Quilter

NEWS RELEASE

12 March 2019

Quilter plc preliminary results for the year ended 31 December 2018

Adjusted profit up 11% to £233 million, adjusted diluted earnings per share up 15% and a recommended final dividend of 3.3 pence per share

Financial highlights

- Assets under Management/Administration ("AuMA") at £109.3 billion is down 4% year-on-year (2017: £114.4 billion) as a result of positive net flows of £2.7 billion more than offset by negative market performance of £7.8 billion.
- Net Client Cash Flow ("NCCF") (excl. Quilter Life Assurance) of £4.7 billion (2017: £7.6 billion), representing 5% of NCCF/opening AuMA (2017: 9%) in line with our medium-term target.
- Integrated flows (excl. Quilter Life Assurance) of £4.7 billion (2017: £5.2 billion).
- Improvement in operating margin to 30% (2017: 29%) and revenue margin to 57 bps (2017: 56 bps).
- Adjusted profit before tax of £233 million (2017: £209 million), up 11% from 2017.
- IFRS profit/(loss) before tax from continuing operations of £5 million (2017: £(5) million).
- Diluted earnings per share of 26.5 pence (2017: 8.6 pence) and adjusted diluted earnings per share of 12.3 pence (2017: 10.7 pence), up 15%.
- Recommended final dividend of 3.3 pence per share, in line with our dividend policy.
- Solvency II ratio of 190% after payment of the recommended final dividend (2017: 154%).

Strategic highlights

- Completed Managed Separation from Old Mutual plc and listed on the London and Johannesburg Stock Exchanges on 25 June 2018.
- Successful completion of the sale of the Single Strategy asset management business on 29 June 2018, with separation activity from this business progressing well. Special interim dividend of 12.0 pence per share paid on 21 September 2018, returning £221 million net surplus proceeds to shareholders.
- FCA investigation into treatment of long-standing clients of closed life books concluded without sanction.
- UK Platform Transformation Programme in soft launch phase. Migration planning well advanced and expected to commence by Autumn 2019. Total programme costs currently targeted to be at the upper end of the guidance range.
- Phased, multi-year Optimisation plans are underway: Targeting 4 percentage point uplift in operating margin by 2021.
- While macro-economic and political concerns may continue to weigh on investor sentiment in 2019, remain focused on growing the business and confident in the Group's strategic path and growth prospects.

Paul Feeney, Quilter Chief Executive Officer, said:

"Quilter performed well in 2018 despite increasingly challenging market conditions as the year progressed. We are delighted to report record profit with adjusted profit up 11% and adjusted diluted earnings per share up 15%. Although deteriorating investor sentiment over the course of the year made net client cash flows more challenging, the resilience in our integrated flows demonstrated that our business model is generating real traction with our customers.

2019 will again be an important year for our business. We will substantially implement our new UK Platform, progress our Optimisation plans which will help to drive up our operating margin in 2020 and 2021, and we will increase numbers of advisers and investment managers to deliver high quality solutions that our customers need."

Quilter highlights (from continuing operations only)[1, 2]	2018	2017	Change
Assets and flows			
AuMA (£bn)	**109.3**	114.4	(4%)
NCCF (£bn)	**2.7**	6.3	(57%)
NCCF (excl. Quilter Life Assurance) (£bn)[3]	**4.7**	7.6	(38%)
NCCF/opening AuMA (excl. Quilter Life Assurance)[3, 4]	**5%**	9%	(4pp)
Integrated flows (excl. Quilter Life Assurance) (£bn)[3]	**4.7**	5.2	(10%)
Productivity (£m)	**1.7**	1.8	(6%)
Asset retention % (excl. Quilter Life Assurance)[3]	**91%**	90%	1pp
Profit & loss			
IFRS profit before tax from continuing operations (£m)	**5**	(5)	200%
IFRS profit after tax (£m)	**488**	157	211%
Adjusted profit before tax (£m)	**233**	209	11%
Operating margin	**30%**	29%	1pp
Total fee revenue (£m)	**788**	728	8%
Revenue margin (bps)	**57**	56	1bp
Non-financial			
Restricted Financial Planners ("RFPs")	**1,621**	1,561	4%
Investment Managers ("IMs")	**155**	164	(5%)

[1]Continuing operations represent Quilter plc excluding results of the Single Strategy asset management business (up to the date its sale completed on 29 June 2018) 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 5.

[3]Quilter Life Assurance is excluded from this metric principally due to the closure of the institutional life book of business announced in 2017 and run-off of the legacy book as it is a closed-book business.

[4]The underlying numbers for this calculation are detailed on page 24 and 25 of this announcement.

Quilter plc results for the year ended 31 December 2018

Enquiries

Investor Relations

John-Paul Crutchley	UK	+44 20 7002 7016
Keilah Codd	UK	+44 20 7002 7054

Media

Jane Goodland	UK	+44 77 9001 2066
Tim Skelton-Smith	UK	+44 78 2414 5076

Camarco

Geoffrey Pelham-Lane	UK	+44 20 3757 4985

Aprio (South Africa)

Julian Gwillim	SA	+27 11 880 0037

Paul Feeney, CEO, Tim Tookey, CFO and Mark Satchel, CFO-Designate, will host a presentation for investors and analysts at 09:00am (GMT) today, 12 March 2019 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

To join by telephone (listen only audio):

United Kingdom	+44 333 300 0804
South Africa	+27 21 672 4118
United States	+1 631 913 1422
Access Code	12133910#

Playback facility:

United Kingdom/ Other	+44 333 300 0819
South Africa	+27 21 672 4123
United States	+1 866 931 1566
Access Code	301278216#

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

Disclaimer

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

By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond Quilter plc's control including amongst other things, international and global economic and business conditions, the implications and economic impact of several scenarios of the UK leaving the EU in relation to financial services, 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.

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

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 statements, IFRS consolidated statement of financial position and IFRS consolidated statement of cash flows, which are presented in the financial statements on pages 31 to 36.

A number of our metrics exclude Quilter Life Assurance, principally due to the closure of the institutional life book of business announced in 2017 and run-off of the legacy book as it is a closed-book business. Further details of APMs used by the consolidated Group in our financial review are provided below.

APM	Definition
Adjusted profit	Represents the adjusted profit before tax of the Group. It adjusts IFRS profit for key adjusting items and excludes non-core operations, as detailed in note 5(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. Please refer to page 16 for a detailed reconciliation of adjusted profit to IFRS.
Revenue margin (bps)	Represents net management fees, divided by average AuMA. Management use this APM as it represents the Group’s ability to earn revenue from AuMA.
Operating margin	Represents adjusted profit before tax from continuing operations divided by total fee revenue including life tax contributions and adviser fees. Operating margin excludes financing costs. Management use this APM as this is an efficiency measure that reflects the percentage of net revenues that become adjusted profit.
Gross sales	Gross sales are the gross client cash inflows received from customers during the period and represent our ability to increase AuMA and revenue.
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 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.
Assets under Management and Administration ("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 life tax contributions, less trail commissions payable. Please refer to page 14 for more information on financial performance.
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)). Please refer to page 14 for more information on financial performance.
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 our ability to retain assets from delivering good customer outcomes and investment performance. Asset retention reflects 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).
Productivity	Productivity is a measure of the value created by NCCF from our advice business, and an indicator of the success of our integrated business model. Restricted Financial Productivity is calculated as average integrated flow per Restricted Financial Planner.
NCCF/opening AuMA (excluding QLA)	This measure is calculated as total NCCF as described above divided by opening AuMA presented as a percentage. Quilter Life Assurance is excluded from this metric principally due to the closure of the institutional life book of business announced in 2017 and run-off of the legacy book as it is a closed-book business.
Return on Equity ("RoE")	This calculates how many pounds of profit the Group generates with each pound of shareholders equity. This measure is calculated as adjusted profit after tax divided by average equity (after adjusting equity for the acquisition of Skandia UK from Old Mutual plc as part of Managed Separation and equity allocated to the discontinued operations).
Adjusted diluted earnings per share	Represents the adjusted profit earnings per share. Calculated as adjusted profit divided by the weighted average number of shares. Refer to page 15.

Chief Executive Officer's Review

Execution

2018 was a landmark year in the history of Quilter. Six years after we set out to build a modern UK wealth management company and after two years of hard work to get the business ready for Listing, on 25 June 2018 we completed the Managed Separation from Old Mutual plc and our shares began trading on the London and Johannesburg Stock Exchanges. I would like to thank all of those who worked tirelessly to deliver this outcome. 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 shareholders and our broader stakeholders.

The Listing of Quilter was the beginning of our journey as an independent company. In that context, we are pleased to deliver a strong set of maiden full year results, with an increase in adjusted profit of 11% to £233 million and a 30% operating margin (2017: 29%). Our IFRS profit before tax from continuing operations was £5 million (2017: £(5) million).

Given the limited linkages between the Single Strategy asset management business and our retail-focused wealth business, the sale of that business was consistent with our objective of building the UK's leading wealth management company. The full consideration received from the sale of the business to its management team and funds managed by TA Associates, which completed at the end of June 2018, was £583 million. We paid a special interim dividend of 12.0 pence per share from the proceeds of this transaction, equivalent to a £221 million return of capital to shareholders. This represented the net surplus proceeds from this disposal after the repayment of the outstanding £300 million senior unsecured term loan.

Capital and dividend

Our recommended final dividend of 3.3 pence per share is consistent with our dividend policy published at time of IPO. Capital discipline is very important to us. We have started public life in a prudent fashion with a well-capitalised balance sheet. We do not apologise for this as we recognise that at times of market uncertainty, when we face specific business and market risks, having a robust capital position is a source of strength and opportunity. I am pleased that the feedback from our shareholders supports this position. The Board has no intention of hoarding excess capital for no good reason and, I believe, the return of the net surplus proceeds from the sale of our Single Strategy asset management business has demonstrated our commitment in this regard. We are excited about our growth potential over the next several years, both organically and through bolt-on acquisitions. If we find ourselves in a position where growth options become unattractive, we will, of course, accelerate the return of capital to shareholders.

Transformation

As I have said on many occasions, we know that Quilter is not the finished article. The task that my team and I are undertaking is nothing less than a multi-year transformation of our business. There are two principal strands to this process: successfully delivering upon our UK Platform Transformation Programme and optimising our business.

Our new UK Platform, once operational, will allow us immediately to widen the product set we currently offer to include SIPP capabilities, Junior ISAs and cash accounts as well as allowing us to hold a broader spectrum of assets on behalf of clients such as ETFs and investment trust shares. This will provide us with the opportunity to target a broader and higher net worth customer segment in the UK market than we are currently reaching. It will significantly enhance our position in the UK platform market by providing us with a modern, resilient system built on current technology rather than legacy code as is the case with the current platform.

We see four key stages to the successful completion and delivery of our new platform:

First, the core system completion enabled us to commence the soft launch phase in early February 2019. Soft launch was deliberately structured to be on a limited basis and this valuable phase is being used to verify core system functionality, processes and controls in a live environment and it continues to progress well.

Secondly, the final platform system, which will incorporate full adviser functionality, is in the last stages of development and, given the critical nature of this, is undergoing rigorous testing. Subject to these testing results, we are targeting this to be completed by early Summer.

The third key stage is migration planning and this is at an advanced stage. We will undertake a phased, controlled migration of our existing book. We aim to migrate an initial c.10% of assets under administration from our existing platform, representing the assets from around 100 adviser firms, in early Autumn. Once we have incorporated feedback from this into our processes, we will continue migration of the remainder of the book in appropriate phases considering, amongst other things, the time of year and market conditions.

Finally, our overriding principle is that high quality delivery is of the utmost importance and we are enhancing our detailed plans to ensure customers and advisers are well supported throughout the transition period. This, together with the challenges imposed by the need to train a large number of advisers on a new system, are key issues which have been highlighted in our reviews of a number of problematic high profile platform transitions across the UK financial services industry in recent years. As a result, we are considering adding additional adviser/customer call centre capacity and/or taking a more gradual approach to migration, which could extend the project timeframe slightly.

As at 31 December 2018, we had incurred costs of £79 million since the programme commenced in May 2017. If migration is completed by the end of 2019, we would expect total programme costs towards the upper end of our £120 – £160 million guidance range. Should we decide that it is in the best interests of both customers and advisers that programme completion is extended into the first half of 2020, we would expect modest additional programme costs, largely reflecting the incremental potential initiatives referenced above and a longer period of dual system running than originally planned.

Turning now to Optimisation. Optimisation means making Quilter the best version of ourselves that we can be. We want to eliminate the inefficiencies in our operational processes.

First, we see an opportunity to deliver an improvement in operational performance and efficiency of middle and back office activities. Business areas which are involved in the new UK Platform Transformation Programme will be ring-fenced and largely protected until that project is complete to avoid any risk of disrupting the programme delivery timetable.

In addition to those Optimisation savings which have already been achieved through cost avoidance during 2018, we believe that the potential benefits from running our existing businesses better can deliver around a two percentage point uplift to our 2020 operating margin target of 30%. This is despite ongoing investment in distribution which has a negative short-term impact on our operating margin. We also expect a further two percentage point improvement in 2021. This increases our previous 2020 guidance to around 32% and our 2021 guidance to around 34%, although, given that the outcome here is a function of income and costs, this target assumes broadly normal market performance from around current levels together with steady net flows. The uplift will be achieved from cost savings with an expected cost to achieve of c.£75 million (inclusive of identified IT spend) to deliver the programme over the next three years.

Once the UK Platform Transformation Programme is complete, we will then be able to consider further efficiency initiatives from those areas previously ring-fenced until the UK Platform Transformation Programme has completed. Our goal will be to transition towards a simpler, higher-growth business, over time.

Operational performance

Good customer outcomes remain central to everything we do. Delivering this starts with trusted advice. Client confidence in our proposition is demonstrated through the strength of our integrated business model and is shown by our net client cash flow ("NCCF") and the resilience of integrated flows which have held up well despite more challenging conditions in the second half of the year. Integrated flows were down just 10% to £4.7 billion in the year.

Despite the significantly less buoyant market conditions in the second half of the year and more cautious investor sentiment, we delivered NCCF of £4.7 billion in 2018, excluding Quilter Life Assurance. This represents 5% of opening Assets under Management and Administration ("AuMA") in line with our medium-term target. Overall NCCF of £2.7 billion was down 57% on prior year (2017: £6.3 billion) with this largely due to the pre-announced run-off of the low margin institutional life book within our Quilter Life Assurance (or Heritage) business and the natural attrition of the rest of that book.

We have also demonstrated resilience in AuMA (excluding Quilter Life Assurance) which declined by just 2% over the year. This contrasts with an overall decline in AuM across the industry of 6% during 2018, according to the Investment Association.

We added to our distribution capabilities within our Private Client Adviser business through 14 small acquisitions during the year, with a corresponding total consideration of up to c.£12 million that may be paid, with just over half of this subject to performance conditions being attained. This provides us with the potential to build our base of client assets over time.

Across our appointed representative firms, we achieved satisfactory growth of 4% in adviser numbers, and finished the year with 1,621 restricted financial planners ("RFPs"). This is below our historic growth rate of 5% and reflects a disappointing rate of growth in the first half and so this was an area of particular focus in the second half of the year when the majority of this growth was achieved.

On 14 February 2019, we purchased the remaining shares in Charles Derby Group that we did not already own. This business will be positioned as part of our national advice business instead of being an appointed representative firm within our network. We see significant opportunity from broadening the existing Quilter Private Client Advisers business model into the affluent market instead of solely servicing high net worth clients. The acquisition and repositioning of Charles Derby Group will provide us with meaningful scale and strong market positioning to serve customers in the affluent and mass affluent segment and will complement Quilter Private Client Advisers which focuses on high net worth customers. We will continue to consider acquisitions in advice and distribution capacity on a selective and targeted basis but only where quality and culture are a good fit with Quilter as well as offering a strong business and financial case.

As part of our commitment to advice we have developed the Quilter Financial Adviser School, which has been in operation since 2016. The School has contributed to growth in financial advisers across the industry with an average student age of 29 years and with 33% female participation. During 2018, the 100th student graduated, and currently we have 94 students enrolled on courses which cover all stages of financial advice; of these, 46 are potential RFPs. In light of the success to date we are increasing our investment to expand the capacity of the School to deliver a higher level of new RFPs to Quilter. At current capacity we can accommodate around 100 students per annum. The focused RFP programme takes 14 months to complete and so we expect to see this start to contribute to growth in our adviser numbers later this year.

Quilter Cheviot NCCF slowed over the course of the year mirroring the broader market trends. Whilst disappointing, this reflected lower levels of gross inflow and broadly stable outflows. We expect the first half of 2019 flows to be impacted by the loss of a c.£0.2 billion client where notice has been given and with the funds expected to move early in the year. The near institutional-type mandate of this portfolio means that we expect the loss to have minimal impact on 2019 profitability.

During the last 18 months we have been investing in the Quilter Cheviot investment team with Investment Manager ("IM") headcount increasing to 168 by mid-2018. Following Listing we saw a small number of resignations from a particular cohort of IMs. As a result, IM headcount fell to 155 by year-end and, while we have mitigation plans in place to reduce potential client departures, we are expecting this could lead to higher than trend outflows for Quilter Cheviot in the second half of 2019 and early 2020. Growing our IM count is a key focus for 2019 and recruitment is ongoing with a number of new starters in the pipeline.

Quilter Wealth Solutions achieved net inflows of £3.1 billion, down 31% on prior year. Gross sales of £7.7 billion (2017: £8.9 billion) were down £1.2 billion as a result of the slower trading environment seen in the second half of the year as well as reduced transfers of defined benefit ("DB") schemes to defined contribution ("DC") schemes, which were down 24% to £1.6 billion. We believe that this was driven by the impact of increased FCA scrutiny and resultant impact on the availability and affordability of IFA professional indemnity insurance. Overall, our pension propositions continue to perform well, with gross sales of £4.7 billion, representing 60% of total Quilter Wealth Solutions gross sales (2017: £5.4 billion representing 61% of 2017 gross sales).

We continue to reposition our International business and inflows have been particularly weak in 2018. Our strategy is to focus our international geographic footprint and maintain the quality and value of new business. We have deliberately taken an early adopter strategy to the shifting of the regulatory environment and, as previously reported, this has had an impact on new business flow but we believe this is the right approach for both customers and Quilter.

Quilter Life Assurance had net outflows of £2.3 billion, up from £1.6 billion in 2017, principally due to the closure of the institutional life book of business announced in 2017. The remainder of the Quilter Life Assurance book ran off at a rate of c.14% which is broadly in line with expectations.

Investment performance

2018 was a challenging year for investors. Most major asset classes declined, and the broad nature of the decline, particularly in the fourth quarter, made it difficult to achieve positive outcomes from Quilter Investor's diversified solutions.

Whilst we are conscious that short term performance in certain portfolios was disappointing, our multi-asset solutions are aligned to the advice process, led by well-regarded portfolio managers, with good long term records. We remain particularly pleased with the medium and longer term performance of our biggest ranges, Cirilium and Wealth Select as delivering to these goals here is how the products are positioned in the market.

Our largest multi-asset range, the £8.3 billion Cirilium active, had a disappointing first half of 2018, but, I am pleased to say, it has started this year strongly. Over the 3, 5 and 10 year periods the performance continues to be strong. The £6.0 billion Managed Portfolio Service compares well against its peer group and met its investment objectives in 2018, defending well in the last quarter of the year. It hit its fifth anniversary in good shape.

Turning now to Quilter Cheviot, overall performance remained consistently good across all time periods relative to ARC benchmarks to the end of September. This is the most recent quarter for which we have the detailed ARC comparisons which are available as a benchmark.

Stewardship

We monitor employee engagement on a quarterly basis and are delighted that it has remained at a consistently high level despite the significant work pressures that arose through the Listing process.

Building an environment where our people can thrive is important to me. One of the principal benefits of Quilter being a standalone business is the reinforcement of our identity, and strengthening of the ties that bind our people in their delivery of our purpose. Virtually all of our staff were awarded shares 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.

We believe that an organisation needs to have a broader moral compass than merely profit maximisation. Our *Shared Prosperity Plan,* which is part of our Responsible Business strategy, seeks to improve financial capability across the UK population. By equipping people to make better financial decisions, we enable them to have a secure financial future and we aim to protect customer assets over the long-term through inclusive and responsible investment.

We were 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 Foundation's first step is to work in partnership with charities that support young carers in the UK to help overcome the challenges they face such as isolation, mental health issues and poor outcomes in education and employment.

We also continue to make good progress in undertaking our voluntary redress for customers within Quilter Life Assurance who were subject to the terms of the FCA's thematic review into the fair treatment of long-standing customers. We, of course, welcomed the FCA's decision to close their investigation without any sanction on the Company. Of the £69 million provision taken in 2017 relating to our voluntary redress of historic business written, we have paid out £27 million and we remain confident that the remaining provision will be sufficient to meet the costs that were identified from our review process.

Outlook

The UK wealth management industry continues to offer strong secular growth potential notwithstanding the short-term headwinds. As it became apparent in the second half of 2018 that global macro and geopolitical uncertainty was impacting flows and market sentiment, we increased our focus on cost management and accelerated some of the benefits we expected to deliver from our first stage Optimisation initiatives.

As most of the decline in markets came late in the year, the impact on our 2018 revenues was relatively muted. Closing AuMA of £109.3 billion was £5.4 billion less than the average AuMA for 2018 of £114.7 billion. Lower average asset values, if sustained, would impact revenue generation in the current year. While we cannot avoid external headwinds, we aim to keep 2019 costs broadly flat on 2018 (excluding acquisition activity), through Optimisation and other initiatives, to partially offset the anticipated tougher revenue environment.

We remain resolutely focused on growing our business and supporting our clients towards achieving their savings and investment goals. During 2019 we plan to increase adviser numbers, expand our national advice business including through the recently announced acquisitions, add Investment Managers in Quilter Cheviot, finish the build out of our Quilter Investors operation and complete, or substantially complete, the safe delivery of our new UK platform.

2019 will throw up other challenges for Quilter. Brexit and market uncertainty are having an impact upon investors' appetite to put new money to work. In addition, we anticipate that the migration of advisers to our new platform may contribute to a slowdown in the flow of new money into our platform services as advisers familiarise themselves with, and are migrated to, the new platform. As a result of both of these factors, while we remain confident in a target of 5% growth for NCCF on a medium-term basis, we may undershoot this target during calendar year 2019.

Early 2019 has seen a partial recovery in markets. By the end of February 2019 our AuMA had increased to c.£113 billion up from £109.3 billion at year-end. While this recovery in markets has been ahead of our expectations, the trend in net client cash flows has remained subdued. Brexit and market uncertainty continue to temper momentum in year-to-date flows and therefore we remain cautious on net flows going into 2019. However, as we set out in our Prospectus ahead of Listing, we are confident in our strategic path and growth prospects. We are a modern, purpose-built UK wealth management company that has many opportunities ahead of it. Our focus remains on embedding last year's cost successes into our 2019 performance, delivering organic growth and executing upon our transformation plans. I am hugely excited about the journey ahead and look forward to continuing to deliver on our promises.

Paul Feeney

Chief Executive Officer

Chief Financial Officer's Report

Summary financial information

Reconciliation of adjusted profit to profit after tax (£m)	2018	2017	% Change
Net management fee	**647**	591	9%
Other revenue	**141**	137	3%
Total fee revenue	**788**	728	8%
Expenses	**(555)**	(519)	(7%)
Adjusted profit before tax	**233**	209	11%
Total adjusting items before tax	**(70)**	(263)	73%
Profit/(loss) before tax attributable to equity holders	**163**	(54)	402%
Income tax (expense)/credit attributable to policyholder returns	**(158)**	49	(422%)
Profit/(loss) before tax from continuing operations	**5**	(5)	200%
Income tax credit/(expense) on continuing operations	**169**	(41)	512%
Profit after tax from continuing operations	**174**	(46)	478%
Profit after tax from discontinued operations	**314**	203	55%
Profit after tax for the period	**488**	157	211%
Adjusted weighted average number of ordinary shares (millions)	**1,839**	1,830	-
Diluted earnings per ordinary share (pence)	**26.5**	8.6	208%

Adjusted profit before shareholder tax	**233**	209	11%
Shareholder tax on adjusted profit	**(6)**	(14)	57%
Adjusted profit after tax attributable to ordinary shareholders of Quilter plc	**227**	195	16%
Adjusted weighted average number of ordinary shares used to calculate adjusted diluted earnings per share (millions)	**1,839**	1,830	-
Adjusted diluted earnings per share (pence)	**12.3**	10.7	15%

Summary balance sheet (£m)	At 31 December 2018	At 31 December 2017	Change %
Assets			
Financial investments	**59,219**	64,250	(8%)
Reinsurers' share of policyholder liabilities	**2,162**	2,908	(26%)
Contract costs/deferred acquisition costs	**562**	611	(8%)
Cash and cash equivalents	**2,395**	2,360	1%
Other assets	**1,452**	1,844	(21%)
Total assets	**65,790**	71,973	(9%)
Equity	**2,005**	1,099	82%
Liabilities			
Investment contract liabilities	**56,450**	59,139	(5%)
Third-party interests in consolidated funds	**5,116**	7,905	(35%)
Contract liabilities/deferred revenue	**226**	244	(7%)
Borrowings	**197**	782	(75%)
Trade, other payables and other liabilities	**999**	1,331	(25%)
Other liabilities	**797**	1,473	(46%)
Total liabilities	**63,785**	70,874	(10%)
Total equity and liabilities	**65,790**	71,973	(9%)

Review of Financial Performance

Overview

Our financial performance in 2018 demonstrates a strong set of results despite investor uncertainty arising from Brexit and other geopolitical issues which dominated over the course of the year, in particular in the fourth quarter. Despite the challenging external environment, Net Client Cash Flow ("NCCF") for the Group, excluding Quilter Life Assurance, was £4.7 billion, representing 5% of opening AuMA, in line with our medium-term target. AuMA decreased by 4% to £109.3 billion as a result of negative market movements, partly offset by positive NCCF. Adjusted profit before tax grew strongly in the year, up 11% to £233 million.

Key financial highlights

Year ended 31 December 2018 **Continuing operations only**	**Advice & Wealth Management**	**Wealth Platforms**	**Head Office & Eliminations**	**Total Group**
Gross sales (£bn)	8.0	10.1	(3.4)	**14.7**
Gross outflows (£bn)	(4.5)	(9.0)	1.5	**(12.0)**
NCCF (£bn)	3.5	1.1	(1.9)	**2.7**
NCCF (excl. Quilter Life Assurance (£bn))	3.5	3.4	(2.2)	**4.7**
Integrated flows (excl. Quilter Life Assurance (£bn))	3.6	1.1	-	**4.7**
AuMA (£bn)	41.2	80.7	(12.6)	**109.3**
NCCF/opening AuMA (excl. Quilter Life Assurance (%))	8%	5%	n/a	**5%**
Asset retention (excl. Quilter Life Assurance (%))	89%	91%	n/a	**91%**

Year ended 31 December 2017 Continuing operations only	Advice & Wealth Management	Wealth Platforms	Head Office & Eliminations	Total Group
Gross sales (£bn)	8.1	12.8	(3.6)	17.3
Gross outflows (£bn)	(3.7)	(8.5)	1.2	(11.0)
NCCF (£bn)	4.4	4.3	(2.4)	6.3
NCCF (excl. Quilter Life Assurance (£bn))	4.4	5.9	(2.7)	7.6
Integrated flows (excl. Quilter Life Assurance) (£bn))	4.0	1.2	-	5.2
AuMA (£bn)	41.7	84.8	(12.1)	114.4
NCCF/opening AuMA (excl. Quilter Life Assurance (%))	13%	10%	n/a	9%
Asset retention (excl. Quilter Life Assurance (%))	89%	90%	n/a	90%

NCCF

NCCF performance was solid at £2.7 billion, in a year where investor sentiment progressively weakened, in part due to Brexit uncertainties and the market declines experienced late in the year. There was a market-wide reduction of 85% year-on-year in net retail flows as reported by the Investment Association. In comparison, 2017 NCCF of £6.3 billion was achieved when markets were more stable and investor sentiment considerably more buoyant. NCCF as a percentage of opening AuMA (excluding Quilter Life Assurance) was 5%, in line with our medium-term target, which demonstrates the robustness of our business model in a difficult environment. Excluding Quilter Life Assurance, the Group's NCCF was £4.7 billion (2017: £7.6 billion), down 38%, representing weaker flows across all businesses. Quilter International experienced particular headwinds due to previously disclosed changes in the regulatory environment which impacted distribution. Detailed analysis on NCCF by business is shown in the supplementary information section of this announcement.

Integrated flows (excluding Quilter Life Assurance) were £4.7 billion, down 10% from 2017 (£5.2 billion), due to investor uncertainty arising from Brexit and other geopolitical issues which dominated over the course of the year, particularly in the fourth quarter. Quilter Wealth Solutions experienced a decline in flows as a result of the anticipated slowdown in transfers from Defined Benefit ("DB") schemes. The restricted channel of Quilter Financial Planning accounted for £2.4 billion, 86% of Quilter Investors' net flows (2017: £2.5 billion, 76%), and £1.1 billion, 35% of Quilter Wealth Solutions net flows (2017: £1.2 billion, 27%). Integrated flows from Quilter Financial Planning and Quilter Private Client Advisers into Quilter Cheviot amounted to £300 million (2017: £238 million) of which £122 million (2017: £129 million) was through Quilter Private Client Advisers. The Group's total direct flows (excl. Quilter Life Assurance) were £2.2 billion, down 57% (2017: £5.1 billion) primarily driven by both the challenging trading environment and reduced transfers of DB to Defined Contribution ("DC") pension plans within the Independent Financial Adviser ("IFA") channel. This also influenced a reduction in Quilter Wealth Solutions direct flows to £2.0 billion (2017: £3.3 billion). The changing regulatory environment in Quilter International impacted direct flows in this market, where we recorded a reduction in net flows from £1.4 billion in 2017 to £0.3 billion in 2018.

Integrated flows (excl. Quilter Life Assurance) (£bn)	2018	2017	% Change
Total integrated flows	**4.7**	5.2	(10%)
Direct flows from third party distribution	**2.2**	5.1	(57%)
Eliminations	**(2.2)**	(2.7)	19%
Total Quilter plc NCCF (excl. Quilter Life Assurance)	**4.7**	7.6	(38%)

NCCF for the Advice and Wealth Management segment was £3.5 billion, down 20% from 2017 (£4.4 billion), reflecting a slower second half of the year, particularly within Quilter Investors where net flows declined by 15% for the year to £2.8 billion (2017: £3.3 billion). Net flows of £2.4 billion (2017: £2.5 billion) were from the restricted channel, of which £1.1 billion (2017: £1.1 billion) were from third party platforms and £1.3 billion (2017: £1.4 billion) from our own platform, Quilter Wealth Solutions. Independent third party net flows through Quilter Wealth Solutions to Quilter Investors were £0.8 billion for the year (2017: £1.3 billion). Quilter Cheviot experienced slower net flows in the second half of the year, with net flows for the full year of £0.7 billion compared to £1.1 billion in 2017.

The Wealth Platforms segment contributed NCCF of £1.1 billion (2017: £4.3 billion). Quilter Wealth Solutions had net flows of £3.1 billion, down 31% on prior year. Gross sales of £7.7 billion (2017: £8.9 billion) were down £1.2 billion as a result of the difficult trading environment experienced in the second half of the year, reduced transfers of DB schemes to DC schemes, which were down 24% to £1.6 billion, reflecting the impact of increased FCA scrutiny and resultant impact on IFA PII ("Professional Indemnity Insurance") availability and affordability. Overall, our pension propositions continue to perform well, with gross sales of £4.7 billion, representing 60% of total Quilter Wealth Solutions gross sales (2017: £5.4 billion representing 61% of 2017 gross sales). Quilter International had net inflows of £0.3 billion, down 79% on prior year (2017: £1.4 billion, following a very strong final quarter in 2017). International markets remain challenging, particularly given the changing regulatory environment and the Insurance Distribution Directive covering European and UK territories, which came into effect on 1 October 2018. The reduction in International 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 £2.3 billion, up from £1.6 billion of net outflows in 2017, with the increase primarily due to the closure of the institutional life book of business announced in 2017 which had net outflows of £1.3 billion in 2018.

Productivity for Quilter Financial Planning remained broadly stable at £1.7 million per RFP (2017: £1.8 million per RFP) with a moderate reduction in the second half of the year reflective of broader market challenges that influenced investor confidence. The underlying trend remains positive with growth in total flows from our employed advice distribution model within Quilter Private Clients and benefits from the full integration and adoption of our investment proposition by RFPs that joined as part of the Caerus acquisition in June 2017. RFP headcount of 1,621 represents net growth of 60 (increase of 4%) in 2018, driven by a combination of organic growth within existing, and the recruitment of new, appointed representative firms. We also continue to support IFAs converting to adopt our restricted advice proposition. New RFP appointments have been partially offset by natural attrition of advisers, with turnover levels within our appointed representative firms staying relatively stable year on year. We expect further growth in RFP numbers in 2019 following the repurposing of our Financial Adviser School, which we announced in September 2018. The newly rebranded Quilter Financial Adviser School will fully fund training programmes for anyone who wishes to become an RFP within the Quilter advice network.

Asset retention (excl. Quilter Life Assurance) has improved marginally to 91%, as a result of our comprehensive product and proposition offering, high customer service standards, and our continued focus on good customer outcomes.

AuMA

Year-end AuMA (including Quilter Life Assurance) was £109.3 billion, down 4% in the year, driven by negative market performance of £7.8 billion which was primarily experienced in the fourth quarter. This was partially offset by positive NCCF of £2.7 billion.

Quilter Investors' AuM was £17.8 billion, up 5% (2017: £16.9 billion). The Cirilium fund range remained stable at £9.0 billion of AuM and the WealthSelect fund range increased by 15% to £5.5 billion. Quilter Cheviot AuM of £22.4 billion decreased by 5% in the year primarily as a result of negative market movements. Quilter Wealth Solutions' AuA decreased by 1% to £49.9 billion, which comprised primarily of £23.2 billion within pension propositions (of which £3.0 billion has been generated from the restricted channel and £20.2 billion from third party advisers) and £14.5 billion of ISA products.

Adjusted profit before tax

Adjusted profit reflects the Directors' view of the underlying performance of the Group and is used for management decision making and internal performance management. Adjusted profit is a non-GAAP measure which adjusts IFRS profit for specific agreed items, as detailed in note 5(a) in the consolidated financial statements, and is the profit measure presented in the Group's segmental reporting. Adjusted profit before tax for 2018 was £233 million, 11% higher than the prior year (2017: £209 million), due to higher revenue, partially offset by higher costs.

Net management fee in 2018 of £647 million was 9% higher than the £591 million in 2017. Net management fee revenue is primarily influenced by the value of the assets that we manage and administer, with different parts of the business employing different valuation points for charging the management fees. Average AuMA for 2018 was £114.7 billion compared to £106.1 billion for 2017, an increase of 8%, in line with our income growth.

Other revenue for 2018 was £141 million, 3% up on 2017 (£137 million) primarily as a result of growth in advice fees of 13% in Quilter Financial Planning with the increase in the number of RFPs, partially offset by higher claims experience and actuarial assumption changes in Quilter Life Assurance.

Expenses increased 7% from £519 million to £555 million during the year. Increases include investment in the business, the expected higher costs of being a standalone listed company, and the incremental costs in relation to the Long-Term Incentive Plan ("LTIP"), as well as the impact of inflation. The Group's overall operating margin increased to 30% (2017: 29%) which is ahead of previous guidance as a result of an increased focus on costs and early savings achieved through Optimisation.

Financial performance (from continuing operations only) 2018 (£m)	**Advice & Wealth Management**	**Wealth Platforms**	**Head Office**	**Total Group**
Net management fee	276	371	-	**647**
Other revenue	97	43	1	**141**
Total fee revenue	**373**	**414**	**1**	**788**
Expenses	(271)	(252)	(32)	**(555)**
Adjusted profit before tax	**102**	**162**	**(31)**	**233**
Tax				**(6)**
Adjusted profit after tax				**227**
Operating margin (%)	27%	39%		**30%**
Revenue margin (bps)	65	45		**57**

Financial performance (from continuing operations only) 2017 (£m)	Advice & Wealth Management	Wealth Platforms	Head Office	Total Group
Net management fee	234	357	-	591
Other revenue	82	54	1	137
Total fee revenue	316	411	1	728
Expenses	(234)	(253)	(32)	(519)
Adjusted profit before tax	82	158	(31)	209
Tax				(14)
Adjusted profit after tax				195
Operating margin (%)	26%	38%		29%
Revenue margin (bps)	63	46		56

Total fee revenue

The Group's total fee revenue increased by 8% to £788 million due to higher average AuMA, primarily driven by more favourable market conditions through to September 2018 despite weakening net flows throughout the year. Net management fee revenue, which principally comprises asset-based revenues including fixed fees, increased by £56 million to £647 million during the year, accounting for 82% of total fee revenue. Other revenue for the Group increased 3% to £141 million, primarily within Quilter Financial Planning, as a result of the growth in advice fees with the increase in the number of RFPs.

Total fee revenue for the Advice and Wealth Management segment grew by 18% to £373 million, with average assets increasing 15% during the year, with higher net management fees primarily from Quilter Investors. Other revenue increased by £15 million to £97 million, principally due to the growth in advice fees in Quilter Financial Planning, driven in part by the continued acquisitions in this part of the business.

Total fee revenue for the Wealth Platforms segment in 2018 was broadly flat at £414 million (2017: £411 million), due to higher fund-based revenue offset by a decline in other revenue. Other revenue decreased due to higher claims experience within the protection book of business, actuarial assumption changes and lower protection product volumes. Net management fee revenue for Quilter Wealth Solutions increased by 8% to £168 million as a result of increased average AuA from £45.9 billion to £51.5 billion, and Quilter International benefitted from foreign exchange rate effects and improved interest-related margins during the year. Net management fees for Quilter Life Assurance increased by £2 million year on year, where lower underlying fund-based revenue from both the retail and institutional book run-off were more than offset by one-off benefits from provision releases related to the earlier introduction of capped exit fees on certain pension products and other benefits from the movement in life charge provision.

The Group's blended revenue margin of 57 basis points ("bps") was a slight improvement upon the prior year (2017: 56 bps), with a mixture of greater integrated assets (where we generate revenues for more than one service provision), a favourable impact from asset, and fund selection mix as well as benefits from adjustments relating to life tax contributions.

The revenue margin for Advice and Wealth Management of 65 bps was 2 bps higher compared to the prior year, due to an increase in the revenue margin for Quilter Investors of 8 bps to 59 bps, reflecting a change in the overall mix of AuM towards investment in products which earn a higher margin, and additional revenue now recognised from the WealthSelect funds. Quilter Cheviot's revenue margin remained in line with the prior year at 72 bps.

The revenue margin for Wealth Platforms decreased by 1 bp from the prior year to 45 bps. This decline was driven by lower margin gross sales for Quilter Wealth Solutions and gross outflows of higher margin products for Quilter International. The revenue margin for Quilter Life Assurance increased by 9 bps to 69 bps, reflecting the product mix change benefit from the continued run-off of the very low margin institutional life book and benefits from adjustments relating to life tax contributions.

Expenses

Expenses increased by £36 million, up 7% to £555 million (2017: £519 million) in the year, which was driven by increased costs for Quilter Investors as the functionality for the business is built out to be standalone, the inclusion of the full run rate costs for Caerus, which was acquired on 1 June 2017, and the continued expansion of the Quilter Private Client Advisers business, which has undertaken 14 small acquisitions over the past 12 months. Expenses also increased due to the expected higher costs of being a standalone listed company, and the incremental costs in relation to the LTIP, as well as the impact of inflation. The overall impact of these increases is lower than originally anticipated due to strengthened cost disciplines across the business and early savings achieved through Optimisation.

Expense split (£m)	**2018**	2017
Front office and operations	**312**	293
IT and development	**120**	120
Support functions	**105**	89
Other	**18**	17
Expenses	**555**	**519**

Front office and operations expenses increased by 6% to £312 million during the year (2017: £293 million), primarily due to the investment in the business with the acquisitions for Quilter Private Client Advisers, the inclusion of the full run rate of expenses for Caerus acquired on 1 June 2017 and increased costs of being a standalone listed company.

IT and development costs remained flat year on year at £120 million, mainly due to increased IT run costs to facilitate growth in the business and regulatory change, and the increased costs of being a standalone listed company, offset by a reduction in development costs.

Support function expenses relate to middle and back office expenses which have increased by 18% to £105 million (2017: £89 million), driven primarily by the increased cost of being a standalone listed company.

Other costs include PII, charges for regulation, and licencing fees, which remained broadly in line with 2017 levels, primarily due to 2018 reflecting nine months of the FCA regulatory fees compared to twelve months in 2017. As noted at the half year results, the FCA changed the period to which regulatory charges are applied during 2018, and these are recognised in full at the point the charge is levied.

Taxation

The effective tax rate ("ETR") on adjusted profit was 3% (2017: 7%). The Group's ETR is lower than the UK corporation tax rate of 19%, principally due to profits from Quilter International being taxed at lower rates than the UK and utilisation of brought forward capital losses. The ETR is expected to normalise to 12%-14% within a couple of years, however this will be dependent upon a number of factors including the level of Quilter International profits, the utilisation of capital losses which can be volatile, as well as the UK corporation tax rate which is due to reduce to 17% from April 2020.

Earnings Per Share ("EPS")

Basic EPS was 26.6 pence, compared to 8.6 pence in 2017. During the year, the number of shares in issue increased to 1,902 million following completion of the share capital restructure as part of the separation from Old Mutual plc. The shares in issue for the basic EPS calculation were 1,832 million (after deduction of shares in treasury of 70 million which are held in respect of staff share schemes within employee benefit trusts). Comparative EPS has been restated accordingly. Adjusted diluted EPS increased by 15% to 12.3 pence (2017: 10.7 pence) as a result of increased adjusted profit and a lower ETR on adjusted profit. The shares in issue for the basis of the adjusted diluted EPS calculation was 1,839 million (following inclusion of the dilutive effect of shares and options awarded to employees under share-based payment arrangements – potential ordinary shares, of 7 million). Shares in Treasury are expected to vest over the next two years at which point future share awards are anticipated to be satisfied through the purchase of shares from the market.

Optimisation

We have maintained strong cost discipline during the year supplemented by the first phase of our Optimisation programme, which predominantly focuses on improving our operational efficiency within middle and back office activities in the near to medium-term. We expect the programme to deliver a 2 percentage point increase in operating margin in 2020, and a further 2 percentage point increase by the end of 2021. This increases our previous 2020 guidance to 32% operating margin. Given operating margin is a function of income and costs, this target assumes broadly normal market performance from around current levels together with steady net flows. The one-off costs to deliver Optimisation are anticipated to be c.£75 million over a three-year period, of which £7 million were incurred in 2018.

Reconciliation of adjusted profit to IFRS profit

IFRS profit after tax from continuing operations was £174 million for 2018, compared to £(46) million in 2017 and has increased due to a higher level of adjusted profit, lower finance costs and £69 million of voluntary customer remediation costs incurred in 2017. The table below reconciles the Group's adjusted profit to the IFRS results in 2018 and 2017.

Reconciliation of adjusted profit to profit after tax For the year ended 31 December 2018 (£m)	2018	2017	% change
Adjusted profit before tax			
Advice and Wealth Management	**102**	82	24%
Wealth Platforms	**162**	158	3%
Head Office	**(31)**	(31)	-
Adjusted profit before tax	**233**	209	11%
Reconciliation of adjusted profit to profit after tax			
Adjusting for the following:			
Goodwill impairment and impact of acquisition accounting	**(50)**	(54)	7%
Profit on the acquisition and re-measurement of subsidiaries	**-**	3	
Business transformation costs	**(84)**	(89)	6%
Managed Separation costs	**(24)**	(32)	25%
Finance costs	**(13)**	(39)	67%
Voluntary customer remediation provision	**-**	(69)	
Policyholder tax adjustments	**101**	17	494%
Total adjusting items before tax	**(70)**	(263)	73%
Profit/(Loss) before tax attributable to equity profits	**163**	(54)	402%
Income tax (expense)/credit attributable to policyholder returns	**(158)**	49	(422%)
Profit/(loss) before tax from continuing operations	**5**	(5)	200%
Income tax credit/(expense) on continuing operations	**169**	(41)	512%
Profit/(loss) after tax from continuing operations	**174**	(46)	478%
Profit after tax from discontinued operations	**314**	203	55%
Profit after tax for the year	**488**	157	211%

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 underlying performance. Details of these adjustments are provided in note 5(a) of the consolidated financial statements and, in respect of tax, in note 8(c).

Business transformation costs of £84 million in 2018 (2017: £89 million) included £58 million incurred on the UK Platform Transformation Programme, £19 million of one-off costs associated with the separation of Quilter Investors as a result of the sale of the Single Strategy asset management business in June, and £7 million of costs in relation to the Optimisation programme. In 2017, the costs associated with the UK Platform Transformation Programme included £21 million relating to the new programme 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 were £24 million (2017: £32 million), reflecting costs associated with our successful separation from Old Mutual plc and Listing in June. Remaining future costs of Managed Separation of approximately £12 million, principally in respect of rebrand and residual systems activity which are in line with previous cost guidance, are expected to be incurred in 2019.

Finance costs were £13 million (2017: £39 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 £101 million in 2018 (2017: £17 million) relate to the removal of distortions arising from the decline in markets in the fourth quarter of 2018 that can, in turn, lead to volatility in the policyholder tax charge between periods.

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. It is stated after deducting an allowance for net cash required to support the capital requirements generated by new business offset by a release of capital from the in-force book.

The Group (excluding the now disposed Single Strategy asset management business) achieved a cash generation rate of 88% of adjusted profit over 2018. This is ahead of the 80% conversion guidance provided at the time of IPO. The 2018 cash generation rate reflects improvements to the attribution of changes in capital requirements to underlying drivers such as new business and the capital released from the in-force book.

Review of Financial Position

Capital and 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 maintains 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 28 February 2018, the Group fully drew down on a £300 million senior unsecured term loan facility 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 asset management business.

Also 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. The subordinated debt security 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% per annum. 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 amortisation of set-up costs, financing costs of approximately £10 million per year are incurred in respect of this security.

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 31 December 2018, representing a leverage ratio of 12% (defined as the ratio of debt to debt plus the consolidated IFRS equity after deducting intangible assets) before the payment of the recommended final dividend.

Solvency II

The Group Solvency II surplus is £1,058 million at 31 December 2018 (2017: £651 million), representing a Solvency II ratio of 190% (2017: 154%) calculated under the standard formula. The Solvency II information in this results disclosure has not been audited.

Group regulatory capital (£m)	**At 31 December 2018**[1]	At 31 December 2017[2]
Own funds[3]	**2,237**	1,849
Solvency capital requirement ("SCR")	**1,179**	1,198
Solvency II surplus	**1,058**	651
Solvency II coverage ratio	**190%**	**154%**

[1]Based on preliminary estimates. Formal annual filing due to the PRA by 3 June 2019.

[2]As represented within the Annual 2017 Solvency II submission of the Old Mutual plc group, the group 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 was effectively converted to equity during H1 2018, following the acquisition of the entity holding the loan.

[3]Group own funds are stated after allowing for the impact of the recommended final dividend payment relating to 2018 of £61 million.

The 36% increase in the Group Solvency II ratio is primarily due to corporate activity in the year with the two main contributors being the issuance of the Tier 2 bond in February 2018 as described above and the sale of Single Strategy asset management business in June 2018, partly offset by the special interim dividend paid to shareholders in September 2018 and the recommended final dividend payment relating to 2018.

The Board believes that the Group Solvency II surplus includes sufficient free cash and capital to complete all committed strategic investments (including the UK Platform Transformation Programme). 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 the recommended final dividend of £61 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 31 December 2018**
Tier 1[1]	**2,036**
Tier 2[2]	**201**
Total Group Solvency II own funds	**2,237**

[1]All Tier 1 capital is unrestricted for tiering purposes.
[2]Comprises a Solvency II compliant subordinated debt security in the form of a Tier 2 bond, which was issued at £200 million in February 2018.

The Group's Solvency Capital Requirements ("SCR") is covered by Tier 1 capital, which represents 173% of the Group SCR of £1,179 million. Tier 1 capital represents 91% of Group Solvency II own funds. Tier 2 capital represents 9% of Group Solvency II own funds and 19% of the Group surplus.

Net Asset Value ("NAV")

The NAV of the Group was £2.0 billion at 31 December 2018 (31 December 2017: £1.1 billion). The increase reflects the conversion of previous loans from Old Mutual plc into equity in February 2018, the increased resources following the gain of £292 million on the sale of the Single Strategy business and is after the £221 million special interim dividend paid in September 2018. The NAV at 31 December 2018 is stated before the recommended final dividend of £61 million.

Dividend

The Board has recommended a final dividend of 3.3 pence per share, in line with our dividend policy. A special interim dividend of 12.0 pence per share was paid on 21 September 2018, returning £221 million to shareholders from the surplus proceeds from the sale of the Single Strategy asset management business. Subject to shareholder approval, the recommended final dividend will be paid on 20 May 2019 to shareholders on the UK and South African share registers on 26 April 2019. For Shareholders on our South African share register a dividend of 61.92028 South African cents per share will be paid on 20 May 2019, using an exchange rate of 18.76372.

Return on Equity ("RoE")

Adjusted RoE for the period ended 31 December 2018, calculated as adjusted profit after tax divided by average equity, was 12.9%. This remained broadly 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 Limited from Old Mutual plc as part of Managed Separation and equity allocated to the discontinued operations).

Holding company cash

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

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

£m	**2018**
Opening cash at holding companies at 1 January	**36**
Short-term loan and tier 2 bond proceeds	500
Loans repaid to Old Mutual plc	(200)
Single Strategy asset management business sale - cash proceeds	576
Short-term loan repayment	(300)
Costs of disposal and external financing fees	(19)
Special interim dividend	(221)
Net capital movements	**336**
Managed Separation and Head Office costs	(54)
External debt interest	(6)
Net operational movements	**(60)**
Cash remittances from subsidiaries	167
Net capital contributions and investments	(65)
Other	2
Internal capital and strategic investments	**104**
Closing cash at holding companies at 31 December	**416**

Net capital movements

Net capital movements relate principally to transactions in respect of establishing a strong opening balance sheet in preparation for Listing. On 28 February 2018, borrowings totalling £500 million were incurred to ensure sufficient capital and liquidity to withstand severe but plausible stress scenarios. The borrowings consisted of a £200 million Tier 2 bond which raised £197 million net of external fees of £3 million (shown within the costs of disposal and external financing fees line above) and a £300 million senior unsecured term loan (plus external fees of £1 million) which was subsequently repaid.

The Single Strategy asset management business sale in June 2018 generated £576 million of cash proceeds (£15 million of costs incurred in relation to the sale are shown in the costs of disposal and external financing fees figure of £19 million) and includes a pre-completion dividend receipt of £36 million.

The main outflows relate to repayment of the £200 million loan from Old Mutual plc in February 2018 and repayment of the £300 million senior unsecured term loan following the sale of the Single Strategy business in June 2018. The £300 million senior unsecured term loan was required to bridge the period from Listing until such time as the cash consideration from the sale of the Single Strategy asset management business was received.

Following Managed Separation, a special interim dividend totalling £221 million was paid on 21 September 2018 to shareholders. This represented the net surplus proceeds from this disposal after the repayment of the outstanding £300 million senior unsecured term loan following the sale of the Single Strategy asset management business.

Net operational movements

Net operational movements for the holding companies of the Group were £60 million for the period. This was predominantly comprised of £54 million of corporate and transformation costs, which includes one-off Managed Separation and Listing costs and implementation costs for Optimisation. Interest paid of £6 million includes initial fees paid on the Tier 2 bond and establishment costs for the revolving credit facility. Interest on the Tier 2 bond is paid every six months in February and August each year.

Internal capital and strategic investments

The main inflow relates to cash remittances from the trading businesses totalling £167 million, partially offset by capital contributions of £47 million to support business unit operational activities, the Platform Transformation Programme, and to fund strategic acquisitions within Quilter Financial Planning and Quilter Private Client Advisers. The level of dividends paid to the holding companies is, where relevant, after funds have been set aside in those businesses for the Platform Transformation Programme and the voluntary client redress programme.

London property relocation

Due to the expiry of property leases in 2020 which are not able to be extended, we are planning to consolidate our London office requirements at a new location. We have a number of options under advanced consideration. The relocation will likely result in a one-off cash cost associated with the fit-out of the new premises later in 2019 and 2020, and in higher run-rate expenses which we will update the market on in due course.

Principal Risks and Uncertainties

The principal risks and uncertainties that could impact the Group are summarised below. As a UK based financial services firm, the implications and economic impact of several scenarios of the UK leaving the EU in relation to financial services will influence the degree to which these risks act upon Quilter, particularly with regards to strategy, market, legal and regulatory, and third party risks, including potential disruption to Quilter's business operations and supply chain. In addition, recent quarters have seen reduced levels of investor confidence and this could deteriorate further, potentially materially further, under various scenarios related to the UK leaving the EU. A Group-wide Brexit programme is in place to actively monitor these risks and a number of actions are already in place to mitigate any implications to our business and customers including for example, establishing a regulated asset management company in Ireland.

Strategic risks: The risk that the strategy is unsound due to poor decision making, incorrect information or assumptions, or that the activities supporting the delivery of the strategy are inadequate or poorly designed.

Strategy: If Quilter's strategy does not yield the anticipated benefits, for example, through inaccurate prediction of the type of products and the level of advice required by its target customer base or inability to price such products and services competitively, this may have a material adverse effect on the Group's business, financial condition, results of operations and prospects, and reputation.

Reputation and brand: Quilter is dependent on the strength of its reputation and its brands, which are vulnerable to adverse market perception or negative publicity, and the Company may face challenges with regard to its ongoing rebranding initiative.

Competitive pressure: Quilter's business is conducted in a competitive environment and, if Quilter 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.

People and culture: Quilter may fail to attract and retain talented advisers, investment managers, portfolio managers, senior management and other key employees. This would present a risk to the delivery of Quilter's overall strategy, in particular during this period of significant change across the Company. Additionally this could have a material adverse effect on Quilter's business, financial and operational performance, prospects, and reputation.

Market risks: The risk of an adverse change in the level or volatility of market prices of assets, liabilities or financial instruments resulting in loss of earnings or reduced solvency.

Market risks: Quilter'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, our reputation and, ultimately, the volume and profitability of Quilter's business.

Business risks: The risk that business initiatives supporting the delivery of the strategy are not implemented correctly or in full, or that the business performance fails to meet expectations across one or more key deliverables, resulting in an adverse impact to the Company's business plan objectives.

Conduct risk: is the risk that decisions and behaviours made by Quilter, its employees, its advisers and appointed representatives lead to customers being treated unfairly or otherwise result in detrimental customer outcomes and damage to our reputation. Conduct risk may arise where Quilter 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 for financial planning advice to customers, or fails to do any of the foregoing on an ongoing basis after initial sales, amongst other things. This risk may also arise as a result of employee (mis)conduct.

Conflicts of interest: Quilter faces significant potential and actual conflicts of interest, including those which result from Quilter's advised distribution channel. If the Company fails to manage conflicts of interest between its advice channel and other businesses across the Company, it could result in reputational damage, regulatory liability or customer restitution, which could have a material adverse impact on Quilter's business, financial condition, results of operations and prospects, and reputation.

Investment performance: An important factor in Quilter's ability to maintain and grow its customer base and its network of advisers is the investment performance of the customer assets that Quilter manages. Actual or perceived underperformance of customer assets that are managed by Quilter could have a material adverse effect on Quilter's business, financial condition, results of operations, prospects and reputation.

Insurance risks: The risk of a reduction in Own Funds from adverse experience or change in assumptions relating to claims, policyholder behaviours, mortality, morbidity, longevity or expenses, resulting in an adverse impact to earnings or reduced solvency.

Insurance risks: Quilter has exposure to mortality risk (risk of higher than expected rate of death claims on life protection business) and morbidity risk (risk of higher than expected rate of claims on critical illness protection business) 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 controls designed to identify sub-standard lives at the new business stage.

Operational risks: The risk of loss (or unintended gain/profit) arising from inadequate or failed internal processes, or from personnel and systems, or from external events (other than financial or business environment risks), resulting in an adverse impact to earnings or reduced solvency.

Adviser and customer proposition: Failure by Quilter to offer products, services and platforms that meet adviser and customer needs and which are considered suitable could result in advisers ceasing to recommend Quilter's products or services, or recommending fewer of Quilter's products or services, and declining persistency of Quilter's products.

The asset classes or investment strategies underlying the portfolios managed by Quilter may become less attractive to customers or their advisers, which could reduce demand for Quilter's products and have a material adverse impact on Quilter's business, financial condition, results of operations and prospects, and reputation.

Information technology: Quilter 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. Quilter'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 customer's investment portfolios and produce financial statements and regulatory returns. Failure to manage this risk could have a material adverse impact on Quilter's business, financial condition, results of operations and prospects, and reputation.

Data, information and cyber-threats: Quilter's business, by its nature, requires it to store, retrieve, evaluate and utilise customer and company data and information, which is highly sensitive. Quilter is subject to the risk of IT security breaches from parties with criminal or malicious intent (including cyber-crime). Should Quilter's intrusion detection and anti-penetration software not anticipate, prevent or mitigate a network failure or disruption, or should an incident occur to a system for which there is no duplication, it may have a material adverse effect on Quilter's customers, business, financial condition, results of operations and prospects, and reputation.

Third party: Quilter outsources and procures certain functions and services to third parties and may increase its use of outsourcing in the future. If Quilter 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 Quilter 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 loss of business, and damage to its reputation.

Legal and regulatory: The risk of failing to comply with existing or new regulatory and legislative requirements including standards, principles and practices, or an increased level of regulatory intervention resulting in sanctions or a capital add-on being imposed or a temporary restriction on our ability to operate.

Legal and regulatory: Quilter's regulated businesses are subject to extensive regulation both in the UK (by the Prudential Regulatory Authority ("PRA") and the Financial Conduct Authority ("FCA") and internationally, and Quilter faces risks associated with compliance with these regulations. Quilter's businesses are subject to the risk of adverse changes in 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 Quilter. Failure to manage these risks could have a material adverse impact on Quilter's business, financial condition, results of operations and prospects, and reputation.

Financial crime: Quilter is required to comply with all applicable financial crime laws and regulations (anti-money laundering, anti-terrorism, sanctions, anti-fraud, anti-bribery and corruption and insider dealing) in the jurisdictions in which it operates. Where Quilter 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. Failure to manage these risks could have a material adverse impact on Quilter's business, financial condition, results of operations and prospects, and reputation.

Shareholder Information

The Quilter Board has agreed to recommend to shareholders the payment of a final dividend of 3.3 pence per share. This will be considered at the first Quilter plc Annual General Meeting, which will be held on Thursday 16 May 2019. The final dividend will be paid on Monday 20 May 2019 to shareholders on the UK and South African share registers on Friday 26 April 2019.

Dividend timetable

Dividend announcement in pounds sterling with South Africa ZAR Equivalent	Tuesday 12 March 2019
Last day to trade cum dividend in South Africa	Tuesday 23 April 2019
Shares trade ex-dividend in South Africa	Wednesday 24 April 2019
Shares trade ex-dividend in the UK	Thursday 25 April 2019
Record Date in UK and South Africa	Friday 26 April 2019
Annual General Meeting	Thursday 16 May 2019
Payment date	Monday 20 May 2019

From the opening of trading on Tuesday 12 March 2019 until the close of business on Friday 26 April 2019, no transfers between the London and Johannesburg registers will be permitted. Share certificates for shareholders on the South African register may not be dematerialised or rematerialised between Wednesday 24 and Friday 26 April 2019, both dates inclusive.

Additional information

For Shareholders on our South African share register a dividend of 61.92028 cents per share will be paid on Monday 20 May 2019 to shareholders, based on an exchange rate of 18.76372. Dividend Tax will be withheld at the rate of 20% from the amount of the gross dividend of 61.92028 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 49.53622 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.

Odd-lot Offer

As part of our drive for greater efficiency and in line with our desire to act in the best interests of all our shareholders, we intend to undertake an Odd-lot Offer, subject to shareholder and other requisite approvals. An Odd-lot Offer entails Quilter making an offer to eligible shareholders (holders of less than 100 shares) to repurchase their shares at a modest premium to the market price.

The proposed Odd-lot Offer will reduce the complexity and cost to Quilter of managing our shareholder base and will allow investors holding small numbers of shares to dispose of their holdings in a timely and cost effective manner. Eligible shareholders can, of course, elect to retain their shareholding in Quilter, if they so choose. Further information will be provided to eligible shareholders in due course.

Supplementary Information

For the year ended 31 December 2018

1. Key financial data

Gross sales (£bn)	**2018**					**Change (FY-18 vs FY-17)**	2017				
	Q1	**Q2**	**Q3**	**Q4**	**FY**	**%**	Q1	Q2	Q3	Q4	FY
Quilter Investors	1.6	1.5	1.3	1.1	**5.5**	4%	1.2	1.3	1.4	1.4	5.3
Quilter Cheviot	0.8	0.6	0.5	0.6	**2.5**	(11%)	0.7	0.8	0.7	0.6	2.8
Advice & Wealth Management	**2.4**	**2.1**	**1.8**	**1.7**	**8.0**	**(1%)**	1.9	2.1	2.1	2.0	8.1
Quilter Wealth Solutions	2.3	2.0	1.8	1.6	**7.7**	(13%)	2.2	2.2	2.3	2.2	8.9
Quilter International	0.5	0.4	0.4	0.5	**1.8**	(36%)	0.5	0.6	0.4	1.3	2.8
Quilter Life Assurance	0.2	0.1	0.1	0.2	**0.6**	(45%)	0.4	0.4	0.2	0.1	1.1
Wealth Platforms	**3.0**	**2.5**	**2.3**	**2.3**	**10.1**	**(21%)**	3.1	3.2	2.9	3.6	12.8
Elimination of intra-Group items	(1.0)	(0.9)	(0.7)	(0.8)	**(3.4)**	**6%**	(0.8)	(0.9)	(0.9)	(1.0)	(3.6)
Quilter plc	**4.4**	**3.7**	**3.4**	**3.2**	**14.7**	**(15%)**	4.2	4.4	4.1	4.6	17.3

NCCF (£bn)	**2018**					**% of Opening AuMA**	2017				
	Q1	**Q2**	**Q3**	**Q4**	**FY**		Q1	Q2	Q3	Q4	FY
Quilter Investors	1.0	0.8	0.5	0.5	**2.8**	17%	0.7	0.8	0.9	0.9	3.3
Quilter Cheviot	0.3	0.2	0.1	0.1	**0.7**	3%	0.2	0.4	0.4	0.1	1.1
Advice & Wealth Management	**1.3**	**1.0**	**0.6**	**0.6**	**3.5**	**8%**	0.9	1.2	1.3	1.0	4.4
Quilter Wealth Solutions	1.3	0.8	0.6	0.4	**3.1**	6%	1.0	1.1	1.2	1.2	4.5
Quilter International	0.1	-	-	0.2	**0.3**	2%	0.2	0.2	0.2	0.8	1.4
Quilter Life Assurance	(0.5)	(0.5)	(0.5)	(0.8)	**(2.3)**	(15%)	(0.3)	(0.2)	(0.7)	(0.4)	(1.6)
Wealth Platforms	**0.9**	**0.3**	**0.1**	**(0.2)**	**1.1**	**1%**	0.9	1.1	0.7	1.6	4.3
Elimination of intra-Group items	**(0.6)**	**(0.7)**	**(0.2)**	**(0.4)**	**(1.9)**		(0.4)	(0.5)	(0.7)	(0.8)	(2.4)
Quilter plc	**1.6**	**0.6**	**0.5**	**-**	**2.7**	**2%**	1.4	1.8	1.3	1.8	6.3
Quilter plc (excl. Quilter Life Assurance)	**2.0**	**1.0**	**1.1**	**0.6**	**4.7**	**5%**	1.5	1.9	1.9	2.3	7.6
Integrated flows (excl. Quilter Life Assurance)	**1.5**	**1.3**	**0.9**	**1.0**	**4.7**		1.1	1.3	1.4	1.4	5.2

AuMA (£bn)		2018			Change (FY-18 vs FY-17)		2017		
	Q1	**H1**	**Q3**	**FY**	**%**	Q1	H1	Q3	FY
Quilter Investors	17.1	18.4	18.8	**17.8**	5%	13.1	14.1	15.3	16.9
Quilter Cheviot	22.8	24.1	24.4	**22.4**	(5%)	21.8	22.5	23.0	23.6
Quilter Financial Planning	1.2	1.2	1.1	**1.0**	(17%)	-	1.2	1.2	1.2
Advice & Wealth Management	**41.1**	**43.7**	**44.3**	**41.2**	**(1%)**	34.9	37.8	39.5	41.7
Quilter Wealth Solutions	49.7	52.3	53.4	**49.9**	(1%)	44.0	45.9	47.6	50.2
Quilter International	18.6	19.2	19.6	**18.4**	(5%)	17.5	17.8	18.0	19.3
Quilter Life Assurance	14.4	14.5	14.0	**12.4**	(19%)	16.0	15.6	15.1	15.3
Wealth Platforms	**82.7**	**86.0**	**87.0**	**80.7**	**(5%)**	77.5	79.3	80.7	84.8
Elimination of intra-Group assets	**(12.2)**	**(13.2)**	**(13.2)**	**(12.6)**	**(4%)**	(9.1)	(9.8)	(10.6)	(12.1)
Quilter plc	**111.6**	**116.5**	**118.1**	**109.3**	**(4%)**	103.3	107.3	109.6	114.4
Quilter plc (excl. Quilter Life Assurance)[1]				**99.3**	**(2%)**				101.7

[1]Opening AuMA excluding Quilter Life Assurance in 2017 was £85.2 billion

YTD Gross flows, net flows and AuMA (£bn)

	AuMA as at 31 December 2017	Gross sales	Gross outflows	Net flows	Market and other movements	AuMA as at 31 December 2018
Quilter Investors	16.9	5.5	(2.7)	2.8	(1.9)	17.8
Quilter Cheviot	23.6	2.5	(1.8)	0.7	(1.9)	22.4
Quilter Financial Planning	1.2	-	-	-	(0.2)	1.0
Advice & Wealth Management	**41.7**	**8.0**	**(4.5)**	**3.5**	**(4.0)**	**41.2**
Quilter Wealth Solutions	50.2	7.7	(4.6)	3.1	(3.4)	49.9
Quilter International	19.3	1.8	(1.5)	0.3	(1.2)	18.4
Quilter Life Assurance	15.3	0.6	(2.9)	(2.3)	(0.6)	12.4
Wealth Platforms	**84.8**	**10.1**	**(9.0)**	**1.1**	**(5.2)**	**80.7**
Elimination of intra-group assets	**(12.1)**	**(3.4)**	**1.5**	**(1.9)**	**1.4**	**(12.6)**
Quilter plc	**114.4**	**14.7**	**(12.0)**	**2.7**	**(7.8)**	**109.3**
	AuMA as at 31 December 2016	Gross sales	Gross outflows	Net flows	Market and other movements	AuMA as at 31 December 2017
Quilter Investors	12.1	5.3	(2.0)	3.3	1.5	16.9
Quilter Cheviot	20.7	2.8	(1.7)	1.1	1.8	23.6
Quilter Financial Planning	-	-	-	-	1.2	1.2
Advice & Wealth Management	32.8	8.1	(3.7)	4.4	4.5	41.7
Quilter Wealth Solutions	41.4	8.9	(4.4)	4.5	4.3	50.2
Quilter International	16.9	2.8	(1.4)	1.4	1.0	19.3
Quilter Life Assurance	15.5	1.1	(2.7)	(1.6)	1.4	15.3
Wealth Platforms	73.8	12.8	(8.5)	4.3	6.7	84.8
Elimination of intra-group assets	(8.4)	(3.6)	1.2	(2.4)	(1.3)	(12.1)
Quilter plc	98.2	17.3	(11.0)	6.3	9.9	114.4

Estimated asset allocation (%) (unaudited) **Fund profile by investment type**[1]	**2018** **Total Client AuMA**	2017 Total Client AuMA
Quilter		
Fixed Interest	25%	23%
Equities	65%	66%
Cash	5%	5%
Property and Alternatives	5%	6%
Total	**100%**	100%
Retail	97%	96%
Institutional	3%	4%
Total	**100%**	100%

[1]Other Shareholder assets of £2.1 billion in 2018 (2017: £1.8 billion) are predominately invested in fixed interest and cash.

Revenue (£m) 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	106	168	2	**276**	168	112	91	**371**	**-**	**647**
Other revenue	3	7	87	**97**	2	23	18	**43**	1	**141**
Total fee revenue	**109**	**175**	**89**	**373**	**170**	**135**	**109**	**414**	**1**	**788**

Revenue (£m) 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	73	160	1	234	156	112	89	357	-	591
Other revenue	2	3	77	82	5	17	32	54	1	137
Total fee revenue	75	163	78	316	161	129	121	411	1	728

2. Advice & Wealth Management

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

Key financial highlights	2018	2017	% change
Quilter Financial Planning			
Net management fee	2	1	100%
Other revenue	87	77	13%
Total fee revenue	**89**	78	14%
RFPs + PCA (#)	1,621	1,561	4%
Productivity (£m)	1.7	1.8	(6%)
Quilter Investors			
Net management fee	106	73	45%
Other revenue	3	2	50%
Total fee revenue	**109**	75	45%
NCCF (£bn)	2.8	3.3	(15%)
Closing AuM (£bn)	17.8	16.9	5%
Average AuM (£bn)	17.9	14.2	26%
Revenue margin (bps)	59	51	8 bps
Quilter Cheviot			
Net management fee	168	160	5%
Other revenue	7	3	133%
Total fee revenue	**175**	163	7%
NCCF (£bn)	0.7	1.1	(36%)
Closing AuM (£bn)	22.4	23.6	(5%)
Average AuM (£bn)	23.6	22.2	6%
Revenue margin (bps)	72	72	-
Asset retention (%)	92%	92%	-
Investment managers (#)	155	164	(5%)

3. Wealth Platforms

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

Key financial highlights	2018	2017	% change
Quilter Wealth Solutions			
Net management fee	168	156	8%
Other revenue	2	5	(60%)
Total fee revenue	**170**	161	6%
NCCF (£bn)	3.1	4.5	(31%)
Closing AuA (£bn)	49.9	50.2	(1%)
Average AuA (£bn)	51.5	45.5	13%
Revenue margin (bps)	32	33	(1) bps
Asset retention (%)	91%	90%	1 pp
Quilter International			
Net management fee	112	112	-
Other revenue	23	17	35%
Total fee revenue	**135**	129	5%
NCCF (£bn)	0.3	1.4	(79%)
Closing AuA (£bn)	18.4	19.3	(5%)
Average AuA (£bn)	19.1	17.7	8%
Revenue margin (bps)	59	63	(4) bps
% premium-based charging (%)	57%	54%	3 pp
Asset retention (%)	92%	91%	1 pp
Quilter Life Assurance			
Net management fee	91	89	2%
Other revenue	18	32	(44%)
Total fee revenue	**109**	121	(10%)
Adjusted profit before tax	57	66	(14%)
NCCF (£bn)	(2.3)	(1.6)	(44%)
Closing AuA (£bn)	12.4	15.3	(19%)
- including closing AuA - Institutional (£bn)	*3.4*	*4.9*	*(31%)*
Average AuA (£bn)	14.3	14.9	(4%)
Revenue margin (bps)	69	60	9 bps
Asset retention (%)	81%	82%	(1) pp
MCEV (£m)	536	498	8%

Index to the condensed consolidated financial statements

For the year ended 31 December 2018

Group consolidated financial statements

Basis of preparation

Notes to the preliminary announcement financial statements

Statement of Directors' responsibilities

in respect of the preliminary announcement of the Annual report and accounts and the financial statements

The Directors confirm that to the best of their knowledge:

- The results in this preliminary announcement have been taken from the Group's 2018 Annual report and accounts, which will be available on the Company's website on 28 March 2019; and
- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group.

Paul Feeney	**Tim Tookey**
Chief Executive Officer	Chief Financial Officer

11 March 2019

Consolidated income statement

For the year ended 31 December 2018

	Notes	Year ended 31 December 2018	Year ended 31 December 2017
			£m
Revenue			
Gross earned premiums		**148**	148
Premiums ceded to reinsurers		**(88)**	(88)
Net earned premiums		**60**	60
Fee income and other income from service activities	6(a)	**1,046**	895
Investment return	6(b)	**(3,482)**	5,195
Other income		**35**	13
Total revenue		**(2,341)**	6,163
Expenses			
Insurance contract claims and changes in liabilities	18(b)	**(33)**	(15)
Change in investment contract liabilities	18(d)	**3,236**	(4,308)
Fee and commission expenses, and other acquisition costs		**(437)**	(320)
Change in third party interest in consolidated funds		**369**	(673)
Other operating and administrative expenses		**(772)**	(816)
Finance costs	7	**(17)**	(39)
Total expenses		**2,346**	(6,171)
Profit on acquisitions	3(a)	**-**	3
Profit/(Loss) before tax from continuing operations		**5**	(5)
Tax credit/(expense) attributable to policyholder returns		**158**	(49)
Profit/(Loss) before tax attributable to equity holders		**163**	(54)
Income tax credit/(expense)	8(a)	**169**	(41)
Less: tax (credit)/expense attributable to policyholder returns		**(158)**	49
Tax credit attributable to equity holders		**11**	8
Profit/(Loss) after tax from continuing operations		**174**	(46)
Profit after tax from discontinued operations	3(c)	**314**	203
Profit for the period after tax		**488**	157
Attributable to:			
Equity holders of Quilter plc		**488**	157
Earnings per ordinary share on profit attributable to ordinary shareholders of Quilter plc			
Basic			
From continuing operations (pence)		**9.5**	(2.5)
From discontinued operations (pence)	3(c)	**17.1**	11.1
Basic earnings per ordinary share (pence)	9(a)	**26.6**	8.6
Diluted			
From continuing operations (pence)		**9.4**	(2.5)
From discontinued operations (pence)	3(c)	**17.1**	11.1
Diluted earnings per ordinary share (pence)	9(b)	**26.5**	8.6

Consolidated statement of comprehensive income

For the year ended 31 December 2018

	Notes	Year ended 31 December 2018	Year ended 31 December 2017
			£m
Profit for the period		**488**	157
Other comprehensive income:			
Exchange gains on translation of foreign operations[1]		**-**	3
Items that may be reclassified subsequently to income statement		**-**	3
Income tax on items that will not be reclassified subsequently to income statement[2]		**-**	3
Items that will not be reclassified subsequently to income statement		**-**	3
Total other comprehensive income, net of tax[1]		**-**	6
Total comprehensive income for the period		**488**	163
Attributable to:			
Continuing operations		**174**	(47)
Discontinued operations	3(d)	**314**	210
Equity holders of Quilter plc		**488**	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 year 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 year presentation.

Reconciliation of adjusted profit to profit after tax

For the year ended 31 December 2018

	Notes	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Adjusted profit before tax			
Advice and Wealth Management		**102**	82
Wealth Platforms		**162**	158
Head Office		**(31)**	(31)
Adjusted profit before tax	4(b)	**233**	209
Reconciliation of adjusted profit to Profit after tax			
Adjusting for the following:			
Goodwill impairment and impact of acquisition accounting		**(50)**	(54)
Profit on business acquisitions and disposals		**-**	3
Business transformation costs		**(84)**	(89)
Managed Separation costs		**(24)**	(32)
Finance costs		**(13)**	(39)
Policyholder tax adjustments		**101**	17
Voluntary customer remediation provision		**-**	(69)
Total adjusting items before tax	5(a)	**(70)**	(263)
Profit/(Loss) before tax attributable to equity holders		**163**	(54)
Income tax attributable to policyholder returns		**(158)**	49
Profit/(Loss) before tax from continuing operations		**5**	(5)
Income tax credit/(expense) on continuing operations	8(b)	**169**	(41)
Profit/(Loss) after tax from continuing operations		**174**	(46)
Profit after tax from discontinued operations	3(c)	**314**	203
Profit for the period after tax		**488**	157

Adjusted profit after tax attributable to ordinary shareholders of Quilter plc

	Notes	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Adjusted profit before shareholder tax		**233**	209
Shareholder tax on adjusted profit	8(c)	**(6)**	(14)
Adjusted profit after tax attributable to ordinary shareholders of Quilter plc	9(c)	**227**	195
Adjusted weighted average number of ordinary shares used to calculate adjusted basic earnings per share (millions)	9(c)	**1,832**	1,830
Adjusted basic earnings per share (pence)	9(c)	**12.4**	10.7
Adjusted weighted average number of ordinary shares used to calculate adjusted diluted earnings per share (millions)	9(c)	**1,839**	1,830
Adjusted diluted earnings per share (pence)	9(c)	**12.3**	10.7

Basis of preparation of adjusted profit

Adjusted profit is one of the Group's Alternative Performance Measures and reflects the Directors' view of the underlying performance of the Group. It is used for management decision making and internal performance management and 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 5(a): Adjusted profit adjusting items.

Adjusted profit excludes significant costs or income that are non-operating or one-off in nature, including 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; 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 tax items.

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 Group Audit Committee regularly reviews the use of adjusted profit to confirm that it remains an appropriate basis on which to analyse the operating performance of the business. The Committee assesses refinements to the policy on a case-by-case basis, and where possible the Group seeks to minimise such changes in order to maintain consistency over time.

Consolidated statement of changes in equity

For the year ended 31 December 2018

For the year ended 31 December 2018	Notes	Share capital	Share premium	Merger reserve	Share-based payments reserve	Other reserves	Retained earnings	Total share-holders' equity
								£m
Balance at 1 January 2018		**130**	**58**	**-**	**38**	**1**	**872**	**1,099**
Profit for the period		**-**	**-**	**-**	**-**	**-**	**488**	**488**
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**488**	**488**
Dividends	10	**-**	**-**	**-**	**-**	**-**	**(221)**	**(221)**
Acquisition of entities due to managed separation restructure[1]	17(b)	**-**	**-**	**591**	**-**	**-**	**-**	**591**
Issue of share capital	17	**3**	**-**	**(3)**	**-**	**-**	**-**	**-**
Movement in treasury shares		**-**	**-**	**-**	**-**	**-**	**5**	**5**
Equity share-based payment transactions[2]		**-**	**-**	**-**	**7**	**-**	**35**	**42**
Change in participation in subsidiaries		**-**	**-**	**-**	**(12)**	**-**	**12**	**-**
Aggregate tax effects of items recognised directly in equity		**-**	**-**	**-**	**1**	**-**	**-**	**1**
Total transactions with the owners of the Company		**3**	**-**	**588**	**(4)**	**-**	**(169)**	**418**
Balance at 31 December 2018		**133**	**58**	**588**	**34**	**1**	**1,191**	**2,005**

[1]Acquisition of the Skandia UK group of entities from Old Mutual plc.

[2]Equity share-based payment transactions include £27 million of IFRS 2 costs and £35 million transfer to retained earnings representing share-based payment schemes that have fully vested. In addition, £15 million was transferred in from liability accounts, mainly relating to cash settled awards that have been converted to equity settled awards.

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		-	-	-	-	-	-	6	6
Total comprehensive income		-	-	-	-	-	-	163	163
Dividends	10	-	-	-	-	-	-	(210)	(210)
Issue of share capital	17(a)	200	58	-	-	-	-	-	258
Reduction of share capital	17(a)	(200)	-	-	-	-	-	200	-
Movement in treasury shares[1]		-	-	-	-	-	-	(99)	(99)
Equity share-based payment transactions[2]		-	-	-	(36)	-	-	31	(5)
Change in participation in subsidiaries		-	-	-	(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 Employee Benefit Trust that transferred from Old Mutual plc to the Company during 2017.

[2]Equity share-based payment transactions include £18 million of IFRS 2 costs and £31 million transfer to retained earnings representing share-based payment schemes that have fully vested. In addition, £23 million was paid to employee benefit trusts in respect of share-based payment scheme settlements.

Consolidated statement of financial position

At 31 December 2018

	Notes	At 31 December 2018 £m	At 31 December 2017 £m
Assets			
Goodwill and intangible assets	11	**550**	574
Property, plant and equipment		**17**	18
Investments in associated undertakings[2]		**2**	1
Deferred acquisition costs[1]		**11**	611
Contract costs[1]		**551**	-
Contract assets[1]		**44**	-
Loans and advances	12	**222**	199
Financial investments[2]	13	**59,219**	64,250
Reinsurers' share of policyholder liabilities	18	**2,162**	2,908
Deferred tax assets	20	**38**	22
Current tax receivable	20(c)	**47**	-
Trade, other receivables and other assets		**486**	497
Derivative assets		**46**	87
Cash and cash equivalents	16	**2,395**	2,360
Assets of operations classified as held for sale	3(f)	**-**	446
Total assets		**65,790**	71,973
Equity and liabilities			
Equity			
Ordinary share capital	17(a)	**133**	130
Ordinary share premium reserve	17(a)	**58**	58
Merger reserve	17(b)	**588**	-
Share-based payments reserve		**34**	38
Other reserves		**1**	1
Retained earnings		**1,191**	872
Total equity		**2,005**	1,099
Liabilities			
Long-term business insurance policyholder liabilities	18	**602**	489
Investment contract liabilities	18	**56,450**	59,139
Third-party interests in consolidated funds		**5,116**	7,905
Provisions	19	**94**	104
Deferred tax liabilities	20	**59**	190
Current tax payable	20(c)	**5**	38
Borrowings	21	**197**	782
Trade, other payables and other liabilities		**999**	1,331
Deferred revenue[1]		**-**	244
Contract liabilities[1]		**226**	-
Derivative liabilities		**37**	433
Liabilities of operations classified as held for sale	3(f)	**-**	219
Total liabilities		**63,785**	70,874
Total equity and liabilities		**65,790**	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.
[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.

Consolidated statement of cash flows

For the year ended 31 December 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	**Year ended 31 December 2018** £m	Year ended 31 December 2017[2]
Cash flows from operating activities			
Profit before tax		**321**	227
Non-cash movements in profit before tax		**584**	3,151
Net changes in working capital[1]		**(669)**	980
Taxation paid		**(92)**	(9)
Total net cash flows from operating activities		**144**	4,349
Cash flows from investing activities			
Net acquisitions of financial investments		**(366)**	(3,549)
Acquisition of property, plant and equipment		**(7)**	(8)
Acquisition of intangible assets		**(4)**	(9)
Acquisition of interests in subsidiaries		**-**	(33)
Cash added within acquisition of Skandia UK Limited	3(a)	**25**	-
Net proceeds from the disposal of interests in subsidiaries[3]		**350**	208
Total net cash used in investing activities		**(7)**	(3,391)
Cash flows from financing activities			
Dividends paid to ordinary equity holders of the Company		**(221)**	(210)
Finance costs		**(8)**	(39)
Proceeds from issue of ordinary shares		**-**	258
Proceeds from issue of subordinated and other debt		**497**	-
Subordinated and other debt repaid		**(516)**	(57)
Total net cash used in financing activities		**(248)**	(48)
Net (decrease)/increase in cash and cash equivalents		**(111)**	910
Cash and cash equivalents at beginning of the year		**2,507**	1,595
Effects of exchange rate changes on cash and cash equivalents		**(1)**	2
Cash and cash equivalents at end of the period	16	**2,395**	2,507

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

[1]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 Asset Management business which has subsequently been sold in 2018.
[2]A number of items within the 2017 comparatives have been reclassified to align with the presentation within the 2018 financial statements. There was no impact on cash and cash equivalents resulting from these reclassifications.
[3]Net proceeds from the disposal of interests in subsidiaries in 2018 includes the cash consideration on disposal of the Single Strategy Asset Management business of £540 million (see note 3(b)), less cash within the Single Strategy Asset Management business at the point of disposal of £170 million and £20 million transaction costs.

Notes to the financial statements of the Company

For the year ended 31 December 2018

General Information

Quilter plc (the 'Company'), a public limited company incorporated and domiciled in the United Kingdom ('UK'), together with its subsidiary undertakings (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 results in this preliminary announcement have been taken from the Group's 2018 Annual report and accounts which will be available on the Company's website on 28 March 2019. The consolidated financial statements of Quilter plc for the year ended 31 December 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU), and those parts of the Companies Act 2006 applicable to those reporting under IFRS.

Significant accounting policies applicable to the Group's consolidated financial statements can be found in note 4 of the consolidated financial statements within the 2018 Annual report and accounts.

The preliminary announcement for the year ended 31 December 2018 does not constitute statutory accounts as defined in Section 434 of the companies Act 2006. The consolidated financial statements for full year 2018 have been audited by KPMG. Pursuant to section 435 of the Companies Act 2006, the comparative figures for the financial year ended 31 December 2017 are not the Group's statutory accounts for that financial year. Those accounts were separate financial statements of the Company 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. The comparative figures for the financial year 31 December 2017 are the same as those reported in the Group's listing prospectus dated 20 April 2018, which is available on the Group's website.

This is the first set of the Group's annual financial statements in which 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 2.

The 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.

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 estimates applied and the appropriateness of significant accounting policies adopted in the preparation of these financial statements. The areas where judgements and estimates have the most significant effect on the amounts recognised in these financial statements are summarised below:

Area	Critical accounting judgements	Notes
Group accounting including the consolidation of investment funds	The Group has undertaken a number of acquisitions and disposals during the year including those as part of Managed Separation and the sale of the Single Strategy Asset Management business. Other than for common control transactions, the Group uses the acquisition method of accounting for business combinations where the cost is measured as the aggregate of the fair values (at the date of exchange) of assets acquired, liabilities incurred, and equity instruments issued for control of the acquirer. Judgement is applied in determining the fair value of the consideration and net assets acquired and also on the date at which the Group obtains or cedes control. In addition, the Group's interest in investment funds can fluctuate according to the Group's participation in them as clients' underlying investment choices change. Third-party interests in consolidated funds are classified as a liability rather than a non-controlling interest as they meet the liability classification requirement set out in IAS 32.	n/a[1]
Insurance contracts – classification	The Group is required to apply judgement in assessing the level of insurance risk transferred to the Group in determining whether a contract should be classified (and accounted for) as an insurance or investment contract. The majority of the contracts written by the Group do not meet the definition of an insurance contract as they do not transfer significant insurance risk and as such are accounted for as an investment contract.	18
Provisions - recognition	In assessing whether a provision should be recognised, 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. Significant provisions have been in respect of the voluntary client remediation provision and the restructuring provision in respect of the sale of the Single Strategy Asset Management business.	19
Deferred tax - recognition	The timing and recognition of any deferred tax assets have been impacted as the Group has become standalone under Managed Separation. Due to ambiguities in tax law and the complex nature of the separation process, the tax treatment of specific potential tax assets are being discussed with the relevant tax authorities. Where management believe there is a significant risk that the tax authorities may take a different view no asset has been recognised. Management expects discussions with the tax authorities on Managed Separation transactions to be concluded during 2019.	20

[1]Refer to note 4(a) in the financial statements included within the Group's 2018 Annual report and accounts.

Critical accounting estimates and judgements *continued*

Area	Critical accounting estimates	Notes
Insurance contracts – measurement	Measurement involves significant use of assumptions including mortality, morbidity, persistency, expense valuation and interest rates.	18
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. The key assumptions in relation to the voluntary customer remediation provision have included the investment return used, the point at which customers are remediated and the timing of remediation. The provision includes estimates of the cost of future claims and programme remediation costs.	19
Deferred tax - measurement	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.	20
Goodwill and intangible assets	The valuation of goodwill and intangible assets that are recognised as the result of a business combination involves the use of valuation models. These have arisen principally on the acquisition of the Quilter Cheviot business, Intrinsic and on various adviser business acquisitions. 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.	11
Valuation of investments	Where quoted market prices are not available, valuation techniques are used to measure financial investments. When valuation techniques use significant unobservable inputs they are subject to estimation uncertainty and are categorised as level 3 in the fair value hierarchy. Matching liabilities are similarly categorised as level 3.	15

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

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 explained in detail in note 4(r) of the consolidated financial statements within the Group's 2018 Annual report and accounts.

Other standards:
In addition to IFRS 9 and IFRS 15, the following amendments to the accounting standards, issued by the IASB and endorsed by the EU, have been adopted by the Group from 1 January 2018 with no material impact on the Group's consolidated results, financial position or disclosures:

- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
- Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Amendments to IAS 40 Transfers of Investment Property
- Amendments to IFRS 1 and IAS 28 Annual improvements to IFRSs 2014-2016 cycle
- IFRIC 22 Foreign currency transactions and advance consideration

3: 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.

3(a) Business acquisitions completed during the period

Business acquisitions completed during year ended 31 December 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 effected 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 17.

Acquisition of adviser businesses by Quilter Private Client Advisers ('QPCA') (formerly Old Mutual Wealth Private Client Advisers)

During the year, the Group continued its expansion of the QPCA business, aiming to develop a 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 the Group's investment solutions and platform. In the year the Group completed the acquisition of fourteen adviser businesses as part of the expansion of the QPCA business. The total cash consideration paid was an initial £5.3 million with additional potential deferred consideration of £6.4 million which is expected to be paid in full (discounted to net present value for this and all other acquisitions listed below), dependent upon meeting certain performance targets generally relating to funds under management.

Net tangible assets of £0.2 million were acquired and goodwill of £5.1 million, other intangible assets of £7.4 million and a deferred tax liability of £1.0 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 £22 million includes £15 million cash consideration and up to £3 million that has been deferred for two years and up to £4 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. Net tangible assets of £1 million were acquired and in addition, the Group recognised identified intangible assets of £14 million and a deferred tax liability of £2 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 £9 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.

Acquisition of adviser businesses by 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 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 was £18 million, of which £10 million was cash consideration and up to £8 million in 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 £13 million and a deferred tax liability of £2 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 11(a)).

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 £8 million, of which £5 million was cash consideration and £3 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*.

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 £9 million and a deferred tax liability of £2 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 London 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 £0.3 million. The fair value of the identifiable assets at the date of acquisition was £0.5 million, with a gain on purchase of £0.2 million being recognised, representing assets not valued within the agreed consideration.

Global Edge Technologies (Pty) 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.

Business acquisitions completed during year ended 31 December 2017 *continued*

The total consideration was £1 million. The fair value of the identifiable assets at the date of acquisition was £4 million, with a gain on purchase £3 million being recognised. The Group 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 the Group recorded the excess as a bargain purchase gain.

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

Year ended 31 December 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, to be 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 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 £292 million.

During the year an expense provision of £2 million in relation to the sale of Old Mutual Wealth Italy S.p.A. in the prior year (see below for details of this sale) was released as it is not expected to be incurred, giving rise to a £2 million increase in the profit on sale.

Year ended 31 December 2017

In August 2016, the Group announced that it had 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.

		£m
	Year ended 31 December 2018	Year ended 31 December 2017
	Single Strategy business and Old Mutual Wealth Italy adjustment	Old Mutual Wealth Italy
Consideration received[1]	**546**	221
Less: transaction costs on the sale of Single Strategy	**(20)**	(4)
Plus: release of accrued expenses in relation to OMW Italy S.p.A. disposal	**2**	-
Net proceeds from sale	**528**	217
Carrying value of net assets disposed of	**(238)**	(137)
Profit on sale of operations before tax	**290**	80
Tax on disposals	**4**	-
Profit on sale of operations after tax	**294**	**80**

[1]Consideration received in respect of the Single Strategy business includes £540 million of cash received together with the discounted deferred consideration of £6 million, and excludes the £36 million pre-completion dividend received in June 2018.

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

3(c) Discontinued operations - Income statement

For the years ended 31 December 2018 and 31 December 2017, the Group's discontinued operations included the Single Strategy business (previously part of Old Mutual Global Investors). Old Mutual Wealth Italy S.p.A. is also included in discontinued operations up to the date its sale completed on 9 January 2017.

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.

	Notes	**Year ended 31 December 2018** £m	Year ended 31 December 2017 £m
Revenue			
Fee income and other income from service activities	6(a)	**136**	389
Investment return	6(b)	**-**	7
Other income		**2**	3
Total revenue		**138**	399
Expenses			
Fee and commission expenses, and other acquisition costs		**(31)**	(62)
Other operating and administrative expenses		**(81)**	(185)
Total expenses		**(112)**	(247)
Profit on the disposal of subsidiaries	3(b)	**290**	80
Profit before tax from discontinued operations		**316**	232
Tax (expense) attributable to equity holders		**(2)**	(29)
Profit for the period after tax from discontinued operations		**314**	203
Attributable to:			
Equity holders of Quilter plc		**314**	203
Earnings per ordinary share on profit attributable to ordinary shareholders of Quilter plc			
Basic - from discontinued operations (pence)		**17.1**	11.1
Diluted - from discontinued operations (pence)		**17.1**	11.1

3(d) Discontinued operations - Statement of comprehensive income

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Profit for the period	**314**	203
Other comprehensive income from discontinued operations:		
Items that may be reclassified subsequently to income statement		
Exchange gains on translation of foreign operations	**-**	4
Other comprehensive income for the period	**-**	3
Total other comprehensive income from discontinued operations, net of tax	**-**	7
Total comprehensive income for the period from discontinued operations	**314**	210

3(e) Discontinued operations - Net cash flows

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

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

3(f) Assets and liabilities held for sale

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 was classified as held for sale from December 2017 and, on 29 June 2018, the Group completed the sale. See note 3(b) above. The assets and liabilities held for sale are disclosed in the table below.

	Notes	**At 31 December 2018**	£m At 31 December 2017
Assets classified as held for sale			
Goodwill and intangible assets	11(b)	-	82
Deferred acquisition costs		-	4
Deferred tax assets	20	-	9
Trade, other receivables and other assets		-	204
Cash and cash equivalents	16	-	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

4: Segmental information

4(a) Segmental presentation

The Group's operating segments comprise Advice and Wealth Management and Wealth Platforms, which 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 period ended 31 December 2018, the Group has classified the Single Strategy Asset Management business as discontinued. For the period ended 31 December 2017, the Group has classified the Italian business as discontinued. These businesses were sold or held for sale in these periods. Further detail is included in note 3(b).

There have been no changes to the basis of segment information for the period in these financial statements.

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 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 4(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 and asset management, financial advice (revenue from fee income and other income from service activities), and life assurance (revenue from premium income). Investment return includes gains and losses on investment securities and other income includes other fees and miscellaneous income.

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, 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 provide 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 financial statements of the Company

For the year ended 31 December 2018

4: Segmental information *continued*

4(b)(i): Adjusted profit statement - segmental information for the year ended 31 December 2018

								£m
		Adjusted profit - Continuing operations				Reconciliation to IFRS		
		Operating segments						
	Notes	Advice and Wealth Management	Wealth Platforms	Head Office	Adjusted profit	Consolidation Adjustments[1]	Adjusting items (Note 5(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	6(a)	547	507	-	**1,054**	(8)	-	**1,046**
Investment return		9	(3,248)	3	**(3,236)**	(246)	-	**(3,482)**
Other income		2	101	6	**109**	(74)	-	**35**
Segmental revenue		558	(2,580)	9	**(2,013)**	(328)	-	**(2,341)**
Expenses								
Claims and benefits paid		-	(87)	-	**(87)**	-	-	**(87)**
Reinsurance recoveries		-	60	-	**60**	-	-	**60**
Net insurance claims and benefits incurred		-	(27)	-	**(27)**	-	-	**(27)**
Change in reinsurance assets and liabilities		-	103	-	**103**	-	-	**103**
Change in insurance contract liabilities		-	(109)	-	**(109)**	-	-	**(109)**
Change in investment contract liabilities		-	3,236	-	**3,236**	-	-	**3,236**
Fee and commission expenses, and other acquisition costs		(163)	(170)	-	**(333)**	(104)	-	**(437)**
Change in third-party interest in consolidated funds		-	-	-	**-**	369	-	**369**
Other operating and administrative expenses		(290)	(347)	(40)	**(677)**	63	(158)	**(772)**
Finance costs	7	(3)	(1)	-	**(4)**	-	(13)	**(17)**
Segmental expenses		(456)	2,685	(40)	**2,189**	328	(171)	**2,346**
Adjusted profit/(loss) before all tax		102	105	(31)	**176**	-	(171)	**5**
Tax attributable to policyholders' funds		-	57	-	**57**	-	101	**158**
Adjusted profit/(loss) before tax attributable to equity holders		102	162	(31)	**233**	-	(70)	**163**
Reconciliation to IFRS:								
Adjusted for non-operating items:	5(a)							
Goodwill impairment and impact of acquisition accounting		(49)	(1)	-	**(50)**			
Business transformation costs		(19)	(58)	(7)	**(84)**			
Managed Separation costs		-	(1)	(23)	**(24)**			
Finance costs		-	-	(13)	**(13)**			
Policyholder tax adjustments		-	101	-	**101**			
Reallocation of central costs[2]		-	(2)	2	**-**			
Adjusting items before tax		(68)	39	(41)	**(70)**			
Profit/(Loss) before tax attributable to equity holders		34	201	(72)	**163**			

[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.

Notes to the financial statements of the Company

For the year ended 31 December 2018

4: Segmental information *continued*

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

								£m
		Adjusted profit - Continuing operations				Reconciliation to IFRS		
		Operating segments						
	Notes	Advice and Wealth Management	Wealth Platforms	Head Office	Adjusted profit	Consolidation Adjustments[1]	Adjusting items (Note 5(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	6(a)	382	526	-	**908**	(13)	-	**895**
Investment return		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	7	-	-	-	**-**	-	(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 equity holders		82	158	(31)	**209**	-	(263)	**(54)**
Reconciliation to IFRS:								
Adjusted for non-operating items:	5(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)**			
Profit/(Loss) before tax attributable to equity holders		29	17	(100)	**(54)**			

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

4: Segmental information *continued*

4(c)(i): Statement of financial position – segmental information at 31 December 2018

	Notes	Advice & Wealth Management	Wealth Platforms	Head Office	Consolidation Adjustments[1]	Total Continuing Operations	Discontinued Operations	Total
								£m
Assets								
Goodwill and intangible assets	11	386	164	-	-	**550**	-	**550**
Property, plant and equipment		10	7	-	-	**17**	-	**17**
Investments in associated undertakings		-	-	2	-	**2**	-	**2**
Deferred acquisition costs		-	11	-	-	**11**	-	**11**
Contract costs		-	551	-	-	**551**	-	**551**
Contract assets		44	-	-	-	**44**	-	**44**
Loans and advances	12	27	188	7	-	**222**	-	**222**
Financial investments	13	3	54,636	2	4,578	**59,219**	-	**59,219**
Reinsurers' share of policyholder liabilities	18	-	2,162	-	-	**2,162**	-	**2,162**
Deferred tax assets	20	7	22	9	-	**38**	-	**38**
Current tax receivable	20(c)	-	46	1	-	**47**	-	**47**
Trade, other receivables and other assets		197	178	8	103	**486**	-	**486**
Derivative assets		-	-	-	46	**46**	-	**46**
Cash and cash equivalents	16	358	1,113	440	484	**2,395**	-	**2,395**
Inter-segment funding - assets		-	12	-	(12)	**-**	-	**-**
Total assets		1,032	59,090	469	5,199	**65,790**	-	**65,790**
Liabilities								
Long-term business insurance policyholder liabilities	18	-	602	-	-	**602**	-	**602**
Investment contract liabilities	18	-	56,450	-	-	**56,450**	-	**56,450**
Third-party interests in consolidated funds		-	-	-	5,116	**5,116**	-	**5,116**
Provisions	19	26	59	9	-	**94**	-	**94**
Deferred tax liabilities	20	40	19	-	-	**59**	-	**59**
Current tax payable	20(c)	9	14	(18)	-	**5**	-	**5**
Borrowings	21	-	-	197	-	**197**	-	**197**
Trade, other payables and other liabilities		340	579	20	60	**999**	-	**999**
Contract liabilities		1	225	-	-	**226**	-	**226**
Derivative liabilities		-	1	-	36	**37**	-	**37**
Inter-segment funding - liabilities		-	-	12	(12)	**-**	-	**-**
Total liabilities		416	57,949	220	5,200	**63,785**	-	**63,785**
Total equity								**2,005**
Total equity and liabilities								**65,790**

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

4: Segmental information *continued*

4(c)(ii): 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	11	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	12	18	180	1	-	**199**	-	**199**
Financial investments[3]	13	2	56,562	1	7,685	**64,250**	-	**64,250**
Reinsurers' share of policyholder liabilities	18	-	2,908	-	-	**2,908**	-	**2,908**
Deferred tax assets	20	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	16	303	1,061	83	913	**2,360**	-	**2,360**
Assets of operations classified as held for sale	3(f)	-	-	-	-	**-**	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	18	-	489	-	-	**489**	-	**489**
Investment contract liabilities	18	-	59,139	-	-	**59,139**	-	**59,139**
Third-party interests in consolidated funds		-	-	-	7,905	**7,905**	-	**7,905**
Provisions	19	10	89	5	-	**104**	-	**104**
Deferred tax liabilities	20	40	150	-	-	**190**	-	**190**
Current tax payable	20(c)	21	40	(23)	-	**38**	-	**38**
Borrowings	21	-	-	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	3(f)	-	-	-	-	**-**	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 Asset Management 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.

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 financial statements of the Company

For the year ended 31 December 2018

4: Segmental information *continued*

4(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 year ended 31 December 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		**-**	**147**	**-**	**1**	**-**	**148**	**-**	**148**
Premiums ceded to reinsurers		**-**	**(87)**	**-**	**(1)**	**-**	**(88)**	**-**	**(88)**
Net earned premiums		**-**	**60**	**-**	**-**	**-**	**60**	**-**	**60**
Premium based fees		**87**	**15**	**-**	**77**	**-**	**179**	**-**	**179**
Fund based fees[1]		**460**	**243**	**-**	**102**	**-**	**805**	**136**	**941**
Retrocessions received, intragroup		**-**	**17**	**-**	**4**	**(21)**	**-**	**-**	**-**
Fixed fees		**-**	**4**	**-**	**28**	**-**	**32**	**-**	**32**
Surrender charges		**-**	**1**	**-**	**16**	**-**	**17**	**-**	**17**
Other fee and commission income		**-**	**-**	**-**	**-**	**13**	**13**	**-**	**13**
Fee income and other income from service activities	6(a)	**547**	**280**	**-**	**227**	**(8)**	**1,046**	**136**	**1,182**
Investment return		**9**	**(2,332)**	**3**	**(916)**	**(246)**	**(3,482)**	**-**	**(3,482)**
Other income		**2**	**98**	**6**	**3**	**(74)**	**35**	**2**	**37**
Total revenue		**558**	**(1,894)**	**9**	**(686)**	**(328)**	**(2,341)**	**138**	**(2,203)**

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

		UK			International				£m
For the year ended 31 December 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		-	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	6(a)	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.

5: Adjusted profit and adjusting items

5(a): Adjusted profit adjusting items

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	**Year ended 31 December 2018** £m	Year ended 31 December 2017 £m
Expense/(income)			
Goodwill impairment and impact of acquisition accounting	5(b)	**50**	54
Profit on business acquisitions and disposals	5(c)	**-**	(3)
Business transformation costs	5(d)	**84**	89
Managed Separation costs	5(e)	**24**	32
Finance costs	5(f)	**13**	39
Policyholder tax adjustments	5(g)	**(101)**	(17)
Voluntary customer remediation provision	5(h)	**-**	69
Total adjusting items before tax		**70**	263
Tax on adjusting items	8(c)	**(118)**	(39)
Less: policyholder tax adjustments		**101**	17
Total adjusting items after tax		**53**	241

5(b) Goodwill impairment and impact of acquisition accounting

The recognition of goodwill and other acquired intangibles is created on the acquisition of a business and represents the premium paid over the fair value of the Group's share of the identifiable asset and liabilities acquired at the date of acquisition (as recognised under IFRS 3). The Group excludes from adjusted profit 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 year ended 31 December 2018

£m	**Advice and Wealth Management**	**Wealth Platforms**	**Head office**	**Total Group**
Impairment of other intangible assets	**-**	**1**	**-**	**1**
Amortisation of other acquired intangible assets	**41**	**-**	**-**	**41**
Acquisition costs[1]	**5**	**-**	**-**	**5**
Unwinding of discount on deferred consideration	**3**	**-**	**-**	**3**
Total goodwill impairment and impact of acquisition accounting	**49**	**1**	**-**	**50**

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[1]	13	-	-	13
Unwinding of discount on deferred consideration	1	-	-	1
Total goodwill impairment and impact of acquisition accounting	53	-	1	54

[1]Acquisition costs include items such as transaction costs or deferred incentives arising on the acquisition of businesses.

5: Adjusted profit and adjusting items *continued*

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

As part of the Group's Managed Separation from Old Mutual plc, the Group acquired Commsale 2000 Limited ('Commsale') from Old Mutual plc on 29 September 2017. The total consideration was £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 £1 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 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 were recorded.

5(d) Business transformation costs

Within business transformation costs are four items: costs associated with the UK Platform Transformation Programme, build out costs incurred within Quilter Investors as a result of the sale of our Single Strategy Asset Management business, Optimisation Programme costs 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 – 31 December 2018: £58 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 direct costs and the costs of decommissioning existing technology and migrating of services to IFDS are excluded from adjusted profit. 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 year ended 31 December 2018, these costs total £nil million (31 December 2017: £53 million).

The Group conducted a comprehensive review of the options available to the UK Platform business and, in May 2017, 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 for new business and to migrate the in-force (UK Platform) business over time. For the period ended 31 December 2018, these costs totalled £58 million (31 December 2017: £21 million).

Quilter Investors' build out costs – 31 December 2018: £19 million, 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 Asset Management business was sold to its management and TA Associates on 29 June 2018. As result, the Group has incurred £24 million of one-off costs in the year ended 31 December 2018, £5 million of which are included in profit on disposal within discontinued operations and £19 million is an adjusting item within continuing business.

One-off transformational costs as a result of Quilter's Managed Separation from Old Mutual plc – 31 December 2018: £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.

Optimisation Programme costs – 31 December 2018: £7 million, 31 December 2017: £nil

Following the Group's Managed Separation from Old Mutual plc, the Group has initiated an Optimisation Programme focused on driving operational efficiencies, incurring £7 million of one-off project costs to date.

5(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 31 December 2018, these costs totalled £24 million (31 December 2017: £32 million).

5(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 year ended 31 December 2018, the finance costs totalled £13 million (31 December 2017: £39 million) - see note 7.

5: Adjusted profit and adjusting items *continued*

5(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. The significant market volatility during the year ended 31 December 2018 has resulted in a £96 million adjustment (31 December 2017: £(4) million). For a further explanation of the impact of markets on the policyholder tax charge see note 8(a). Adjustments are also made to remove distortions from other non-operating adjusting items that results in a further £5 million tax adjustment as at 31 December 2018 (31 December 2017: £21 million).

For the period ended 31 December 2018, the policyholder tax adjustments to adjusted profit total £101 million (31 December 2017: £17 million) as shown in note 8(c).

5(h) Voluntary Customer Remediation Provision

As detailed in Note 19, as part of its on-going work to promote fair customer outcomes, the Group 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 those reviews, the Group decided to commence voluntary remediation to customers in certain products, resulting in an additional provision raised during 2017 of £69 million.

During 2018 £31 million of this provision has been utilised against programme costs and pension remediation incurred.

The provision was 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.

6: Details of income

This note gives further detail on the items appearing in the income section of the consolidated income statement.

6(a): Fee income and other income from service activities

This note analyses the fees, commission and other income from service activities earned by the Group.

		£m
	Year ended 31 December 2018	Year ended 31 December 2017
Premium based fees[1]	**179**	179
Fund based fees[1,2]	**805**	654
Fixed fees	**32**	31
Surrender charges	**17**	21
Other fee and commission income	**13**	10
Fee income and other income from service activities - continuing operations	**1,046**	895
Fee income and other income from service activities - discontinued operations	**136**	389
Total fee income and other income from service activities	**1,182**	1,284

[1]A number of items have been reclassified in the prior year comparatives to conform with current year presentation.
[2]Income from fiduciary activities is included within fund based fees.

6(b): Investment return

This note analyses the investment return from the Group's investing activities.

		£m
	Year ended 31 December 2018	Year ended 31 December 2017
Net investment income		
Interest and similar income		
Investments and securities	**59**	53
Cash and cash equivalents[1]	**21**	10
Total interest and similar income	**80**	63
Dividend income	**99**	83
Foreign currency gains and losses	**2**	3
Total gains on financial instruments at fair value through profit and loss	**(3,663)**	5,046
Mandatorily at fair value through profit and loss[2]	**(3,658)**	-
Designated at fair value through profit and loss[2]	**(5)**	5,046
Net investment income - continuing operations	**(3,482)**	5,195
Net investment income - discontinued operations	**-**	7
Total net investment income	**(3,482)**	5,202

[1]Included within interest on cash and cash equivalents is £2 million arising from assets held at amortised cost. The remainder is from assets at FVTPL.
[2]The Group has initially applied IFRS 9 at 1 January 2018 and 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.

7: Finance costs

This note analyses the interest costs on our borrowings and similar charges, all of which are valued at amortised cost. Finance costs comprise:

		£m
	Year ended 31 December 2018	Year ended 31 December 2017
Term loans and other external debt	**2**	-
Subordinated debt securities (Tier 2 bond)	**8**	-
Loans from Old Mutual plc	**3**	39
Interest payable on borrowed funds	**13**	39
Other	**4**	-
Total finance costs - continuing operations	**17**	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. The Group has had no borrowings from Old Mutual plc since 28 February 2018. More details regarding borrowed funds, including the interest rates payable, are shown in note 21. These costs are excluded from adjusted profit within the 'Finance costs' adjusting item.

Including the impact of amortisation of bond set-up costs, the issuance of the Tier 2 Bond will result in expenses in the Head Office segment of approximately £10 million on an annual basis. This has replaced the £39 million of interest on the borrowings with Old Mutual plc in prior years.

Within other finance costs above is £3 million relating to 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 as shown in note 5(b).

8: 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.

8(a) Tax charged to the income statement

			£m
	Notes	**Year ended 31 December 2018**	Year ended 31 December 2017
Current tax			
United Kingdom		**6**	43
International		**4**	3
Adjustments to current tax in respect of prior periods[1]		**(25)**	1
Total current tax		**(15)**	47
Deferred tax			
Origination and reversal of temporary differences		**(155)**	2
Effect on deferred tax of changes in tax rates		**(1)**	(1)
Adjustments to deferred tax in respect of prior periods		**2**	(7)
Total deferred tax		**(154)**	(6)
Total tax (credited)/charged to income statement - continuing operations		**(169)**	41
Total tax charged to income statement - discontinued operations	3(c)	**2**	29
Total tax (credited)/charged to income statement		**(167)**	70
Attributable to policyholder returns		**(158)**	49
Attributable to equity holders		**(9)**	21
Total tax (credited)/charged to income statement		**(167)**	70

[1]The current year tax adjustment in respect of prior periods is £(25) million (31 December 2017: £1 million). This is primarily as a result of the carry back of policyholder capital losses in the life businesses as permitted under UK tax legislation resulting in tax credits in respect of 2016 and 2017.

Policyholder tax

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

Significant market volatility during the year ended 31 December 2018 resulted in investment return losses of £623 million on products subject to policyholder tax. This loss is a component of the total 'investment return' loss of £3,482 million shown in the income statement. The impact of the £623 million investment return loss, together with the utilisation of brought forward capital losses, are the primary reasons for the £158 million tax credit attributable to policyholder returns for the year ended 31 December 2018 (31 December 2017: £49 million charge).

8: Tax *continued*

8(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:

	Notes	**Year ended 31 December 2018** £m	Year ended 31 December 2017 £m
Profit/(Loss) before tax		**5**	(5)
Tax at UK standard rate of 19% (2017: 19.25%)		**1**	(1)
Different tax rate or basis on overseas operations		**(5)**	(3)
Untaxed and low taxed income		**(15)**	(2)
Disallowable expenses		**6**	7
Adjustments to current tax in respect of prior years[1]		**(25)**	1
Net movement on deferred tax assets not recognised		**(11)**	(14)
Effect on deferred tax of changes in tax rates		**(1)**	(1)
Adjustments to deferred tax in respect of prior years		**2**	(7)
Income tax attributable to policyholder returns		**(121)**	61
Total tax (credited)/charged to income statement - continuing operations		**(169)**	41
Total tax charged to income statement - discontinued operations	3(c)	**2**	29
Total tax (credited)/charged to income statement		**(167)**	70

[1]The current year tax adjustment in respect of prior periods is £(25) million (31 December 2017: £1 million). This is primarily as a result of the carry back of policyholder capital losses in the life businesses as permitted under UK tax legislation resulting in tax credits in respect of 2016 and 2017.

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

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Income tax (credit)/expense on continuing operations	**(169)**	41
Tax on adjusting items		
Goodwill impairment and impact of acquisition accounting	**8**	8
Business transformation costs	**16**	14
Managed Separation costs	**2**	4
Finance costs	**2**	8
Policyholder tax adjustments	**101**	17
Voluntary customer remediation provision	**-**	14
Other shareholder tax adjustments	**(11)**	(26)
Total tax on adjusting items	**118**	39
Tax attributable to policyholders returns	**57**	(66)
Tax charged on adjusted profit - continuing operations	**6**	14
Tax charged on adjusted profit - discontinued operations	**5**	29
Tax charged on adjusted profit	**11**	43

9: 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 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 17.

Notes to the financial statements of the Company

For the year ended 31 December 2018

9: Earnings per share *continued*

	Source of guidance	Notes	Pence **Year ended 31 December 2018**	Year ended 31 December 2017
Basic earnings per share	IFRS	9(a)	**26.6**	8.6
Diluted basic earnings per share	IFRS	9(b)	**26.5**	8.6
Adjusted basic earnings per share	Group policy	9(c)	**12.4**	10.7
Adjusted diluted earnings per share	Group policy	9(c)	**12.3**	10.7
Headline earning per share (net of tax)	JSE Listing Requirements	9(d)	**10.6**	4.0
Diluted headline earning per share (net of tax)	JSE Listing Requirements	9(d)	**10.5**	4.0

9(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 the following treasury shares: Quilter plc shares held within Employee Benefit Trusts ('EBTs') to satisfy the Group's obligations under employee share awards; and Quilter plc shares held in consolidated funds. Treasury shares are deducted for the purpose of calculating both basic and diluted EPS.

(i) The profit attributable to ordinary shareholders is:

	£m **Year ended 31 December 2018**	Year ended 31 December 2017
Profit/(loss) after tax from continuing operations	**174**	(46)
Profit after tax from discontinued operations	**314**	203
Profit for the financial period for the calculation of earnings per share	**488**	157

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

	Year ended 31 December 2018	Year ended 31 December 2017
Weighted average number of ordinary shares in issue (millions)	**1,902**	1,902
Treasury shares including those held in EBTs (millions)	**(70)**	(72)
Adjusted weighted average number of ordinary shares used to calculate basic earnings per share (millions)	**1,832**	1,830
Basic earnings per ordinary share (pence)	**26.6**	8.6

9(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	**Year ended 31 December 2018**	Year ended 31 December 2017
Profit attributable to ordinary equity holders (£m)		**488**	157
Diluted profit attributable to ordinary equity holders (£m)		**488**	157
Adjusted weighted average number of ordinary shares (millions)	9(a)	**1,832**	1,830
Adjustments for share options held by EBTs and similar trusts (millions)		**7**	-
Weighted average number of ordinary shares used to calculate diluted earnings per share (millions)		**1,839**	1,830
Diluted earnings per ordinary share (pence)		**26.5**	8.6

There is no dilutive impact of potential shares on EPS for the period ended 31 December 2017 because the new sharebased payment arrangements, settled in Quilter plc shares, have only been in place since listing (25 June 2018).

9: Earnings per share *continued*

9(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	**Year ended 31 December 2018**	Year ended 31 December 2017 £m
Profit for the financial period attributable to shareholders of the Company		**488**	157
Adjusting items	5	**70**	263
Income tax expense on adjusting items	8(c)	**(118)**	(39)
Less: Policyholder tax adjustments	8(c)	**101**	17
Less: Profit after tax from discontinued operations	3(c)	**(314)**	(203)
Adjusted profit after tax attributable to ordinary shareholders (£m)		**227**	195
Adjusted weighted average number of ordinary shares used to calculate adjusted basic earnings per share (millions)	9(a)	**1,832**	1,830
Adjusted basic earnings per share (pence)		**12.4**	10.7
Adjusted weighted average number of ordinary shares used to calculate diluted adjusted earnings per share (millions)	9(b)	**1,839**	1,830
Adjusted diluted earnings per share (pence)		**12.3**	10.7

9(d) Headline earnings per share

The Group is required to calculate headline earnings per share ('HEPS') in accordance with the Johannesburg Stock Exchange 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:

	Year ended 31 December 2018		Year ended 31 December 2017 £m	
	Gross	**Net of tax**	Gross	Net of tax
Profit for the period attributable to shareholders of the Company		**488**		157
Adjusting items:				
Less: Profit on disposals of subsidiaries	**(290)**	**(294)**	(83)	(83)
Headline earnings	**(290)**	**194**	(83)	74
Diluted headline earnings		**194**		74
Weighted average number of ordinary shares (millions)		**1,832**		1,830
Diluted weighted average number of ordinary shares (millions)		**1,839**		1,830
Headline earnings per share (pence)		**10.6**		4.0
Diluted headline earnings per share (pence)		**10.5**		4.0

Notes to the financial statements of the Company

For the year ended 31 December 2018

10: Dividends

This note analyses the total dividends and other appropriations paid during the year. The table below does not include the final dividend proposed after the year end because it is not accrued in these financial statements.

	Payment date	Year ended 31 December 2018	Year ended 31 December 2017
			£m
Ordinary dividends declared and charged to equity in the year			
2017 Special dividend paid – 161.47p per ordinary share	9 January 2017	**-**	210
2018 Special interim dividend paid - 12.00p per ordinary share	21 September 2018	**221**	-
Dividends paid to ordinary shareholders		**221**	210

Subsequent to year ended 31 December 2018 the directors proposed a final dividend for 2018 of 3.3 pence per ordinary share amounting to £61 million in total. Subject to approval by shareholders at the AGM, the dividend will be paid on 20 May 2019. In compliance with the rules issued by the Prudential Regulation Authority ('PRA') in relation to the implementation of the Solvency II regime and other regulatory requirements to which the Group is subject, the dividend is required to remain cancellable at any point prior to it becoming due and payable on 20 May 2019 and to be cancelled if, prior to payment, the Group ceases to hold capital resources equal to or in excess of its Solvency Capital Requirement, or if that would be the case if the dividend was paid. The directors have no intention of exercising this cancellation right, other than where required to do so by the PRA or for regulatory capital purposes.

Final and interim dividends paid to ordinary shareholders are calculated using the number of shares in issue at the record date less own shares held in Employee Benefit Trusts.

11: Goodwill and intangible assets

11(a): Analysis of goodwill and intangible assets

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

	Goodwill	Software development costs[4]	Other intangible assets[4]	Total
				£m
Gross amount				
At 1 January 2017	373	94	350	817
Acquisitions through business combinations[1]	15	-	30	45
Transfer to non-current assets held for sale[2]	(82)	(2)	(3)	(87)
Other movements	-	5	(6)	(1)
At 31 December 2017	306	97	371	774
Acquisitions through business combinations	**5**	**-**	**9**	**14**
Additions	**-**	**4**	**-**	**4**
Transfer to non-current assets held for sale	**(1)**	**-**	**-**	**(1)**
Other movements[3]	**4**	**(1)**	**-**	**3**
At 31 December 2018	**314**	**100**	**380**	**794**
Amortisation and impairment losses				
At 1 January 2017	-	(90)	(73)	(163)
Amortisation charge for the year	-	(2)	(39)	(41)
Transfer to non-current assets held for sale	-	2	3	5
Other movements	-	(2)	1	(1)
At 31 December 2017	-	(92)	(108)	(200)
Amortisation charge for the year	**-**	**(4)**	**(41)**	**(45)**
Impairment of other acquired intangibles	**-**	**-**	**(1)**	**(1)**
Other movements	**-**	**1**	**1**	**2**
At 31 December 2018	**-**	**(95)**	**(149)**	**(244)**
Carrying amount				
At 31 December 2017	306	5	263	574
At 31 December 2018	**314**	**5**	**231**	**550**

[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 3(a) for further information.
[2]Goodwill transferred to non-current assets held for sale relates to the Single Strategy Asset Management business (see note 3(f)).
[3]Goodwill has increased by £4 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 intangible assets to conform with current year presentation.

11(a): Analysis of goodwill and intangible assets *continued*

The net carrying amount of other intangible assets at 31 December 2018 principally comprises:

- £168 million (FY 2017: £196 million) relating to distribution channels in the Quilter Cheviot business (to be amortised over a further 6 years).
- £19 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).
- £4 million (FY 2017: £7 million) relating to the Quilter Cheviot brand (to be amortised over a further 1 year).
- £3 million (FY 2017: £3 million) relating to the acquisition of AAM Advisory Pte Ltd (to be amortised over a further 7 years).
- £9 million (FY 2017: £8 million) relating to customer distribution channels of Caerus Capital Group Limited (to be amortised over a further 6 years).
- £20 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).

11(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 31 December 2018	At 31 December 2017
Goodwill (net carrying amount)		
Advice and Wealth Management	**153**	148
Wealth Platforms	**161**	158
Goodwill (as per the Statement of Financial Position)	**314**	306
Goodwill held for sale	**-**	82
Total goodwill	**314**	388

In accordance with the requirements of IAS 36 Impairment of Assets, goodwill in both the Advice and Wealth Management and Wealth Platforms CGUs is tested for impairment annually by comparing the carrying value of the CGU to which the goodwill relates to the recoverable value of that CGU, 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 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, together with the expected profits from future new business derived from business plans. Future profit elements allow for the cost of capital needed to support the business.

The net tangible assets and future profits arising from the in-force business are derived from Solvency II ("SII") calculations. The value of in-force ("VIF") is calculated as the prospective value of future expected cash flows on all in-force policies at the valuation date on a policy-by-policy basis allowing for surrender or transfer payments, death claims, income withdrawals, maintenance expenses, fund-based fees, mortality charge/protection premiums and other policy charges. The underlying assumptions are based on the best estimate view for the future, which is largely based on recent business experience and any emerging trends. The unit fund growth rates (gross of investment charges) and the risk discount rates are set using the prescribed SII term-dependent risk-free interest rates. The SII calculations are adjusted for a risk margin using the prescribed SII rules.

The value-in-use calculations for asset management operations are determined as the sum of net tangible assets and the expected profits from existing and expected future new business.

The cash flows that have been used to determine the value-in-use of the cash generating units are based on three year business plans. These cash flows grow at different rates because of the different strategies of the CGUs. In cases where the CGUs have made significant acquisitions in the recent past, the profits are forecast to grow faster than the more mature businesses. Post the three year growth business plan, the growth rate used to determine the terminal value of the cash generating units approximates to the UK long-term growth rate of 2.1% (2017: 2.9%). Market share and market growth information are also used to inform the expected volumes of future new business.

The Group uses a single cost of capital of 10.8% (2017: 9.4%) to discount future expected business plan cash flows across its two CGUs because they are perceived to present a similar level of risk and are strongly integrated. Capital is provided to the Group predominantly by shareholders with only a small amount of debt. The cost of capital is the weighted average of the cost of equity (return required by shareholders) and the cost of debt (return required by bond holders). When assessing the systematic risk (i.e. beta value) within the calculation of the cost of equity, a triangulation approach is used that combines beta values obtained from historical data, a forward looking view on the progression of beta values and the external views of investors.

On business disposals, goodwill is allocated to the disposed business 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 for potential 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 during the period. The goodwill model is subject to certain stress tests, including sudden stock market falls, the absence of net client cash flow, and the impact of an increase in discount rates. None of these have resulted in any indication of impairment to goodwill.

12: 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 31 December 2018	At 31 December 2017
Loans to policyholders	**189**	181
Loans to brokers and other loans to clients	**27**	19
Other loans	**7**	-
Gross loans and advances	**223**	200
Provision for impairments	**(1)**	(1)
Total net loans and advances	**222**	199
To be recovered within 12 months	**199**	190
To be recovered after 12 months	**23**	9
Total net loans and advances	**222**	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 amounts taken from an individual policyholder's unit-linked accounts and loaned to the same policyholder. Policyholder loans are non-interest bearing and are deemed to be risk free from a shareholder perspective as the policyholder retains all associated risks. Policyholder loans are available on demand as they have no repayment schedule.

Included within loans to brokers and other loans to clients, are loans to advisers made on commercial terms.

Other loans represent a loan to TA Associates in respect of the deferred consideration receivable arising from the sale of the Single Strategy Asset Management business. The loan is repayable no later than 2022, but is expected to be repaid between 2019 and 2021 as surplus capital is released from that business.

The provision for impairments is a specific impairment relating to a balance due from a financial adviser that is not expected to be recovered. The impairment was recognised during 2016 under IAS 39; any future provisions will be recognised under IFRS 9 and disclosed in the expected credit loss model in note 23.

13: 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 31 December 2018	At 31 December 2017
Government and government-guaranteed securities	**1,175**	2,427
Other debt securities, preference shares and debentures	**2,095**	2,401
Equity securities[1]	**10,006**	12,556
Pooled investments	**45,931**	46,455
Short-term funds and securities treated as investments	**12**	15
Other	**-**	396
Total financial investments	**59,219**	64,250
To be recovered within 12 months	**59,044**	64,074
To be recovered after 12 months	**175**	176
Total financial investments	**59,219**	64,250

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

The financial investments recoverability 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), all of which can be withdrawn by policyholders on demand.

13(a) Other debt securities, preference shares and debentures

All debt securities, preference shares and debentures are neither past due nor impaired. These debt instruments and similar securities are classified according to their local credit rating (Standard & Poor's or an equivalent), by investment grade. Further information of the credit rating of debt securities, preference shares and debentures is analysed in the table in note 23(b).

13(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 majority of the Group's holdings of unlisted equity securities arise principally from private equity investments, held exclusively on behalf of policyholders.

14: Categories of financial instruments

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

For information about the methods and assumptions used in determining fair value please refer to note 15. The Group's exposure to various risks associated with financial instruments is discussed in note 23(c).

At 31 December 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[2]	-	-	-	2	2
Reinsurers' share of policyholder liabilities	1,671	-	-	491	2,162
Contract assets	-	-	44	-	44
Loans and advances	189	-	33	-	222
Financial investments	59,052	167	-	-	59,219
Trade, other receivables and other assets	-	-	449	37	486
Derivative financial instruments	46	-	-	-	46
Cash and cash equivalents	1,361	-	1,034	-	2,395
Total assets that include financial instruments	62,319	167	1,560	530	64,576
Total other non-financial assets	-	-	-	1,214	1,214
Total assets	**62,319**	**167**	**1,560**	**1,744**	**65,790**
Liabilities					
Long-term business insurance policyholder liabilities	-	-	-	602	602
Investment contract liabilities	56,450	-	-	-	56,450
Third-party interest in consolidation of funds	5,116	-	-	-	5,116
Borrowings	-	-	197	-	197
Trade, other payables and other liabilities	-	-	840	159	999
Derivative financial instruments	37	-	-	-	37
Total liabilities that include financial instruments	61,603	-	1,037	761	63,401
Total other non-financial liabilities	-	-	-	384	384
Total liabilities	**61,603**	**-**	**1,037**	**1,145**	**63,785**

[1]The Group adopted IFRS 9 *Financial Instruments* for the first time in 2018. IFRS 9 introduces new classification and measurement categories. The Mandatorily at 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. 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.
[2]Investments in associated undertakings classified as non-financial assets and liabilities are equity accounted.

Notes to the financial statements of the Company

For the year ended 31 December 2018

14: 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[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[4]	-	412	1,948	-	-	2,360
Total assets that include financial instruments	87	67,367	2,121	-	727	70,302
Total other non-financial assets	-	-	-	-	1,225	1,225
Total assets net of held for sale	87	67,367	2,121	-	1,952	71,527
Total assets classified as held for sale	-	-	147	-	299	446
Total assets	87	67,367	2,268	-	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.
[2]Investments in associated undertakings 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.
[4]As at 31 December 2017, £412 million money market collective investment funds has been reclassified from amortised costs to FVTPL level 1 to aid comparability between periods.

15: 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.

15(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 earnings before tax interest depreciation and amortisation multiple or any other relevant technique.

Derivatives

The fair value of derivatives is determined with reference to the exchange traded prices of the specific instruments. 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 interests 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.

15: Fair value methodology *continued*

15(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. Over the counter (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.

15(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.

There were transfers of financial investments of £13 million from Level 1 to Level 2 during the year (2017: £154 million). There were transfers of financial investments of £107 million from Level 2 to Level 1 during the year (2017: £20 million). These movements are matched exactly by transfers of investment contract liabilities. See note 14(e) for details of movements in Level 3.

15(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. 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 not measured at fair value 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 during the year.

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.

Notes to the financial statements of the Company

For the year ended 31 December 2018

15: Fair value methodology *continued*

	At 31 December 2018		At 31 December 2017	
	£m	**%**	£m	%
Financial assets measured at fair value				
Level 1	**52,060**	**83.4%**	58,357	86.5%
Level 2	**9,272**	**14.8%**	7,928	11.8%
Level 3[1]	**1,154**	**1.8%**	1,169	1.7%
Total	**62,486**	**100.0%**	67,454	100.0%
Financial liabilities measured at fair value				
Level 1	**54,944**	**89.2%**	57,399	85.1%
Level 2	**5,508**	**8.9%**	8,911	13.2%
Level 3	**1,151**	**1.9%**	1,167	1.7%
Total	**61,603**	**100.0%**	67,477	100.0%

[1]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 31 December 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value				
Mandatorily (fair value through profit or loss)	**51,893**	**9,272**	**1,154**	**62,319**
Reinsurers' share of policyholder liabilities	**1,671**	**-**	**-**	**1,671**
Loans and advances	**189**	**-**	**-**	**189**
Financial investments	**48,672**	**9,226**	**1,154**	**59,052**
Cash and cash equivalents	**1,361**	**-**	**-**	**1,361**
Derivative financial instruments - assets	**-**	**46**	**-**	**46**
Designated (fair value through profit or loss)	**167**	**-**	**-**	**167**
Financial investments	**167**	**-**	**-**	**167**
Total assets measured at fair value	**52,060**	**9,272**	**1,154**	**62,486**
Financial liabilities measured at fair value				
Mandatorily (fair value through profit or loss)	**54,944**	**5,508**	**1,151**	**61,603**
Investment contract liabilities	**54,944**	**355**	**1,151**	**56,450**
Third-party interests in consolidated funds	**-**	**5,116**	**-**	**5,116**
Derivative financial instruments – liabilities	**-**	**37**	**-**	**37**
Total liabilities measured at fair value	**54,944**	**5,508**	**1,151**	**61,603**

Notes to the financial statements of the Company

For the year ended 31 December 2018

15: Fair value methodology *continued*

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

				£m
At 31 December 2017	Level 1	Level 2	Level 3	Total
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)	58,357	7,841	1,169	67,367
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
Cash and cash equivalents[2]	412	-	-	412
Total assets measured at fair value	58,357	7,928	1,169	67,454
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]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.
[2]At 31 December 2017, £412 million money market collective investment funds has been reclassified from amortised costs to FVTPL Level 1 to aid comparability between periods.

15(e) Level 3 fair value hierarchy disclosure

The majority 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. Also included within the assets classified as Level 3 is a shareholder investment in an unlisted equity of £3 million (2017: £2 million); this is not matched by a corresponding liability and therefore any changes in market value are taken to the Group's income statement.

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

		£m
	At 31 December 2018	At 31 December 2017
At beginning of the year	**1,169**	581
Total net fair value gains recognised in:		
- profit or loss	**54**	(23)
Purchases	**38**	618
Sales	**(25)**	(23)
Transfers in	**69**	167
Transfers out	**(151)**	(152)
Foreign exchange and other	**-**	1
Total Level 3 financial assets	**1,154**	1,169
Unrealised fair value gains/(losses) relating to assets held at the year end recognised in:		
- profit or loss	**54**	(23)

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 £69 million (2017: £167 million) of stale priced assets 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 £151 million (2017: £152 million) of stale priced assets that were not previously being repriced and that have been transferred into Level 2 as they are now actively priced.

15: Fair value methodology *continued*

15(e) Level 3 fair value hierarchy disclosure *continued*

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

		£m
	At 31 December 2018	At 31 December 2017
Pooled investments	**86**	186
Unlisted and stale price pooled investments	**82**	185
Suspended funds	**4**	1
Private equity investments	**1,068**	983
Total Level 3 financial assets	**1,154**	1,169

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

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

		£m
	At 31 December 2018	At 31 December 2017
At beginning of the year	**1,167**	581
Total net fair value gains recognised in:		
- profit or loss	**53**	(23)
Purchases	**38**	616
Sales	**(25)**	(23)
Transfers in	**69**	167
Transfers out	**(151)**	(152)
Foreign exchange and other	**-**	1
Total Level 3 financial liabilities	**1,151**	1,167
Unrealised fair value gains/(losses) relating to liabilities held at the year end recognised in:		
- profit or loss	**53**	(23)

15(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 15(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 £115 million, both favourable and unfavourable (31 December 2017: £117 million). As described in note 15(e) above, changes in the value of level 3 assets held within linked policyholder funds are exactly matched by corresponding changes in the value of liabilities due to policyholders and therefore have no impact on the Group's net asset value or profit or loss, except to the extent that it has an impact on management fees earned.

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

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

Contract assets	Level 3
Trade, other receivables, and other assets	Level 3
Cash and cash equivalents	Level 1
Trade, other payables, and other liabilities	Level 3

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

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

16: Cash and cash equivalents

16(a) Total cash and cash equivalents can be broken down as follows:

		£m
	Year ended 31 December 2018	Year ended 31 December 2017
Cash at bank	**550**	1,036
Money market funds	**1,361**	412
Cash and cash equivalents in Consolidated Funds	**484**	912
Total cash and cash equivalents per statement of financial position	**2,395**	2,360
Cash within held for sale	**-**	147
Total cash and cash equivalents per consolidated statement of cash flows	**2,395**	2,507

Except for cash and cash equivalents subject to consolidation of funds of £484 million (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.

17: Share capital and merger reserve

17(a) 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, 2]	200,000,001	200	58
Reduction of share capital[3]	(200,000,000)	(200)	-
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 31 December 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 21 December 2017, Old Mutual plc contributed £58 million to the Company in exchange for the issue of 1 share.
[3]On 27 November 2017, the Company carried out a share capital reduction, which cancelled the 200 million £1 ordinary shares.
[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] 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] 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] 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.

17: Share capital and merger reserve *continued*

17(b) 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 effected 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 subsidiaries' 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 was to replace a payable due to Old Mutual plc with equity.

Following the acquisition 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), with a total nominal value of £3 million. This had the effect of reducing the merger reserve by £3 million to £588 million at 31 December 2018.

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

18: Insurance and investment contract liabilities

The following is a summary of the Group's insurance and investment contract provisions and related reinsurance assets:

							£m
		At 31 December 2018			At 31 December 2017		
	Notes	**Gross**	**Re-insurance**	**Net**	Gross	Re-insurance	Net
Life assurance policyholder liabilities							
Long-term business insurance policyholder liabilities							
Life assurance policyholder liabilities	18(a)	**588**	**(478)**	**110**	480	(375)	105
Outstanding claims		**14**	**(13)**	**1**	9	(8)	1
		602	**(491)**	**111**	489	(383)	106
Investment contract liabilities							
Unit-linked investment contracts	18(d)	**56,450**	**(1,671)**	**54,779**	59,139	(2,525)	56,614
Total life assurance policyholder liabilities		**57,052**	**(2,162)**	**54,890**	59,628	(2,908)	56,720

18(a) Insurance contract liabilities

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

							£m
		At 31 December 2018			At 31 December 2017		
	Notes	**Gross**	**Re-insurance**	**Net**	Gross	Re-insurance	Net
Carrying amount at 1 January		**480**	**(375)**	**105**	402	(290)	112
Impact of new business		**2**	**(10)**	**(8)**	42	(55)	(13)
Impact of experience effects		**38**	**(26)**	**12**	30	(23)	7
Impact of assumption changes		**69**	**(68)**	**1**	7	(7)	-
Other movements		**(1)**	**1**	**-**	(1)	-	(1)
Movement shown in consolidated income statement	18(b)	**108**	**(103)**	**5**	78	(85)	(7)
Total insurance contract life assurance policyholder liabilities		**588**	**(478)**	**110**	480	(375)	105

18(b) Insurance contract claims and change in liabilities

			£m
	Notes	**Year ended 31 December 2018**	Year ended 31 December 2017
Claims and benefits paid		**(87)**	(76)
Reinsurance recoveries		**59**	54
Net insurance claims and benefits incurred		**(28)**	(22)
Change in reinsurance assets and liabilities	18(a)	**103**	85
Change in insurance contract liabilities	18(a)	**(108)**	(78)
Insurance contract claims and change in liabilities		**(33)**	(15)

A presentational change has been made to the face of the consolidated income statement from the prior year. Details of the breakdown of insurance and investment expenses, which were previously shown on the face of the income statement, are now included in this note.

Notes to the financial statements of the Company

For the year ended 31 December 2018

18 Insurance and investment contract liabilities *continued*

18(c) Assumptions – life assurance

The key assumptions considered are mortality/morbidity rates, maintenance expenses, interest rates, persistency rates and maintenance expense inflation. These assumptions are based on market data and internal experience data. External data is also used where either no internal experience data exists or where internal data is too sparse to give credible estimates of the true expectation of experience. Anticipated future trends have been allowed for in deriving mortality and morbidity assumptions.

The liabilities for non-linked contracts have been calculated using a gross premium discounted cash flow approach on a policy by policy basis, using the following assumptions:

	Mortality/morbidity		Interest rates	
Class of business	**2018**	2017	**2018**	2017
Non-linked protection business (pre 1 January 2013)[1]	Based on relevant CMI tables	Risk reinsurance rates	1.724%	1.610%
Non-linked protection business (post 31 December 2012)[1]	Based on relevant CMI tables	Risk reinsurance rates	1.378%	1.287%
Pension annuity payment	100% PA92 (C2030) ult. projected using the long-term cohort basis		1.420%	1.330%

[1]On 1 January 2013, the discount rate was impacted by Finance Act 2012 amendments to the life tax rules.

The Continuous Mortality Investigation ('CMI'), supported by the Institute and Faculty of Actuaries ('IFoA'), provides mortality and sickness rate tables for UK life insurers and pension funds.

The interest rate assumption is set with reference to a matching portfolio of gilts. During 2017, a modification was made to achieve a better match of the IFRS liabilities to available gilts. In aggregate, the non-linked protection business is expected to generate net income over the next 3 years. This net income has been excluded from the matching exercise and has instead been discounted using Bank of England forward rates of the relevant durations. Liabilities after these three years are matched and the rates provided above are used.

For non-linked contracts (defined as insurance contracts under IFRS 4), the margin of prudence for the individual assumptions is generally taken as the 60% confidence interval over a one year timeframe so that, broadly speaking, in 100 scenarios the reserves are expected to cover the liabilities in 60 of those scenarios. Overall, the level of confidence is likely to be greater than 60% on the basis that these margins are applied to several assumptions at the same time and prudence is applied to all future years.

The liability values do not make allowance for the amortisation of the DAC asset. A separate liability adequacy test is carried out on best estimate assumptions allowing for all of the cash flows used to derive the liability values and the run off of the DAC.

Impact of assumption changes

Assumptions are reviewed on an annual basis and updated as appropriate. The impact of the assumption changes on annual IFRS profit are as follows:

			£m
2018	**Impact on IFRS reported profit (before reinsurance)**	**Impact of reinsurance**	**Impact on IFRS reported profit (after reinsurance)**
Assumption			
Mortality/morbidity rates	**(86.5)**	**81.4**	**(5.1)**
Maintenance expense	**1.9**	**(0.0)**	**1.9**
Maintenance expense inflation	**0.1**	**0.0**	**0.1**
Interest rates	**21.3**	**(18.3)**	**3.0**
Persistency rates	**(5.4)**	**4.6**	**(0.8)**
	(68.6)	**67.6**	**(1.0)**

			£m
2017	Impact on IFRS reported profit (before reinsurance)	Impact of reinsurance	Impact on IFRS reported profit (after reinsurance)
Assumption			
Mortality/morbidity rates	10.1	(10.7)	(0.6)
Maintenance expense	3.1	(0.1)	3.0
Maintenance expense inflation	0.3	-	0.3
Interest rates	(15.1)	13.0	(2.1)
Persistency rates	(5.0)	4.8	(0.2)
	(6.6)	7.0	0.4

18 Insurance and investment contract liabilities *continued*

18(c) Assumptions – life assurance *continued*

The sensitivity of IFRS profit before tax to variations in key assumptions are shown below:

(Decrease)/Increase in IFRS profit before tax	**2018** +10%	**2018** -10%	2017 +10%	2017 -10%
				£m
Mortality/morbidity rates	**(3.3)**	**3.4**	(3.0)	3.1
Maintenance expenses	**(2.2)**	**2.2**	(2.6)	2.6
Persistency rates	**2.6**	**(2.8)**	2.4	(2.6)

The values have, in all cases, been determined by varying the relevant assumption as at the reporting date and considering the consequential impact assuming other assumptions remain unchanged.

18(d) Unit-linked investment contract liabilities

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

	At 31 December 2018			At 31 December 2017		£m
	Gross	**Re-insurance**	**Net**	Gross	Re-insurance	Net
Carrying amount at 1 January	**59,139**	**(2,525)**	**56,614**	51,265	(2,560)	48,705
Fair value movements	**(4,119)**	**78**	**(4,041)**	3,958	(330)	3,628
Investment income	**805**	**-**	**805**	680	-	680
Movements arising from investment return	**(3,314)**	**78**	**(3,236)**	4,638	(330)	4,308
Contributions received	**7,117**	**774**	**7,891**	9,718	365	10,083
Maturities	**(183)**	**-**	**(183)**	(220)	-	(220)
Withdrawals and surrenders	**(6,091)**	**-**	**(6,091)**	(5,682)	-	(5,682)
Claims and benefits	**(234)**	**-**	**(234)**	(217)	-	(217)
Other movements	**(2)**	**2**	**0**	(408)	-	(408)
Change in liability	**(2,707)**	**854**	**(1,853)**	7,829	35	7,864
Currency translation (gain)/loss	**18**	**-**	**18**	45	-	45
Total unit-linked investment contract policyholder liabilities	**56,450**	**(1,671)**	**54,779**	59,139	(2,525)	56,614

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.

The reinsurers' share of policyholder liabilities relating to investment contract liabilities of £1,671 million (2017: £2,525 million) were rated according to the table in note 23. None of these were past due as at 31 December 2018 (2017: £nil).

18(e) Methodology and assumptions – investment contracts

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

Notes to the financial statements of the Company

For the year ended 31 December 2018

19: Provisions

Year ended 31 December 2018	Compensation provisions	Sale of Single Strategy business	Other	Total
				£m
Balance at beginning of the period	82	-	22	104
Additions from business combinations	-	-	1	1
Charge to income statement	11	25	3	39
Utilised during the period	(31)	(5)	(5)	(41)
Unused amounts reversed	(4)	-	(1)	(5)
Reclassification within Statement of Financial Position	(4)	-	-	(4)
Balance at 31 December 2018	**54**	**20**	**20**	**94**

Year ended 31 December 2017	Compensation provisions	Sale of Single Strategy business	Other	Total
				£m
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 £54 million (31 December 2017: £82 million).

Voluntary client remediation provision

During 2017, as part of ongoing work to promote fair customer outcomes, the Group 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 decided to commence voluntary remediation to customers of certain legacy products, establishing a provision in 2017 for £69 million.

The redress 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.

During 2018, £27 million has been utilised against programme costs and pension remediation incurred. There was also a £4 million reclassification to 'liabilities for linked investment contracts', reflecting the capping of early encashment charges on live pension plans. The remaining provision includes £6 million of programme costs and £7 million of estimated interest. Of the total provision outstanding, £20 million is estimated to be payable after one year.

Estimates and assumptions

Key assumptions in relation to the provision calculation are:

- Investment return used within the protection remediation calculations;
- Timing of protection customer remediation; and
- The programme costs of carrying out the remediation activity.

The model used to calculate the costs of protection remediation assumes a generic annual investment return across the population of plans in scope. A sensitivity analysis has been calculated to determine the impact of adjusting the return rate.

The current model assumes protection customers will be compensated within a certain timeframe. Delays to the programme and more specifically, in locating customers and resolving complicated plan arrangements will increase the final cost of remediation.

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, 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. As a result of these uncertainties, the current provision for programme costs has been calculated as falling within a range of approximately £5 million to £7 million.

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

Assumption/estimate	Change in assumption/estimate	Consequential change in provision (£m)
Modelled investment return	+/- 2%	+/- 0.2
Timing of protection remediation	12 month delay	+ 2.0

19: Provisions *continued*

Compensation provision (other)

The other compensation provision includes amounts relating to the cost of correcting deficiencies in policy administration systems, including restatements and clawbacks, any associated litigation costs and the related costs to compensate previous or existing policyholders. This provision represents best estimates based upon management's view of expected outcomes based upon previous experience. 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 Asset Management business

A restructuring provision was recognised as a result of the sale of the Single Strategy Asset Management 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 total provision established in the year was £19 million, of which £5 million has now been utilised. The carried forward provision at 31 December 2018 is £14 million. Further provisions may be established as the project progresses.

Additional provisions totalling £6 million have been made as a consequence of the sale of the Single Strategy Asset Management business. These have been made in relation to various sale related future commitments, the outcome of which was uncertain at the time of the sale and the most significant of which is in relation to the guarantee of revenues in future years.

Other provisions

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

Of the other provisions recorded above, £5 million (2017: £10 million) is estimated to be payable after one year.

20: Tax assets and liabilities

Deferred income taxes are calculated on all temporary differences at the tax rate applicable to the jurisdiction in which the timing differences arise.

Deferred tax summary

	Notes	At 31 December 2018 £m	At 31 December 2017 £m
Deferred tax asset		**38**	31
Less: amounts classified as held for sale	3(f)	**-**	9
Deferred tax assets		**38**	22
Deferred tax liabilities		**59**	190
Net deferred tax liability		**21**	168

20(a) Deferred tax assets

Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable, being where on the basis of all available evidence it is considered more likely than not that there will be suitable taxable profits against which the reversal of the deferred tax asset can be deducted.

The movement on the recognised deferred tax assets account is as follows:

Year ended 31 December 2018	At beginning of the year £m	Income statement (charge)/ credit £m	Acquisition /disposal of subsidiaries £m	At end of the year £m
Tax losses carried forward	**6**	**13**	**-**	**19**
Accelerated depreciation	**17**	**(4)**	**-**	**13**
Other temporary differences	**4**	**-**	**-**	**4**
Share based payments	**2**	**2**	**-**	**4**
Contract liabilities	**3**	**(1)**	**-**	**2**
Deferred expenses	**24**	**11**	**-**	**35**
Netted against liabilities	**(34)**	**(5)**	**-**	**(39)**
Deferred tax assets at 31 December 2018	**22**	**16**	**-**	**38**

20: Tax assets and liabilities *continued*

20(a) Deferred tax assets *continued*

Year ended 31 December 2017	At beginning of the year	Income statement (charge)/ credit[1]	Acquisition /disposal of subsidiaries	At end of the year
				£m
Tax losses carried forward	6	-	-	6
Accelerated depreciation	-	17	-	17
Other temporary differences	9	(2)	(3)	4
Share based payments	-	2	-	2
Contract liabilities	4	(1)	-	3
Deferred expenses	27	(3)	-	24
Netted against liabilities	(38)	4	-	(34)
Deferred tax assets at 31 December 2017	8	17	(3)	22

[1]£5 million has been reclassified from acquisition/disposal of subsidiaries to income statement movements, to conform with current year presentation. Closing deferred tax assets are unchanged.

Unrecognised deferred tax assets

The amounts for which no deferred tax asset has been recognised comprise:

	At 31 December 2018		At 31 December 2017	
				£m
	Gross amount	**Tax**	Gross amount	Tax
Expiring in less than a year	**-**	**-**	-	-
Expiring between one and five years	**-**	**-**	-	-
Expiring after five years	**663**	**112**	471	80
Unrelieved tax losses	**663**	**112**	471	80
Accelerated capital allowances	**93**	**16**	108	18
Other timing differences	**285**	**49**	269	46
Total unrecognised deferred tax assets	**1,041**	**177**	848	144

Movements in unrecognised deferred tax assets

The unrelieved tax losses have increased by £192 million during the year which is mainly as a result of the reclassification of capital losses previously shown in 'Other timing differences' that have now crystallised. Other timing differences have increased due to the net impact of the reclassification of capital losses (as described above) and the addition of previously unrecognised assets on the acquisition of Skandia UK Limited under Managed Separation.

20(b) Deferred tax liabilities

The movement on the deferred tax liabilities account is as follows:

Year ended 31 December 2018	**At beginning of the year**	**Income statement (credit)/ charge**	**Acquisition/ disposal of subsidiaries**	**At end of the year**
				£m
Deferred acquisition costs	**15**	**(4)**	**-**	**11**
Other acquired intangibles	**41**	**(8)**	**7**	**40**
Other temporary differences	**1**	**-**	**-**	**1**
Investment gains	**167**	**(121)**	**-**	**46**
Netted against assets	**(34)**	**(5)**	**-**	**(39)**
Deferred tax liabilities at 31 December 2018	**190**	**(138)**	**7**	**59**

20: Tax assets and liabilities *continued*

20(a) Deferred tax assets *continued*

Year ended 31 December 2017	At beginning of the year	Income statement (credit)/ charge	Acquisition/ disposal of subsidiaries	At end of the year
				£m
Deferred acquisition costs	20	(5)	-	15
Other acquired intangibles	49	(8)	-	41
Other temporary differences	2	(1)	-	1
Investment gains	146	21	-	167
Netted against assets	(38)	4	-	(34)
Deferred tax liabilities at 31 December 2017	179	11	-	190

20(c) Current tax receivables and liabilities

Current tax receivables and current tax liabilities at 31 December 2018 were £47 million (2017: £nil) and £5 million (2017: £38 million), excluding amounts classified as held for sale in 2017 (see note 3(f)).

21: 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 31 December 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.

	At 31 December 2018	At 31 December 2017
		£m
Subordinated debt		
Fixed rate loan at 5.50%[1]	**-**	566
Fixed rate loan at 4.478%[2]	**197**	-
Other borrowed funds		
Floating rate loan at 6 month LIBOR + 0.25%[3]	**-**	93
Floating rate loan at 3 month LIBOR + 0.10%[4]	**-**	80
Fixed rate loan at 3.125%[5]	**-**	43
Total borrowings	**197**	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 2014 and was used to finance the acquisition of Intrinsic Financial Services Limited.
[4] Commenced in 2011 and was used to finance other historical corporate activity.
[5] Commenced on 21 June 2016 and was used to finance one of the Group's employee benefit trusts.

On 23 February 2018, the Group entered into and fully drew down the New Term Loan, a £300 million senior unsecured term loan with 5 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 Asset Management business following the completion of the transaction in June 2018.

On 28 February 2018, the Group issued a £200 million subordinated debt security in the form of a 10-year Tier 2 bond with a one-time issuer call option after 5 years to J.P. Morgan Securities plc, paying a semi-annual coupon of 4.478% (the "Tier 2 Bond"). The bond was remarketed and sold to the secondary market in full on the 13th April 2018. It is now listed and regulated under the terms of the London Stock Exchange. In addition, the Group entered into a £125 million revolving credit facility which remains undrawn and is being held for contingent funding purposes across the Group.

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.

Borrowings 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.

22: 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 19). 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.

22: Contingent liabilities *continued*

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.

Complaints and disputes

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

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.

23: Capital and financial risk management

23(a) Capital management

The Group manages its capital with a focus on capital efficiency and effective risk management. The capital objectives are to maintain the Group's ability to continue as a going concern while supporting the optimisation of return relative to the risks. The Group ensures that it can meet its expected capital and financing needs at all times having regard to the Group's business plans, forecasts and strategic initiatives and regulatory requirements in all businesses in the Group. The Group's overall capital risk appetite is set with reference to the requirements of the relevant stakeholders and seeks to:

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

The primary sources of capital used by the Group are equity shareholders' funds and subordinated debt. Alternative resources are utilised where appropriate. Risk appetite has been defined for the level of capital, liquidity and debt within the Group. The risk appetite includes long term targets, early warning thresholds and risk appetite limits. The dividend policy sets out the target dividend level in relation to profits.

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

23(a)(i) Regulatory capital

Solvency II is the European Union solvency regime for insurance undertakings and insurance groups which came into force on 1 January 2016. The Group is subject to Solvency II group supervision by the Prudential Regulation Authority ('PRA'). The Group is required to measure and monitor its capital resources under the Solvency II regulatory regime.

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

The Group's Solvency II surplus is £1,058 million at 31 December 2018 (2017: £651 million), representing a Solvency II ratio of 190% (2017: 154%) calculated under the standard formula. The Solvency II information in this results disclosure has not been audited.

The estimated SCR and corresponding eligible own funds for each period (unaudited) were as follows:

		£m
	At 31 December 2018[1]	At 31 December 2017[2]
Own Funds[3]	**2,237**	1,849
Solvency capital requirements (SCR)	**1,179**	1,198
Solvency II surplus	**1,058**	651
Coverage	**190%**	154%

[1]Based on preliminary estimates. Formal annual filing due to the PRA by 3 June 2019.

[2]As represented within the Annual 2017 Solvency II submission of the Old Mutual plc group, the group Quilter plc previously formed part of, to the PRA. Own funds include a £566 million subordinated loan from the parent company at the time. This subordinated loan was effectively converted to equity during H1 2018, following the acquisition of the entity holding the loan.

[3]Group own funds are stated after allowing for the impact of the proposed final dividend payment relating to 2018 of £61 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 for year ended 31 December 2018. At 31 December 2017, Solvency II group reporting was not required at a Quilter plc level and is therefore not included in the table below.

23: Capital and financial risk management *continued*

23(a)(i) Regulatory capital *continued*

Group own funds	£m At 31 December 2018
Tier 1[1]	**2,036**
Tier 2[2]	**201**
Total Group Solvency II own funds	**2,237**

[1]All Tier 1 capital is unrestricted for tiering purposes.
[2]Comprises a Solvency II compliant subordinated debt security in the form of a Tier 2 bond, which was issued at £200 million in February 2018.

The Group's EU insurance undertakings are also subject to Solvency II at entity level. The Group's asset management and advisory businesses are subject to group supervision under the Capital Requirement Directive IV ('CRD IV'). Other regulated entities in the Group are subject to the locally applicable entity-level capital requirements in the jurisdictions in which they operate.

The solvency and the capital requirements for the Group and each of its regulated subsidiaries are reported and monitored through monthly Capital Management Forum meetings. Throughout 2018, the Group and each of its regulated subsidiaries have complied with the applicable regulatory capital requirements.

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

	Notes	£m At 31 December 2018
Total external borrowings of the Company	21	197
Less: cash and cash equivalents of the Company		(281)
Total net external borrowings of the Company		**(84)**
Total shareholders' equity of the Group		2,005
Tier 2 bond	21	197
Total Group equity (including Tier 2 bond)		**2,202**
Ratio of Company net external borrowings to Group equity		**-0.038**

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

23(a)(iii) Own Risk and Solvency Assessment ('ORSA') and Internal Capital Adequacy Assessment Process ('ICAAP')

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

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

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

In addition to the Group ORSA process, entity level ORSA processes are performed for each of the solo insurance entities within the Quilter Group.

The Quilter Group ICAAP process is similar to the ORSA process although the ICAAP process is performed for a subset of the Group consisting of the investment and advisory firms within the Quilter Group (the 'ICAAP Group'). The Group ICAAP report is also produced annually. This report summarises the analysis, insights and conclusions from the underlying risk and capital management processes in respect of the ICAAP Group. The ICAAP report is submitted to the Financial Conduct Authority ('FCA') as part of the normal supervisory process and may be supplemented by ad-hoc assessments where there is a material change in the risk profile of the ICAAP Group outside the usual reporting cycle.

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

23(b) Credit risk

Overall exposure to credit risk

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

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

23: Capital and financial risk management *continued*
23(b) Credit risk *continued*

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

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

The credit risk exposures of the Group are monitored regularly to ensure that counterparties remain creditworthy, to ensure there is appropriate diversification of counterparties and to ensure that exposures are within approved limits. At 31 December 2018, the Group's material credit exposures were to financial institutions (primarily through the investment of shareholder funds), corporate entities (including external fund managers and reinsurers) and individuals (primarily through fund management trade settlement activities).

There is no direct exposure to European sovereign debt (outside of the UK) within the shareholder investments. The Group has no significant concentrations of credit risk exposure.

Reinsurance arrangements

The Group has reinsurance arrangements in place to mitigate the risk of excessive claims on unit-linked and non-linked protection contracts. Reinsurance arrangements are also used in respect of unit-linked institutional business to access specific funds not available through direct fund links and to provide liquidity.

Since the Group uses reinsurance as a means of mitigating insurance risk, reinsurance counterparties bear a significant financial obligation to the Group.

In general, credit risk is controlled through the use of risk premium reinsurance terms, where reinsurance cover is paid for as the cover is provided. In these arrangements credit risk is limited to the risk of being unable to recover amounts due as a result of claims arising over the latest quarter, since reinsurance accounts are settled quarterly in arrears. This risk is largely mitigated since the Group would be able to withhold amounts due to the reinsurer to offset amounts due from the reinsurer.

The Group also has reinsurance arrangements in which there is a timing difference between the reinsurance premium payment and the provision of cover, which results in prepayment for cover by the Group. In respect of these arrangements, a credit risk exposure can arise.

Reinsurance credit risk is managed by dealing only with reinsurance firms with credit ratings which meet the requirements of the Group's credit risk policy on inception of new reinsurance arrangements. The Group monitors the exposure to and credit rating of reinsurance counterparties regularly to ensure that these remain within acceptable limits. Legal agreements are in place for all reinsurance arrangements which set out the terms of the arrangement and the rights of both the Group and the reinsurance providers.

None of the Group's reinsurance assets are either past due or impaired. Of the reinsurance assets shown in the statement of financial position all are considered investment grade with the exception of £20 million of unrated exposures (2017: £51 million). Collateral is not taken against reinsurance assets or deposits held with reinsurers other than in limited circumstances. For further information see note 18.

Details of the age analyses and credit quality of reinsurance assets in respect of insurance contracts and investment contracts are included below.

Investment of shareholder funds

The risk of counterparty default in respect of the investment of shareholder funds is managed through:

- Setting minimum credit rating requirements for counterparties;
- Setting limits and key risk indicators for individual counterparties and counterparty concentrations;
- Monitoring exposures regularly against approved limits; and
- On-going monitoring of counterparties and associated limits.

Other credit risks

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

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

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

Details of the credit quality of debt securities can be found in this note in the table below.

Impact of credit risk on fair value

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

23: Capital and financial risk management *continued*

23(b) Credit risk *continued*

Maximum exposure to credit risk

The table below represents the Group's maximum exposure to credit risk. The Group's maximum exposure to credit risk does not differ from the carrying value disclosed in the relevant notes to the financial statements. Exposure arising from financial instruments not recognised on the statement of financial position is measured as the maximum amount that the Group would have to pay, which may be significantly greater than the amount that would be recognised as a liability. The 'not rated' balances represent the pool of counterparties that do not require a rating. These counterparties individually generate no material credit exposure and this pool is highly diversified, monitored and subject to limits.

The Group does not have any significant exposure arising from items not recognised on the statement of financial position.

								£m
	Credit rating relating to financial assets that are neither past due nor impaired							
At 31 December 2018	**AAA**	**AA**	**A**	**BBB**	**<BBB**	**Internally rated**	**Included through consolidation of funds**	**Carrying value**
Financial investments at FVTPL	**-**	**201**	**-**	**-**	**-**	**532**	**2,549**	**3,282**
Government and government-related securities	**-**	**201**	**-**	**-**	**-**	**-**	**974**	**1,175**
Other debt securities, preference shares and debentures	**-**	**-**	**-**	**-**	**-**	**520**	**1,575**	**2,095**
Short-term funds and securities	**-**	**-**	**-**	**-**	**-**	**12**	**-**	**12**
Other investments and securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Reinsurance assets	**-**	**930**	**1,186**	**26**	**-**	**20**	**-**	**2,162**
Cash and cash equivalents	**1,358**	**60**	**451**	**1**	**6**	**35**	**484**	**2,395**
Cash at amortised cost, subject to lifetime ECL	**-**	**60**	**451**	**1**	**3**	**35**	**484**	**1,034**
Money market funds at FVTPL	**1,358**	**-**	**-**	**-**	**3**	**-**	**-**	**1,361**
Loans and advances	**-**	**-**	**-**	**-**	**-**	**222**	**-**	**222**
Loans and advances subject to 12 month ECL	**-**	**-**	**-**	**-**	**-**	**33**	**-**	**33**
Loans and advances at FVTPL	**-**	**-**	**-**	**-**	**-**	**189**	**-**	**189**
Other receivables	**-**	**-**	**-**	**-**	**-**	**486**	**-**	**486**
Other receivables subject to lifetime ECL	**-**	**-**	**-**	**-**	**-**	**283**	**166**	**449**
Prepayments and accruals	**-**	**-**	**-**	**-**	**-**	**37**	**-**	**37**
Contract assets subject to lifetime ECL	**-**	**-**	**-**	**-**	**-**	**44**	**-**	**44**
	1,358	**1,190**	**1,637**	**27**	**6**	**1,339**	**3,033**	**8,591**

								£m
	Credit rating relating to financial assets that are neither past due nor impaired							
At 31 December 2017	AAA	AA	A	BBB	<BBB	Internally rated	Included through consolidation of funds	Carrying value
Financial investments	-	183	-	12	-	508	4,536	5,239
Government and government-related securities	-	183	-	-	-	-	2,244	2,427
Other debt securities, preference shares and debentures	-	-	-	-	-	505	1,896	2,401
Short-term funds and securities	-	-	-	12	-	3	-	15
Other investments and securities	-	-	-	-	-	-	396	396
Reinsurance assets	-	1,050	1,807	-	-	51	-	2,908
Loans and advances neither past due not impaired	-	-	-	-	-	199	-	199
	-	1,233	1,807	12	-	758	4,536	8,346

The Group has initially applied IFRS 9 at 1 January 2018 and 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. Refer to note 2 for further information.

23: Capital and financial risk management *continued*

23(b) Credit risk *continued*

Impairment allowance

Consistent with IFRS 9 *Financial instruments*, assets that are measured and classified as amortised costs are monitored for any expected credit loss (ECL) on either a 12 month or lifetime ECL model. The majority of such assets within the Group are measured on the lifetime ECL model, with the exception of some specific loans that are on the 12 month ECL model.

Changes in significant accounting policies, upon adoption of IFRS 9 the Group incurred an impairment allowance of £0.2 million. The table below shows a reconciliation of Group's total impairment allowance through to year end 31 December 2018.

Impairment allowance	**£m**
Opening impairment allowance under IAS 39	(0.3)
Impact upon adoption of IFRS 9	(0.2)
Additions due to increased broker loans	(0.4)
At 31 December 2018	**(0.9)**

23(c) Market risk

Market risk is the risk of an adverse change in the level or volatility of market prices of assets, liabilities or financial instruments resulting in loss of earnings or reduced solvency. Market risk arises from changes in equity, bond and property prices, interest rates and foreign exchange rates. Market risk arises differently across the Group's businesses depending on the types of financial assets and liabilities held.

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

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

23(c)(i) Equity and property price risk

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

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

The above exposures are not material. Due to the nature of the investments held there is no material exposure to equity and property price risk on non-linked assurance policyholder assets.

The Group derives fees (e.g. annual management charges) and incurs costs (e.g. adviser fund based renewal commissions) which are linked to the performance of the underlying assets. Therefore future earnings will be affected by equity and property market performance.

Equity and property price sensitivity testing

A movement in equity and property prices would impact the fee income that is based on the market value of the investments held for the policyholders. In this analysis, all linked renewal commission is assumed to be fund based and all gains are assumed to be realised gains. The sensitivity is applied as an instantaneous shock to equity and property prices at the start of the year. The sensitivity analysis is not limited to the unit-linked business and therefore reflects the sensitivity of the Group as a whole.

		£m
	Impact on profit after tax	
	At 31 December 2018	At 31 December 2017
Impact of 10% increase in equity and property prices	**36**	32
Impact of 10% decrease in equity and property prices	**(36)**	(31)

23(c)(ii) Interest rate risk

Interest rate risk arises primarily from investment in fixed interest government securities, which are exposed to fluctuations in interest rates and bank balances held with financial institutions.

Fixed interest UK government securities are held predominantly to match liabilities by durations for non-linked protection business determined on an IFRS basis. Therefore, on an IFRS basis there is low exposure to interest rate movements such that any movement in asset values is balanced by a movement in the insurance provision.

A rise in interest rates would also cause an immediate fall in the value of investments in fixed income securities within unit-linked funds. The unit-linked funds asset look-through analysis has revealed that less than 30% of the linked assets are invested in the fixed income securities which generally have short durations, resulting in a low material impact in fund based revenues.

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

23: Capital and financial risk management *continued*

23(c)(ii) Interest rate risk *continued*

Interest rate sensitivity testing

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

	Impact on profit after tax	£m
	At 31 December 2018	At 31 December 2017
Impact of 1% increase in interest rates	**19**	20
Impact of 1% decrease in interest rates	**(12)**	(10)

23(c)(iii) Currency translation risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's functional currency is Sterling, which accounts for the majority of the Group's transactions, but the Group also has minor exposure to foreign exchange risk in respect to accounts receivable and future revenues denominated in US Dollars, Euros and Swedish Krona through its International business. The currency risk is mitigated using derivative financial instruments such as forward foreign exchange contracts. After risk mitigation, the Group does not have material foreign currency risk exposure.

23(d) Liquidity risk

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

- Maintaining adequate high quality liquid assets and banking facilities, the level of which is informed through appropriate liquidity stress testing;
- Continuously monitoring forecast and actual cash flows; and
- Matching the maturity profiles of financial assets and liabilities, where possible.

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

Liquidity is monitored centrally by Group Treasury, with management actions taken at a business level to ensure each business has liquidity to cover its minimum liquidity requirement, with an appropriate buffer.

The Group maintains contingency funding arrangements to provide liquidity support to businesses in the event of severe liquidity stresses. Contingency Funding Plans are in place for each individual business in order to identify a comprehensive list of contingent funding sources and the order and speed in which they could be utilised in a stress scenario. The plans undergo an annual review and testing cycle to ensure they are fit for purpose and can be relied upon during a liquidity stress.

Information on the nature of the investments and securities held is given in note 13.

Prior to separation from Old Mutual plc the Group had a £70 million revolving credit facility in place with Old Mutual plc which could be drawn down in a liquidity stress and utilised freely within the Group. On 28 February 2018 debt financing arrangements were put in place that allowed the Group to become financially independent from Old Mutual plc and maintain sufficient liquidity ahead of listing at the end of June 2018. This allowed the Group to terminate existing arrangements with Old Mutual plc. The debt financing consisted of the following:

- £200 million Tier 2 Bond issuance details of which are given in note 21.
- £300 million Term Loan that was repaid in full at the end of June following the sale of the Single Strategy Asset Management business.
- £125 million 5 year Revolving Credit Facility with a 5 bank club that represents a form of contingency liquidity for the Group. No drawdown on this facility has been made since inception. The Group has the option to extend the facility for a further 2 year period.

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

Further details, together with information on the Group's borrowed funds, are given in note 21.

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

23(e) Insurance risk (risk arising within insurance contracts)

23(e)(i) Overview

The Group assumes insurance risk by issuing insurance contracts, under which the Group agrees to compensate the policyholder or other beneficiary in the event that a specified uncertain future event (the insured event) affecting the policyholder occurs. The Group offers life assurance, critical illness and other life protection business. The Group does not offer general insurance business and therefore does not take on other forms of insurance risk such as motor and property insurance risks.

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

23(e) Insurance risk (risk arising within insurance contracts) *continued*

The Group has implemented an insurance risk policy which sets out the Group requirements for the management, measurement, monitoring and reporting of insurance risks. The Group has implemented 3 standards which sit within the insurance risk policy, as follows:

- Underwriting and claims standard;
- Reinsurance standard; and
- Technical provisions standard.

The sensitivity of the Group's earnings and capital position to insurance risks is monitored through the Group's business planning and capital management processes. The insurance risk profile and experience is closely monitored relative to key risk metrics and defined tolerances.

The Group manages its insurance risks effectively through the following mechanisms:

- An agreed risk appetite for all risk types including insurance risks;
- Pricing of insurance contracts utilising analysis of mortality, morbidity, persistency and expense experience;
- Underwriting of mortality and morbidity risks;
- Reinsurance, which is used to limit the Group's exposure to large single claims and catastrophes through transfer of insurance risk exposures;
- The Group does not offer group insurance business in order to avoid risk concentrations of insurance risk.

Terms and conditions of life assurance and critical illness protection business

The terms and conditions for life assurance and critical illness protection business determine the level of insurance risk accepted by the Group. The following table outlines the general form of terms and conditions that apply to contracts for the key protection products offered by the Group, and the nature of the risk incurred by the Group.

Category	Essential terms	Main risks	Policyholder guarantees	Policyholder participation in investment return
Unit-linked life assurance	Mortality charges may be re-priced	Mortality	The initial premium is guaranteed to sustain the original cover for the first 10 years	None
Unit-linked critical illness	Mortality and morbidity charges may be re-priced	Mortality, Morbidity	The initial premium is guaranteed to sustain the original cover for the first 10 years	None
Non-linked life assurance and critical illness	Premium rates defined at inception[1]	Mortality, Morbidity	Rates guaranteed for the life of the contract[1]	None

[1]Certain non-linked life assurance and critical illness contracts have premiums which are reviewable if the contract term is extended beyond the initial term.

Mortality and morbidity

Mortality and morbidity risk is the risk that death, critical illness and disability claims experience is higher than the rates assumed when pricing contracts. Possible causes are new and unexpected epidemics, reductions in the effectiveness of treatments such as antibiotics and widespread changes in lifestyle.

For unit-linked contracts, a risk charge is applied to meet the expected cost of the insured benefit (in excess of the unit value). This risk charge can be altered in the event of changes in the expectation for future claims experience, subject to the objective to provide fair customer outcomes.

Persistency

Persistency risk is the risk that policyholder surrenders, transfers or premium cessation on contracts occur at levels that are different to the levels expected and allowed for within the pricing process. Persistency statistics are monitored monthly and a detailed persistency analysis at a product level is carried out on an annual basis. Management actions may be triggered if persistency statistics indicate significant adverse movement or emerging trends in experience.

Expenses

Expense risk is the risk that actual expenses and expense inflation differ from the levels expected and allowed for within the pricing process. Expense levels are monitored quarterly against budgets and forecasts. Expense drivers are used to allocate expenses to entities and products. Some product structures include maintenance charges. These charges are reviewed annually in light of changes in maintenance expense levels and the market rate of inflation. This review may result in changes in charge levels.

23(e)(ii) Sensitivity analysis – life assurance

Changes in key assumptions used to value insurance contracts would result in increases or decreases to the insurance contract liabilities recognised, with impact on profit/(loss) and/or shareholders' equity.

Sensitivity analysis has been performed by applying the following parameters to the statement of financial position and income statement as at 31 December 2018 and 31 December 2017. Interest rate and equity and property price sensitivities are included within the Group market sensitivities above.

Expenses

The increase in expenses is assumed to apply to the costs associated with the maintenance and acquisition of insurance contracts. It is assumed that these expenses are increased by 10% from the start of the year, so is applied as an expense shock rather than a gradual increase. The only administrative expenses that are deferrable are sales bonuses but as new business volumes are unchanged in this sensitivity, sales bonuses and the associated deferrals have not been increased. Administrative expenses have been allocated equally between life and pensions. An increase in expenses of 10% would have decreased profit by £6.5 million after tax (2017: £9.1 million).

Mortality/morbidity

The impact on profit of an increase in mortality and morbidity claims rates of 5% is tested. This would affect the level of insurance contract claims and is assumed to apply throughout the year. An increase in mortality and morbidity claims of 5% each would have decreased profit after tax by £1.2 million (2017: £0.9 million).

23(f) Operational risk

Operational risk is the risk that failure of people, processes, systems or external events results in financial loss, damage to brand/reputation or adverse regulatory intervention, or government or regulatory fine. Operational risk includes all risks resulting from operational activities, excluding the risks already described above and excluding strategic risks and risks resulting from being part of a wider group of companies.

Operational risk includes the effects of failure of administration processes, IT maintenance and development processes, investment processes (including settlements with fund managers, fund pricing and matching and dealing), product development and management processes, legal risks (e.g. risk of inadequate legal contract with third parties), risks relating to the relationship with third party suppliers and outsourcers, and the consequences of financial crime and business interruption events.

In accordance with Group policies, management have primary responsibility for the identification, assessment, management and monitoring of risks, and the escalation and reporting on issues to executive management.

The Group executive management have responsibility for implementing the Group Operational Risk management methodologies and frameworks and for development and implementation of action plans to manage risk levels within acceptable tolerances and to resolve those issues identified.

23(g) Contractual maturity analysis

The following table is a maturity analysis of liability cash flows based on contractual maturity dates for investment contract liabilities and expected claim dates for insurance contracts. Investment contract policyholders have the option to terminate or transfer their contracts at any time and to receive the surrender or transfer value of their policies, and are therefore classified as less than three months maturity. Although these liabilities are payable on demand, the Group does not expect that all liabilities will be settled within this period.

						£m
		Undiscounted cash flows				
At 31 December 2018	**Carrying amount**	**Up to three months**	**Three months to one year**	**Between one and five years**	**More than five years**	**Total**
Life assurance policyholder liabilities						
Insurance contracts	**602**	**21**	**11**	**46**	**992**	**1,070**
Life assurance policyholder liabilities	**588**	**7**	**11**	**46**	**992**	**1,056**
Outstanding claims	**14**	**14**	**-**	**-**	**-**	**14**
Investment contracts						
Unit-linked investment contracts and similar contracts	**56,450**	**56,450**	**-**	**-**	**-**	**56,450**
Total policyholder liabilities	**57,052**	**56,471**	**11**	**46**	**992**	**57,520**

						£m
		Undiscounted cash flows				
At 31 December 2017	Carrying amount	Up to three months	Three months to one year	Between one and five years	More than five years	Total
Life assurance policyholder liabilities						
Insurance contracts	489	15	8	34	855	912
Life assurance policyholder liabilities	480	6	8	34	855	903
Outstanding claims	9	9	-	-	-	9
Investment contracts						
Unit-linked investment contracts and similar contracts	59,139	59,139	-	-	-	59,139
Total policyholder liabilities	59,628	59,154	8	34	855	60,051

24: Related party transactions

In the normal course of business, the Group enters into transactions with related parties. 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 current and prior year which had a material effect on the results or financial position of the Group except for the repayment of intercompany indebtedness with Old Mutual plc which has been disclosed in note 21: Borrowings. Except for these intra-group loan repayments, the nature of the related party transactions of the Group has not changed over the course of the year.

24(a) Transactions with previous Parent company, Old Mutual plc

Prior to the Group's Managed Separation from Old Mutual plc in June 2018, the Group had various transactions with Old Mutual plc and other related entities within the Old Mutual group, all of which were in the normal course of business. All receivables and payables were settled at the point of separation, resulting in receivables and payables of £nil as at 31 December 2018 (2017: receivables were £28 million and payables were £790 million). In addition, the Group incurred £3 million of interest expense in relation to intercompany indebtedness at the time, paid to Old Mutual plc prior to separation in 2018 (2017: £60 million) and received £nil income (2017: £5 million in respect of other transactions with Old Mutual plc group).

25: Events after the reporting date

On 14 February 2019, Intrinsic Financial Services Limited ("IFSL"), a subsidiary company, acquired the remaining equity of the Charles Derby Group Limited ("CDG"), having previously held a minority interest in CDG. The acquisition represents the next stage of Quilter's ambition to broaden out its national advice business. The acquisition complements the growth of Quilter Private Client Advisers which serves upper affluent and high net worth customers.

The provisional valuation of CDG at acquisition was £32 million. After deducting the existing holding (with a fair value of £2 million immediately prior to acquisition), the fair value of consideration for the remaining £30 million equity was £28 million comprising a cash payment of £21 million and deferred consideration of £9 million (discounted to present value of £7million) payable in 2 equal instalments, 18 and 36 months after the date of acquisition. The fair value of the existing equity investment in CDG immediately prior to the acquisition of the remaining equity was £2 million.

Intangible assets including the value of the distribution channel will be recognised at acquisition. Intangible assets are grossed up by the current tax rate, with a corresponding deferred tax liability created on the statement of financial position. Because the purchase price allocation ("PPA") model is not yet complete, the excess of acquisition cost over the net liabilities acquired has been apportioned on an estimated basis 50% to intangible assets, with the remainder being classified as goodwill. Provisional balances of £19 million for intangible assets, £(3) million for deferred tax liability and £15 million for goodwill will be recognised within the group consolidated financial statements at acquisition. During 2019, the allocation will be finalised, with the potential for a reallocation between intangible assets and goodwill.

The provisional consolidated statement of financial position for CDG at acquisition date comprised total assets of £1.4 million, total liabilities of £2.0 million and equity of £(0.6) million.

The goodwill is derived from the existing adviser base which at the date of completion was around 200 mostly self-employed Registered Financial Planners. Strong synergies exist between IFSL and CDG, with the CDG advisers operating within Intrinsic's advice processes and proposition. CDG has proven lead generation capability which will help to deliver Intrinsic's national growth strategy.

The deferred consideration payments are variable, subject to changes in the value of assets under administration and deduction for indemnity claims. The full estimated amount of deferred consideration is currently expected to be paid.