3**	-	**3**
Trade, other receivables and other assets		370	328	4	735	**1,437**	-	**1,437**
Derivative assets		-	-	-	33	**33**	-	**33**
Cash and cash equivalents	18	365	1,138	618	1,254	**3,375**	-	**3,375**
Inter-segment funding - assets		-	12	-	(12)	**-**	-	**-**
Total assets		1,224	62,844	632	8,837	**73,537**	-	**73,537**
Liabilities								
Long-term business insurance policyholder liabilities	21	-	513	-	-	**513**	-	**513**
Investment contract liabilities	21	-	60,140	-	-	**60,140**	-	**60,140**
Third-party interests in consolidated funds		-	-	-	8,105	**8,105**	-	**8,105**
Provisions and accruals	22	18	85	12	-	**115**	-	**115**
Deferred tax liabilities		42	122	-	-	**164**	-	**164**
Current tax payable		6	17	(11)	-	**12**	-	**12**
Borrowings	23	-	-	197	-	**197**	-	**197**
Trade, other payables and other liabilities		522	694	31	690	**1,937**	-	**1,937**
Contract liabilities		1	234	-	-	**235**	-	**235**
Derivative liabilities		-	1	-	58	**59**	-	**59**
Inter-segment funding - liabilities		-	-	12	(12)	**-**	-	**-**
Total liabilities		589	61,806	241	8,841	**71,477**	-	**71,477**
Total equity								**2,060**
Total equity and liabilities								**73,537**

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

Notes to the condensed consolidated interim financial statements

For the 6 month period ended 30 June 2018

6: Segmental information *continued*

6(c)(ii): Statement of financial position – segmental information at 30 June 2017

	Notes	Advice & Wealth Management	Wealth Platforms	Head Office	Consolidation Adjustments[1]	Total Continuing Operations	Discontinued Operations[2]	Total
								£m
Assets								
Goodwill and intangible assets	12	432	162	-	-	**594**	84	**678**
Property, plant and equipment		10	11	-	-	**21**	-	**21**
Investments in associated undertakings		-	-	1	-	**1**	-	**1**
Deferred acquisition costs		-	636	-	-	**636**	-	**636**
Loans and advances	13	13	186	1	-	**200**	-	**200**
Financial investments	14	2	52,392	1	6,098	**58,493**	-	**58,493**
Reinsurers' share of policyholder liabilities	17	-	3,085	-	-	**3,085**	-	**3,085**
Deferred tax assets		5	-	-	-	**5**	6	**11**
Current tax receivable		-	24	-	-	**24**	-	**24**
Trade, other receivables and other assets		276	294	111	217	**898**	165	**1,063**
Derivative assets		-	2	-	82	**84**	-	**84**
Cash and cash equivalents	18	300	929	63	785	**2,077**	94	**2,171**
Inter-segment funding - assets		4	27	1	(32)	**-**	-	**-**
Total assets		1,042	57,748	178	7,150	**66,118**	349	**66,467**
Liabilities								
Long-term business insurance policyholder liabilities	21	-	436	-	-	**436**	-	**436**
Investment contract liabilities	21	-	55,303	-	-	**55,303**	-	**55,303**
Third-party interests in consolidated funds		-	-	-	6,479	**6,479**	-	**6,479**
Provisions and accruals	22	9	24	1	-	**34**	-	**34**
Deferred tax liabilities		43	135	-	-	**178**	-	**178**
Current tax payable/(receivable)		16	23	(16)	-	**23**	12	**35**
Borrowings	23	-	-	838	-	**838**	-	**838**
Trade, other payables and other liabilities		351	599	27	279	**1,256**	160	**1,416**
Deferred revenue		-	254	-	-	**254**	-	**254**
Derivative liabilities		-	-	-	424	**424**	-	**424**
Inter-segment funding - liabilities		2	-	30	(32)	**-**	-	**-**
Total liabilities		421	56,774	880	7,150	**65,225**	172	**65,397**
Total equity								**1,070**
Total equity and liabilities								**66,467**

[1]Consolidation adjustments comprise the elimination of inter-segment transactions and the consolidation of investment funds.
[2]Discontinued operations includes the balances of the Group's Single Strategy business.

6: Segmental information *continued*

6(c)(iii): Statement of financial position – segmental information at 31 December 2017

	Notes	Advice & Wealth Management	Wealth Platforms	Head Office	Consolidation Adjustments[1]	Total Continuing Operations	Discontinued Operations[2]	Total
								£m
Assets								
Goodwill and intangible assets	12	412	162	-	-	**574**	-	**574**
Property, plant and equipment		9	9	-	-	**18**	-	**18**
Investments in associated undertakings[3]		-	-	1	-	**1**	-	**1**
Deferred acquisition costs		-	611	-	-	**611**	-	**611**
Loans and advances	13	18	180	1	-	**199**	-	**199**
Financial investments[3]	14	2	56,562	1	7,685	**64,250**	-	**64,250**
Reinsurers' share of policyholder liabilities	17	-	2,908	-	-	**2,908**	-	**2,908**
Deferred tax assets		6	15	1	-	**22**	-	**22**
Trade, other receivables and other assets		208	210	19	60	**497**	-	**497**
Derivative assets		-	1	-	86	**87**	-	**87**
Cash and cash equivalents	18	303	1,061	83	913	**2,360**	-	**2,360**
Assets of operations classified as held for sale	5(g)	-	-	-	-	**-**	446	**446**
Inter-segment funding - assets		4	12	-	(16)	**-**	-	**-**
Total assets		962	61,731	106	8,728	**71,527**	446	**71,973**
Liabilities								
Long-term business insurance policyholder liabilities	21	-	489	-	-	**489**	-	**489**
Investment contract liabilities	21	-	59,139	-	-	**59,139**	-	**59,139**
Third-party interests in consolidated funds		-	-	-	7,905	**7,905**	-	**7,905**
Provisions and accruals	22	10	89	5	-	**104**	-	**104**
Deferred tax liabilities		40	150	-	-	**190**	-	**190**
Current tax payable		21	40	(23)	-	**38**	-	**38**
Borrowings	23	-	-	782	-	**782**	-	**782**
Trade, other payables and other liabilities		275	607	43	406	**1,331**	-	**1,331**
Deferred revenue		1	243	-	-	**244**	-	**244**
Derivative liabilities		-	-	-	433	**433**	-	**433**
Liabilities of operations classified as held for sale	5(g)	-	-	-	-	**-**	219	**219**
Inter-segment funding - liabilities		-	-	16	(16)	**-**	-	**-**
Total liabilities		347	60,757	823	8,728	**70,655**	219	**70,874**
Total equity								**1,099**
Total equity and liabilities								**71,973**

[1]Consolidation adjustments comprise the elimination of inter-segment transactions and the consolidation of investment funds.
[2]Discontinued operations includes the balances of the Group's Single Strategy business.
[3]As at 31 December 2017, £2 million has been reclassified from investments in associated undertakings to financial investments to conform with current year presentation.

December 2017 comparatives for the segmental statement of financial position have been re-presented due to the reallocation of a UK holding company from Wealth Platforms to Head Office. This change was made to ensure that all material intercompany loan balances are reported (and eliminate) within Head Office.

Notes to the condensed consolidated interim financial statements

For the 6 month period ended 30 June 2018

6: Segmental information *continued*

6(d)(i): Geographic segmental information

In presenting geographic segmental information, revenue is based on the geographic location of our businesses. The Group has defined two geographic areas: UK and International.

		UK			International				£m
For the 6 month period ended 30 June 2018	Notes	**Advice and Wealth Management**	**Wealth Platforms**	**Head Office**	**Wealth Platforms**	**Consolidation adjustments**	**Total continuing operations**	**Discontinued operations**	**Total Group**
Revenue									
Gross earned premiums		**-**	**74**	**-**	**1**	**-**	**75**	**-**	**75**
Premiums ceded to reinsurers		**-**	**(43)**	**-**	**(1)**	**-**	**(44)**	**-**	**(44)**
Net earned premiums		**-**	**31**	**-**	**-**	**-**	**31**	**-**	**31**
Premium based fees		**43**	**8**	**-**	**38**	**-**	**89**	**-**	**89**
Fund based fees[1]		**230**	**122**	**-**	**50**	**-**	**402**	**136**	**538**
Retrocessions received, intragroup		**-**	**9**	**-**	**3**	**(12)**	**-**	**-**	**-**
Fixed fees		**-**	**2**	**-**	**14**	**-**	**16**	**-**	**16**
Surrender charges		**-**	**1**	**-**	**9**	**-**	**10**	**-**	**10**
Other fee and commission income		**-**	**-**	**-**	**-**	**6**	**6**	**-**	**6**
Fee income and other income from service activities	8	**273**	**142**	**-**	**114**	**(6)**	**523**	**136**	**659**
Investment return		**4**	**209**	**1**	**(2)**	**81**	**293**	**-**	**293**
Other income		**-**	**80**	**3**	**4**	**(77)**	**10**	**2**	**12**
Total revenue		**277**	**462**	**4**	**116**	**(2)**	**857**	**138**	**995**

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

		UK			International				£m
For the 6 month period ended 30 June 2017	Notes	**Advice and Wealth Management**	**Wealth Platforms**	**Head Office**	**Wealth Platforms**	**Consolidation adjustments**	**Total continuing operations**	**Discontinued operations**	**Total Group**
Revenue									
Gross earned premiums		-	73	-	1	(1)	73	-	73
Premiums ceded to reinsurers		-	(42)	-	(1)	-	(43)	-	(43)
Net earned premiums		-	31	-	-	(1)	30	-	30
Premium based fees		35	16	-	35	-	86	-	86
Fund based fees[1]		149	118	-	55	-	322	134	456
Retrocessions received, intragroup		-	10	-	3	(13)	-	-	-
Fixed fees		-	2	-	13	-	15	-	15
Surrender charges		-	-	-	10	-	10	-	10
Other fee and commission income		-	-	-	-	4	4	-	4
Fee income and other income from service activities	8	184	146	-	116	(9)	437	134	571
Investment return		1	1,759	-	548	373	2,681	3	2,684
Other income		-	59	-	3	(57)	5	1	6
Total revenue		185	1,995	-	667	306	3,153	138	3,291

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

6: Segmental information *continued*
6(d)(i): Geographical segmental information *continued*

£m

For the year ended 31 December 2017	Notes	UK Advice and Wealth Management	UK Wealth Platforms	UK Head Office	International Wealth Platforms	Consolidation adjustments	Total continuing operations	Discontinued operations	Total Group
Revenue									
Gross earned premiums		-	147	-	1	-	148	-	148
Premiums ceded to reinsurers		-	(87)	-	(1)	-	(88)	-	(88)
Net earned premiums		-	60	-	-	-	60	-	60
Premium based fees		76	29	-	74	-	179	-	179
Fund based fees[1]		306	241	-	107	-	654	389	1,043
Retrocessions received, intragroup		-	17	-	6	(23)	-	-	-
Fixed fees		-	5	-	26	-	31	-	31
Surrender charges		-	1	-	20	-	21	-	21
Other fee and commission income		-	-	-	-	10	10	-	10
Fee income and other income from service activities	8	382	293	-	233	(13)	895	389	1,284
Investment return		3	3,366	1	1,046	779	5,195	7	5,202
Other income		2	81	3	2	(75)	13	3	16
Total revenue		387	3,800	4	1,281	691	6,163	399	6,562

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

Notes to the condensed consolidated interim financial statements

For the 6 month period ended 30 June 2018

7: Other key performance information

7(a): Adjusted profit adjusting items

Summary of adjusting items for determination of adjusted profit

In determining the adjusted profit for core operations, certain adjustments are made to profit before tax to reflect the underlying long-term performance of the Group. The following table shows an analysis of those adjustments before and after tax.

	Notes	**Six months ended 30 June 2018** £m	Six months ended 30 June 2017 £m	Year ended 31 December 2017 £m
Expense/(income)				
Goodwill impairment and impact of acquisition accounting	7(b)	**28**	28	54
Net (profit)/loss on disposals and acquisitions	7(c)	**-**	-	(3)
Business transformation costs	7(d)	**37**	59	89
Managed Separation costs	7(e)	**17**	12	32
Finance costs	7(f)	**8**	20	39
Policyholder tax adjustments	7(g)	**(15)**	-	(17)
Voluntary customer remediation provision	7(h)	**-**	-	69
Total adjusting items before tax		**75**	119	263
Tax on adjusting items	10(c)	**(21)**	(22)	(39)
Less: policyholder tax adjustments		**15**	-	17
Total adjusting items after tax		**69**	97	241

7(b) Goodwill impairment and impact of acquisition accounting

When applying acquisition accounting, contract costs and contract liabilities existing at the point of acquisition are not recognised under IFRS. These are reversed on acquisition in the statement of financial position and replaced by goodwill and other intangible assets. In determining adjusted profit, the Group recognises contract costs and contract liabilities in relation to policies sold by acquired businesses pre-acquisition. The Group excludes the impairment of goodwill, the amortisation and impairment of acquired other intangible assets as well as the movements in certain acquisition date provisions. Costs incurred on completed acquisitions are also excluded from adjusted profit, including any finance costs related to discounted deferred consideration.

The effect of these adjustments to determine adjusted profit are summarised below:

For the 6 month period ended 30 June 2018

£m	**Advice and Wealth Management**	**Wealth Platforms**	**Head office**	**Total Group**
Amortisation of other acquired intangible assets	**21**	**-**	**-**	**21**
Acquisition costs	**6**	**-**	**-**	**6**
Unwinding of discount on deferred consideration	**1**	**-**	**-**	**1**
Total goodwill impairment and impact of acquisition accounting	**28**	**-**	**-**	**28**

For the 6 month period ended 30 June 2017

£m	Advice and Wealth Management	Wealth Platforms	Head office	Total Group
Amortisation of other acquired intangible assets	18	-	-	18
Acquisition costs	10	-	-	10
Total goodwill impairment and impact of acquisition accounting	28	-	-	28

For the year ended 31 December 2017

£m	Advice and Wealth Management	Wealth Platforms	Head office	Total Group
Amortisation of other acquired intangible assets	39	-	-	39
Change in acquisition date provisions	-	-	1	1
Acquisition costs	13	-	-	13
Unwinding of discount on deferred consideration	1	-	-	1
Total goodwill impairment and impact of acquisition accounting	53	-	1	54

7: Other key performance information *continued*

7(c) Net profit/loss on business disposals and acquisitions

As part of the Group's Managed Separation from Old Mutual plc, on 29 September 2017 the Group acquired Commsale 2000 Limited ('Commsale') from Old Mutual plc. The total consideration was for £0.29 million. The NAV at the date of acquisition was £0.45 million, with a gain on purchase of £0.16 million being recognised, representing assets not valued within the agreed consideration.

On 30 November 2017, the Company acquired 100% of the whole of the issued share capital of Global Edge Technologies (Pty) Ltd ('GET'), a company incorporated in South Africa, from OM Group (UK) Limited (part of the Old Mutual plc group) for £0.8 million. Along with recording the book values of the assets acquired and liabilities assumed of £4 million, the Company recognised a bargain purchase gain of £3.3 million.

We determined that the excess of book value over consideration paid was attributable to potential future integration costs which, if incurred, would be expensed in future periods. As potential future integrating activities do not qualify to be recorded as a liability in the application of the acquisition method of accounting, none was recorded, and we recorded the excess as a bargain purchase gain.

7(d) Business transformation costs

Within business transformation costs are three items: costs associated with the UK Platform Transformation Progamme, build out costs incurred within Quilter Investors as a result of the sale of our Single Strategy business and, in the prior period, certain one-off charges relating to the transformation of our business as we separated from Old Mutual plc. Each item is described in detail below.

UK Platform Transformation Programme – 30 June 2018: £27 million, 30 June 2017: £59 million, 31 December 2017: £74 million

In 2013, the Group embarked on a significant programme to develop new platform capabilities and to outsource UK business administration. This involved replacing many aspects of the existing UK platform, and on completion certain elements of service provision would be migrated to International Financial Data Services ('IFDS') under a long-term outsourcing agreement. The cost of developing the new technology did not meet the criteria for capitalisation and were expensed. These costs and the costs of decommissioning existing technology and migrating of services to IFDS are excluded from adjusted profit. Only costs that are directly attributable to the programme have been excluded from adjusted profit as management is of the view that this long-term investment in operational capability is a non-operating adjusting item. The contracts with International Financial Data Services related to the UK Platform Transformation came to an end by mutual agreement effective as of 2 May 2017. For the period ended 30 June 2018, these costs total £nil million (30 June 2017: £53 million, 31 December 2017: £53 million).

The Group conducted a comprehensive review of the options available to the UK Platform business and entered into a new contract with FNZ, having concluded that FNZ's scale, market-proven and functionally-rich offering was the most suitable to meet the current and anticipated needs of the business.

In partnership with FNZ, the Group expects to deliver all the existing functionality of the platform with increased levels of straight-through processing and enhanced functionality by late 2018 / early 2019, with migration of the in-force book to follow shortly thereafter. For the period ended 30 June 2018, these costs totalled £27 million (30 June 2017: £6 million, 31 December 2017: £21 million).

Quilter Investors' build out costs – 30 June 2018: £10 million, 30 June 2017: £nil, 31 December 2017: £nil

In March 2016, Old Mutual plc announced its Managed Separation strategy that sought to unlock and create significant long-term value for shareholders. As part of this strategy, Quilter's Multi-Asset (now renamed as Quilter Investors) and Single Strategy teams were to develop as separate distinct businesses, and the Single Strategy business was sold to its management and TA Associates on 29 June 2018. As result, the Group has incurred £10 million of one-off costs in the period ended 30 June 2018.

One-off transformational costs as a result of our separation from Old Mutual plc – 30 June 2018: £nil, 30 June 2017: £nil, 31 December 2017: £15 million

The Group historically had a number of arrangements with the wider Old Mutual plc group's South African businesses. As a consequence of Managed Separation these arrangements were severed and, as a result, deferred acquisition cost balances totalling £10 million were written off (included within fee and commission expenses in the income statement), together with a loss incurred of £5 million on the cancellation of reinsurance arrangements (included within other costs within the income statement) in the year ended 31 December 2017. These charges are regarded as one-off and related to the transformation of the business to a standalone group.

7(e) Managed Separation costs

One-off costs related to the implementation of Managed Separation recognised in the IFRS income statement have been excluded from adjusted profit on the basis that they are not representative of the operating activity of the Group. These costs relate to preparing the Group to operate as a standalone business and the execution of various transactions required to implement our Managed Separation strategy. They are not expected to persist in the long term as they relate to a fundamental restructuring of the Group, which is not operational in nature, rather than more routine restructuring activity which would be seen as part of the usual course of business. The treatment and the disclosure of these costs as an adjusting item are also intended to make these costs more visible to the readers of the financial statements in the context of publicly disclosed estimates previously given in relation to these items. For the period ended 30 June 2018, these costs totalled £17 million (30 June 2017: £12 million, 31 December 2017: £32 million).

7(f) 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 borrowings are removed when calculating adjusted profit. For the period ended 30 June 2018, the finance costs totalled £8 million (30 June 2017: £20 million, 31 December 2017: £39 million) - see note 9.

7(g) Policyholder tax adjustments

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. In addition, adjustments are made to remove distortions to policyholder tax arising from the utilisation of tax allowances from elsewhere in the Quilter group (e.g. capital losses) which are regarded economically as impacting shareholder tax, and from distortions arising from other non-operating adjusting items. For the period ended 30 June 2018, this adjustment to adjusted profit totalled £15 million (30 June 2017: £nil, 31 December 2017: £17 million).

7: Other key performance information *continued*

7(h) Voluntary Customer Remediation Provision

As detailed in Note 22 *Provisions and Accruals,* as part of its on-going work to promote fair customer outcomes, the Group has conducted product reviews consistent with the recommendations from the Financial Conduct Authority's ('FCA') thematic feedback and the FCA's guidance 'FG16/8 Fair treatment of long-standing customers in the life insurance sector'. Following these reviews, the Group has decided to commence voluntary remediation to customers in certain products, resulting in an additional provision raised during the 2017 year of £69 million.

The provision has been recognised in the IFRS income statement but has been excluded from adjusted profit on the basis that it is not representative of the operating performance of the business for the year ended 31 December 2017.

8: Fee income and other income from service activities

This note analyses the fees and commission earned by the Group from negotiating, or participating in the negotiation of a transaction for third-parties, transaction and performance fees earned and movements in deferred origination fees.

			£m
	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
Fee income and other income from service activities			
Premium based fees[1]	**89**	86	179
Fund based fees[1,2]	**402**	322	654
Fixed fees	**16**	15	31
Surrender charges	**10**	10	21
Other fee and commission income	**6**	4	10
Fee income and other income from service activities - continuing operations	**523**	437	895
Fee income and other income from service activities - discontinued operations	**136**	134	389
Total fee income and other income from service activities	**659**	571	1,284

[1] Year ended December 2017 has been restated to aid comparability.

[2] Income from fiduciary activities is included within fund based fees.

9: Finance costs

This note analyses the interest costs on our borrowings and similar charges. Finance costs comprise:

			£m
	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
Term loans and other external debt	**2**	-	-
Subordinated debt securities	**3**	-	-
Loans from Old Mutual plc	**3**	20	39
Interest payable on borrowed funds	**8**	20	39
Other	**2**	-	-
Total finance costs - continuing operations	**10**	20	39

Finance costs represent the cost of interest and finance charges on the Group's borrowings from a number of relationship banks and Old Mutual plc. More details regarding borrowed funds, including the interest rates payable, are shown in note 23. These costs are excluded from adjusted profit within the 'Finance costs' adjusting item.

In addition, within other finance costs above is the impact of unwinding the discount rate on deferred consideration payable as a result of various acquisitions. These costs are excluded from adjusted profit within the 'Goodwill impairment and impact of acquisition accounting' adjusting item.

10: Tax

This note analyses the income tax expense recognised in profit or loss for the period and the various factors that have contributed to the composition of the charge.

10(a) Tax charged to the income statement

The total tax charge for the period comprises:

			£m
	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
Current tax			
United Kingdom	**12**	21	43
International	**2**	2	3
Adjustments to current tax in respect of prior periods	**-**	1	1
Total current tax	**14**	24	47
Deferred tax			
Origination and reversal of temporary differences	**(25)**	-	2
Effect on deferred tax of changes in tax rates	**-**	(2)	(1)
Adjustments to deferred tax in respect of prior periods	**(4)**	-	(7)
Total deferred tax	**(29)**	(2)	(6)
Total tax (credited)/charged to income statement - continuing operations	**(15)**	22	41
Total tax charged to income statement - discontinued operations	**1**	7	29
Total tax (credited)/charged to income statement	**(14)**	29	70

Policyholder tax

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

The tax attributable to policyholder returns is the amount payable in the year 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 shareholder profits.

10(b) Reconciliation of total income tax expense

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

			£m
	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
Profit/(Loss) before tax	**17**	5	(5)
Tax at UK standard rate of 19% (2017: 19.25%)	**3**	1	(1)
Different tax rate or basis on overseas operations	**(3)**	(4)	(3)
Untaxed and low taxed income	**(2)**	(1)	(2)
Disallowable expenses	**4**	4	8
Net movement on deferred tax assets not recognised	**(6)**	-	(21)
Effect on deferred tax of changes in tax rates	**-**	(2)	(1)
Income tax attributable to policyholder returns	**(11)**	24	61
Total tax (credited)/charged to income statement - continuing operations	**(15)**	22	41
Total tax charged to income statement - discontinued operations	**1**	7	29
Total tax (credited)/charged to income statement	**(14)**	29	70

10: Tax *continued*

10(c) Reconciliation of income tax expense in the IFRS income statement to income tax on adjusted profit.

			£m
	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
Income tax (credit)/expense on continuing operations	**(15)**	22	41
Tax on adjusting items			
Impairment of goodwill and impact of acquisition accounting	**3**	5	8
Policyholder tax adjustments	**15**	-	17
Other shareholder tax	**(8)**	-	(26)
Business transformation costs	**7**	11	14
Managed Separation costs	**2**	2	4
Finance costs	**2**	4	8
Voluntary customer remediation provision	**-**	-	14
Total tax on adjusting items	**21**	22	39
Tax attributable to policyholders returns	**3**	(29)	(66)
Tax charged on adjusted profit - continuing operations	**9**	15	14
Tax charged on adjusted profit - discontinued operations	**5**	7	29
Tax charged on adjusted profit	**14**	22	43

11: Earnings and earnings per share

The Group calculates earnings per share ('EPS') on a number of different bases as appropriate to prevailing International and UK practices and guidance. IFRS requires the calculation of basic and diluted EPS. Adjusted EPS reflects earnings per share that is consistent with the Group's alternative profit measure. The Group's EPS on these different bases are summarised below.

Disclosure of basic and diluted EPS is required by IAS 33 *Earnings per Share*. On 6 June 2018, the Board approved a reorganisation of the Company's share capital to enable the implementation of the Managed Separation before the initial public offering on 25 June 2018 and, consequently, both basic and diluted EPS for historical periods was not representative of the Group's current structure. In accordance with IAS 33, share transactions that change the number of shares in issue but do not result in any corresponding change to an entity's resources, such as share splits, bonus issues to existing shareholders and share consolidations are adjusted for in the EPS denominator as if these transactions had occurred at the start of the earliest period for which EPS is presented. Accordingly, the weighted average number of ordinary shares in issue at 30 June 2017 and 31 December 2017 have been retrospectively restated to take account of the new share structure at listing. As a result, the Group's EPS has fallen relative to the position shown in the 31 December 2017 Historical Financial Information, within the listing prospectus, because the number of shares has increased on listing.

For further information on share capital refer to note 19: Share capital.

					Pence
	Source of guidance	Notes	**Six months ended 30 June 2018**	Six months ended 30 June 2017	Year ended 31 December 2017
Basic earnings per share	IFRS	11(a)	**18.7**	5.1	8.6
Diluted basic earnings per share	IFRS	11(b)	**18.7**	5.1	8.6
Adjusted basic earnings per share	Group policy	11(c)	**5.5**	4.4	10.7
Adjusted diluted earnings per share	Group policy	11(c)	**5.5**	4.4	10.7
Headline earning per share (net of tax)	JSE Listing Requirements	11(d)	**2.8**	0.8	4.0
Diluted headline earning per share (net of tax)	JSE Listing Requirements	11(d)	**2.8**	0.8	4.0

11: Earnings and earnings per share *continued*

11(a) Basic earnings per share (IFRS)

Basic EPS is calculated by dividing the profit for the financial period 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 (treasury shares) held within Employee Benefit Trusts ('EBTs') to satisfy the Group's obligations under employee share awards. Treasury shares are deducted for the purpose of calculating both basic and diluted EPS.

(i) The profit attributable to ordinary shareholders is:

			£m
	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
Profit/(Loss) for the financial period attributable to shareholders of the Company from continuing operations	**32**	(17)	(46)
Profit for the financial period attributable to shareholders of the Company from discontinued operations	**310**	111	203
Profit for the for the financial period for the calculation of earnings per share	**342**	94	157

The table below summarises the calculation of the weighted average number of ordinary shares for the purposes of calculating basic earnings per share:

	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
Weighted average number of ordinary shares in issue (millions)	**1,902**	1,902	1,902
Treasury shares including those held in EBTs (millions)	**(72)**	(72)	(72)
Adjusted weighted average number of ordinary shares used to calculate basic earnings per share (millions)	**1,830**	1,830	1,830
Basic earnings per ordinary share (pence)	**18.7**	5.1	8.6

11(b) Diluted earnings per share (IFRS)

Diluted EPS recognises the dilutive impact of shares and options awarded to employees under share-based payment arrangements (potential ordinary shares), 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 table below summarises the calculation of weighted average number of shares for the purpose of deriving diluted EPS:

	Notes	**Six months ended 30 June 2018**	Six months ended 30 June 2017	Year ended 31 December 2017
Profit attributable to ordinary equity holders (£m)		**342**	94	157
Diluted profit attributable to ordinary equity holders (£m)		**342**	94	157
Adjusted weighted average number of ordinary shares (millions)	11(a)	**1,830**	1,830	1,830
Adjustments for share options held by EBTs and similar trusts (millions)		**-**	-	-
Weighted average number of ordinary shares used to calculate diluted earnings per share (millions)		**1,830**	1,830	1,830
Diluted earnings per ordinary share (pence)		**18.7**	5.1	8.6

There is no dilutive impact of potential shares on EPS for the period ended 30 June 2018 because the new share based-payment arrangements, settled in Quilter plc shares, have only been in place since listing (25 June 2018).

11: Earnings and earnings per share *continued*

11(c) Adjusted earnings per share

The following table presents a reconciliation of profit for the financial period to adjusted profit after tax attributable to ordinary equity holders and summarises the calculation of adjusted earnings per share:

	Notes	**Six months ended 30 June 2018** £m	Six months ended 30 June 2017 £m	Year ended 31 December 2017 £m
Profit for the financial period attributable to shareholders of the Company		**342**	94	157
Adjusting items	7	**75**	119	263
Income tax expense on adjusting items	10(c)	**(21)**	(22)	(39)
Less: Policyholder tax adjustments	10(c)	**15**	-	17
Less: Profit after tax from discontinued operations	5(d)	**(310)**	(111)	(203)
Adjusted profit after tax attributable to ordinary shareholders (£m)		**101**	80	195
Adjusted weighted average number of ordinary shares used to calculate adjusted basic earnings per share (millions)	11(a)	**1,830**	1,830	1,830
Adjusted basic earnings per share (pence)		**5.5**	4.4	10.7
Adjusted weighted average number of ordinary shares used to calculate diluted adjusted earnings per share (millions)	11(b)	**1,830**	1,830	1,830
Adjusted diluted earnings per share (pence)		**5.5**	4.4	10.7

11(d) Headline earnings per share

The Group is required to calculate headline earnings per share ('HEPS') in accordance with the JSE Limited ('JSE') Listing Requirements, determined by reference to the South African Institute of Chartered Accountants' circular 02/2015 'Headline Earnings'. The table below sets out a reconciliation of basic EPS and HEPS in accordance with that circular. Disclosure of HEPS is not a requirement of IFRS, but it is a commonly used measure of earnings in South Africa.

The table below reconciles the profit for the financial period attributable to equity holders of the parent to headline earnings and summarises the calculation of basic HEPS:

		Six months ended 30 June 2018 £m		Six months ended 30 June 2017 £m		Year ended 31 December 2017 £m
	Gross	**Net of tax**	Gross	Net of tax	Gross	Net of tax
Profit for the period attributable to shareholders of the Company		**342**		94		157
Adjusting items:						
(Profit) on disposals of subsidiaries	**(285)**	**(290)**	(80)	(80)	(83)	(83)
Headline earnings	**(285)**	**52**	(80)	14	(83)	74
Diluted headline earnings		**52**		14		74
Weighted average number of ordinary shares (millions)		**1,830**		1,830		1,830
Diluted weighted average number of ordinary shares (millions)		**1,830**		1,830		1,830
Headline earnings per share (pence)		**2.8**		0.8		4.0
Adjusted headline earnings per share (pence)		**2.8**		0.8		4.0

12: Goodwill and intangible assets

12(a): Analysis of goodwill and intangible assets

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

				£m
	Goodwill	Software development cost[4]	Other intangible assets[4]	Total
Gross amount				
At 1 January 2017	373	94	350	817
Acquisitions through business combinations[1]	15	-	27	42
Other movements	-	5	(4)	1
At 30 June 2017	388	99	373	860
Acquisitions through business combinations	-	-	3	3
Transfer to non-current assets held for sale[2]	(82)	(2)	(3)	(87)
Other movements	-	-	(2)	(2)
At 31 December 2017	306	97	371	774
Acquisitions through business combinations	**3**	**-**	**5**	**8**
Transfer to non-current assets held for sale	**(1)**	**-**	**-**	**(1)**
Other movements[3]	**5**	**2**	**-**	**7**
At 30 June 2018	**313**	**99**	**376**	**788**
Amortisation and impairment losses				
At 1 January 2017	-	(90)	(73)	(163)
Amortisation charge for the period	-	(1)	(19)	(20)
Other movements	-	(3)	4	1
At 30 June 2017	-	(94)	(88)	(182)
Amortisation charge for the period	-	(1)	(20)	(21)
Transfer to non-current assets held for sale	-	2	3	5
Other movements	-	1	(3)	(2)
At 31 December 2017	-	(92)	(108)	(200)
Amortisation charge for the period	**-**	**(2)**	**(21)**	**(23)**
Other movements	**-**	**-**	**1**	**1**
At 30 June 2018	**-**	**(94)**	**(128)**	**(222)**
Carrying amount				
At 30 June 2017	388	5	285	678
At 31 December 2017	306	5	263	574
At 30 June 2018	**313**	**5**	**248**	**566**

[1]Goodwill acquired through business combinations for the year ended 31 December 2017 of £15 million relates to the acquisition of Caerus Capital Group Limited (£10 million) and various acquisitions by the QPCA business (£5 million). Refer to note 5(a) for further information.
[2]Goodwill transferred to non-current assets held for sale relates to the Single Strategy asset management business (see note 5(g)).
[3]Goodwill has increased by £5 million in 2018 due to a review of the purchase price allocation ('PPA') calculation at 31 December 2017 year end relating to the QPCA acquisitions resulting in a reclassification from other intangibles to goodwill.
[4]In year ended 31 December 2017, £6 million has been reclassified from software development costs to other intangibles assets to conform with current year presentation.

The net carrying amount of intangible assets at 30 June 2018 principally comprises:

- £182 million (FY 2017: £197 million) relating to distribution channels in the Quilter Cheviot business (to be amortised over a further 7 years).
- £22 million (FY 2017: £25 million) relating to mutual fund and asset management relationship assets in the Intrinsic business (to be amortised over a further 4 years).
- £5 million (FY 2017: £6 million) relating to the Quilter Cheviot brand (to be amortised over a further 2 years).
- £3 million (FY 2017: £3 million) relating to the acquisition of AAM Advisory Pte Ltd (to be amortised over a further 8 years).
- £10 million (FY 2017: £8 million) relating to customer distribution channels of Caerus Capital Group Limited (to be amortised over a further 7 years).
- £18 million (2017: £16 million) relating to customer relationships of the QPCA business (to be amortised over 6-8 years).
- £8 million (2017: £8 million) relating to customer relationships of Attivo Investment Management Limited (to be amortised over 6 years).

12: Goodwill and intangible assets *continued*

12(b): Allocation of goodwill to cash generating units ('CGUs') and impairment testing

Goodwill is allocated to the Group's CGUs, which are contained within the following operating segments as follows:

			£m
	At 30 June 2018	At 30 June 2017	At 31 December 2017
Goodwill (net carrying amount)			
Advice and Wealth Management	**151**	148	148
Wealth Platforms	**162**	158	158
Discontinued Operations	**-**	82	-
Goodwill (as per the Statement of Financial Position)	**313**	388	306
Goodwill held for sale	**-**	-	82
Total goodwill	**313**	388	388

Goodwill is tested for impairment by comparing the carrying value of the CGU to which the goodwill relates, to the recoverable value of that CGU. In accordance with the requirements of IAS 36 'Impairment of Assets', goodwill is tested annually for impairment for each CGU, by comparing the carrying amount of each CGU to its recoverable amount, being the higher of that CGU's value-in-use or fair value less costs to sell. An impairment charge is recognised when the recoverable amount is less than the carrying value.

The cash flows attributable to the value of new business are determined with reference to latest approved three-year business plans. The three-year business plan takes into account the management strategy for the underlying businesses, the capital available for deployment, the underlying macro-economic factors which impact the business and the region in which it operates as well as socio-economic factors. Projections beyond the plan period are extrapolated using an inflation based growth assumption.

The value-in-use calculations for life assurance operations are determined as the sum of net tangible assets, the expected future profits arising from the in-force business (after allowing for the cost of capital needed to support the business) and the expected profits from future new business. In determining the expected future profits, the same set of best estimate assumptions for persistency, expense, mortality and morbidity are used as per the Solvency II calculation. Market share and market growth information are also used to inform the expected volumes of future new business.

The cash flows that have been used to determine the value in use of the cash generating units are based on the three year business plans. These cash flows grow at different rates because of the different strategies of the cash generating units. In cases where the cash generating units have made significant acquisitions in the recent past, the profits are forecast to grow faster than the more mature businesses. Post the three year growth forecast, the growth rate used to determine the terminal value of the cash generating units approximates the long-term growth rate of the countries in which they operate.

The Group's CGUs generate revenues through their life assurance, asset management, long-term savings and advisory businesses. Goodwill is allocated to the Group's CGUs, which are contained within its distinct operating segments. On disposals of businesses, goodwill is allocated to them based on the relative value-in-use of the business from calculations used within the impairment reviews.

During the period, the group updated its assessment of goodwill allocated to the life assurance, asset management, long-term savings and advisory businesses for impairment. The recoverable amounts of goodwill allocated to the CGUs are determined from value-in-use calculations. There was no indication of impairment of goodwill allocated to the CGUs during the period.

13: Loans and advances

This note analyses the loans and advances the Group has made. The carrying amounts of loans and advances were as follows:

	£m		
	At 30 June 2018	At 30 June 2017	At 31 December 2017
Loans to policyholders	**190**	185	181
Loans to brokers and other loans to clients	**23**	15	19
Other loans	**7**	-	-
Gross loans and advances	**220**	200	200
Provision for impairments	**(1)**	-	(1)
Total net loans and advances	**219**	200	199

The carrying amount of loans approximates to their fair value which is measured as the principal amounts receivable under the loan agreements.

Policyholder loans are taken from an individual policyholder's transaction account and loaned to the specific policyholder and are therefore considered risk free. Policyholder loans are interest free.

All loans, except broker loans which have a set repayment schedule, are repayable on demand. All broker loans and other loans to clients earn interest at a rate of between annual LIBOR plus 0.5% and 10%.

The provision for impairments is a specific impairment relating to a financial adviser that is not expected to be recovered.

14: Financial investments

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

	£m		
	At 30 June 2018	At 30 June 2017	At 31 December 2017
Government and government-guaranteed securities	**1,562**	1,595	2,427
Other debt securities, preference shares and debentures	**2,524**	1,435	2,401
Equity securities[1]	**13,944**	9,558	12,556
Pooled investments	**46,520**	45,900	46,455
Short-term funds and securities treated as investments	**19**	5	15
Other	**-**	-	396
Total financial investments	**64,569**	58,493	64,250
Less: financial investments classified as held for sale	**-**	-	-
Total financial investments net of held for sale	**64,569**	58,493	64,250
To be recovered within 12 months	**64,403**	58,295	64,074
To be recovered after 12 months	**166**	198	176
	64,569	58,493	64,250

[1]As at 31 December 2017, £2 million has been represented from investments in associated undertakings to financial investments to aid comparability between periods.

The financial investments contractual maturity profile is based on the intention with which the financial assets are held. These assets, together with the reinsurers' share of investment contract liabilities, are held to cover the liabilities for linked investment contracts (net of reinsurance).

14(a) Debt instruments and similar securities

All debt instruments and similar securities are neither past due nor impaired and are analysed in the table below. These debt instruments and similar securities are classified according to their local credit rating (Standard & Poor's or an equivalent), by investment grade.

14(b) Equity securities

Equity securities are held to cover the liabilities for linked investment contracts. The majority of the listed securities are traded on the London Stock Exchange.

The Group's holdings of unlisted equity securities arise principally from private equity investments.

15: Categories of financial instruments

The analysis of financial assets and liabilities into their categories as defined in IFRS 9 *Financial Instruments* is set out in the following tables. Assets and liabilities of a non-financial nature, or financial assets and liabilities that are specifically excluded from the scope of IFRS 9, are reflected in the non-financial assets and liabilities category. The Group has taken advantage of the exemption in paragraph 7.2.15 of IFRS 9 from restating prior periods in respect of IFRS 9's classification and measurement (including impairment) requirements.

All gains and losses on measuring the financial assets and liabilities at each reporting date are included in the determination of profit or loss for the period.

For information about the methods and assumptions used in determining fair value please refer to note 16.

At 30 June 2018

Measurement basis	Fair value[1]				£m
	Mandatorily at FVTPL	Designated at FVTPL	Amortised cost	Non-financial assets and liabilities	Total
Assets					
Investments in associated undertakings and joint ventures[2]	-	-	-	1	1
Reinsurers' share of policyholder liabilities	2,263	-	-	403	2,666
Loans and advances	190	-	29	-	219
Financial investments	64,399	170	-	-	64,569
Trade, other receivables and other assets	-	-	1,437	-	1,437
Derivative financial instruments	33	-	-	-	33
Cash and cash equivalents	-	-	3,375	-	3,375
Total assets that include financial instruments	66,885	170	4,841	404	72,300
Total other non-financial assets	-	-	-	1,237	1,237
Total assets	**66,885**	**170**	**4,841**	**1,641**	**73,537**
Liabilities					
Long-term business insurance policyholder liabilities	-	-	-	513	513
Investment contract liabilities	60,140	-	-	-	60,140
Third-party interest in consolidation of funds	8,105	-	-	-	8,105
Borrowings	-	-	197	-	197
Trade, other payables and other liabilities	-	-	1,937	-	1,937
Derivative financial instruments	59	-	-	-	59
Total liabilities that include financial instruments	68,304	-	2,134	513	70,951
Total other non-financial liabilities	-	-	-	526	526
Total liabilities	**68,304**	**-**	**2,134**	**1,039**	**71,477**

[1]The Group adopted IFRS 9 *Financial Instruments* for the first time in 2018. IFRS 9 introduces new classification and measurement categories. The Fair Value Through Profit or Loss (FVTPL) category includes financial assets that are managed (and their performance evaluated) on a fair value basis, including those previously described as 'held for trading'. The majority of the Group's financial assets and liabilities continue to be measured at FVTPL after the implementation. The Group has taken advantage of the exemption in paragraph 7.2.15 of IFRS 9 from restating prior periods in respect of IFRS 9's classification and measurement (including impairment) requirements. For further information on IFRS 9 refer to note 4.
[2]Investments in associated undertakings and joint ventures classified as non-financial assets and liabilities are equity accounted.

Notes to the condensed consolidated interim financial statements

For the 6 month period ended 30 June 2018

15: Categories of financial instruments *continued*

At 30 June 2017

Measurement basis	Fair value[1]		Amortised cost			£m
	Held for trading	Designated at fair value through the profit or loss	Loans and receivables	Financial liabilities amortised cost	Non-financial assets and liabilities	Total
Assets						
Investments in associated undertakings and joint ventures[2]	-	-	-	-	1	1
Reinsurers' share of policyholder liabilities	-	2,759	-	-	326	3,085
Loans and advances	-	184	16	-	-	200
Financial investments	-	58,493	-	-	-	58,493
Trade, other receivables and other assets	-	-	299	-	764	1,063
Derivative financial instruments	84	-	-	-	-	84
Cash and cash equivalents	-	-	2,171	-	-	2,171
Total assets that include financial instruments	84	61,436	2,486	-	1,091	65,097
Total other non-financial assets	-	-	-	-	1,370	1,370
Total assets	84	61,436	2,486	-	2,461	66,467
Liabilities						
Long-term business insurance policyholder liabilities	-	-	-	-	436	436
Investment contract liabilities	-	55,303	-	-	-	55,303
Third-party interest in consolidation of funds	-	6,479	-	-	-	6,479
Borrowings	-	-	-	838	-	838
Trade, other payables and other liabilities	-	-	-	360	1,056	1,416
Derivative financial instruments	424	-	-	-	-	424
Total liabilities that include financial instruments	424	61,782	-	1,198	1,492	64,896
Total other non-financial liabilities	-	-	-	-	501	501
Total liabilities	424	61,782	-	1,198	1,993	65,397

[1]The Group adopted IFRS 9 *Financial Instruments* for the first time in 2018. The Group has taken advantage of the exemption in paragraph 7.2.15 of IFRS 9 from restating prior periods in respect of IFRS 9's classification and measurement (including impairment) requirements. For further information on IFRS 9 refer to note 4.
[2]Investments in associated undertakings and joint ventures classified as non-financial assets and liabilities are equity accounted.

Notes to the condensed consolidated interim financial statements

For the 6 month period ended 30 June 2018

15: Categories of financial instruments *continued*

At 31 December 2017

Measurement basis	Fair value[1]		Amortised cost			£m
	Held for trading	Designated at fair value through the profit or loss	Loans and receivables	Financial liabilities amortised cost	Non-financial assets and liabilities	Total
Assets						
Investments in associated undertakings and joint ventures[2,3]	-	-	-	-	1	1
Reinsurers' share of policyholder liabilities	-	2,525	-	-	383	2,908
Loans and advances	-	180	19	-	-	199
Financial investments[3]	-	64,250	-	-	-	64,250
Trade, other receivables and other assets	-	-	154	-	343	497
Derivative financial instruments	87	-	-	-	-	87
Cash and cash equivalents	-	-	2,360	-	-	2,360
Total assets that include financial instruments	87	66,955	2,533	-	727	70,302
Total other non-financial assets	-	-	-	-	1,225	1,225
Total assets net of held for sale	87	66,955	2,533	-	1,952	71,527
Total assets classified as held for sale	-	-	147	-	299	446
Total assets	87	66,955	2,680	-	2,251	71,973
Liabilities						
Long-term business insurance policyholder liabilities	-	-	-	-	489	489
Investment contract liabilities	-	59,139	-	-	-	59,139
Third-party interest in consolidation of funds	-	7,905	-	-	-	7,905
Borrowings	-	-	-	782	-	782
Trade, other payables and other liabilities	-	-	-	505	826	1,331
Derivative financial instruments	433	-	-	-	-	433
Total liabilities that include financial instruments	433	67,044	-	1,287	1,315	70,079
Total other non-financial liabilities	-	-	-	-	576	576
Total liabilities net of held for sale	433	67,044	-	1,287	1,891	70,655
Total liabilities classified as held for sale	-	-	-	-	219	219
Total liabilities	433	67,044	-	1,287	2,110	70,874

[1]The Group adopted IFRS 9 *Financial Instruments* for the first time in 2018. The Group has taken advantage of the exemption in paragraph 7.2.15 of IFRS 9 from restating prior periods in respect of IFRS 9's classification and measurement (including impairment) requirements. For further information on IFRS 9 refer to note 4.
[2]Investments in associated undertakings and joint ventures classified as non-financial assets and liabilities are equity accounted.
[3]As at 31 December 2017, £2 million has been reclassified from investments in associated undertakings to financial investments to conform with current year presentation.

16: 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 below, prescribed under accounting standards, provides an indication about the reliability of inputs used in determining fair value.

16(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.
- Where the assets are private company shares the valuation is based on the latest available set of audited financial statements where available, or if more recent, a statement of valuation provided by the private company's management.

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

Reinsurers' share of policyholder liabilities

Reinsurers' share of policyholder liabilities are measured on a basis that is consistent with the measurement of the provisions held in respect of the related insurance contracts. Reinsurance contracts which cover financial risk are measured at fair value of the underlying assets.

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 are measured at 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 EBITDA 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. In situations where the derivatives are traded over the counter the fair value of the instruments is determined by the utilisation of option pricing models.

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 consolidation of funds

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

Borrowed funds

Borrowed funds are stated at amortised cost.

16: Fair value methodology *continued*

16(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, reinsurers' share of investment contract liabilities and investment contract liabilities directly linked to other Level 1 financial assets.
Level 2 – valuation techniques using observable inputs: financial assets and liabilities with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial assets and liabilities valued using models where all significant inputs are observable.	Unlisted equity and debt securities where the valuation is based on models involving no significant unobservable data. OTC derivatives, certain privately placed debt instruments and third-party interests in consolidated funds.
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 for 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.

16(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.

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

The tables below present 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, as set out in changes to accounting policies in note 4. The Group has initially applied IFRS 9 at January 2018. Under the transition methods selected, comparative information is not restated.

The Group has not disclosed the fair value for financial instruments such as short term trade receivables and payables because their carrying values are a reasonable approximation of fair value.

The majority of the Group's financial assets are measured using quoted market prices for identical instruments in active markets (Level 1) and there has been no significant change since the 2017 Historical Financial Information, within the listing prospectus.

The assets, together with the reinsurers' share of investment contract liabilities, 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.

16: Fair value methodology *continued*

	At 30 June 2018		At 30 June 2017		At 31 December 2017	
	£m	**%**	£m	%	£m	%
Financial assets measured at fair value						
Level 1	**56,816**	**84.7%**	54,182	88.1%	57,945	86.4%
Level 2	**9,128**	**13.6%**	6,695	10.9%	7,928	11.8%
Level 3[1]	**1,111**	**1.7%**	643	1.0%	1,169	1.8%
Total	**67,055**	**100.0%**	61,520	100.0%	67,042	100.0%
Financial liabilities measured at fair value						
Level 1	**58,566**	**85.8%**	54,107	87.0%	57,399	85.1%
Level 2	**8,629**	**12.6%**	7,458	12.0%	8,911	13.2%
Level 3	**1,109**	**1.6%**	641	1.0%	1,167	1.7%
Total	**68,304**	**100.0%**	62,206	100.0%	67,477	100.0%

[1]As at 31 December 2017, £2 million has been reclassified from investments in associated undertakings to level 3 financial assets to conform with current year presentation.

				£m
At 30 June 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value				
Mandatorily (fair value through profit or loss)	**56,646**	**9,128**	**1,111**	**66,885**
Reinsurers' share of policyholder liabilities	**2,263**	**-**	**-**	**2,263**
Loans and advances	**190**	**-**	**-**	**190**
Financial investments	**54,193**	**9,095**	**1,111**	**64,399**
Derivative financial instruments - assets	**-**	**33**	**-**	**33**
Designated (fair value through profit or loss)	**170**	**-**	**-**	**170**
Financial investments	**170**	**-**	**-**	**170**
Total assets measured at fair value	**56,816**	**9,128**	**1,111**	**67,055**
Financial liabilities measured at fair value				
Mandatorily (fair value through profit or loss)	**58,566**	**8,629**	**1,109**	**68,304**
Investment contract liabilities	**58,566**	**465**	**1,109**	**60,140**
Third-party interests in consolidated funds	**-**	**8,105**	**-**	**8,105**
Derivative financial instruments – liabilities	**-**	**59**	**-**	**59**
Total liabilities measured at fair value	**58,566**	**8,629**	**1,109**	**68,304**

				£m
At 30 June 2017	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Held-for-trading (fair value through profit or loss)	2	82	-	84
Derivative assets	2	82	-	84
Designated (fair value through profit or loss)	54,180	6,613	643	61,436
Reinsurers' share of policyholder liabilities	2,759	-	-	2,759
Loans and advances	184	-	-	184
Financial investments	51,237	6,613	643	58,493
Total assets measured at fair value	54,182	6,695	643	61,520
Financial liabilities measured at fair value				
Held-for-trading (fair value through profit or loss)	-	424	-	424
Derivative financial instruments – liabilities	-	424	-	424
Designated (fair value through profit or loss)	54,107	7,034	641	61,782
Investment contract liabilities	54,107	555	641	55,303
Third-party interests in consolidated funds	-	6,479	-	6,479
Total liabilities measured at fair value	54,107	7,458	641	62,206

16: Fair value methodology *continued*

At 31 December 2017	Level 1	Level 2	Level 3	Total £m
Financial assets measured at fair value				
Held-for-trading (fair value through profit or loss)	-	87	-	87
Derivative financial instruments - assets	-	87	-	87
Designated (fair value through profit or loss)	57,945	7,841	1,169	66,955
Reinsurers' share of policyholder liabilities	2,525	-	-	2,525
Loans and advances	180	-	-	180
Financial investments[1]	55,240	7,841	1,169	64,250
Total assets measured at fair value	57,945	7,928	1,169	67,042
Financial liabilities measured at fair value				
Held-for-trading (fair value through profit or loss)	-	433	-	433
Derivative financial instruments – liabilities	-	433	-	433
Designated (fair value through profit or loss)	57,399	8,478	1,167	67,044
Investment contract liabilities	57,399	573	1,167	59,139
Third-party interests in consolidated funds	-	7,905	-	7,905
Total liabilities measured at fair value	57,399	8,911	1,167	67,477

[1]As at 31 December 2017, £2 million has been reclassified from investments in associated undertakings to level 3 financial investments to conform with current year presentation.

16(e) Level 3 fair value hierarchy disclosure

All of the assets that are classified as Level 3 are held within linked policyholder funds. This means that all of the investment risk associated with these assets is borne by policyholders and that 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.

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

£m	**At 30 June 2018**	At 30 June 2017	At 31 December 2017
At beginning of the year	**1,169**	581	581
Total net fair value gains recognised in:			
- profit or loss	**20**	-	(23)
Purchases	**-**	2	618
Sales	**(2)**	(3)	(23)
Transfers in	**57**	187	167
Transfers out	**(133)**	(126)	(152)
Foreign exchange and other	**-**	2	1
Total level 3 financial assets	**1,111**	643	1,169

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

Transfers into Level 3 assets for the current period comprise £57 million (30 June 2017: £187 million, 31 December 2017: £167 million) of private company shares that were previously shown within Level 2 and for which price updates have not been received for more than six months. Transfers out of Level 3 assets in the current period comprise £133 million (30 June 2017: £126 million, 31 December 2017: £152 million) of private company shares that were not previously being repriced and that have been transferred into Level 2 as they are now actively priced.

£m	**At 30 June 2018**	At 30 June 2017	At 31 December 2017
Pooled investments	**87**	274	186
Unlisted and stale price pooled investments	**86**	272	185
Suspended funds	**1**	2	1
Private equity investments	**1,024**	360	983
Other	**-**	9	-
	1,111	643	1,169

16: Fair value methodology *continued*

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

Favourable and unfavourable changes are determined on the basis of changes in the value of the financial asset or liability as a result of varying the levels of the unobservable parameters using statistical techniques. When parameters are not amenable to statistical analysis, quantification of uncertainty is judgemental.

When the fair value of a financial asset or liability is affected by more than one unobservable assumption, the figures shown reflect the most favourable or most unfavourable change from varying the assumptions individually.

The valuations of the private equity investments are 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.

Details of the valuation techniques applied to the different categories of financial instruments can be found in note 16(a) above.

Management believe that in aggregate, 10% (31 December 2017: 10%) change in the value of the financial asset or liability represents 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 alternative assumptions will be in the range of £111 million, both favourable and unfavourable (31 December 2017: £117 million). As described in note 16(e) above, changes in the value of level 3 assets are exactly matched by corresponding changes in the value of liabilities due to policyholders and therefore have no impact on the Group's profit or loss or net asset value.

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

All of the Group's financial instruments are carried at fair value except for certain amounts included within 'Trade, other receivables, and other assets' and 'Trade, other payables, and other liabilities'. 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. These instruments would be classified as Level 3 in terms of the fair value hierarchy.

17: Reinsurers' share of policyholder liabilities

This note details the reinsurance recoverables on insurance and investment contract liabilities.

17(a) Carrying amounts

The reinsurance assets as at 30 June 2018 comprised:

			£m
	At 30 June 2018	At 30 June 2017	At 31 December 2017
Reinsurers' share of policyholder liabilities			
Reinsurers' share of long-term business insurance policyholder liabilities			
Life assurance policyholder liabilities	**395**	316	375
Outstanding claims	**8**	10	8
	403	326	383
Reinsurers' share of investment contract liabilities			
Reinsurers' share of unit-linked investment contracts	**2,263**	2,759	2,525
Total reinsurers' share of policyholder liabilities	**2,666**	3,085	2,908

Of the total £2,666 million, (30 June 2017: £3,085 million, 31 December 2017: £2,908 million) is expected to be recovered in less than one year after the statement of financial position date.

The reinsurers' share of policyholder liabilities of £2,263 million (30 June 2017: £2,759 million, 31 December 2017: £2,525 million) relating to investment contracts is where the direct management of assets is ceded to a third party through a reinsurance arrangement. Due to the nature of the arrangement, there is no transfer of insurance risk.

17(b) Assumptions

The assumptions, including discount rates, used for reinsurance of policyholder liabilities follow those used for the equivalent gross policyholder liabilities. Reinsurance assets are valued net of an allowance for their recoverability.

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 assets and contract liabilities 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 assets are restricted to the recoverable amount. For linked contracts, the assumptions are on a best estimate basis.

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For the 6 month period ended 30 June 2018

17: Reinsurers' share of policyholder liabilities *continued*

17(c) Movements

Movements in the amounts outstanding in respect of reinsurers' share of unit-linked investment contracts and policyholder liabilities, other than outstanding claims, are set out below:

Unit-linked investment contracts	**At 30 June 2018**	At 30 June 2017	At 31 December 2017
			£m
Carrying amount at 1 January	**2,525**	2,560	2,560
Net premium income	**(266)**	(6)	(365)
Fair value movements	**4**	205	330
	(262)	199	(35)
Total reinsurers' share of unit-linked investment contract liabilities	**2,263**	2,759	2,525

Life assurance policyholder liabilities	**At 30 June 2018**	At 30 June 2017	At 31 December 2017
			£m
Carrying amount at 1 January	**375**	290	290
Impact of new business	**6**	41	55
Impact of experience effects	**12**	9	23
Impact of assumption changes	**2**	(24)	7
	20	26	85
Total reinsurers' share of life assurance policyholder liabilities	**395**	316	375

The impact of assumption changes in the above analysis shows the resulting movement in the carrying value of reinsurance assets with corresponding movements in gross insurance contract liabilities.

18: Cash and cash equivalents

Cash and cash equivalents as at 30 June 2018 comprised:

	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
			£m
Cash and cash equivalents for the Group, including cash held for sale	**2,120**	1,386	1,595
Cash and cash equivalents in Consolidated Funds	**1,255**	785	912
Total cash and cash equivalents per consolidated statement of cash flows	**3,375**	2,171	2,507
Less: cash and cash equivalents included in assets held for sale	**-**	-	(147)
Total cash and cash equivalents per consolidated statement of financial position	**3,375**	2,171	2,360

Except for cash and cash equivalents subject to consolidation of funds of £1,255 million (30 June 2017: £785 million, 31 December 2017: £912 million), management do not consider that there are any material amounts of cash and cash equivalents which are not available for use in the Group's day-to-day operations.

19: Share capital

Share capital

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. The Parent Company's equity capital currently comprises 1,902,251,098 ordinary shares of 7p each with an aggregated nominal value of £133,157,577 (2017: 130,000,257 ordinary shares of 100p each with an aggregated nominal value of £130,000,257).

This note gives details of the Company's ordinary share capital and shows the movements during the period.

		£m	£m
	Number of shares	**Nominal value**	**Share premium**
At 1 January 2017	130,000,256	130	-
Issue of share capital[1]	200,000,000	200	-
At 30 June 2017	330,000,256	330	-
At 1 July 2017	330,000,256	330	-
Reduction of share capital[2]	(200,000,000)	(200)	-
Issue of share capital[3]	1	-	58
At 31 December 2017	130,000,257	130	58
At 1 January 2018	130,000,257	130	58
Issue of share capital[4]	1	-	-
	130,000,258	130	58
Sub-division of ordinary shares of 100p each to 1p each[5]	12,870,025,542	-	-
	13,000,025,800	130	58
Bonus shares issued to ordinary shareholders of 1p each[6]	315,731,886	3	-
	13,315,757,686	133	58
Conversion of ordinary shares of 1p each to 7p each[7]	(11,413,506,588)	-	-
At 30 June 2018	**1,902,251,098**	**133**	**58**

[1]On 3 May 2017, the Company allotted and issued 200 million £1 ordinary shares, for a consideration of £200 million, to its now former parent Old Mutual plc.

[2]On 27 November 2017, the Company carried out a share capital reduction, which cancelled the 200 million £1 ordinary shares.

[3]On 21 December 2017, Old Mutual plc contributed £58 million to the Company in exchange for the issue of 1 share.

[4]On 31 January 2018, the Company allotted and issued 1 ordinary share of £1.

On 6 June 2018, the Board approved a reorganisation of its share capital to enable the implementation of the Managed Separation and to ensure that existing shareholders of Old Mutual plc received one Ordinary Share for every three ordinary shares they hold in Old Mutual plc, as described in the prospectus document. The Share Capital Reorganisation consisted of the following steps:

[5](a) Each of the Company's existing 130,000,258 ordinary shares of £1.00 each was sub-divided into 100 ordinary shares of £0.01 each, following which the Company's share capital consisted of 13,000,025,800 ordinary shares of £0.01 each, with an aggregate nominal value of £130,000,258;

[6](b) The Company allotted 315,731,886 bonus ordinary shares of £0.01 each to the existing shareholders of the Company (with any fractional entitlements arising to be aggregated and allotted to Old Mutual plc), following which the Company's share capital consisted of 13,315,757,686 ordinary shares of £0.01 each, with an aggregate nominal value of £133,157,577; and

[7](c) The Company's 13,315,757,686 ordinary shares of £0.01 each were consolidated into Ordinary Shares of £0.07 each (with any fractional entitlements arising to be aggregated and allotted to Old Mutual plc), following which the Company's share capital consists of 1,902,251,098 Ordinary Shares of £0.07 each, with an aggregate nominal value of £133,157,577.

Merger reserve

On 31 January 2018, the Group acquired the Skandia UK Limited group of entities from its then parent company Old Mutual plc. This comprised of seven Old Mutual plc group entities with a net asset value of £591 million. The transfer was financed by the issue of one share and with the balance giving rise to a merger reserve of £591 million in the consolidated statement of financial position, being the difference between the nominal value of the share issued by the parent company for the acquisition of the shares of the subsidiaries and the subsidiary's net asset value. No debt was taken on as a result of this transaction. The most significant asset within these entities is a £566 million receivable which corresponds to an equivalent payable within the Group's consolidated statement of financial position. The net effect of this transaction for the Group is to replace a payable due to Old Mutual plc with equity.

This transaction attracted merger relief under section 612 of the Companies Act 2006.

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20: Share-based payments

During the period ended 30 June 2018 and the year ended 31 December 2017, the Group participated in a number of Old Mutual plc and Quilter plc share-based payment arrangements. This note describes the nature of the plans and how the share options and awards are valued.

20(a) Measurements and assumptions

The Group had the following share-based payment arrangements for the period ended 25 June 2018 and the year ended 31 December 2017:

	Description of award					Contractual life	Vesting conditions	
Scheme	**Restricted shares**	**Conditional Shares**	**Options**	**Other**	**Dividend entitlement**	**Years**	**Typical Service (years)**	**Performance (measure)**
Old Mutual plc Share Reward Plan - Restricted Shares	✓	-	-	-	✓	1 - 3 years	-	-
Old Mutual plc Performance Share Plan - Restricted Shares	-	-	✓	-	-	10 years	Not less than 3 years	Target growth in EPS and ROE
Old Mutual plc 2008 Sharesave Plan[1]	-	-	✓	✓	-	$3^{1/2}$ - $5^{1/2}$	3 & 5	-
Old Mutual Wealth Joint Ownership Plan - Jointly Owned/Restricted Shares	✓	-	-	✓	✓	3	3	-
Old Mutual Wealth Phantom Share Reward Plan - Conditional Shares	-	✓	-	-	-	Typically 3 years	3	-

[1]Scheme is linked to a savings plan

20(b) Arrangements in place from 25 June 2018 onwards

The shares schemes listed in note 20(a) above were all awards over Old Mutual plc shares. The majority of these schemes were subject to early exercise, apart from the Joint Share Ownership Plan and the Phantom Share Reward Plan which were transferred to awards over Quilter shares as explained below. The Group also created three new share-based payment arrangements which came into force on 25 June 2018: the Quilter plc Share Incentive Plan, the Quilter plc Share Reward Plan, and the Quilter plc Performance Share Plan.

	Description of award					Contractual life	Vesting conditions	
Scheme	**Restricted shares**	**Conditional shares**	**Options**	**Other**	**Dividend Entitlement**	**Years**	**Typical Service (years)**	**Performance (measure)**
Old Mutual Wealth Share Ownership Plan - Jointly Owned/Restricted Shares[1]	✓	-	-	✓	✓	3 years	3	-
Old Mutual Wealth Phantom Share Reward Plan 2017 - Conditional Shares[2]	-	✓	-	-	-	Typically 3 years	3	-
Quilter plc Share Incentive Plan - Restricted Shares	✓	-	-	-	-	Not less than 3 years	2	-
Quilter plc Share Reward Plan - Conditional Shares	-	✓	-	-	-	Typically 3 years	3	-
Quilter plc Performance Share Plan - Share Options[3]	-	-	✓	-	-	Up to 10 years	3	Target growth in EPS and Relative TSR
Quilter plc Performance Share Plan - Conditional Shares[3]	-	✓	-	-	-	Not less than 3 years	3	Conduct, Risk & Compliance Underpins

[1]The Joint Share Ownership Plan ('JSOP') was implemented for certain key employees of Quilter in 2013, with the final grant of awards in 2016. It provided participants with an interest in the capital growth of the company by granting joint ownership of shares in Old Mutual Wealth Management Limited (now Quilter plc) with an employee benefit trust ('EBT'), whereby the trust owned the principal value of the shares and the participants owned any growth in value during the vesting period. Upon the demerger and listing of Quilter plc, the trust exercised a call option to acquire the participants' interest in the shares based on the growth in value of the Company between grant and listing, in return for consideration shares in Quilter plc. The consideration shares for any awards that remain unvested are restricted until the normal vesting date, and attract dividends during that time.

[2]Awards granted under the Phantom Share Reward Plan prior to the demerger of Quilter plc were made over notional ordinary shares in Old Mutual plc that were settled in cash on the vesting date. Upon the demerger and listing of Quilter plc, all unvested notional share awards were converted to conditional awards over ordinary shares in Quilter plc, which will be settled in Quilter plc shares on the normal vesting dates.

[3]Options granted under the Performance Share Plan are subject to a performance period commencing 1 January 2018, but with a grant date of 25 June 2018. In accordance with IFRS 2 Share-base Payment the cost of this award is recognised from the start of the performance period until the date upon which the options are expected to vest.

20: Share-based payments *continued*

20(c) Reconciliation of movements in options

The movement in the options outstanding under these arrangements during the period is detailed below:

Options over shares (London Stock Exchange)	Six months ended 30 June 2018 Number of options	Six months ended 30 June 2018 Weighted average exercise price	Year ended 31 December 2017 Number of options	Year ended 31 December 2017 Weighted average exercise price
Outstanding at beginning of the period	**7,622,956**	**£1.60**	10,250,582	£1.60
Granted during the period	**2,824,136**	**£0.00**	-	-
Forfeited during the period	**(2,083,686)**	**£1.60**	(794,653)	£1.62
Exercised during the period	**(5,533,303)**	**£1.60**	(1,819,897)	£1.61
Expired during the period	**(5,967)**	**-**	(39,892)	-
Other transfers during the period	**-**	**-**	26,816	-
Outstanding at end of the period	**2,824,136**	**£1.45**	7,622,956	£1.60
Exercisable at end of the period	**-**	**£0.00**	151,809	£1.61

The amount outstanding at the end of the period for 2018 and 2017 includes an amount for employees who have transferred into/out of Quilter plc from/to other Old Mutual divisions.
The following table summarises information about options outstanding at 30 June 2018 and 31 December 2017:

Year	Range of exercise price	Outstanding options	Weighted remaining contractual life Years	Weighted average exercise price
At 30 June 2018	**£0.00 to £0.00**	**2,824,136**	**2.7**	**£0.00**
At 31 December 2017	£1.28 to £1.87	7,622,956	1.1	£1.94

20(d) Measurements and assumptions

In determining the fair value of equity-settled share-based awards and the related charge to the income statement, the Group makes assumptions about future events and market conditions. Specifically, management makes estimates of the likely number of shares that will vest and the fair value of each award granted which is valued and 'locked in' at the grant date.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of fair value of share options granted is measured using a Black-Scholes option pricing model.

Where share options are granted under a service and non-market based performance condition, such conditions are not taken into account in the grant date fair value measurement of the share options granted. There are no market conditions associated with the share option grants.

20(e) Forfeitable/Restricted share grants

The following summarises the fair value of restricted shares granted by the Group during the period:

Instruments granted and purchased during the period		Number granted	Weighted average fair value
Quilter plc Share Incentive Plan – Restricted Shares	**2018**	**4,860,240**	**£1.53**
Old Mutual plc Share Reward Plan - Restricted shares	2017	1,890,693	£2.18

The share price at measurement date was used to determine the fair value of the restricted shares. Expected dividends were not incorporated into the measurement of fair value where the holder of the restricted share is entitled to dividends throughout the vesting period.

20(f) Financial impact

The total expense recognised for the period arising from equity compensation plans was as follows:

£m	**Six months ended 30 June 2018**	Six months ended 30 June 2017	Year ended 31 December 2017
Expense arising from equity settled share and share option plans - continuing operations	**9**	4	9
Expense arising from equity settled share and share option plans - discontinued operations	**1**	-	1
Total expense arising from equity settled and share option plans	**10**	4	10

20: Share-based payments *continued*

20(g) Employee Benefit Trust ('EBT')

On 22 December 2017 an EBT which was set up for the benefit of the Group employees, and specifically for the purposes of the JSOP, was transferred to the Group from Old Mutual plc. As a result of this transfer, on consolidation the Group's equity was reduced by an amount of £99 million, representing the value of Company shares held within the trust, which are recognised as treasury shares and deducted from equity.

The EBT held 72 million Quilter plc shares at the point of Quilter plc listing on, 25 June 2018. Following the listing of Quilter plc, the shares in the trust will be used to support not only the JSOP, but also other share schemes.

21: Insurance and investment contract liabilities

The following is a summary of the Group's insurance and investment contract provisions and related reinsurance assets as at 30 June 2018.

									£m
	At 30 June 2018			At 30 June 2017			At 31 December 2017		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Life assurance policyholder liabilities									
Long-term business insurance policyholder liabilities									
Life assurance policyholder liabilities	**503**	**(395)**	**108**	424	(316)	108	480	(375)	105
Outstanding claims	**10**	**(8)**	**2**	12	(10)	2	9	(8)	1
	513	**(403)**	**110**	436	(326)	110	489	(383)	106
Investment contract liabilities									
Unit-linked investment contracts	**60,140**	**(2,263)**	**57,877**	55,303	(2,759)	52,544	59,139	(2,525)	56,614
Total life assurance policyholder liabilities	**60,653**	**(2,666)**	**57,987**	55,739	(3,085)	52,654	59,628	(2,908)	56,720

21(a) Insurance contract liabilities (gross of reinsurance)

Movements in the amounts outstanding in respect of life assurance policyholder liabilities, other than outstanding claims, are set out below:

			£m
	At 30 June 2018	At 30 June 2017	At 31 December 2017
Carrying amount at 1 January	**480**	402	402
Impact of new business	**2**	34	42
Impact of experience effects	**19**	13	30
Impact of assumption changes	**2**	(25)	7
Other movements	**-**	-	(1)
	23	22	78
Total insurance contract life assurance policyholder liabilities	**503**	424	480

21(b) Unit-linked investment contract liabilities (gross of reinsurance)

Movements in the amounts outstanding in respect of unit-linked and other investment contracts are set out below:

			£m
	At 30 June 2018	At 30 June 2017	At 31 December 2017
Carrying amount at 1 January	**59,139**	51,265	51,265
Fair value movements	**(205)**	2,111	3,958
Investment income	**401**	357	681
Movements arising from investment return	**196**	2,468	4,639
Contributions received	**4,047**	4,683	9,717
Maturities	**(100)**	(119)	(220)
Withdrawals and surrenders	**(2,894)**	(2,792)	(5,682)
Claims and benefits	**(116)**	(107)	(217)
Reclassification from provisions	**3**	-	-
Other movements	**(129)**	(125)	(408)
Change in liability	**1,007**	4,008	7,829
Currency translation (gain)/loss	**(6)**	30	45
Total unit-linked investment contract policyholder liabilities	**60,140**	55,303	59,139

21: Insurance and investment contract liabilities *continued*

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.

None of the reinsurers share of policyholder liabilities relating to investment contract liabilities were past due as at 30 June 2018 (30 June 2017: £nil, 31 December 2017: £nil).

22: Provisions and accruals

				£m
Six months ended 30 June 2018	**Compensation provisions**	**Sale of Single Strategy business**	**Other**	**Total**
Balance at beginning of the period	**82**	**-**	**22**	**104**
Charge to income statement	**4**	**19**	**1**	**24**
Utilised during the period	**(4)**	**(2)**	**(2)**	**(8)**
Unused amounts reversed	**(1)**	**-**	**(1)**	**(2)**
Reclassification within Statement of Financial Position	**(3)**	**-**	**-**	**(3)**
Balance at 30 June 2018	**78**	**17**	**20**	**115**

				£m
Six months ended 30 June 2017	Compensation provisions	Sale of Single Strategy business	Other	Total
Balance at beginning of the period	13	-	16	29
Charge to income statement	(1)	-	5	4
Utilised during the year	-	-	2	2
Disposals	(1)	-	-	(1)
Balance at 30 June 2017	11	-	23	34

				£m
Year ended 31 December 2017	Compensation provisions	Sale of Single Strategy business	Other	Total
Balance at beginning of the year	13	-	16	29
Charge to income statement - Voluntary remediation	69	-	-	69
Charge to income statement - Other	7	-	6	13
Utilised during the year	(5)	-	(5)	(10)
Foreign exchange and other movements	(2)	-	5	3
Balance at 31 December 2017	82	-	22	104

Compensation provisions

Compensation provisions totalled £78 million (31 December 2017: £82 million).

Voluntary client remediation provision
As part of its ongoing work to promote fair customer outcomes, the Group has conducted product reviews consistent with the recommendations from the FCA's thematic feedback and the FCA's guidance 'FG16/8 Fair treatment of long-standing customers in the life insurance sector'. Following these reviews, the Group has decided to commence voluntary remediation to customers in certain legacy products, resulting in an additional provision raised during the 2017 year of £69 million, including £7 million of programme cost and £13 million of estimated interest. During the period ended 30 June 2018, £1 million was utilised (31 December 2017: £nil) and £3 million was reclassified as a liability to long-term business insurance policyholder liabilities within the statement of financial position.

The voluntary remediation relates to early encashment charges and contribution servicing charges made on pension products and following the re-introduction of annual reviews, compensation payable to a subset of Protection plan holders.

The voluntary remediation comprises retrospective refunds and compensation, going back to 1 January 2009, and prospective 5% caps on early encashment charges.

The Group intends to substantially complete the review and remediation in 2019.

Estimates and assumptions

Key estimates and assumptions in relation to the provision are:

- Protection policy sustainability period assumption of 4 years; and
- The programme costs of carrying out the remediation activity and interest on remediation payments.

If past reviews had been carried out, policies would be expected to have funds sufficient to provide up to four years' cover from the current statement of position date, on the basis that future premium increases are not applied. This assumption has been used to determine the cost of reconstructing the impacted Protection policies to their expected values.

22: Provisions and accruals *continued*

The programme costs of conducting the remediation activity are highly variable and are subject to a number of uncertainties. In calculating the best estimate of these costs, consideration has been given to such matters as the identification of impacted customers, access to and the quality of customer files, likelihood of the customer contesting the offer, the complexity of the calculations, the level of quality assurance and checking, the ease of contacting and communicating with customers and the level of customer interactions.

Sensitivities relating to the assumptions and uncertainties are provided in the table below:

Assumption	Change in assumption	Consequential change in provision
Protection policy sustainability period	Protection policy sustainability period assumption reduced to 3 years	-£1.6m
Protection policy sustainability period	Protection policy sustainability period assumption reduced to 5 years	+£1.9m
Programme cost per case of conducting the review	Estimate based on bottom of range	+/- £1.4m

No provision has been recognised for any potential enforced redress and associated penalties that may be levied by the FCA, as explained in note 24 Contingent liabilities.

Compensation provision (other)

The compensation provision also includes amounts relating to regulatory uncertainty and multiple causal events; on-going resolution of claims as a result of mis-selling guarantee contacts; and to the provision for claw-back of prescribed claims. This provision is held to allow for the possible future payment of claims that have been previously reversed. Due to the nature of the provision, the timing of the expected cash outflows is uncertain. Estimates are reviewed annually and adjusted as appropriate for new circumstances.

Sale of Single Strategy business

A restructuring provision was recognised as a result of the sale of the Single Strategy business to enable the remaining Quilter Investors business to function as a standalone operation going forward. The provision includes those costs directly related to replacing and restoring the operational capability that previously underpinned and supported both parts of the asset management business. Key parts of this capability had either been disposed of or disrupted as a consequence of the sale. The provision was established for £10 million, of which £2 million has been utilised. The carried forward provision at 30 June 2018 is £8 million. Further provisions may be established as the project progresses.

Additional provisions totalling £9 million have been made as a consequence of the sale of the Single Strategy business. These have been made in relation to various sale related future commitments, the outcome of which is uncertain at the time of the sale and the most significant of which is in relation to the guarantee of revenues in future years.

Other provisions

Other provisions also include long-term staff benefits and amounts for the resolution of legal uncertainties and the settlement of other claims raised by contracting parties. 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.

Of the total provisions recorded above, £20 million, (2017: £22 million) is estimated to be payable after one year.

23: Borrowings

The following table analyses the Group's borrowed funds, repayable on demand and categorised in terms of IFRS 9 *Financial Instruments* as "Financial liabilities amortised cost". All amounts outstanding at 30 June 2018 are payable to a number of relationship banks. All amounts outstanding at 31 December 2017 were payable either to the Group's previous ultimate Parent Company, Old Mutual plc, or to other related entities within the Old Mutual plc group.

			£m
	At 30 June 2018	At 30 June 2017	At 31 December 2017
Subordinated debt			
Fixed rate loan at 5.50%[1]	**-**	566	566
Fixed rate loan at 4.48%[2]	**197**	-	-
Other borrowed funds			
Fixed rate loan note at 10%[3]	**-**	53	-
Floating rate loan at 6 month LIBOR + 0.25%[4]	**-**	92	93
Floating rate loan at 3 month LIBOR + 0.10%[5]	**-**	84	80
Fixed rate loan at 3.125%[6]	**-**	43	43
	197	838	782

[1] Commenced on 25 February 2015 and was used to finance the acquisition of the Quilter Cheviot group.
[2] Commenced on 28 February 2018 and used for general corporate purposes.
[3] Commenced during 2015 and was used to finance the acquisition of the Quilter Cheviot group.
[4] Commenced during 2014 and was used to finance the acquisition of Intrinsic Financial Services Limited.
[5] Commenced in 2011 and was used to finance other historical corporate activity.
[6] Commenced on 21 June 2016 was used to finance one of the Group's employee benefit trusts.

23: Borrowings *continued*

On 23 February 2018, the Group entered into, and fully drew down on 28 February 2018, the New Term Loan, a £300 million senior unsecured term loan with a number of relationship banks with an annual coupon of 45 basis points above LIBOR, to be updated every three months. The New Term Loan was repaid in full using proceeds from the sale of the Single Strategy Business following the completion of the transaction in June 2018.

On 28 February 2018, the Group entered into a £125 million revolving credit facility, which remains undrawn, and issued a £200 million subordinated debt security. This was issued in the form of a 10-year Tier 2 bond with a one-time issuer call option after five years to J.P. Morgan Securities plc, paying a semi-annual coupon of 4.478% p.a. The debt security is listed on the London Stock Exchange and has a Fitch instrument rating of BBB-. On 13 April 2018, the debt security was sold by J.P. Morgan Securities plc to traditional debt capital market investors. Including the impact of amortisation of set-up costs, the issuance of this security will increase financing costs by approximately £10 million on an annual basis.

As part of a series of internal transactions, £566 million of intercompany indebtedness to other companies within the Old Mutual plc group was equitised, with the effect of the intercompany indebtedness being cancelled and replaced with equity in the form of share capital and a merger reserve. The overall indebtedness also reduced by £16 million from ordinary course transactions.

The remaining £200 million intercompany indebtedness was repaid in full from the new facilities referred to above and from existing cash resources on 28 February 2018. On the same date, the £70 million revolving credit facility with Old Mutual plc was cancelled.

Amounts borrowed as at 31 December 2017 were borrowed from Old Mutual plc and were unsecured and were repayable on demand. The carrying amount approximates to fair value which is valued as the principal amount repayable.

24: 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 22). 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'.

Tax

The Revenue 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 they operate. All interpretations made by management 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 Revenue 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.

Contingent liabilities – acquisitions and disposals

The Group routinely monitors and reassesses contingent liabilities arising from matters such as litigation, warranties and indemnities relating to past acquisitions and disposals. These are not expected to result in any material provisions.

UK Financial Conduct Authority Investigation – Old Mutual Wealth Life Assurance Limited ('OMWLA')

On 2 March 2016 the UK Financial Conduct Authority ('FCA') commenced an investigation of a number of firms, including OMWLA, a Quilter plc Group subsidiary, in relation to potential breaches of the FCA's standards pertaining to matters covered by its Thematic Review, an industry-wide review into the treatment of long-standing customers invested in closed-book products sold by the life insurance sector (TR 16/2). The FCA has not concluded its investigation of OMWLA, and as a result it is not possible to assess the outcome of the investigation and, by extension, the extent of any financial consequences for the Group.

25: Capital and financial risk management

The principal risks and uncertainties of the Group and the management of these risks have not materially changed since the year ended 31 December 2017.

Details of the principal risks and uncertainties can be found in the published prospectus within the 2017 Historical Financial Information, within the listing prospectus; Capital and Risk Management information in Note 42 of the Historic Financial Information and the estimation techniques and uncertainties in the specific disclosures to which they relate.

26: Related party transactions

In the normal course of business, the Group enters into transactions with related parties that relate to insurance and investment management business. These 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 six months ended 30 June 2018 which had a material effect on the results or financial position of the Group except for the repayment of intercompany indebtedness to other companies with the Old Mutual plc group which has been disclosed in note 23: Borrowings. Except for these intra-group loan repayments, the nature of the related party transactions of the Group has not changed from those described in the 2017 Historical Financial Information included in the listing prospectus dated 20 April 2018.

27: Events after reporting date

Special interim dividend

Subsequent to 30 June 2018, the Board has declared a special interim dividend of 12 pence per ordinary share in connection with the sale of the Single Strategy business. This amounts to £221 million in total, and will be accounted for as an appropriation of retained earnings in the year ending 31 December 2018.

The special interim dividend will be paid on 21 September 2018 to shareholders on the UK and South African share registers as at 24 August 2018.