Quilter

# NEWS RELEASE

5 August 2019
Quilter plc interim results for the six months ended 30 June 2019

## Quilter plc reports 5% growth in adjusted profit before tax to £115 million and an interim dividend of 1.7 pence per share

### Highlights

- Adjusted profit before tax up 5% to £115 million (H1 2018: £110 million), of which:
  - £89 million, an increase of 7%, from Quilter excluding Quilter Life Assurance ('QLA') (H1 2018: £83 million); and
  - £26 million from QLA (H1 2018: £27 million).
- Adjusted diluted earnings per share of 5.5 pence in line with H1 2018, of which:
  - 4.1 pence from Quilter excluding QLA (H1 2018: 4.1 pence); and
  - 1.4 pence from QLA (H1 2018: 1.4 pence).
- Agreed disposal of QLA, subject to regulatory approval, to ReAssure for consideration of £425 million representing 120% of end 2018 own funds (after taking into account dividend payments of £130 million made to Quilter during the course of 2019). The Board is currently minded to undertake a meaningful capital distribution from the net sale proceeds to shareholders with the method of capital return subject to shareholder consultation. We will update on the amount and method of distribution at the closing of the transaction, expected to be late 2019.
- IFRS loss before tax attributable to equity holders from continuing operations of £40 million (H1 2018: £nil), principally due to the period on period change in policyholder tax movements.
- Interim dividend of 1.7 pence per share.
- Operating margin stable at 29% including QLA (26% excluding QLA).
- Assets under Management/Administration ('AuMA') up 8% from 31 December 2018 to £118.4 billion (FY 2018: £109.3 billion), of which:
  - £108.7 billion, an increase of 9%, from Quilter excluding QLA (FY 2018: £99.3 billion); and
  - £12.1 billion, a decrease of 2%, from QLA (FY 2018: £12.4 billion).
- Gross sales (excluding QLA) of £6.0 billion (H1 2018: £7.9 billion, H2 2018: £6.3 billion).
- Net Client Cash Flow ('NCCF') (excluding QLA) of £0.3 billion (H1 2018: £3.0 billion) with a modest (£0.2 billion) outflow in the second quarter predominantly attributable to the impact of expected client redemptions in Quilter Cheviot of c.£0.8 billion.
- Integrated flows (excluding QLA) of £1.3 billion (H1 2018: £2.8 billion).
- Solvency II ratio of 181% after payment of interim dividend (FY 2018: 190%).
- UK Platform Transformation Programme is making good progress with final software testing in progress and validation of migration data integrity nearing completion. Initial migration expected by early 2020 and full programme expected to complete by around this time next year at an additional cost of approximately £25 million.
- Business optimisation and cost saving initiatives progressing well with £11 million of benefits realised for 2019 providing support to the first half operating margin.

**Paul Feeney, Chief Executive Officer, said:**

"Quilter produced a solid set of results for the first half of 2019, as evidenced by growth in adjusted profit before tax with revenues growing modestly faster than costs and a stable operating margin. We are focussed on making Quilter a simpler, more efficient wealth management business, and the announcement today of the sale of Quilter Life Assurance is a further significant step forward in this regard.

In addition to the Charles Derby Group acquisition announced in February 2019, I am delighted that we completed the acquisition of Lighthouse plc in June 2019, consolidating our place as the second largest retail advisory business in the UK. We are on a mission to make advice more valued and accessible, and want Quilter to be recognised as the best place to go for trusted financial advice in the UK.

We are building a business that is fit for the future. Good progress continues to be made on optimisation and with the UK Platform Transformation Programme, notwithstanding the additional costs announced today. While we have encountered some short-term delays, we are focussed on ensuring the programme is implemented to our desired quality and still expect to complete the programme by this time next year.

While the uncertain political environment in the UK evidenced in the latter half of 2018 has continued into 2019, gross new business sales have held up well at £6.0 billion. We experienced higher outflows in Quilter Cheviot following the resignation of some Investment Managers during 2018 putting pressure on net flows.

The Board declared an interim dividend of 1.7 pence per share, representing a pay-out ratio of approximately 46% of adjusted profit after tax and based on an expected one third/two thirds dividend split. This is consistent with the dividend policy outlined at the time of our Listing one year ago."

| Quilter highlights from continuing operations[1] | **H1 2019** | H1 2018 |
|---|---|---|
| **Assets and flows** | | |
| AuMA (£bn)[2] | **108.7** | 104.7 |
| Gross sales | **6.0** | 7.9 |
| NCCF (£bn)[2] | **0.3** | 3.0 |
| NCCF/opening AuMA (annualised)[4] | **1%** | 6% |
| Integrated flows (£bn)[2] | **1.3** | 2.8 |
| Productivity (£m)[3] | **1.0** | 1.8 |
| Asset retention[5] | **89%** | 91% |
| **Profit & loss** | | |
| IFRS loss before tax attributable to equity holders (£m) | **(40)** | - |
| IFRS (loss)/profit after tax (£m) | **(32)** | 2 |
| Adjusted profit before tax (£m)[2] | **89** | 83 |
| Operating margin[2] | **26%** | 25% |
| Revenue margin (bps)[2] | **56** | 56 |
| Adjusted diluted earnings per share (pence)[2] | **4.1** | 4.1 |
| Return on equity[2] | **9.2%** | 14.1% |
| **Non-financial** | | |
| Restricted Financial Planners ('RFPs') | **1,803** | 1,590 |
| Investment Managers ('IMs') | **163** | 168 |

| Quilter highlights from continuing operations including Quilter Life Assurance | **H1 2019** | H1 2018 |
|---|---|---|
| **Assets and flows** | | |
| AuMA (£bn)[2] | **118.4** | 116.5 |
| Gross sales | **6.0** | 8.1 |
| NCCF (£bn)[2] | **(0.9)** | 2.2 |
| **Profit & loss** | | |
| Adjusted profit before tax (£m)[2] | **115** | 110 |
| Operating margin[2] | **29%** | 29% |
| Revenue margin (bps)[2] | **57** | 57 |
| Basic earnings per share (pence)[2] | **(0.9)** | 18.7 |
| Adjusted diluted earnings per share (pence)[2] | **5.5** | 5.5 |
| Return on equity[2] | **10.2%** | 14.7% |

[1]Continuing operations represent Quilter plc excluding results of QLA (for both 2018 and 2019) and the Single Strategy business (up to the date of sale which completed on 29 June 2018).

[2]Alternative Performance Measures ('APMs') are detailed on page 5.

[3]Average NCCF per Restricted Financial Planner.

[4]NCCF (annualised) as a % of opening AuMA (excluding Quilter Life Assurance).

[5]Outflows are calculated on an annualised basis.

## Quilter plc results for the six months ended 30 June 2019

### Enquiries

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Paul Feeney, CEO, and Mark Satchel, CFO, will host a presentation for investors and analysts at 09:00am (BST) today, 5 August 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:**

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

**Disclaimer**

This announcement may contain certain forward-looking statements with respect to 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 condensed consolidated financial statements, which include the Group's statement of financial position and statement of cash flows, which are presented 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. This business has been classified as a discontinued operation for the six months to 30 June 2019. Further details of APMs used by the consolidated Group in our financial review are provided below.

| APM | Definition |
|---|---|
| **Adjusted profit before tax** | Represents the adjusted profit before tax of the Group. Adjusted profit before tax represents the Group's IFRS profit, adjusted for key items and excludes non-core operations, as detailed on page 33 in the condensed consolidated financial statements.<br><br>Due to the nature of the Group's businesses, we believe that adjusted profit before tax 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.<br><br>Please refer to page 15 for a detailed reconciliation of adjusted profit before tax 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 divided by total fee revenue including life tax contributions and adviser fees. Operating margin excludes financing costs.<br><br>Management use this APM as this is an efficiency measure that reflects the percentage of net revenues that become adjusted profit before tax. |
| **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. |
| **Gross outflows** | Gross outflows are the gross client cash outflows returned to customers during the period and results in a decrease to 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.<br><br>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.<br><br>Please refer to page 13 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)).<br><br>Please refer to page 13 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 non-operating items. Cash generated from operations is calculated by removing non-cash items from adjusted profit after tax. 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 annualised outflows of the assets under management during the period as a percentage of opening assets under management. Asset retention is calculated as: 1 - (annualised 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. Productivity is calculated as average integrated flow per Restricted Financial Planner. |
| **NCCF/opening AuMA (excluding QLA)** | This measure is calculated as total NCCF annualised as described above divided by opening AuMA presented as a percentage.<br><br>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 and the business is classified as a discontinued operation. |
| **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. For the 2018 comparative, equity was adjusted for the acquisition of Skandia UK from Old Mutual plc as part of Managed Separation and equity allocated to the discontinued operations arising from the sale of the Single Strategy business. |
| **Adjusted diluted earnings per share** | Represents the adjusted profit earnings per share. Calculated as adjusted profit after tax divided by the weighted average number of shares. Refer to page 14 and note 8 to the condensed consolidated financial statements. |

# Chief Executive's Review

### Execution

Despite market uncertainty creating a more challenging environment, we have made good progress to make Quilter a simpler, more focussed, more efficient wealth management business. Our optimisation plans are on track, we added to our distribution franchise through the acquisitions of Charles Derby Group and Lighthouse plc, the final system testing and migration planning in respect of our new UK platform is well advanced, and this morning we announced the sale of our closed life assurance business, Quilter Life Assurance.

In July, we announced that the Board was undertaking a strategic review of Quilter Life Assurance. Following the conclusion of that review, we are pleased to announce a disposal of the business to ReAssure for consideration of £425 million, subject to obtaining the necessary regulatory approval. This represents 120% of end December 2018 pro forma own funds of £354 million after taking into account dividends of £130 million paid to Quilter in respect of historical profits during the course of 2019[1].

Quilter Life Assurance is predominantly a 'closed life book' where the existing products are closed to new business. With our new UK platform now close to completion, our ability to flexibly manage the Quilter Life Assurance cost base reduces and so, we believe, selling Quilter Life Assurance to a purchaser who specialises in running such businesses is in the best interests of Quilter Life Assurance's policyholders, as well as our shareholders.

Accordingly, in line with IFRS 5, Quilter Life Assurance has been classified as a discontinued operation and designated as 'held for sale' in these results, with comparative results restated in compliance with the relevant accounting standards. Commentary on business performance has been stated on both a continuing business basis excluding Quilter Life Assurance, and based on the current perimeter to ensure full comparability. It should be noted that we expect the continuing Quilter group to have an operating margin of around five percentage points lower than the current perimeter, reflecting both the level of Quilter Life Assurance's operating margin and potential stranded costs, some of which are transitory in nature. This will lead to a commensurate reduction in the starting point for our operating margin upon which our targeted 2020 and 2021 operating margin improvement will be based.

The Board is currently minded to make a meaningful capital return to shareholders arising on the net surplus proceeds from the sale. We intend to consult with our shareholders on the most appropriate means of undertaking this, and will announce the quantum and method of any potential capital return at the time of closing, expected by late 2019.

Business conditions in the first half of 2019 have been the opposite of those experienced in the same period last year. In the first half of 2018, Quilter benefited from strong new business flows and a limited contribution from positive market movements. By contrast, 2019 net flows have been more muted while the market rebound has been stronger than we expected at the beginning of the year, thereby supporting our revenue.

Against this backdrop, I am pleased with our adjusted profit before tax (including Quilter Life Assurance) for the first half of 2019 of £115 million, up 5% on the prior period. This reflected stable revenue margins coupled with broadly unchanged average AuMA and was supported by strong cost discipline and our optimisation activities. Total expenses increased modestly as investment in the business through our distribution acquisitions took effect as expected, and the normalisation of the charge for the FSCS levy was reflected in the 2019 result. Underlying costs, excluding the impact from acquisitions, were broadly unchanged on 2018, in line with the guidance provided at full year.

Adjusted diluted earnings per share of 5.5 pence, of which 4.1 pence was from Quilter's continuing business and 1.4 pence from Quilter Life Assurance, is broadly unchanged on the first half of 2018. This is due to a more normal tax rate of 12% accrued on adjusted profit and a slightly higher number of shares eligible to receive dividends. The actual tax rate will be determined at the end of the year.

The Board is pleased to declare an interim dividend totalling 1.7 pence per share, inclusive of a distribution of 0.43 pence per share in respect of Quilter Life Assurance's first half profit contribution. The Board expects the Group's dividend pay-out ratio will move up within the target range in 2019. In normal circumstances, we expect the interim dividend to represent roughly one third of the annual pay-out, as set out in our prospectus at the time of Listing.

Our financial performance is discussed in more detail below.

### Clients

Delivering good customer outcomes through a trusted advice relationship is core to the Quilter business model. The platform is at the centre of our business providing the investment 'wrappers' to meet an individual's needs, while our investment solutions provide the intellectual capital to deliver the outcomes that our clients seek. Excellent service delivery underpins the customer and adviser experience. Confidence in our proposition is demonstrated through both the continued attraction of our solutions to independent financial advisers and the resilience of our integrated flows.

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[1] Reported own funds at 31 December 2018 were £394 million, stated after a foreseeable dividend of £90 million paid in March 2019, but before a further dividend of £40 million anticipated to be paid in Q3 2019 prior to completion; for the avoidance of doubt, neither of these dividends form part of the consideration to be received of £425 million.

While gross client cash flows (excluding Quilter Life Assurance) into the business have remained relatively solid at £6.0 billion (down 5% on the second half of last year), as already noted, 2019 has been challenging in terms of NCCF. NCCF (excluding Quilter Life Assurance) of £0.3 billion during the first half of 2019 was down from £3.0 billion in the comparable period of 2018. As well as general market uncertainty caused by Brexit and broader geopolitical and macro-economic concerns, the first half of 2019 result includes two Quilter-specific issues. First, despite gross sales into Quilter Cheviot being in line with expectations, the departures of a small group of Investment Managers, who resigned in summer 2018, have begun to have an impact on outflows in that business. During the first half, we recorded outflow requests totalling £0.6 billion from clients looking to follow their Investment Managers who departed last year. We expect this pressure to continue at a similar level through the remainder of 2019. Secondly, we completed the transfer of the previously disclosed loss of a quasi-institutional £0.2 billion mandate in Quilter Cheviot late in the second quarter. In addition, due to market uncertainty, we have experienced a lower level of new gross flows onto our platform from both our restricted advisers and independent financial advisers. This has led to lower levels of flow into Quilter Wealth Solutions and Quilter Investors with the combination of these factors leading to lower net flows. Overall levels of client retention across the business were broadly unchanged, outside of the impact from the Quilter Cheviot departures.

Quilter International's modest NCCF was broadly in line with the prior year. This reflects our strategy of repositioning our business to have deeper roots in fewer markets, and to ensure the product range and client offering across our international markets is consistent with Quilter's risk appetite in all markets where we operate.

AuMA, including Quilter Life Assurance, increased by 8% from £109.3 billion at 31 December 2018 to £118.4 billion at the end of the first half of 2019. The market recovery began late in the first quarter and broadly maintained these levels in the second quarter, with the FTSE-100 up 10% overall during the first half of the year. This led to average AuMA of £114.4 billion, the principal driver of net management fees, stable on the levels experienced in the first half of 2018 (£114.5 billion).

### Performance

Quilter's overall financial performance for the first half of 2019 was good. Adjusted profit before tax for the first half of 2019 of £115 million comprised £89 million from continuing operations (+7%) and £26 million in respect of QLA (-4%). Our IFRS loss before tax from continuing operations was £40 million, compared to a profit of £nil million in the first half 2018. We achieved a 29% operating margin (H1 2018: 29%), including Quilter Life Assurance, in line with first half 2018. Optimisation benefits and cost reductions offset the drag on the operating margin from the acquired advice businesses. The Lighthouse plc acquisition completed late in the period and consequently did not have a material impact on the Group's results. The combined effect of the acquisitions of Charles Derby Group and Lighthouse plc contributed to a one percentage point reduction in the operating margin.

The Lighthouse plc acquisition added 390 advisers to our business of which 143 are RFPs with the remainder currently independent financial advisers. We are enhancing the Lighthouse restricted proposition by using our solutions that are specifically designed to meet the needs of customers of our advice business. Additionally we expect a number of the independent advisers to convert to a restricted proposition based upon the ability of our propositions to meet their customers' needs. Excluding acquisitions, we achieved good growth in RFPs across our appointed representative firms, adding a net 39 RFPs across the firm representing annualised organic growth of 5%.

Our solutions have continued to deliver good investment performance for our clients. The medium and long-term performance at Quilter Cheviot, our discretionary fund management business, continued to outperform relevant ARC benchmarks, remaining first or second quartile, to the end of March. The medium and longer-term performance of Quilter Investors' multi-asset funds has also remained strong, although the shorter-term performance on the biggest range, Cirilium, has been more mixed reflecting some tactical positioning over the course of last year. We are in the process of simplifying and broadening the Quilter Investors product range through fund consolidation and new product launches over the remainder of the year. These new products, including our new multi-asset income suite and Cirilium blend proposition, are being launched in response to the specific needs of our customers, based upon direct research we conducted through our advice business.

Following the previously announced Investment Manager resignations from Quilter Cheviot after our Listing, we have focussed on adding to the Quilter Cheviot investment team and our Investment Manager headcount was back to 163 at the end of June 2019 from a low of 155 at the end of December 2018. Although we anticipate continued elevated outflows in the near term, we expect our new hires to contribute to overall growth in Assets under Management over time.

### Transformation

As I have said previously, we are focussed on completing the transformation of our business through:

- Delivering the expected benefits from the implementation of our UK Platform Transformation Programme;
- Making Quilter a simpler and more focussed business. As with Charles Derby and Lighthouse this may mean making selective infill acquisitions into our core business and, as we have shown with Old Mutual Global Investors and Quilter Life Assurance, we have also undertaken disposals of non-core businesses to simplify our group; and
- Optimising our business by delivering the operating margin targets we set out in March 2019 as well as driving operational leverage through scaling up our UK Platform and investment solutions business, while investing to drive productivity.

In respect of our new UK platform, we are in the final delivery stages of the programme. The lessons learned from our soft-launch phase have been valuable and we are delighted with the improved functionality that the new platform delivers. In addition, our plans to ensure our customers and advisers are prepared for the migration are progressing well. However, the final delivery of the platform is expected to take approximately three months longer than planned. This is driven by the complexity of the programme and our commitment to a high quality outcome.

The validation of the data to be migrated to the new platform is nearing completion with very high data integrity scores. Following the final delivery of the platform, our migration plan incorporates several dress rehearsals to minimise risk and we will not compromise on that preparation period. We will then execute an initial migration of up to 10% of platform assets representing clients from up to 100 of our adviser firms which we expect to complete by early 2020. The migration of the remainder of the book is expected to complete by around this time next year.

At our full year results in March, we indicated that an extension of the project into 2020 would lead to modest additional programme costs. Therefore, given our update on the timing provided today, together with additional activities to reduce risk, including incremental call centre capacity and technical support, we have now quantified additional costs of approximately £25 million above the previously targeted £160 million. This c.15% increase in costs reflects our focus on delivering the new platform and the associated migration safely and securely and is in the interest of all stakeholders. As we enter the final phase of this programme we look forward to the significant benefits that the new platform will bring to customers, our advisers and our business. We remain completely confident that this programme will deliver enhanced functionality, superior performance and will contribute considerably to our market competitiveness.

We are pleased with both the Charles Derby Group and Lighthouse plc acquisitions which completed in the first half of the year. Our initial post-completion work with the Lighthouse team has validated the original acquisition assumptions, and integration workstreams are well underway. These acquisitions will provide a full scale, UK-wide footprint for our nationally branded advice business and will allow us to accelerate our growth plans. We are on a mission to make advice more valued and accessible, and we want Quilter to be recognised as the best place to go for trusted financial advice in the UK.

Our broader optimisation plans also continue to progress well. Late last year and early this year our focus has been on initiatives with short-term returns such as supplier contract renegotiation and driving savings in property and facility costs. Over the remainder of 2019 and beyond, our workstreams are increasingly focussed on delivering the longer-term sustainable cost savings which will allow us to deliver the planned operating margin improvements in 2020 and 2021. This will be achieved through technology enabled transformation, such as implementing a single payroll system and general ledger. We have started the consolidation of the support functions which is designed to create synergies across the business by removing duplication and ensuring tasks are only performed once. This has already contributed to our lower costs in activities such as finance and marketing. I am also pleased that we have met our target of broadly unchanged costs, excluding acquisitions, in the first half of 2019 and rather than declining, as we indicated in March, our overall operating margin is stable on the first half of last year despite absorbing costs from our advice acquisitions. Excluding the impact of these incremental costs, we would have delivered a one percentage point period on period improvement in the operating margin.

### Stewardship

At our 2019 AGM on 16 May, shareholders approved the reappointment of KPMG as our auditors for the 2019 financial year. We advised shareholders in our 2018 Annual Report that we would be conducting an external audit tender this year. Given the longevity of KPMG's tenure as our auditors they did not participate in the audit tender process, which has now completed. We are pleased to announce that the Quilter Board, on the recommendation of the Audit Tender Sub Committee, chaired by Rosie Harris, has appointed PwC as auditors for future reporting periods commencing on 1 January 2020. A resolution for the reappointment of PwC as auditors will be submitted for shareholder approval at our 2020 AGM.

Two resolutions at our 2019 AGM attracted a meaningful level of votes against from shareholders. The resolution to authorise Directors to allot shares was not passed, with only 49.5% of shares voted in favour. Additionally, the resolution to authorise political donations only received 75% support. Notably, there was a significant difference in voting between the South African and UK share registers on these two resolutions. On the UK register, the resolutions seeking the authority to allot shares and the authority to make political donations had 97% and 99% support respectively. On the South African register, those resolutions had only 18% and 61% support. In respect of both resolutions, similar voting patterns are seen at other dual UK/South Africa listed companies with the position exacerbated by the significant proportion of South African shareholders on our share register. As at end June 2019, the Quilter share register is split 63%:37% between the Johannesburg Stock Exchange and London Stock Exchange respectively.

In line with the guidelines in the 2018 UK Corporate Governance Code, we have sought to fully understand the views of South African shareholders on both of these resolutions through a series of meetings undertaken early in July 2019. From these discussions, it is clear that in a current South African governance context, any linkage between business and politics is emotive. Quilter has no intention of undertaking political donations but, in line with other listed UK companies, has sought such authority to avoid any inadvertent breaches of UK company law. We believe our South African shareholders now have a better understanding of the purpose behind this resolution.

We also understand that for historical reasons, the reluctance to delegate authority to company directors to issue shares is embedded in South African investment philosophy. The 'Authority to Allot Shares' is a standard enabling resolution for UK companies and the authority sought by Quilter at the 2019 AGM was in line with UK Investment Association guidelines. While our capital position is currently strong and we have no plans to raise equity, we are concerned that not having such an authority could, at some point, disadvantage Quilter relative to our UK peers. We wish to avoid such an outcome and expect to continue to engage to agree a delegation of authority at a level acceptable to a significant majority of our shareholders. The Board will consider therefore whether to continue seeking such an authority on either a similar or amended basis at the 2020 AGM, depending on the outcome of these ongoing discussions.

### Responsibility

We monitor employee engagement on a quarterly basis, and I am delighted feedback from these reviews continues to be at a consistently high level. Ensuring Quilter brand consistency and strengthening the ties that bind our people to deliver our purpose is a core focus for us. As part of our transition to a single Quilter brand across our business, Intrinsic rebranded to Quilter Financial Planning in July and feedback from both staff and advisers has been overwhelmingly positive. The move to the Quilter brand allows our network advisers to enhance their relationship with their clients by demonstrating the backing of a strong FTSE-250 listed business and for staff it reinforces their importance to the broader Quilter business.

### Outlook

As previously discussed, 2019 was always expected to be a transitional year for Quilter. The flow environment is likely to remain challenging in the near-term. While overall equity market levels have been supportive so far in 2019, we are conscious that market confidence remains fragile. As well as having to manage through these external factors, we will continue to deal with the outflows in Quilter Cheviot associated with last year's Investment Manager departures and, as we lead up to and move through the UK Platform migration, we expect new customer flows onto our existing platform to remain subdued. As a consequence, in this context, we remain committed to delivering broadly flat costs in 2019, excluding the impact of acquisitions.

Our near-term agenda remains focussed on four key priorities:

- First, and most importantly, we will successfully implement our new UK platform, ensure a smooth migration for existing customers and deliver on the growth opportunity, once implemented.
- Second, integrate our advice acquisitions and build our national advice business into a full scale UK wide business.
- Third, execute on our optimisation plans to deliver operating leverage and higher shareholder returns.
- Finally, we want to make Quilter a simpler and more focussed wealth management business, as we have demonstrated with the sale of Quilter Life Assurance.

Each of these priorities is on track and as we look towards 2020 and beyond, we remain excited as to our growth prospects and have confidence in our strategic path. By this time next year we will have migrated to a new, modern platform with greater product scope and significantly better automation and resilience. Advisers supported by Quilter will also have an upgraded and streamlined payments system, a new and improved point of sale system, upgraded adviser and client portals and, reflective of the world we live in, stronger security controls to protect our adviser and client data. Although the external environment is more challenging than a year ago, operationally we are where we expected to be at this stage as we continue to deliver value for all our stakeholders.

**Paul Feeney**

**Chief Executive Officer**

# Review of Financial Performance

### Overview

Our financial results in the first half of 2019 reflect a good performance despite the challenging NCCF environment. NCCF for the Group from continuing operations was £0.3 billion (excluding Quilter Life Assurance). AuMA increased by 8% from the start of the year to close at £118.4 billion (including Quilter Life Assurance) predominantly as a result of positive equity market movements, with the FTSE-100 index up 10% in the six months to 30 June 2019. Adjusted profit before tax of £115 million was up 5% compared to the first half of 2018.

The Group has made good progress towards optimisation and other cost saving initiatives, which we announced in March 2019, with £11 million of expense savings in H1 2019 compared to the same period in 2018. Expenses were broadly at the same level as H1 2018, excluding the impact of acquisitions.

### Key financial highlights

| **For six months ended 30 June 2019**<br>**Continuing operations including Quilter Life Assurance[1]** | **Advice & Wealth Management** | **Wealth Platforms** | **Head Office & Eliminations** | **Total Group** |
|---|---|---|---|---|
| Gross sales (£bn) | 3.2 | 4.0 | (1.2) | **6.0** |
| Gross outflows (£bn) | (3.2) | (4.6) | 0.9 | **(6.9)** |
| NCCF (£bn) | - | (0.6) | (0.3) | **(0.9)** |
| NCCF (excl. Quilter Life Assurance (£bn)) | - | 0.6 | (0.3) | **0.3** |
| Integrated flows (excl. Quilter Life Assurance (£bn)) | 0.8 | 0.5 | - | **1.3** |
| AuMA (£bn) | 45.1 | 87.5 | (14.2) | **118.4** |
| NCCF/opening AuMA (excl. Quilter Life Assurance (%)) | - | 1% | n/a | **1%** |
| Asset retention (excl. Quilter Life Assurance (%)) | 84% | 90% | n/a | **89%** |

| For six months ended 30 June 2018<br>Continuing operations including Quilter Life Assurance[1] | Advice & Wealth Management | Wealth Platforms | Head Office & Eliminations | Total Group |
|---|---|---|---|---|
| Gross sales (£bn) | 4.5 | 5.5 | (1.9) | 8.1 |
| Gross outflows (£bn) | (2.2) | (4.3) | 0.6 | (5.9) |
| NCCF (£bn) | 2.3 | 1.2 | (1.3) | 2.2 |
| NCCF (excl. Quilter Life Assurance (£bn)) | 2.3 | 2.2 | (1.5) | 3.0 |
| Integrated flows (excl. Quilter Life Assurance) (£bn) | 2.1 | 0.7 | - | 2.8 |
| AuMA (£bn) | 43.7 | 86.0 | (13.2) | 116.5 |
| NCCF/opening AuMA (excl. Quilter Life Assurance (%)) | 11% | 6% | n/a | 6% |
| Asset retention (excl. Quilter Life Assurance (%)) | 89% | 91% | n/a | 91% |

[1]Metrics are for continuing operations of the Quilter Group, including Quilter Life Assurance, except where noted as excluding Quilter Life Assurance.

### Net client cash flow (NCCF)

NCCF performance, excluding Quilter Life Assurance, for the half year was £0.3 billion, down from £3.0 billion in the comparable period. The decrease was predominantly due to lower gross sales driven by challenging market conditions with Brexit and general geopolitical and macro-economic concerns, and higher outflows as a result of Investment Manager ('IM') departures from Quilter Cheviot who resigned during 2018. NCCF (annualised) as a percentage of opening AuMA (excluding Quilter Life Assurance) was 1%. Including Quilter Life Assurance, the Group had net outflows of £0.9 billion (H1 2018: net inflow £2.2 billion), representing weaker flows across all businesses and the anticipated run-off of the institutional book in Quilter Life Assurance. Detailed analysis on NCCF by business is shown in the supplementary information section of this announcement.

Net inflows into Quilter Investors were £0.4 billion, down 78% from H1 2018 (£1.8 billion) reflecting lower business volumes from Quilter Financial Planning as investors remained cautious following uncertain global macro-economic and geopolitical (including Brexit) concerns. Net flows into Quilter Investors from the restricted channel were £0.6 billion (H1 2018: £1.4 billion), of which £0.2 billion (H1 2018: £0.7 billion) were from third party platforms and £0.4 billion (H1 2018: £0.7 billion) from our own platform, Quilter Wealth Solutions. Overall net flows from Quilter Wealth Solutions to Quilter Investors were nil in H1 2019 (H1 2018: £0.6 billion).

Quilter Cheviot's NCCF was an outflow of £0.4 billion (H1 2018: inflow of £0.5 billion), due to the departures of IMs who resigned in summer 2018. In Q2 2019, the expected loss of a previously disclosed £0.2 billion from a quasi-institutional mandate also occurred. In total, Quilter Cheviot experienced net outflows in H1 2019 of £0.8 billion from these two sources.

Quilter Wealth Solutions had net inflows of £0.5 billion, down 76% on prior year (H1 2018: £2.1 billion). Gross sales of £3.0 billion (H1 2018: £4.3 billion) decreased by £1.3 billion predominantly as a result of lower levels of defined benefit schemes ('DB') to defined contribution schemes ('DC') pension transfers, down 64% to £0.4 billion (H1 2018: £1.1 billion).

Quilter International's NCCF of £0.1 billion was in line with the comparable period. The modest reduction in International gross flows reflects the Group's strategy to reduce its offshore geographic footprint and focus on the quality of new business within our risk appetite.

Quilter Life Assurance had net outflows of £1.2 billion, up from £1.0 billion of net outflows in H1 2018, due to the closure of the low margin institutional life book of business announced in 2017, which had net outflows of £0.8 billion in H1 2019 (H1 2018: £0.4 billion).

| **Integrated flows from continuing operations** | **H1 2019** | H1 2018 | % Change |
|---|---|---|---|
| Integrated flows | **1.3** | 2.8 | (54%) |
| Direct flows | **(0.7)** | 1.7 | - |
| Eliminations | **(0.3)** | (1.5) | 80% |
| **Total Quilter plc NCCF from continuing operations** | **0.3** | 3.0 | (90%) |

Integrated flows (excluding Quilter Life Assurance) were £1.3 billion, down 54% from H1 2018 (£2.8 billion), as cautious investment sentiment was reflected in a decrease in gross sales during the period from Quilter Financial Planning. Similarly, Quilter Wealth Solutions experienced a decline in flows as a result of overall lower activity levels. The restricted channel of Quilter Financial Planning accounted for £0.6 billion (H1 2018: £1.4 billion) of Quilter Investors' net flows and £0.5 billion (H1 2018: £0.6 billion) of Quilter Wealth Solutions net flows.

Total Restricted Financial Planner ('RFP') headcount of 1,803 at 30 June 2019 includes an additional 143 RFPs following the acquisition of Lighthouse. Excluding RFPs added through the Lighthouse acquisition, net RFP growth of 39 in H1 2019 represents an annualised growth rate of 5%. We continue to generate a good level of new RFP appointments within existing businesses and through the recruitment of new appointed representative firms. The repurposing of the Quilter Financial Adviser School, which we announced in September 2018, has been popular with firms with currently over 100 students studying for their financial planning qualifications. The graduate recruitment pipeline is stimulating future growth, with 28 graduates from 2019 now working in Quilter Financial Planning firms. New RFP appointments have been partially offset by natural attrition of advisers, with turnover levels within our appointed representative firms remaining relatively stable period on period. Productivity for Quilter Financial Planning was £1.0 million per RFP in H1 2019 (H1 2018: £1.8 million, FY 2018: £1.7 million), reflecting a continuation of the challenging market conditions indicated in our first quarter update. Our strategic focus of building scale within the National model, which includes higher producing RFPs within Quilter Private Client Advisers, will help drive overall productivity levels.

Asset retention (excluding Quilter Life Assurance) has declined marginally to 89% (H1 2018: 91%), as a result of the outflows in Quilter Cheviot from departing IMs already noted. Adjusting for these outflows, persistency is 90%, in line with prior year and previous medium-term experience.

### Assets under management/administration (AuMA)

AuMA was £118.4 billion at the end of June 2019, up 8% from 31 December 2018 (£109.3bn), driven by positive market performance of £10.0 billion partially offset by net outflows of £0.9 billion. Excluding Quilter Life Assurance, AuMA was £108.7 billion (FY 2018: £99.3 billion), up 9%.

Quilter Investors' AuM was £20.0 billion, up 12% since the start of the year (FY 2018: £17.8 billion). The Cirilium fund range increased by 17% to £10.5 billion of AuM at the end of June 2019 (FY 2018: £9.0 billion), driven by £0.6 billion of net inflows and £0.9 billion of market movement. The WealthSelect fund range increased by 13% to £6.2 billion of AuM at the end of June 2019 (FY 2018 £5.5 billion). Quilter Cheviot AuM of £24.1 billion increased by 8% in the period, primarily as a result of positive market movements. Quilter Wealth Solutions' AuA increased by 11% to £55.3 billion, which is primarily comprised of £26.3 billion within pension propositions (of which £3.9 billion has been generated from the restricted channel and £22.4 billion from third party advisers) and £16.1 billion of ISA products. Quilter International AuMA was £20.1 billion, up 9% (FY 2018: £18.4 billion) due to positive client cash flows and favourable market over the last 6 months.

### Adjusted profit before tax

Adjusted profit before tax reflects the Board's view of the underlying performance of the Group and is used for management decision making and internal performance management. Adjusted profit before tax is a non-GAAP measure which adjusts IFRS profit for specific agreed items, as detailed in note 6 in the condensed consolidated financial statements, and is the profit measure presented in the Group's segmental reporting.

Adjusted profit before tax for H1 2019 was £115 million, 5% higher than the prior year (H1 2018: £110 million), primarily due to increased revenue in the Advice & Wealth Management segment from the continued growth in AuM at Quilter Investors. The Wealth Platform segment revenue decreased 2% to £198 million primarily due to the retail and institutional book run-off in Quilter Life Assurance. Fee revenue from Quilter Wealth Solutions increased by 1% to £86 million. Total expenses for the Group increased from £275 million to £280 million, mainly due to the impact of the Quilter Financial Planning acquisitions and additional FSCS levies incurred in the period.

The Group's overall operating margin has remained stable at 29% (H1 2018: 29%) which is broadly in line with full year 2018. Realised optimisation benefits have offset the impact of the advice acquisitions, which initially provide a drag on operating margin.

| **Financial performance from continuing operations including Quilter Life Assurance<br>Six months ending 30 June 2019 (£m)** | **Advice & Wealth Management** | **Wealth Platforms** | **Head Office** | **Total Group** |
|---|---|---|---|---|
| Net management fee | 144 | 175 | - | **319** |
| Other revenue | 51 | 23 | 2 | **76** |
| **Total fee revenue** | **195** | **198** | **2** | **395** |
| **Expenses** | **(145)** | **(116)** | **(19)** | **(280)** |
| **Adjusted profit before tax** | **50** | **82** | **(17)** | **115** |
| Tax | | | | **(13)** |
| **Adjusted profit after tax** | | | | **102** |
| Operating margin (%) | 26% | 41% | | **29%** |
| Revenue margin (bps) | 67 | 42 | | **57** |

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

### Total fee revenue

The Group's total fee revenue increased by 3% to £395 million due to growth in advice fees in Quilter Financial Planning as a consequence of the increase in the number of RFPs. Offsetting these revenue increases was a decline in revenues from Quilter Life Assurance of 10% in line with the run-off of this business.

Total fee revenue for the Advice and Wealth Management segment grew by 8% to £195 million in H1 2019 (H1 2018: £181 million), with average AuM increasing 3% from the prior year equivalent period. Other revenue increased by £6 million to £51 million, principally due to the growth in advice fees in Quilter Financial Planning.

Total fee revenue for the Wealth Platforms segment in H1 2019 was £198 million, down 2% (H1 2018: £203 million), primarily due to the retail and institutional book run-off in Quilter Life Assurance resulting in revenue from this business declining from £52 million in H1 2018 to £47 million in H1 2019. Within Quilter Wealth Solutions and Quilter International, revenues were consistent with the prior period as the 3% increase in average AuA was offset by a 1 bp reduction in average revenue margins.

The Group's blended revenue margin of 57 bps remained stable on full year 2018 and H1 2018.

The revenue margin for Advice and Wealth Management of 67 bps was 2 bps higher compared to the prior year, due to a 5 bps increase in the revenue margin for Quilter Investors to 61 bps reflecting a change in the overall mix of AuM towards investment in products which earn a higher revenue margin and additional revenue from the WealthSelect funds. Quilter Cheviot's revenue margin remained in line with prior year at 73 bps.

The revenue margin for Wealth Platforms decreased by 2 bps from the prior year to 42 bps. Consistent with recent trends, the decline was predominantly caused by the revenue margin on new business written for Quilter Wealth Solutions and Quilter International being lower than the average margin of the in-force policies at the start of the year. The revenue margin for Quilter Life Assurance remained in line with the prior period at 63 bps, reflecting the product mix change from the continued run-off of the very low margin institutional life book and from adjustments relating to life tax contributions.

### Expenses

Expenses increased by £5 million to £280 million (2018: £275 million) for the six months to 30 June 2019. The cost base from Quilter Financial Planning's acquisitions increased expenses by £6 million and the continued build out of the Quilter Investors business increased costs by a further £3 million period on period. Expenses have also increased due to the costs associated with being a standalone listed group and inflationary impacts. Overall costs are benefitting from strengthened cost disciplines across the business and savings achieved through optimisation. Expenses are broadly flat on H1 2018, excluding the impact of acquisitions.

| Expense split (£m)[1] | H1 2019 | H1 2018 | FY 2018 |
|---|---|---|---|
| Front office and operations | **162** | 156 | 312 |
| IT and development | **62** | 59 | 120 |
| Support functions | **42** | 48 | 105 |
| Other | **14** | 12 | 18 |
| **Total expenses** | **280** | 275 | 555 |

[1]2018 full year categories have been reclassified.

Front office and operations expenses increased by 4% to £162 million in H1 2019 (H1 2018: £156 million), primarily due to Quilter Financial Planning's acquisitions.

IT and development expenses increased by 5% to £62 million, mainly due to increased IT run costs to facilitate the growth in the business, inflation and regulatory change, offset by a reduction in development costs. We anticipate that IT development costs are likely to increase by £6 million in H2 2019 as we invest in systems for the integration of the advice acquisitions that have been made.

Support function expenses relate to middle and back office expenses, which have decreased by 13% to £42 million (2018: £48 million). Savings have been made across various functions through optimisation while additional costs associated with becoming a listed company and inflation have been absorbed.

Other costs include Professional Indemnity Insurance, charges for regulation and licencing fees. FSCS levies have increased by £2 million in H1 2019 due to an increase in levies for asset managers across the industry and the inclusion of a full year charge compared to 9 months in 2018.

Total expenses for H1 2019 were broadly consistent with H1 2018, excluding the impact of acquisitions of £6 million, in line with previous guidance. For the full year, the Group's underlying cost base is expected to remain broadly consistent with 2018 before the impact of acquisitions, which are anticipated to add around £22 million of additional expenses to the cost base for FY 2019.

As announced in March with our year end results, we are planning to consolidate our London office requirements to a new location due to the expiry of a number of our current property leases in 2020. The lease for our new London location has been signed and will commence on 1 October 2019. The fit out of our new premises will be carried out over Q4 2019 and H1 2020, which is currently anticipated to have a one-off cash cost of approximately £30 million. The new London office is estimated to increase our property costs by £3 million in H2 2019, £10 million in 2020 while we incur dual-running costs, resulting in circa £5 million of ongoing additional costs thereafter. These costs include the depreciation impact of the fit out costs, and the associated ongoing lease costs in accordance with IFRS 16.

### Taxation

The effective tax rate ('ETR') on adjusted profit was 12% (H1 2018: 8%). 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 the utilisation of brought forward capital losses. The Group's ETR is 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.

The Group's IFRS income tax expense on continuing business was £70 million for the six months to 30 June 2019, compared to a credit of £81 million for the prior year. This income tax expense/(credit) can vary significantly period on period as a result of market volatility and the impact this has on policyholder tax. The recognition of the income received from policyholders (which is included within the Group's IFRS revenue) to fund the policyholder tax liability can vary in timing to the recognition of the corresponding policyholder tax expense, creating volatility to the Group's IFRS (loss)/profit before tax attributable to equity holders. An adjustment is made to Adjusted Profit to remove these distortions, as explained further on page 16 and in note 6(e) of the condensed consolidated financial statements.

### Earnings Per Share (EPS)

The Group's basic EPS (for continuing and discontinued operations) at H1 2019 is (0.9) pence, compared to 18.7 pence at H1 2018 and 26.6 pence at FY 2018. During the periods, the number of shares in issue has remained at 1,902 million. The shares in issue for the basic EPS calculation are 1,834 million, after the deduction of shares in Employee Benefit Trusts ('EBTs') of 68 million (H1 2018: 72 million; FY 2018: 70 million) which are held in respect of staff share schemes. Adjusted diluted EPS on continuing operations of 4.1 pence is line with H1 2018, also at 4.1 pence (FY 2018: 8.9 pence). The weighted average number of ordinary shares for the basis of the adjusted diluted EPS calculation is 1,852 million, which includes the dilutive effect of shares awarded and options granted awarded to employees under share-based payment arrangements of 18 million (H1 2018: nil: FY 2018: 7 million). Further details are included in note 8 of the condensed consolidated financial statements.

## Optimisation

As announced in March 2019, we have commenced our phased, multi-year optimisation programme, targeting a 4 percentage point uplift in the Group's operating margin by 2021.

Phase 1 of optimisation is aiming to unify and simplify the Group through a number of efficiency initiatives that should deliver improvements in operational performance. For the six months to 30 June 2019, the delivery and benefits are on track, with £11 million of savings realised from optimisation and other cost reduction initiatives during the period, when compared to 2018. Implementation costs remain in line with previous guidance.

We have focussed the first half of 2019 on the delivery of a number of quick win tactical efficiencies which have included targeted FTE restructuring, third party contract renegotiation and termination, and property and facilities savings. The initial simplification and unification of the group, mainly within the support functions, is taking place. We have initiated all the planned strategic programmes that will transform our business through the implementation of simplified and streamlined organisational structures, as well as technology enabled transformation.

For the remainder of 2019 we will continue to drive more tactical efficiencies within the business, and undertake further simplification of our support function capabilities.

## Reconciliation of adjusted profit before tax to IFRS profit

IFRS loss after tax from continuing operations was £(32) million for H1 2019, compared to a profit of £2 million in H1 2018. The table below reconciles the Group's adjusted profit to the IFRS results in H1 2019 and H1 2018.

| **Reconciliation of adjusted profit before tax to profit after tax** | **H1 2019** | | | H1 2018 | | | |
|---|---|---|---|---|---|---|---|
| **For the six months ended 30 June 2019 (£m)** | | **Discontinued operations** | | | Discontinued operations | | |
| | **Continuing Operations** | **Quilter Life Assurance** | **Total** | Continuing Operations | Quilter Life Assurance | Single Strategy business | Total |
| Advice and Wealth Management | **50** | **-** | **50** | 47 | - | 26 | 73 |
| Wealth Platforms | **56** | **26** | **82** | 56 | 27 | - | 83 |
| Head Office | **(17)** | **-** | **(17)** | (20) | - | - | (20) |
| **Adjusted profit before tax** | **89** | **26** | **115** | 83 | 27 | 26 | 136 |
| **Adjusted for the following:** | | | | | | | |
| Adjusting for the following: | | | | | | | |
| Goodwill impairment and impact of acquisition accounting | **(26)** | **-** | **(26)** | (28) | - | - | (28) |
| Profit on business disposals | **-** | **-** | **-** | - | - | 285 | 285 |
| Business transformation costs | **(35)** | **-** | **(35)** | (37) | - | - | (37) |
| Managed Separation costs | **(2)** | **-** | **(2)** | (17) | - | - | (17) |
| Finance costs | **(5)** | **-** | **(5)** | (8) | - | - | (8) |
| Policyholder tax adjustments | **(61)** | **(15)** | **(76)** | 7 | 8 | - | 15 |
| Voluntary customer remediation provision | **-** | **6** | **6** | - | - | - | - |
| **Total adjusting items before tax** | **(129)** | **(9)** | **(138)** | (83) | 8 | 285 | 210 |
| **(Loss)/profit before tax** | **(40)** | **17** | **(23)** | - | 35 | 311 | 346 |
| Tax attributable to policyholder returns | **78** | **59** | **137** | (3) | (15) | - | (18) |
| Income tax (expense)/credit | **(70)** | **(61)** | **(131)** | 5 | 10 | (1) | 14 |
| **(Loss)/profit after tax** | **(32)** | **15** | **(17)** | 2 | 30 | 310 | 342 |

Adjusted profit before tax 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 6 of the condensed consolidated financial statements and, in respect of tax, in note 7.

Business transformation costs of £35 million in H1 2019 (H1 2018: £37 million) include £30 million (H1 2018: £27 million) incurred on the UK Platform Transformation Programme and £5 million of costs in relation to the optimisation programme. In H1 2018, £10 million was provided for one-off costs associated with the separation of Quilter Investors as a result of the sale of the Single Strategy business. There is no equivalent charge for 2019.

Managed Separation costs were £2 million (H1 2018: £17 million), reflecting costs associated with our successful separation from Old Mutual plc and Listing in June 2018. Remaining future costs of Managed Separation of approximately £10 million, primarily in respect of rebrand and residual systems activity which are in line with previous cost guidance, are expected to principally be incurred in 2019.

Finance costs were £5 million (H1 2018: £8 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 £76 million for H1 2019 (H1 2018: £(15) million) relate to the removal of distortions arising from market volatility that can, in turn, lead to volatility in the policyholder tax charge between periods. The recognition of the income received from policyholders (which is included within the Group's IFRS revenue) to fund the policyholder tax liability can vary in timing to the recognition of the corresponding tax expense, creating volatility to the Group's IFRS (loss)/profit before tax attributable to equity holders.

### Cash generation

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

Cash generated from operations is calculated by removing non-cash generating items from adjusted profit after tax, such as deferrals required under IFRS to spread fee income and acquisition costs over the expected duration 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 achieved a cash generation rate of 93% of adjusted profit after tax over H1 2019 (FY 2018: 88%).

# Review of Financial Position

### Capital & Liquidity

### Solvency II

The Group Solvency II surplus, including Quilter Life Assurance, is £964 million at 30 June 2019 (31 December 2018: £1,059 million), representing a Solvency II ratio of 181% (31 December 2018: 190%) calculated under the standard formula. The Solvency II information for the six months to 30 June 2019 contained in this results disclosure has not been audited.

| Group regulatory capital (£m) | At 30 June 2019[1,2] | At 31 December 2018 |
|---|---|---|
| Own funds | 2,161 | 2,237 |
| Solvency capital requirement ('SCR') | 1,197 | 1,178 |
| Solvency II surplus | 964 | 1,059 |
| **Solvency II coverage ratio** | **181%** | **190%** |

[1]Based on preliminary estimates. Formal filing due to the PRA by 13 September 2019.

[2]Group own funds are stated after allowing for the impact of the interim dividend payment relating to H1 2019 of £31 million.

The 9 percentage point decrease in the Group Solvency II ratio is primarily due to corporate activity in the period, with the two main contributors being the acquisitions of Charles Derby Group and Lighthouse plc on 14 February and 12 June 2019, respectively. In both cases, the goodwill and intangibles assets arising on the acquisitions are not recognised on the Solvency II balance sheet, thereby reducing own funds. The Group Solvency II ratio is stated after allowing for the impact of the interim dividend payment to shareholders. Other impacts were largely offsetting.

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 internal target in the near term.

### Composition of qualifying Solvency II capital

The Group own funds for Solvency II purposes of £2,161 million reflect the resources of the underlying businesses after excluding the recommended interim dividend of £31 million. The Group own funds include the Quilter plc issued subordinated debt security which qualifies as capital under Solvency II. The composition of own funds by tier is presented in the table below.

| Group own funds (£m) | At 30 June 2019 | At 31 December 2018 |
|---|---|---|
| Tier 1[1] | 1,952 | 2,036 |
| Tier 2[2] | 209 | 201 |
| **Total Group Solvency II own funds** | **2,161** | **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 SCR is covered by Tier 1 capital, which represents 163% of the Group SCR of £1,197 million. Tier 1 capital represents 90% of Group Solvency II own funds. Tier 2 capital represents 10% of Group Solvency II own funds and 22% of the Group surplus.

### Dividend

The Board has declared an interim dividend for 2019 of 1.7 pence per share at a total cost of £31 million. The interim dividend will be paid on 20 September 2019 to shareholders on the UK and South African share registers on 30 August 2019. For shareholders on our South African share register an interim dividend of 30.24071 South African cents per share will be paid on 20 September 2019, using an exchange rate of 17.78865.

### 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 including policyholder movements.

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 for ongoing business requirements, are also included. It is an unaudited non-GAAP analysis and aims to give a more illustrative view of business cash flows as they relate to the Group’s holding companies compared to the IFRS consolidated statement of cash flows which is prepared in accordance with IAS 7 (statement of cash flows) and includes comingling of policyholder related flows.

| £m | H1 2019 | FY 2018 |
|---|---|---|
| **Opening cash at holding companies at 1 January** | **416** | **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) |
| Dividends | (61) | (221) |
| **Net capital movements** | **(61)** | **336** |
| Managed Separation and head office costs | (25) | (54) |
| Interest costs | (5) | (6) |
| **Net operational movements** | **(30)** | **(60)** |
| Cash remittances from subsidiaries | 175 | 167 |
| Net capital contributions and investments | (128) | (65) |
| Other | 2 | 2 |
| **Internal capital and strategic investments** | **49** | **104** |
| **Closing cash at holding companies at end of period** | **374** | **416** |

*Net capital movements*

Net capital movements in the period relate to the final dividend payment announced to the market at the time of the 2018 results. This final dividend payment for 2018 totalled £61 million and was paid on 20 May 2019.

*Net operational movements*

Net operational movements for the holding companies of the Group were £30 million for the period. This predominantly comprised £25 million of corporate and transformation costs, which includes costs for the Managed Separation and optimisation programmes. Interest paid of £5 million includes coupon payments on the Tier 2 bond and non-utilisation fees 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 £175 million, partially offset by capital contributions of £128 million to support business unit operational activities, the Platform Transformation Programme, and £82 million to fund the strategic acquisitions of Charles Derby Group and Lighthouse plc. The level of dividends paid to the holding companies is, where relevant, after funds have been set aside in those businesses for the UK Platform Transformation Programme and the voluntary client redress programme.

### Balance Sheet

| Summary balance sheet (£m) | At 30 June 2019 | | | At 31 December 2018 | | |
|---|---|---|---|---|---|---|
| | **Continuing Operations** | **Quilter Life Assurance** | **Total** | Continuing Operations | Quilter Life Assurance | Total |
| **Assets** | | | | | | |
| Financial investments | **56,422** | **9,704** | **66,126** | 49,533 | 9,686 | 59,219 |
| Reinsurers' share of policyholder liabilities | **-** | **2,087** | **2,087** | - | 2,162 | 2,162 |
| Contract costs/deferred acquisition costs | **477** | **55** | **532** | 498 | 64 | 562 |
| Cash and cash equivalents | **1,944** | **381** | **2,325** | 1,881 | 514 | 2,395 |
| Goodwill and intangible assets | **587** | **30** | **617** | 550 | - | 550 |
| Trade, other receivables and other assets | **1,346** | **51** | **1,397** | 456 | 30 | 486 |
| Other assets | **429** | **16** | **445** | 393 | 23 | 416 |
| **Total assets** | **61,205** | **12,324** | **73,529** | 53,311 | 12,479 | 65,790 |
| **Equity** | **1,598** | **336** | **1,934** | 1,623 | 382 | 2,005 |
| **Liabilities** | | | | | | |
| Investment contract liabilities | **50,286** | **11,040** | **61,326** | 45,211 | 11,239 | 56,450 |
| Third-party interests in consolidated funds | **6,972** | **-** | **6,972** | 5,116 | - | 5,116 |
| Contract liabilities/deferred revenue | **192** | **27** | **219** | 195 | 31 | 226 |
| Borrowings | **280** | **-** | **280** | 197 | - | 197 |
| Trade, other payables and other liabilities | **1,714** | **132** | **1,846** | 841 | 158 | 999 |
| Other liabilities | **163** | **789** | **952** | 128 | 669 | 797 |
| **Total liabilities** | **59,607** | **11,988** | **71,595** | 51,688 | 12,097 | 63,785 |
| **Total equity and liabilities** | **61,205** | **12,324** | **73,529** | 53,311 | 12,479 | 65,790 |

The Group balance sheet at 30 June 2019 has total equity of £1,934 million (FY 2018: £2,005 million). Financial investments have increased from £59,219 million to £66,126 million as at 30 June 2019 predominantly due to positive market performance. The corresponding increase is reflected in Investment contract liabilities.

Trade, other receivables and other assets have increased by £911 million to £1,397 million predominantly due to unsettled trades within Quilter Investors and Quilter Wealth Solutions compared to year end 2018. A higher level of unsettled trades is anticipated in June compared to December, and it is influenced by the timing of rebalancing activity that takes place within the Managed Portfolio Service ('MPS').

Other assets of £445 million include property plant and equipment which has increased by £29 million, of which there was a £70 million increase as a result of the implementation of IFRS 16, where a right of use asset has been created in respect of property offset by reductions in derivative assets (related to Consolidation of Funds ('CoF')) and Contract costs (as amortisation exceeds capitalisation).

Trade, other payables and other liabilities have increased by £847 million as at 30 June 2019 due to the impact of unsettled trades and MPS rebalancing, and the impact of the implementation of IFRS 16, where a lease liability of £82 million has been recognised. Third party interests in consolidated funds increased to £6,972 million from £5,116 million due to increases in funds consistent with market movements.

# Principal risks and uncertainties

The principal risks and uncertainties relevant to the Group are summarised below. Generally, global macroeconomic and geopolitical concerns (including, but not limited to, the forecast slow-down in global growth and the rising risk of trade wars) may adversely impact financial market levels, volatility and thus investor sentiment for wealth management services. As a UK based financial services firm, the implications and economic and political consequences of several scenarios under which the UK may leave the EU will influence the degree to which specific UK risks impact Quilter. A Group-wide Brexit programme continues to monitor these risks and has overseen a number of actions to ensure an advanced state of readiness to mitigate any implications to our business and customers. Most recently this has included the establishment of a regulated asset management subsidiary 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. This includes the risk of change in the business environment, such as a change in government resulting in a significant shift in policy that could impact on the strategy.
- **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.
- **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 impact to the Company's business plan objectives.
- **Insurance risks:** The risk of a reduction in Own Funds from unfavourable 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.
- **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.
- **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.

Overall governance structures are performing in line with the decision making framework. Strong reliance is placed on the structures and processes in place by the businesses' management and Boards. There is senior Quilter plc management representation on each of the main subsidiary Boards and the plc Board has joint meetings with the subsidiary Boards. In addition strategic, systemic and execution risks are considered by plc management and overseen by the plc Board. These structures and processes together with those in the businesses provide a solid base to support our business as we execute the strategy over the next few years. Further details on our principal risks can be found in the 2018 Annual Report.

# Shareholder Information

The Board has declared an interim dividend for 2019 of 1.7 pence per share. The interim dividend will be paid on Friday 20 September 2019 to shareholders on the UK and South African share registers on Friday 30 August 2019.

### Dividend Timetable

| | |
|---|---|
| Dividend announcement in pounds sterling with South Africa ZAR Equivalent | Monday 5 August 2019 |
| Last day to trade cum dividend in South Africa | Tuesday 27 August 2019 |
| Shares trade ex-dividend in South Africa | Wednesday 28 August 2019 |
| Shares trade ex-dividend in the UK | Thursday 29 August 2019 |
| Record Date in UK and South Africa | Friday 30 August 2019 |
| Payment date | Friday 20 September 2019 |

From the opening of trading on Monday 5 August 2019 until the close of business on Friday 30 August 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 28 and Friday 30 August 2019, both dates inclusive.

### Additional information

Shareholders who hold shares through the Johannesburg Stock Exchange will receive their dividend (treated as a dividend from a foreign source) in South African rand. For shareholders on our South African share register a dividend of 30.24071 cents per share will be paid on Friday 20 September 2019, using an exchange rate of 17.78865. Dividend Tax will be withheld at the rate of 20% from the amount of the gross dividend of 30.24071 South African cents per share paid to shareholders on the South African share register unless a shareholder qualifies for exemption. After the Dividend Tax has been withheld, the net dividend will be 24.19256 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

At our Annual General Meeting held in May 2019, shareholders authorised the Quilter Board to conduct an Odd-lot Offer at any time within 18 months of the meeting.

An Odd-lot Offer is a way of offering shareholders who hold fewer than 100 Ordinary shares an opportunity to sell their shares at a small premium to the market price. The Odd-lot Offer will reduce the complexity and cost to Quilter of managing our shareholder base and will allow investors holding fewer than 100 Ordinary 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.

We intend to send relevant documents to shareholders about the Odd-lot Offer in the second half of 2019.

# Supplementary Information

**For the year ended 31 December 2018**

**1. Key financial data**

| **Gross sales (£bn)** | **2019** | | | **Change (H1 2019 vs H1 2018)** | 2018 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Q1** | **Q2** | **H1** | **%** | Q1 | Q2 | Q3 | Q4 | FY |
| Quilter Investors | 1.0 | 1.0 | **2.0** | (35%) | 1.6 | 1.5 | 1.3 | 1.1 | **5.5** |
| Quilter Cheviot | 0.7 | 0.5 | **1.2** | (14%) | 0.8 | 0.6 | 0.5 | 0.6 | **2.5** |
| **Advice & Wealth Management** | **1.7** | **1.5** | **3.2** | **(29%)** | **2.4** | **2.1** | **1.8** | **1.7** | **8.0** |
| Quilter Wealth Solutions | 1.6 | 1.4 | **3.0** | (30%) | 2.3 | 2.0 | 1.8 | 1.6 | **7.7** |
| Quilter International | 0.4 | 0.4 | **0.8** | (11%) | 0.5 | 0.4 | 0.4 | 0.5 | **1.8** |
| Quilter Life Assurance | 0.1 | 0.1 | **0.2** | (33%) | 0.2 | 0.1 | 0.1 | 0.2 | **0.6** |
| **Wealth Platforms** | **2.1** | **1.9** | **4.0** | **(27%)** | **3.0** | **2.5** | **2.3** | **2.3** | **10.1** |
| **Elimination of intra-Group items** | (0.6) | (0.6) | **(1.2)** | **(37%)** | (1.0) | (0.9) | (0.7) | (0.8) | **(3.4)** |
| **Quilter plc** | **3.2** | **2.8** | **6.0** | **(26%)** | **4.4** | **3.7** | **3.4** | **3.2** | **14.7** |

| **NCCF (£bn)** | **2019** | | | **% of Opening AuMA** | 2018 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Q1** | **Q2** | **H1** | | Q1 | Q2 | Q3 | Q4 | FY |
| Quilter Investors | 0.2 | 0.2 | **0.4** | 4% | 1.0 | 0.8 | 0.5 | 0.5 | 2.8 |
| Quilter Cheviot | 0.1 | (0.5) | **(0.4)** | (4%) | 0.3 | 0.2 | 0.1 | 0.1 | 0.7 |
| **Advice & Wealth Management** | **0.3** | **(0.3)** | **-** | **-** | **1.3** | **1.0** | **0.6** | **0.6** | 3.5 |
| Quilter Wealth Solutions | 0.4 | 0.1 | **0.5** | 2% | 1.3 | 0.8 | 0.6 | 0.4 | 3.1 |
| Quilter International | 0.1 | - | **0.1** | 1% | 0.1 | - | - | 0.2 | 0.3 |
| Quilter Life Assurance | (0.8) | (0.4) | **(1.2)** | (20%) | (0.5) | (0.5) | (0.5) | (0.8) | (2.3) |
| **Wealth Platforms** | **(0.3)** | **(0.3)** | **(0.6)** | **(1%)** | **0.9** | **0.3** | **0.1** | **(0.2)** | 1.1 |
| **Elimination of intra-Group items** | **(0.2)** | **(0.1)** | **(0.3)** | | **(0.6)** | **(0.7)** | **(0.2)** | **(0.4)** | (1.9) |
| **Quilter plc** | **(0.2)** | **(0.7)** | **(0.9)** | **(2%)** | **1.6** | **0.6** | **0.5** | **-** | 2.7 |
| **Quilter plc (excl. Quilter Life Assurance)** | **0.5** | **(0.2)** | **0.3** | **1%** | **2.0** | **1.0** | **1.1** | **0.6** | 4.7 |
| **Integrated flows (excl. Quilter Life Assurance)** | **0.6** | **0.7** | **1.3** | | **1.5** | **1.3** | **0.9** | **1.0** | 4.7 |

| **AuMA (£bn)** | **2019** | | **Change (H1 2019 vs H1 2018)** | 2018 | | | |
|---|---|---|---|---|---|---|---|
| | **Q1** | **H1** | **%** | Q1 | H1 | Q3 | FY |
| Quilter Investors | 19.2 | **20.0** | 9% | 17.1 | 18.4 | 18.8 | 17.8 |
| Quilter Cheviot | 23.7 | **24.1** | - | 22.8 | 24.1 | 24.4 | 22.4 |
| Quilter Financial Planning | 1.1 | **1.0** | (17%) | 1.2 | 1.2 | 1.1 | 1.0 |
| **Advice & Wealth Management** | **44.0** | **45.1** | **3%** | 41.1 | 43.7 | 44.3 | 41.2 |
| Quilter Wealth Solutions | 53.1 | **55.3** | 6% | 49.7 | 52.3 | 53.4 | 49.9 |
| Quilter International | 19.2 | **20.1** | 5% | 18.6 | 19.2 | 19.6 | 18.4 |
| Quilter Life Assurance | 12.2 | **12.1** | (17%) | 14.4 | 14.5 | 14.0 | 12.4 |
| **Wealth Platforms** | **84.5** | **87.5** | **2%** | 82.7 | 86.0 | 87.0 | 80.7 |
| **Elimination of intra-Group assets** | **(13.6)** | **(14.2)** | **8%** | (12.2) | (13.2) | (13.2) | (12.6) |
| **Quilter plc** | **114.9** | **118.4** | **2%** | 111.6 | 116.5 | 118.1 | 109.3 |
| **Quilter plc (excl. Quilter Life Assurance)** | **105.2** | **108.7** | **4%** | 99.7 | 104.7 | 106.7 | 99.3 |

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

| | AuMA as at 31 December 2018 | Gross sales | Gross outflows | Net flows | Market and other movements | AuMA as at 30 June 2019 |
|---|---|---|---|---|---|---|
| Quilter Investors | 17.8 | 2.0 | (1.6) | 0.4 | 1.8 | 20.0 |
| Quilter Cheviot | 22.4 | 1.2 | (1.6) | (0.4) | 2.1 | 24.1 |
| Quilter Financial Planning | 1.0 | - | - | - | - | 1.0 |
| **Advice & Wealth Management** | **41.2** | **3.2** | **(3.2)** | **-** | **3.9** | **45.1** |
| Quilter Wealth Solutions | 49.9 | 3.0 | (2.5) | 0.5 | 4.9 | 55.3 |
| Quilter International | 18.4 | 0.8 | (0.7) | 0.1 | 1.6 | 20.1 |
| Quilter Life Assurance | 12.4 | 0.2 | (1.4) | (1.2) | 0.9 | 12.1 |
| **Wealth Platforms** | **80.7** | **4.0** | **(4.6)** | **(0.6)** | **7.4** | **87.5** |
| **Elimination of intra-group assets** | **(12.6)** | **(1.2)** | **0.9** | **(0.3)** | **(1.3)** | **(14.2)** |
| **Quilter plc** | **109.3** | **6.0** | **(6.9)** | **(0.9)** | **10.0** | **118.4** |

| | AuMA as at 31 December 2017 | Gross sales | Gross outflows | Net flows | Market and other movements | AuMA as at 30 June 2018 |
|---|---|---|---|---|---|---|
| Quilter Investors | 16.9 | 3.1 | (1.3) | 1.8 | (0.3) | 18.4 |
| Quilter Cheviot | 23.6 | 1.4 | (0.9) | 0.5 | - | 24.1 |
| Quilter Financial Planning | 1.2 | - | - | - | - | 1.2 |
| **Advice & Wealth Management** | 41.7 | 4.5 | (2.2) | 2.3 | (0.3) | 43.7 |
| Quilter Wealth Solutions | 50.2 | 4.3 | (2.2) | 2.1 | - | 52.3 |
| Quilter International | 19.3 | 0.9 | (0.8) | 0.1 | (0.2) | 19.2 |
| Quilter Life Assurance | 15.3 | 0.3 | (1.3) | (1.0) | 0.2 | 14.5 |
| **Wealth Platforms** | 84.8 | 5.5 | (4.3) | 1.2 | - | 86.0 |
| **Elimination of intra-group assets** | (12.1) | (1.9) | 0.6 | (1.3) | 0.2 | (13.2) |
| **Quilter plc** | 114.4 | 8.1 | (5.9) | 2.2 | (0.1) | 116.5 |

| **Estimated Asset Allocation (%)**<br>**Fund profile by Investment type** | **H1 2019**<br>**Total Client AuMA** | **FY 2018**<br>**Total Client AuMA** |
|---|---|---|
| **Quilter** | | |
| Fixed Interest | 25% | 25% |
| Equities | 65% | 65% |
| Cash | 5% | 5% |
| Property and Alternatives | 5% | 5% |
| **Total** | **100%** | **100%** |
| Retail | 98% | 97% |
| Institutional | 2% | 3% |
| **Total** | **100%** | **100%** |

| **Total Fee revenue (£m)**<br>**H1 2019** | 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 | 58 | 85 | 1 | **144** | 84 | 56 | 35 | **175** | **-** | **319** |
| Other revenue | 2 | 4 | 45 | **51** | 2 | 9 | 12 | **23** | 2 | **76** |
| **Total fee revenue** | **60** | **89** | **46** | **195** | **86** | **65** | **47** | **198** | **2** | **395** |

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

## 2. Advice and 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 | H1 2019 | H1 2018 | % change |
|---|---|---|---|
| **Quilter Financial Planning** | | | |
| Net management fee | 1 | 1 | - |
| Other revenue | 45 | 41 | 10% |
| **Total fee revenue** | **46** | 42 | 10% |
| RFPs (#) | 1,803 | 1,590 | 13% |
| Productivity (£m) | 1.0 | 1.8 | (44%) |
| **Quilter Investors** | | | |
| Net management fee | 58 | 49 | 18% |
| Other revenue | 2 | 1 | 100% |
| **Total fee revenue** | **60** | 50 | 20% |
| NCCF (£bn) | 0.4 | 1.8 | (78%) |
| Closing AuM (£bn) | 20.0 | 18.4 | 9% |
| Average AuM (£bn) | 19.1 | 17.5 | 9% |
| Revenue margin (bps) | 61 | 56 | 5 bps |
| Asset retention (%) | 82% | 85% | (3) pp |
| **Quilter Cheviot** | | | |
| Net management fee | 85 | 86 | (1%) |
| Other revenue | 4 | 3 | 33% |
| **Total fee revenue** | **89** | 89 | - |
| NCCF (£bn) | (0.4) | 0.5 | - |
| Closing AuM (£bn) | 24.1 | 24.1 | - |
| Average AuM (£bn) | 23.5 | 23.5 | - |
| Revenue margin (bps) | 73 | 73 | - |
| Asset retention (%) | 86% | 92% | (6) pp |
| Investment managers (#) | 163 | 168 | (3%) |

### 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 | H1 2019 | H1 2018 | % change |
|---|---|---|---|
| **Quilter Wealth Solutions** | | | |
| Net management fee | 84 | 83 | 1% |
| Other revenue | 2 | 2 | - |
| **Total fee revenue** | **86** | 85 | 1% |
| NCCF (£bn) | 0.5 | 2.1 | (76%) |
| Closing AuA (£bn) | 55.3 | 52.3 | 6% |
| Average AuA (£bn) | 52.9 | 50.9 | 4% |
| Revenue margin (bps) | 31 | 32 | (1) bp |
| Asset retention (%) | 90% | 91% | (1) pp |
| **Quilter International** | | | |
| Net management fee | 56 | 56 | - |
| Other revenue | 9 | 10 | (10%) |
| **Total fee revenue** | **65** | 66 | (2%) |
| NCCF (£bn) | 0.1 | 0.1 | - |
| Closing AuA (£bn) | 20.1 | 19.2 | 5% |
| Average AuA (£bn) | 19.2 | 19.0 | 1% |
| Revenue margin (bps) | 59 | 59 | - |
| Asset retention (%) | 92% | 92% | - |
| **Quilter Life Assurance** | | | |
| Net management fee | 35 | 44 | (20%) |
| Other revenue | 12 | 8 | 50% |
| **Total fee revenue** | **47** | **52** | (10%) |
| Expenses | **(21)** | (25) | (16%) |
| **Adjusted profit before tax** | **26** | 27 | (4%) |
| Operating margin % | 55% | 54% | 1 pp |
| NCCF (£bn) | (1.2) | (1.0) | (20%) |
| Closing AuA (£bn) | 12.1 | 14.5 | (17%) |
| Average AuA (£bn) | 12.2 | 14.5 | (16%) |
| Revenue margin (bps) | 63 | 63 | - |
| Asset retention incl. institutional life book (%) | 77% | 83% | (6) pp |

# Index to the condensed consolidated interim financial statements

For the six month period ended 30 June 2019

**Group Consolidated Financial Statements**



**Basis of Preparation and Significant Accounting Policies**



**Notes to the Consolidated Financial Statements**

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

For the six month period ended 30 June 2019

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

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

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

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

  b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the Group's 31 December 2018 annual report and accounts, that could do so.

As per provision C1 of the UK Corporate Governance Code, the results for the half year 2019 results taken as a whole, present a fair, balanced and understandable position of the Company's prospects.

**Paul Feeney**
Chief Executive Officer
4 August 2019

**Mark Satchel**
Chief Financial Officer
4 August 2019

# Independent review report to the members of Quilter plc

For the six month period ended 30 June 2019

**Conclusion**

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 which comprises the consolidated income statement and statement of comprehensive income, reconciliation of adjusted profit to profit after tax, consolidated statement of changes in equity, consolidated statement of financial position, the consolidated statement of cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules ('the DTR') of the UK's Financial Conduct Authority ('the UK FCA').

**Scope of review**

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

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

**The impact of uncertainties due to the UK exiting the European Union on our review**

Uncertainties related to the effects of Brexit are relevant to understanding our review of the condensed financial statements. Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. An interim review cannot be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

**Directors' responsibilities**

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

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

**Our responsibility**

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

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

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


**Jonathan Mills**
**for and on behalf of KPMG LLP**

Chartered Accountants
15 Canada Square
London
E14 5GL

4 August 2019

# Consolidated income statement

For the six month period ended 30 June 2019

| | Notes | **Six months 2019**[1] | Six months 2018 | Full year 2018 |
|---|---|---|---|---|
| | | | | **£m** |
| **Revenue** | | | | |
| Gross earned premiums | | **1** | 1 | 1 |
| Premiums ceded to reinsurers | | **(1)** | (1) | (1) |
| Net earned premiums | | **-** | - | - |
| Fee income and other income from service activities | 5(d) | **450** | 475 | 954 |
| Investment return | | **5,043** | 288 | (2,712) |
| Other income | | **21** | 9 | 35 |
| **Total revenue** | | **5,514** | 772 | (1,723) |
| **Expenses** | | | | |
| Insurance contract claims and changes in liabilities | | **-** | - | (1) |
| Change in investment contract liabilities | 17(b) | **(4,348)** | (190) | 2,499 |
| Fee and commission expenses, and other acquisition costs | | **(190)** | (209) | (398) |
| Change in third party interest in consolidated funds | | **(586)** | 3 | 369 |
| Other operating and administrative expenses | | **(344)** | (369) | (722) |
| Finance costs | | **(8)** | (10) | (16) |
| **Total expenses** | | **(5,476)** | (775) | 1,731 |
| **Profit/(loss) before tax from continuing operations** | | **38** | (3) | 8 |
| Tax (expense)/credit attributable to policyholder returns | | **(78)** | 3 | 61 |
| **(Loss)/profit before tax attributable to equity holders** | | **(40)** | - | 69 |
| Income tax (expense)/credit | 7(a) | **(70)** | 5 | 81 |
| Less: tax expense/(credit) attributable to policyholder returns | | **78** | (3) | (61) |
| Tax credit attributable to equity holders | | **8** | 2 | 20 |
| **(Loss)/profit after tax from continuing operations** | | **(32)** | 2 | 89 |
| Profit after tax from discontinued operations | 4(c) | **15** | 340 | 399 |
| **(Loss)/profit after tax** | | **(17)** | 342 | 488 |
| | | | | |
| Attributable to: | | | | |
| **Equity holders of Quilter plc** | | **(17)** | 342 | 488 |
| | | | | |
| **Earnings per ordinary share on profit attributable to ordinary shareholders of Quilter plc** | | | | |
| **Basic** | | | | |
| From continuing operations (pence) | 8(b) | **(1.7)** | 0.1 | 4.8 |
| From discontinued operations (pence) | 4(c) | **0.8** | 18.6 | 21.8 |
| **Basic earnings per ordinary share (pence)** | 8(b) | **(0.9)** | 18.7 | 26.6 |
| **Diluted** | | | | |
| From continuing operations (pence) | 8(b) | **(1.7)** | 0.1 | 4.8 |
| From discontinued operations (pence) | 4(c) | **0.8** | 18.6 | 21.7 |
| **Diluted earnings per ordinary share (pence)** | 8(b) | **(0.9)** | 18.7 | 26.5 |

[1]The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the time of initial application.

The attached notes on pages 37 to 74 form an integral part of these condensed consolidated interim financial statements.

# Consolidated statement of comprehensive income

For the six month period ended 30 June 2019

| | Note | **Six months 2019** £m | Six months 2018 £m | Full year 2018 £m |
|---|---|---|---|---|
| (Loss)/profit after tax | | **(17)** | 342 | 488 |
| Other comprehensive income: | | | | |
| Items that may be reclassified subsequently to income statement | | **-** | (1) | - |
| **Total comprehensive (expense)/income** | | **(17)** | 341 | 488 |
| | | | | |
| Attributable to: | | | | |
| Continuing operations | | **(32)** | 1 | 89 |
| Discontinued operations | 4(d) | **15** | 340 | 399 |
| **Equity holders of Quilter plc** | | **(17)** | 341 | 488 |

The attached notes on pages 37 to 74 form an integral part of these condensed consolidated interim financial statements.

# Reconciliation of adjusted profit to profit after tax

For the six month period ended 30 June 2019

| | | | | | | | | | | £m |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | **Six months 2019** | | | Six months 2018 | | | Full year 2018 | |
| | Notes | **Continuing operations** | **Discontinued operations[1]** | **Total** | Continuing operations | Discontinued operations[1] | Total | Continuing operations | Discontinued operations[1] | Total |
| Advice and Wealth Management | | **50** | **-** | **50** | 47 | 26 | 73 | 102 | 26 | 128 |
| Wealth Platforms | | **56** | **26** | **82** | 56 | 27 | 83 | 105 | 57 | 162 |
| Head Office | | **(17)** | **-** | **(17)** | (20) | - | (20) | (31) | - | (31) |
| **Adjusted profit before tax** | 5(b) | **89** | **26** | **115** | 83 | 53 | 136 | 176 | 83 | 259 |
| Adjusted for the following: | | | | | | | | | | |
| Goodwill impairment and impact of acquisition accounting | 6(a) | **(26)** | **-** | **(26)** | (28) | - | (28) | (50) | - | (50) |
| Profit on business disposals | 4(b) | **-** | **-** | **-** | - | 285 | 285 | - | 290 | 290 |
| Business transformation costs | 6(b) | **(35)** | **-** | **(35)** | (37) | - | (37) | (84) | - | (84) |
| Managed Separation costs | 6(c) | **(2)** | **-** | **(2)** | (17) | - | (17) | (24) | - | (24) |
| Finance costs | 6(d) | **(5)** | **-** | **(5)** | (8) | - | (8) | (13) | - | (13) |
| Policyholder tax adjustments | 6(e) | **(61)** | **(15)** | **(76)** | 7 | 8 | 15 | 64 | 37 | 101 |
| Voluntary customer remediation provision | 6(f) | **-** | **6** | **6** | - | - | - | - | - | - |
| **Total adjusting items before tax** | | **(129)** | **(9)** | **(138)** | (83) | 293 | 210 | (107) | 327 | 220 |
| **Profit/(Loss) before tax** | | **(40)** | **17** | **(23)** | - | 346 | 346 | 69 | 410 | 479 |
| Tax attributable to policyholder returns | | **78** | **59** | **137** | (3) | (15) | (18) | (61) | (97) | (158) |
| Income tax (expense)/credit | 7(b) | **(70)** | **(61)** | **(131)** | 5 | 9 | 14 | 81 | 86 | 167 |
| **Profit/(Loss) after tax** | | **(32)** | **15** | **(17)** | 2 | 340 | 342 | 89 | 399 | 488 |

## Adjusted earnings per share

| | Notes | **Continuing operations** | **Discontinued operations[1]** | **Total** | Continuing operations | Discontinued operations[1] | Total | Continuing operations | Discontinued operations[1] | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Adjusted profit before tax** | | **89** | **26** | **115** | 83 | 53 | 136 | 176 | 83 | 259 |
| Shareholder tax on adjusted profit | 7(c) | **(13)** | **-** | **(13)** | (9) | (6) | (15) | (13) | 2 | (11) |
| **Adjusted profit after tax** | 8(b) | **76** | **26** | **102** | 74 | 47 | 121 | 163 | 85 | 248 |
| Basic weighted average number of ordinary shares (millions) | 8(a) | | | **1,834** | | | 1,830 | | | 1,832 |
| **Adjusted basic earnings per share (pence)** | 8(b) | **4.1** | **1.5** | **5.6** | 4.0 | 2.6 | 6.6 | 8.9 | 4.6 | 13.5 |
| Diluted weighted average number of ordinary shares (millions) | 8(a) | | | **1,852** | | | 1,830 | | | 1,839 |
| **Adjusted diluted earnings per share (pence)** | 8(b) | **4.1** | **1.4** | **5.5** | 4.0 | 2.6 | 6.6 | 8.9 | 4.6 | 13.5 |

[1]Discontinued operations for the six months and full year 2018 includes the results of Quilter Life Assurance ('QLA') and the Single Strategy business. Six months 2019 is QLA only. A breakdown of these businesses is included in the 'Review of Financial Performance'. For further details of the Group's segmentation see note 5.

## 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 6.

Adjusted profit excludes significant costs or income that are non-operating or one-off in nature, which includes but is not limited to: the impact of acquisition accounting and any impairment of goodwill; any profit or loss on business acquisitions and disposals; costs related to business transformation; and interest costs on external borrowings. 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. Full details of the Group's adjusting items are described in note 6.

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 Board 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.

The attached notes on pages 37 to 74 form an integral part of these condensed consolidated interim financial statements.

# Consolidated statement of changes in equity

For the six month period ended 30 June 2019

| 30 June 2019 | Notes | Share capital | Share premium | Merger reserve | Share-based payments reserve | Other reserves | Retained earnings | Total share-holders' equity |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | £m |
| **Shareholders' equity at beginning of the period** | | **133** | **58** | **588** | **34** | **1** | **1,191** | **2,005** |
| Adjustment on initial application of IFRS 16 (net of tax)[1] | | **-** | **-** | **-** | **-** | **-** | **(5)** | **(5)** |
| **Balance at 1 January 2019** | | **133** | **58** | **588** | **34** | **1** | **1,186** | **2,000** |
| (Loss) for the period | | **-** | **-** | **-** | **-** | **-** | **(17)** | **(17)** |
| **Total comprehensive (expense)** | | **-** | **-** | **-** | **-** | **-** | **(17)** | **(17)** |
| Dividends | 9 | **-** | **-** | **-** | **-** | **-** | **(61)** | **(61)** |
| Movement in treasury shares | | **-** | **-** | **-** | **-** | **-** | **(1)** | **(1)** |
| Equity share-based payment transactions[2] | 16 | **-** | **-** | **-** | **5** | **-** | **8** | **13** |
| **Total transactions with the owners of the Company** | | **-** | **-** | **-** | **5** | **-** | **(54)** | **(49)** |
| **Balance at 30 June 2019** | | **133** | **58** | **588** | **39** | **1** | **1,115** | **1,934** |

| 30 June 2018 | Notes | Share capital | Share premium | Merger reserve | Share-based payments reserve | Other reserves | Retained earnings | Total share-holders' equity |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2018** | | 130 | 58 | - | 38 | 1 | 872 | 1,099 |
| Profit for the period | | - | - | - | - | - | 342 | 342 |
| Other comprehensive income/(expense) | | - | - | - | 1 | - | (2) | (1) |
| **Total comprehensive income** | | - | - | - | 1 | - | 340 | 341 |
| Acquisition of entities due to managed separation restructure[3] | | - | - | 591 | - | - | - | 591 |
| Issue of share capital | | 3 | - | (3) | - | - | - | - |
| Movement in treasury shares | | - | - | - | - | - | 1 | 1 |
| Equity share-based payment transactions[2] | 16 | - | - | - | (2) | - | 30 | 28 |
| Change in participation in subsidiaries | | - | - | - | (12) | - | 12 | - |
| **Total transactions with the owners of the Company** | | 3 | - | 588 | (14) | - | 43 | 620 |
| **Balance at 30 June 2018** | | 133 | 58 | 588 | 25 | 1 | 1,255 | 2,060 |

| 31 December 2018 | Notes | Share capital | Share premium | Merger reserve | Share-based payments reserve | Other reserves | Retained earnings | Total share-holders' equity |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2018** | | 130 | 58 | - | 38 | 1 | 872 | 1,099 |
| Profit for the period | | - | - | - | - | - | 488 | 488 |
| **Total comprehensive income** | | - | - | - | - | - | 488 | 488 |
| Dividends | 9 | - | - | - | - | - | (221) | (221) |
| Acquisition of entities due to managed separation restructure[3] | | - | - | 591 | - | - | - | 591 |
| Issue of share capital | | 3 | - | (3) | - | - | - | - |
| Movement in treasury shares | | - | - | - | - | - | 5 | 5 |
| Equity share-based payment transactions[2] | 16 | - | - | - | 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]The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the time of initial application.

[2]Equity-settled share-based payment transactions includes £13 million of IFRS 2 costs (June 2018: £13 million; December 2018: £27 million) and an £8 million transfer to retained earnings representing share-based payment schemes that have fully vested (June 2018: £30 million; December 2018: £35 million). June and December 2018 also include £15 million previously recognised within liabilities transferred to equity, including cash awards that were converted to equity-settled awards.

[3]Acquisition of Skandia UK Ltd group of entities from Old Mutual plc, comprising of seven 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. Further details of this transaction are included within the Group's 2018 Annual Report and Accounts ('ARA').

The attached notes on pages 37 to 74 form an integral part of these condensed consolidated interim financial statements.

# Consolidated statement of financial position

At 30 June 2019

| | Notes | 30 June 2019[1] £m | 30 June 2018 £m | 31 December 2018 £m |
|---|---|---|---|---|
| **Assets** | | | | |
| Goodwill and intangible assets | 10 | **587** | 566 | 550 |
| Property, plant and equipment[2] | 11 | **89** | 17 | 17 |
| Investments in associated undertakings | | **2** | 1 | 2 |
| Deferred acquisition costs | | **-** | 12 | 11 |
| Contract costs | | **477** | 575 | 551 |
| Contract assets | | **45** | 45 | 44 |
| Loans and advances | | **220** | 219 | 222 |
| Financial investments | 12 | **56,423** | 64,569 | 59,219 |
| Reinsurers' share of policyholder liabilities | 17 | **-** | 2,666 | 2,162 |
| Deferred tax assets | | **32** | 19 | 38 |
| Current tax receivable | | **16** | 3 | 47 |
| Trade, other receivables and other assets | | **1,353** | 1,437 | 486 |
| Derivative assets | | **24** | 33 | 46 |
| Cash and cash equivalents | 15 | **1,944** | 3,375 | 2,395 |
| Assets of operations classified as held for sale | 4(f) | **12,317** | - | - |
| **Total assets** | | **73,529** | 73,537 | 65,790 |
| **Equity and liabilities** | | | | |
| **Equity** | | | | |
| Ordinary share capital | | **133** | 133 | 133 |
| Ordinary share premium reserve | | **58** | 58 | 58 |
| Merger reserve | | **588** | 588 | 588 |
| Share-based payments reserve | | **39** | 25 | 34 |
| Other reserves | | **1** | 1 | 1 |
| Retained earnings | | **1,115** | 1,255 | 1,191 |
| **Total equity** | | **1,934** | 2,060 | 2,005 |
| **Liabilities** | | | | |
| Long-term business insurance policyholder liabilities | 17 | **-** | 513 | 602 |
| Investment contract liabilities | 17 | **50,286** | 60,140 | 56,450 |
| Third-party interests in consolidated funds | | **6,972** | 8,105 | 5,116 |
| Provisions | 18 | **45** | 115 | 94 |
| Deferred tax liabilities | | **91** | 164 | 59 |
| Current tax payable | | **4** | 12 | 5 |
| Borrowings and lease liabilities[2] | | **280** | 197 | 197 |
| Trade, other payables and other liabilities | | **1,720** | 1,937 | 999 |
| Contract liabilities | | **192** | 235 | 226 |
| Derivative liabilities | | **24** | 59 | 37 |
| Liabilities of operations classified as held for sale | 4(f) | **11,981** | - | - |
| **Total liabilities** | | **71,595** | 71,477 | 63,785 |
| **Total equity and liabilities** | | **73,529** | 73,537 | 65,790 |

[1]The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the time of initial application.
[2]Following the adoption of IFRS 16, the Group has presented right-of-use assets within Property, plant and equipment and lease liabilities within Borrowings and lease liabilities.

Approved by the Board on 4 August 2019.

**Paul Feeney**
Chief Executive Officer

**Mark Satchel**
Chief Financial Officer

The attached notes on pages 37 to 74 form an integral part of these condensed consolidated interim financial statements.

# Consolidated statement of cash flows

For the six month period ended 30 June 2019

The cash flows presented in this statement cover all the Group's activities (continuing and discontinued operations and cash that is held for sale) and include flows from both policyholder and shareholder activities. All cash and cash equivalents are available for use by the Group except for cash and cash equivalents in consolidated funds.

| | Notes | **Six months 2019** | Six months 2018[2] | Full year 2018 |
|---|---|---|---|---|
| | | | | £m |
| **Cash flows from operating activities** | | | | |
| Profit before tax from continuing operations | | **38** | 17 | 5 |
| Profit before tax from discontinued operations | 4(c) | **76** | 311 | 316 |
| Non-cash movements in profit before tax | | **(647)** | 637 | 584 |
| Net changes in working capital | | **(92)** | (603) | (669) |
| Taxation paid | | **(10)** | (70) | (92) |
| **Total net cash flows (used in)/from operating activities** | | **(635)** | 292 | 144 |
| **Cash flows from investing activities** | | | | |
| Net disposals/(acquisitions) of financial investments | | **707** | 227 | (366) |
| Acquisition of property, plant and equipment | | **(4)** | (2) | (7) |
| Acquisition of intangible assets | | **(4)** | (2) | (4) |
| Acquisition of interests in subsidiaries | | **(69)** | (2) | (5) |
| Cash added from acquisitions of subsidiaries | | **8** | 25 | 25 |
| Net proceeds from the disposal of interests in subsidiaries | | - | 350 | 350 |
| **Total net cash from/(used in) investing activities** | | **638** | 596 | (7) |
| **Cash flows from financing activities** | | | | |
| Dividends paid to ordinary equity holders of the Company | | **(61)** | - | (221) |
| Finance costs on external borrowings | | **(5)** | (3) | (8) |
| Payment of lease liabilities[1] | | **(8)** | - | - |
| Proceeds from issue of subordinated and other debt | | - | 497 | 497 |
| Subordinated and other debt repaid | | - | (516) | (516) |
| **Total net cash used in financing activities** | | **(74)** | (22) | (248) |
| Net increase in cash and cash equivalents | | **(71)** | 866 | (111) |
| Cash and cash equivalents at beginning of the year | | **2,395** | 2,507 | 2,507 |
| Effects of exchange rate changes on cash and cash equivalents | | **1** | 2 | (1) |
| **Cash and cash equivalents at end of the period** | 15 | **2,325** | 3,375 | 2,395 |

[1]The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the time of initial application.
[2]A number of items within the six months 2018 comparatives have been reclassified to align with the presentation within the six months 2019 and full year 2018 cash flow statement. There was no impact on cash and cash equivalents resulting from these reclassifications.

The attached notes on pages 37 to 74 form an integral part of these condensed consolidated financial statements.

# Basis of preparation and significant accounting policies

For the six month period ended 30 June 2019

## 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, 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.

## 1: Basis of preparation

The results for the six months ended 30 June 2019 have been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board, as adopted by the European Union ('EU'), and are unaudited but have been reviewed by the Auditor, KPMG LLP. These condensed consolidated interim financial statements ('interim financial statements') of Quilter plc for the six months ended 30 June 2019 do not constitute statutory accounts as defined by section 434 of the Companies Act 2006. Comparative financial information for full year 2018 have been taken from the Group's 2018 Annual Report and Accounts ('ARA'), which has been filed with the Registrar of Companies and was prepared in accordance with IFRS, as endorsed by the EU. KPMG provided an unqualified report that did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

These interim financial statements do not include all of the information required for a complete set of International Financial Reporting Standards ('IFRS') compliant financial statements. Selected notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the publication of the Group's 2018 ARA. The Board believes that the Alternative Performance Measures ('APMs') provided, such as adjusted profit, are also useful for both management and investors. Any seasonal or cyclical factors, to the extent that they materially impact the Group's results, are described in the Financial Review.

This is the first set of the Group's financial statements where IFRS 16 *Leases* and IFRIC 23 *Uncertainty over Income Tax Treatments* have been applied. Any changes in significant accounting policies to reflect these new standards are explained in note 3. All other accounting policies for recognition, measurement, consolidation and presentation are as outlined in the Group's 2018 ARA. These interim financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial instruments (see note 14 for further details), and are presented in pounds sterling, which is the currency of the primary economic environment in which the Group operates.

## Going concern

The Directors have considered the resilience of the Group, taking into account its current financial position, the principal risks facing the business and the effectiveness of any mitigating strategies. As a result, the Directors believe that the Group is well placed to manage its business risks in the context of the current economic outlook and has sufficient financial resources to continue in business for a period of at least 12 months from the date of approval of these interim financial statements. Therefore, the Group continues to adopt the going concern basis in preparing the interim financial statements.

## Critical accounting estimates and judgements

In preparing these interim financial statements, management has made estimates and judgements that affect the amounts of assets and liabilities, income and expense reported, as well as the application of the Group's accounting policies. The critical areas of accounting estimates and judgements are the same as those disclosed in the 2018 ARA, with the exception of new judgements and key sources of estimation uncertainty introduced through applying IFRS 16 for the first time, which are explained in more detail in note 3, and updated estimations applied to the measurement of the voluntary customer remediation provision as the programme has progressed, detailed in note 18: Provisions.

During the period, the Group has exercised its judgement in line with IFRS 5 *Non-current Assets Held for Sale* and Discontinued Operations and has recognised the Quilter Life Assurance ('QLA') business as a discontinued operation, restating comparatives accordingly. QLA represents a separate major line of business, representing the Group's closed book of legacy business and comprising 16% of the Group's total assets at June 2019.

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

The Group adopted IFRS 16 *Leases* for the first time in 2019. The Group has applied the simplified transition approach and will not restate comparative amounts for the period prior to first adoption. The impact of adopting this new standard is outlined in note 3.

The Group adopted IFRIC 23 *Uncertainty over Income Tax Treatments* for the accounting period beginning on 1 January 2019. This interpretation sets out how to determine taxable profits/losses, tax bases, unused tax losses, unused tax credits and tax rates (collectively referred to as the 'accounting tax position') where there is uncertainty over treatment. All tax provisions for the Group continue to be calculated consistent with IAS 12 *Income taxes* and provisions in respect of any uncertain tax positions have been calculated consistent with IFRIC 23. No adjustments to tax balances have resulted from the adoption of IFRIC 23.

Other standards

In addition to IFRS 16 and IFRIC 23 there have been a number of amendments to the accounting standards issued by the IASB and endorsed by the EU that became mandatory during 2019. The Group has evaluated these changes and none have a significant impact on the interim financial statements.

## 3: Significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's 2018 ARA.

In disclosing the QLA business within discontinued operations as explained in note 1, operating and administration expenses shown within discontinued operations represent the costs recorded within the accounts of those discontinued businesses in the relevant periods as recorded in the Group's results, and have not been adjusted or restated. See note 4(c) for further information.

## Changes in significant accounting policies

The changes in accounting policies outlined below are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2019.

### IFRS 16 *Leases*

As outlined in note 2 above, the Group has adopted IFRS 16 *Leases* from 1 January 2019.

### 3: Significant accounting policies *continued*

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess where a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset which may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset.

On transition to IFRS 16, the Group elected to apply the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics;
- not recognise right-of-use assets and lease liabilities for contracts with a term of 12 months or less, or leases for low value items;
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease; and
- not reassess contracts originally deemed to not be a lease contract under IAS 17 *Leases* and IFRIC 4 *Determining whether an arrangement contains a lease*.

For lessee contracts, the right-of-use asset is initially measured at cost, which comprises the initial amount of lease liability, adjusted for any lease payments made at or before the commencement date, and any initial direct costs incurred. Adjustments are also made, where appropriate, for dilapidation requirements and lease incentives received such as rent free periods. The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the Group’s incremental borrowing rate.

Subsequent to lease commencement, the Group measures the right-of-use asset using a cost model, whereby the asset is held at cost less accumulated depreciation and any accumulated impairment. Depreciation is charged to the income statement on a straight line basis to write down the cost of the right-of-use asset to its residual value over its estimated useful life which is dependent on the length of the lease. In addition, the carrying amount of the right-of-use asset may be adjusted for certain remeasurements of the lease liability. The lease liability is subsequently measured at amortised cost using the effective interest method and also reflects any lease modifications or reassessments.

The Group presents its right-of-use assets within ‘Property, plant and equipment’ and lease liabilities within ‘Borrowings and lease liabilities’ in the statement of financial position. The Group does not have any right-of-use assets that would meet the definition of investment property.

The Group currently has material lease commitments of varying durations for the rental of numerous office buildings. The future lease cash outflows within the Group are not exposed to variable lease payments, low value or short term leases, residual value guarantees, restrictions or covenants imposed by a lease contract or sale and leaseback transactions.

In the period prior to the adoption of IFRS 16, leases were accounted for under IAS 17 and classified as operating leases. Payments associated with operating leases were recognised in the income statement on a straight line basis over the term of the lease and not disclosed in the Group’s statement of financial position.

*Impacts on transition*

On transition, the Group recognised right-of-use assets and lease liabilities, recognising the difference in retained earnings, with no impact to the income statement. Also on transition, rent free period equalisation and dilapidation provisions are included in the right-of-use assets and lease liabilities. Prior to IFRS 16, these provisions were recorded as separate items on the statement of financial position and so, on transition to IFRS 16, these provisions have been removed. The impact on transition is summarised below:

| | £m |
|---|---|
| Right-of-use assets presented in Property, plant and equipment | 74 |
| Lease liabilities presented in Borrowings and lease liabilities | (88) |
| Rent free equalisation and dilapidation provision adjustment | 8 |
| Deferred tax adjustment | 1 |
| **Adjustment to opening retained earnings** | **(5)** |

When measuring the lease liabilities, the Group discounted the lease payments using its incremental borrowing rate at 1 January 2019 which ranged from 1.7% to 3.7%. The Group’s operating lease commitments where the Group is the lessee at 31 December 2018 were valued at £98 million under IAS 17. Upon adoption of IFRS 16 on 1 January 2019, this was recalculated to £88 million using the incremental borrowing rates above. The simplified transition approach creates deferred tax implications, so as the corporation tax deduction is spread over the length of the remaining leases, the deferred tax is unwound over the same period.

**3: Significant accounting policies** *continued*

*Impacts for the period*

In subsequent periods, the Group recognises depreciation charges on right-of-use assets and finance interest charges on lease liabilities in the income statement and, over the term of lease contracts, there is expected to be a broadly neutral impact to the income statement as the aggregate depreciation charges and finance interest charges replace office lease rental payments.

For the six months ended 30 June 2019 the Group recognised the following:

| | £m |
|---|---|
| Right-of-use assets presented in property, plant and equipment at 1 January 2019 | 74 |
| Acquisitions through business combinations | 2 |
| Depreciation charge for right-of-use assets for the period | (6) |
| **Right-of-use assets presented in property, plant and equipment at 30 June 2019** | **70** |
| | |
| Lease liability at 1 January 2019 | 88 |
| Finance interest charge for the period | 1 |
| Lease liability reduction for the period | (7) |
| **Lease liability at 30 June 2019** | **82** |
| | |
| Lease liability to be settled within 12 months | 13 |
| Lease liability to be settled after 12 months | 69 |
| **Lease liability at 30 June 2019** | **82** |

### 4: Acquisitions, discontinued operations and disposal groups held for sale

This note provides details of the Group's acquisitions and disposals of subsidiaries during the financial periods covered by these interim financial statements, together with details of any businesses held for sale during the six months ended 30 June 2019.

#### 4(a) Business acquisitions

**Business acquisitions completed during the period ended 30 June 2019**

*Charles Derby Group Limited acquisition:*

On 14 February 2019, the Group acquired the Charles Derby Group ('CDG') of companies. CDG is a financial planning business based in the United Kingdom. The acquisition complements the growth of Quilter Private Client Advisers which serves upper affluent and high net worth customers. CDG has over 200 restricted advisers (as at 31 December 2018), and represents the next stage of Quilter's ambition to broaden out its national advice business.

Prior to acquisition, the Group had previously invested £2 million for a 10% stake in CDG. At December 2018, the business was valued at £34 million, resulting in a fair value gain of £1 million being recognised, representing the increase in the value on the 10% share in the business.

Immediately prior to acquisition, CDG undertook a share issue to other shareholders, which diluted the Group's stake to 6%, with a fair value of £2 million. The resulting fair value loss of £1 million (reducing the carrying value from £3 million to £2 million) has been recognised by the Group in other operating and administrative expenses in the consolidated income statement in 2019. On acquisition, the Group acquired the remaining share capital and associated voting rights.

The table below sets out the consolidated assets and liabilities acquired:

| | | £m |
|---|---|---|
| | Acquiree's carrying amount | Fair value |
| **Assets** | | |
| Intangible assets | 1 | 14 |
| Loans and advances | 1 | 1 |
| Cash and cash equivalents | 1 | 1 |
| Trade, other receivables and other assets | 2 | 2 |
| **Total assets** | **5** | **18** |
| **Liabilities** | | |
| Deferred tax liabilities | - | (2) |
| Trade, other payables and other liabilities | (9) | (9) |
| **Total liabilities** | **(9)** | **(11)** |
| **Total net (liabilities)/assets acquired** | **(4)** | **7** |
| **Total cash consideration** | | **31** |
| **Goodwill recognised** | | **24** |

After an initial cash payment of £15 million at acquisition, a further payment of £5 million was made on 1 April 2019. Further contingent payments based on a percentage of the level of assets under administration at 2020 and 2022 are expected to be made. Management's best estimate of the net present value of these payments total £9 million. These amounts exclude the £2 million value of the 6% stake already held.

The purchase price has been allocated based on a provisional estimate of the fair value of assets acquired and liabilities assumed at the date of acquisition determined in accordance to IFRS 3 *Business Combinations*. The provisional allocation required significant use of assumptions regarding cash flows, profit margin and discount, attrition and growth rates. It is possible that the preliminary estimates may change as the purchase price allocations are finalised. The accounting must be finalised within 12 months of the acquisition date.

Based on the purchase price of £31 million and the fair value of net liabilities acquired of £5 million, the value of goodwill and intangible assets is £36 million. Intangible assets representing the value of customer advice contracts have been valued £14 million, less an associated deferred tax liability of £2 million, with an estimated useful life of 8 years over which the intangible and the associated tax provision will be amortised on a straight line basis. The balance of £24 million is recognised as goodwill in the statement of financial position.

The goodwill recognised is not expected to be deductible for tax purposes, and represents:
- Net client cash flow, and fee earning productivity of the acquired advisers
- Quality and experience of the existing executive team
- Creation of scale and increased service range to the National channel proposition
- Ability to generate growth in Registered Financial Planners and client numbers

The carrying value of tangible assets and liabilities in CDG's consolidated statement of financial position on acquisition date approximates the fair value of these items determined by the Group.

As part of the acquisition of CDG, a Long Term Incentive Plan scheme was set up with a maximum value of up to £10 million worth of shares. Vesting of awards is up to 50% after three years (31 December 2021), 25% after 4 years, and 25% after 5 years.

The fair value at grant date was £1.39 per share, with an estimated fair value of £7 million. The cost of the awards is expected to be £2 million per annum across years 1 – 3 and £1 million in year 4.

Transaction costs of £1 million relating to the acquisition have been recognised within other operating expenses in the Group's consolidated income statement. These costs are not included within adjusted profit.

### 4(a) Business acquisitions continued

No contingent liabilities have been acquired.

The post-acquisition results from the business have been consolidated since the date of acquisition, contributing £1 million of revenue and a loss of £2 million to the Group's consolidated loss after tax.

*Lighthouse Group plc acquisition:*

On 3 April 2019, the Group made a cash offer to acquire the entire share capital (and associated voting rights) of Lighthouse Group plc ('Lighthouse'), and the acquisition completed on 12 June 2019. This acquisition helps to position Quilter as the best place for trusted financial advice in the UK, bringing together Quilter's strengths in its new platform with Lighthouse's strength in its customer relationships and partnerships, covering more than 6 million affluent and mass affluent customers in the UK.

The 18 days post acquisition revenue and profits of Lighthouse are immaterial to the Group for the period and have not been consolidated into the Group results in the period ended 30 June 2019.

There were 139,864,270 shares in issue for which the offer was 33 pence per share, valuing the business at £46 million.

The Group held 3.99% of the issued share capital of Lighthouse prior to acquisition. This holding was valued at £2 million, based on the 33 pence per share offer.

The purchase price has been allocated based on a provisional estimate of the fair value of assets acquired and liabilities assumed at the date of acquisition determined in accordance to IFRS 3 *Business Combinations*. The provisional allocation required significant use of assumptions regarding cash flows, profit margin and discount, attrition and growth rates. It is possible that the preliminary estimates may change as the purchase price allocations are finalised. The accounting must be finalised within 12 months of the acquisition date.

Based on the purchase price of £46 million and fair value of net tangible assets acquired of £6 million, the value of goodwill and intangible assets is £40 million. Intangible assets representing the value of customer advice contracts have been valued at £15 million (£18 million gross, less an associated deferred tax liability of £(3) million), with an estimated useful life of 8 years over which the intangible and associated tax provision will be amortised on a straight line basis. The balance of £25 million is recognised as goodwill in the Group's statement of financial position.

The goodwill recognised is not expected to be deductible for tax purposes, and represents:

- Synergies arising from the alignment of the advisers into a restricted model
- Generation of additional net client cash flows into the integrated solutions offered through the wider Quilter Group
- Cost saving synergies arising through de-listing the business and integrating with Quilter Financial Planning

Expected transaction costs of £3 million relating to the acquisition will be recognised within other operating expenses in the Group's consolidated income statement, but not included within adjusted profit.

No contingent liabilities have been acquired.

The table below sets out the consolidated assets and liabilities acquired:

| | | £m |
|---|---|---|
| | Acquiree's carrying amount | Fair value |
| **Assets** | | |
| Intangible assets | 5 | 18 |
| Property, plant and equipment | 2 | 2 |
| Investments and securities | 1 | 1 |
| Cash and cash equivalents | 7 | 7 |
| Trade, other receivables and other assets | 7 | 7 |
| **Total assets** | **22** | **35** |
| **Liabilities** | | |
| Deferred tax liabilities | - | (3) |
| Trade, other payables and other liabilities | (11) | (11) |
| **Total Liabilities** | **(11)** | **(14)** |
| **Total net assets acquired** | **11** | **21** |
| **Total cash consideration** | | **46** |
| **Goodwill recognised** | | **25** |

*Acquisition of adviser businesses by Quilter Financial Planning ('QFP'))*

During the period, the Group has continued its expansion of the Quilter Private Client Advisers ('QPCA') business, with the acquisition of 4 adviser businesses. 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 £6 million, of which £2 million was cash consideration and up to £4 million in contingent consideration. The amount of contingent consideration, which is expected to be paid in full (discounted to net present value), is dependent upon meeting certain performance targets, generally relating to the value of funds under management and levels of on-going fee income. No tangible net assets were acquired in these purchases. Total intangible assets of £3 million in respect of customer relationships and goodwill of £3 million have been recognised as a result of the acquisitions.

*Impact of acquisitions on Group revenue and profit*

If the above acquisitions had occurred on 1 January 2019, management estimates that the Group's consolidated revenues would have been £5,520 million, and consolidated post-tax loss for the period would have been £(22) million.

# Notes to the condensed consolidated interim financial statements

For the six month period ended 30 June 2019

### 4(a) Business acquisitions *continued*

### 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.

*Acquisition of adviser businesses by Quilter Financial Planning (‘QFP’)*

During 2018 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 million with additional potential contingent consideration of £6 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. Goodwill of £5 million, other intangible assets of £7 million and a deferred tax liability of £1 million were recognised as a result of the transaction. The contingent consideration was capitalised in the calculation of goodwill recognised.

### 4(b) Business disposals

***Period ended 30 June 2019***

There have been no disposals during the period ended 30 June 2019.

***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 payable before 2022 as surplus capital associated with the separation from the Group is released in the business. The contingent 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 the Single Strategy business of £292 million.

**Profit on sale of operations**

| | | | **£m** |
|---|---|---|---|
| | Six months 2019 | Six months 2018 | Full year 2018 |
| | Single Strategy business | Single Strategy business | Single Strategy business and Old Mutual Wealth Italy adjustment |
| Consideration received[1] | - | 546 | 546 |
| Less: transaction costs on the sale of Single Strategy | - | (20) | (20) |
| Plus: release of accrued expenses in relation to OMW Italy S.p.A disposal | - | - | 2 |
| Net proceeds from sale | - | 526 | 528 |
| Carrying value of net assets disposed of | - | (241) | (238) |
| Profit on sale of operations before tax | - | 285 | 290 |
| Tax on disposals | - | 5 | 4 |
| **Profit on sale of operations after tax** | - | 290 | 294 |

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

### 4(c) Discontinued operations – income statement

For the six months ended 30 June 2019, discontinued operations consist solely of Quilter Life Assurance ('QLA'). For the six months ended 30 June 2018 and year ended 31 December 2018, the Group's discontinued operations included QLA and the Single Strategy business (previously part of Old Mutual Global Investors).

| | Note | **Six months 2019** | Six months 2018 | Full year 2018 |
|---|---|---|---|---|
| | | | | £m |
| **Revenue** | | | | |
| Gross earned premiums | | **76** | 74 | 147 |
| Premiums ceded to reinsurers | | **(43)** | (43) | (87) |
| Net earned premiums | | **33** | 31 | 60 |
| Fee income and other income from service activities | 5(d) | **45** | 191 | 242 |
| Investment return | | **1,054** | 5 | (771) |
| Other income | | **-** | 2 | 2 |
| **Total revenue** | | **1,132** | 229 | (467) |
| **Expenses** | | | | |
| Claims and benefits paid | | **(46)** | (45) | (86) |
| Reinsurance recoveries | | **33** | 29 | 60 |
| Net insurance claims and benefits incurred | | **(13)** | (16) | (26) |
| Change in reinsurance assets and liabilities | | **78** | 20 | 103 |
| Change in insurance contract liabilities | | **(91)** | (22) | (109) |
| Change in investment contract liabilities | 17(b) | **(991)** | (2) | 737 |
| Fee and commission expenses, and other acquisition costs | | **(23)** | (59) | (84) |
| Other operating and administrative expenses | | **(16)** | (104) | (130) |
| Finance costs | | **-** | - | (1) |
| **Total expenses** | | **(1,056)** | (183) | 490 |
| Profit on sale of operations before tax | 4(b) | **-** | 285 | 290 |
| **Profit before tax from discontinued operations** | | **76** | 331 | 313 |
| Tax (expense)/credit attributable to policyholder returns | | **(59)** | 15 | 97 |
| **Profit before tax attributable to equity holders** | | **17** | 346 | 410 |
| Income tax (expense)/credit | 7(a) | **(61)** | 9 | 86 |
| Less: tax expense/(credit) attributable to policyholder returns | | **59** | (15) | (97) |
| Tax (expense) attributable to equity holders | | **(2)** | (6) | (11) |
| **Profit after tax from discontinued operations** | | **15** | 340 | 399 |
| Attributable to: | | | | |
| **Equity holders of Quilter plc** | | **15** | 340 | 399 |
| **Earnings per ordinary share on profit attributable to ordinary shareholders of Quilter plc** | | | | |
| **Basic** - from discontinued operations (pence) | 8(b) | **0.8** | 18.6 | 21.8 |
| **Diluted** - from discontinued operations (pence) | 8(b) | **0.8** | 18.6 | 21.7 |

As explained in Note 3: Significant accounting policies, operating and administration expenses shown within discontinued operations represent costs recorded within the accounts of those discontinued businesses as recorded in the Group's results, stated without adjustment.

As a result of the disposal of the QLA business, a portion of the costs which have historically been charged to QLA from Group service entities will remain within the continuing operations of the Group. Whilst the Group will seek to minimise these costs through adjusting ongoing Group resource requirements, renegotiation of third party agreements and employing other commercial practices, a level of costs are expected to remain in the continuing operations of the Group over and above that experienced historically. This includes a share of Group central costs currently charged to QLA. Where appropriate and permitted by IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, these costs are expected to be recognised as onerous contracts and provisions established for those future costs on completion of the transaction.

The level of these costs, and the extent of onerous contract provisions to be established on disposal of the QLA business, is not yet clear. They will also be influenced in the 12-24 months post-completion of the transaction by the duration and extent of the transitional services agreement entered into with the acquirer, which will be agreed between signing and completion of the transaction. Accordingly, management will further consider the disclosure and classification of costs between continued and discontinued operations in the full year 2019 financial statements.

# Notes to the condensed consolidated interim financial statements

For the six month period ended 30 June 2019

### 4(d) Discontinued operations - Statement of comprehensive income

| | **Six months 2019** £m | Six months 2018 £m | Full year 2018 £m |
|---|---|---|---|
| Profit after tax from discontinued operations | **15** | 340 | 399 |
| Total other comprehensive income from discontinued operations, net of tax | **-** | - | - |
| **Total comprehensive income from discontinued operations** | **15** | 340 | 399 |

### 4(e) Discontinued operations - Net cash flows

| | **Six months 2019** £m | Six months 2018 £m | Full year 2018 £m |
|---|---|---|---|
| Total net cash flows from operating activities | **(1,424)** | (995) | (2,437) |
| Total net cash used in investing activities | **1,381** | 1,117 | 2,529 |
| Total net cash used in financing activities | **(90)** | (45) | (46) |
| **Net increase in cash and cash equivalents** | **(133)** | 77 | 46 |

### 4(f) Assets and liabilities held for sale

Assets and liabilities of operations classified as held for sale at 30 June 2019 relate to the Quilter Life Assurance ('QLA') business. The operation has been classified as held for sale at 30 June 2019 as a result of the Group's active programme at that date to locate a potential acquirer for this business. The Group has subsequently announced the disposal of this business, as detailed in note 22. QLA was previously reported within the Wealth Platforms segment but, as a result of being classified as held for sale and representing a separate major line of business, is now presented as a discontinued operation for all periods shown in these interim financial statements.

| | Note | **30 June 2019** £m | 30 June 2018 £m | 31 December 2018 £m |
|---|---|---|---|---|
| **Assets classified as held for sale** | | | | |
| Goodwill and intangible assets | 10 | **30** | - | - |
| Deferred acquisition costs | | **9** | - | - |
| Contract costs | | **46** | - | - |
| Financial investments | | **9,704** | - | - |
| Reinsurers' share of policyholder liabilities | 17 | **2,087** | - | - |
| Current tax receivable | | **16** | - | - |
| Trade, other receivables and other assets | | **44** | - | - |
| Cash and cash equivalents | 15 | **381** | - | - |
| **Total assets classified as held for sale** | | **12,317** | - | - |
| | | | | |
| **Liabilities classified as held for sale** | | | | |
| Long-term business insurance policyholder liabilities | 17 | **694** | - | - |
| Investment contract liabilities | 17 | **11,040** | - | - |
| Provisions | 18 | **20** | - | - |
| Deferred tax liabilities | | **72** | - | - |
| Current tax payable | | **3** | - | - |
| Trade, other payables and other liabilities | | **125** | - | - |
| Contract liabilities | | **27** | - | - |
| **Total liabilities classified as held for sale** | | **11,981** | - | - |
| **Net assets classified as held for sale** | | **336** | - | - |

## 5: Segmental information

### 5(a) Segmental presentation

The Group's operating segments comprise Advice and Wealth Management and Wealth Platforms, which is consistent with the way in which the Group is structured and managed. For all reporting periods, these segments have been classified as continuing operations in the income statement. Head Office includes certain revenues and central costs that are not allocated to the segments. There have been no changes to the basis of segmentation for the periods in these condensed consolidated interim financial statements.

Adjusted profit is a key Alternative Performance Measure ('APM') reported to the Group's management and Board. Management and the Board use additional APMs to assess the performance of each of the segments, including net client cash flows, assets under management and administration, 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. The Group accounts for inter-segment revenues and transfers as if the transactions were with third parties at current market prices. Intra-group recharges in respect of operating and administration expenses within businesses disclosed as discontinued operations are not adjusted for potential future changes to the level of those costs resulting from the disposal of those businesses.

The segmental information in this note reflects the adjusted and IFRS profit measures and the assets and liabilities for each operating segment as provided to management and the Board. Revenues are further segmented into the geographic location of our businesses in note 5(d).

#### Continuing operations:

#### Advice and Wealth Management

This segment comprises Quilter Investors, Quilter Cheviot and Quilter Financial Planning, which includes 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 the Group and third party clients. It has several fund ranges which vary in breadth of underlying asset class.

Quilter Cheviot 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 the 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. It operates 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 International.

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

Quilter 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.

#### Head office

In addition to the two operating segments, Head Office comprises the investment return on centrally held assets, central support function expenses, central core structural borrowings and certain tax balances in the segmental statement of financial position.

#### Discontinued operations:

Quilter Life Assurance ('QLA'), previously part of the Wealth Platforms operating segment, has been classified as a discontinued operation following the Group's strategic review. As set out in note 22, the Group has entered into an agreement, which is subject to obtaining the necessary regulatory approval, to sell the business. Quilter Life Assurance is predominantly a closed book of business, made up of legacy life insurance products, including protection and institutional pension products. For the year ended 31 December 2018, the Single Strategy Asset Management business (disposed of on 29 June 2018) is also included as discontinued operations. See Note 4(b) for further details on this disposal. The results of these two businesses, and the profit on disposal (including £2 million in respect of the disposal of Old Mutual Italy S.p.A, disposed of on 9 January 2017), have been presented as discontinued operations. Comparative amounts for the six months ended 30 June 2018 and the year ended 31 December 2018 have been restated accordingly. See note 3 and note 4(c) for further information.

# Notes to the condensed consolidated interim financial statements

For the six month period ended 30 June 2019

**5: Segmental information** *continued*

**5(b)(i): Adjusted profit statement - segmental information for the six month period ended 30 June 2019**

£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 6) | IFRS Income Statement |
| **Revenue** | | | | | | | | |
| Gross earned premiums | | - | 1 | - | **1** | - | - | **1** |
| Premiums ceded to reinsurers | | - | (1) | - | **(1)** | - | - | **(1)** |
| Net earned premiums | | - | - | - | **-** | - | - | **-** |
| Fee income and other income from service activities | 5(d) | 246 | 198 | - | **444** | 6 | - | **450** |
| Investment return | | 5 | 4,373 | 2 | **4,380** | 663 | - | **5,043** |
| Other income | | 2 | 66 | 3 | **71** | (50) | - | **21** |
| **Segmental revenue** | | 253 | 4,637 | 5 | **4,895** | 619 | - | **5,514** |
| **Expenses** | | | | | | | | |
| Change in investment contract liabilities | | - | (4,348) | - | **(4,348)** | - | - | **(4,348)** |
| Fee and commission expenses, and other acquisition costs | | (47) | (56) | - | **(103)** | (87) | - | **(190)** |
| Change in third party interest in consolidated funds | | - | - | - | **-** | (586) | - | **(586)** |
| Other operating and administrative expenses | | (154) | (159) | (22) | **(335)** | 54 | (63) | **(344)** |
| Finance costs | | (2) | (1) | - | **(3)** | - | (5) | **(8)** |
| **Segmental expenses** | | (203) | (4,564) | (22) | **(4,789)** | (619) | (68) | **(5,476)** |
| **Adjusted profit/(loss) before all tax** | | 50 | 73 | (17) | **106** | - | (68) | **38** |
| Tax attributable to policyholders' returns | | - | (17) | - | **(17)** | - | (61) | **(78)** |
| **Adjusted profit/(loss) before tax attributable to equity holders** | | 50 | 56 | (17) | **89** | - | (129) | **(40)** |
| **Reconciliation to IFRS:** | | | | | | | | |
| Adjusted for non-operating items: | | | | | | | | |
| Goodwill impairment and impact of acquisition accounting | 6(a) | (26) | - | - | **(26)** | | | |
| Business transformation costs | 6(b) | - | (30) | (5) | **(35)** | | | |
| Managed Separation costs | 6(c) | - | - | (2) | **(2)** | | | |
| Finance costs | 6(d) | - | - | (5) | **(5)** | | | |
| Policyholder tax adjustments | 6(e) | - | (61) | - | **(61)** | | | |
| Adjusting items before tax | | (26) | (91) | (12) | **(129)** | | | |
| **Profit/(Loss) before tax attributable to equity holders** | | 24 | (35) | (29) | **(40)** | | | |

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

**5: Segmental information** *continued*

**5(b)(ii): Adjusted profit statement - segmental information for the six months ended 30 June 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 6) | IFRS Income Statement |
| **Revenue** | | | | | | | | |
| Gross earned premiums | | - | 1 | - | **1** | - | - | **1** |
| Premiums ceded to reinsurers | | - | (1) | - | **(1)** | - | - | **(1)** |
| Net earned premiums | | - | - | - | **-** | - | - | **-** |
| Fee income and other income from service activities | 5(d) | 272 | 201 | - | **473** | 2 | - | **475** |
| Investment return | | 4 | 202 | 1 | **207** | 81 | - | **288** |
| Other income | | - | 62 | 3 | **65** | (56) | - | **9** |
| **Segmental revenue** | | 276 | 465 | 4 | **745** | 27 | - | **772** |
| **Expenses** | | | | | | | | |
| Change in investment contract liabilities | | - | (190) | - | **(190)** | - | - | **(190)** |
| Fee and commission expenses, and other acquisition costs | | (82) | (58) | - | **(140)** | (69) | - | **(209)** |
| Change in third party interest in consolidated funds | | - | - | - | **-** | 3 | - | **3** |
| Other operating and administrative expenses | | (145) | (157) | (24) | **(326)** | 39 | (82) | **(369)** |
| Finance costs | | (2) | - | - | **(2)** | - | (8) | **(10)** |
| **Segmental expenses** | | (229) | (405) | (24) | **(658)** | (27) | (90) | **(775)** |
| **Adjusted profit/(loss) before all tax** | | 47 | 60 | (20) | **87** | - | (90) | **(3)** |
| Tax attributable to policyholder returns | | - | (4) | - | **(4)** | - | 7 | **3** |
| **Adjusted profit/(loss) before tax attributable to equity holders** | | 47 | 56 | (20) | **83** | - | (83) | **-** |
| **Reconciliation to IFRS:** | | | | | | | | |
| Adjusted for non-operating items: | | | | | | | | |
| Goodwill impairment and impact of acquisition accounting | 6(a) | (28) | - | - | **(28)** | | | |
| Business transformation costs | 6(b) | (10) | (27) | - | **(37)** | | | |
| Managed Separation costs | 6(c) | - | - | (17) | **(17)** | | | |
| Finance costs | 6(d) | - | - | (8) | **(8)** | | | |
| Policyholder tax adjustments | 6(e) | - | 7 | - | **7** | | | |
| Reallocation of central costs[2] | | - | (2) | 2 | **-** | | | |
| Adjusting items before tax | | (38) | (22) | (23) | **(83)** | | | |
| **Profit/(loss) before tax attributable to equity holders** | | 9 | 34 | (43) | **-** | | | |

[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 condensed consolidated interim financial statements

For the six month period ended 30 June 2019

**5: Segmental information** *continued*

**5(b)(iii): Adjusted profit statement - segmental information for the year ended 31 December 2018**

| | | Adjusted profit - Continuing operations | | | | Reconciliation to IFRS | | £m |
|---|---|---|---|---|---|---|---|---|
| | | Operating segments | | | | | | |
| | Notes | Advice and Wealth Management | Wealth Platforms | Head Office | Adjusted profit | Consolidation Adjustments[1] | Adjusting items (Note 6) | IFRS Income Statement |
| **Revenue** | | | | | | | | |
| Gross earned premiums | | - | 1 | - | **1** | - | - | **1** |
| Premiums ceded to reinsurers | | - | (1) | - | **(1)** | - | - | **(1)** |
| Net earned premiums | | - | - | - | **-** | - | - | **-** |
| Fee income and other income from service activities | 5(d) | 547 | 402 | - | **949** | 5 | - | **954** |
| Investment return | | 9 | (2,478) | 3 | **(2,466)** | (246) | - | **(2,712)** |
| Other income | | 2 | 101 | 6 | **109** | (74) | - | **35** |
| **Segmental revenue** | | 558 | (1,975) | 9 | **(1,408)** | (315) | - | **(1,723)** |
| **Expenses** | | | | | | | | |
| Insurance contract claims and changes in liabilities | | - | (1) | - | **(1)** | - | - | **(1)** |
| Change in investment contract liabilities | | - | 2,499 | - | **2,499** | - | - | **2,499** |
| Fee and commission expenses, and other acquisition costs | | (163) | (117) | - | **(280)** | (118) | - | **(398)** |
| Change in third party interest in consolidated funds | | - | - | - | **-** | 369 | - | **369** |
| Other operating and administrative expenses | | (290) | (298) | (40) | **(628)** | 64 | (158) | **(722)** |
| Finance costs | | (3) | - | - | **(3)** | - | (13) | **(16)** |
| **Segmental expenses** | | (456) | 2,083 | (40) | **1,587** | 315 | (171) | **1,731** |
| **Adjusted profit/(loss) before all tax** | | 102 | 108 | (31) | **179** | - | (171) | **8** |
| Tax attributable to policyholder returns | | - | (3) | - | **(3)** | - | 64 | **61** |
| **Adjusted profit/(loss) before tax attributable to equity holders** | | 102 | 105 | (31) | **176** | - | (107) | **69** |
| **Reconciliation to IFRS:** | | | | | | | | |
| Adjusted for non-operating items: | | | | | | | | |
| Goodwill impairment and impact of acquisition accounting | 6(a) | (49) | (1) | - | **(50)** | | | |
| Business transformation costs | 6(b) | (19) | (58) | (7) | **(84)** | | | |
| Managed Separation costs | 6(c) | - | (1) | (23) | **(24)** | | | |
| Finance costs | 6(d) | - | - | (13) | **(13)** | | | |
| Policyholder tax adjustments | 6(e) | - | 64 | - | **64** | | | |
| Reallocation of central costs[2] | | - | (2) | 2 | **-** | | | |
| Adjusting items before tax | | (68) | 2 | (41) | **(107)** | | | |
| **Profit/(Loss) before tax attributable to equity holders** | | 34 | 107 | (72) | **69** | | | |

[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.

### 5: Segmental information *continued*

### 5(c)(i): Statement of financial position – segmental information at 30 June 2019

£m

| | Notes | Advice & Wealth Management | Wealth Platforms | Head Office | Discontinued Operations | Consolidation Adjustments[1] | Total |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Goodwill and intangible assets | 10 | 453 | 134 | - | - | - | **587** |
| Property, plant and equipment | 11 | 33 | 54 | 3 | - | (1) | **89** |
| Investments in associated undertakings | | - | - | 2 | - | - | **2** |
| Contract costs | | - | 477 | - | - | - | **477** |
| Contract assets | | 45 | - | - | - | - | **45** |
| Loans and advances | | 27 | 186 | 7 | - | - | **220** |
| Financial investments | 12 | 1 | 50,001 | - | - | 6,421 | **56,423** |
| Reinsurers' share of policyholder liabilities | 17 | - | - | - | - | - | **-** |
| Deferred tax assets | | 8 | 15 | 9 | - | - | **32** |
| Current tax receivable | | - | 16 | - | - | - | **16** |
| Trade, other receivables and other assets | | 745 | 386 | 13 | - | 209 | **1,353** |
| Derivative assets | | - | - | - | - | 24 | **24** |
| Cash and cash equivalents | 15 | 392 | 608 | 398 | - | 546 | **1,944** |
| Assets of operations classified as held for sale | 4(f) | - | - | - | 12,324 | (7) | **12,317** |
| Inter-segment funding - assets | | - | 12 | - | - | (12) | **-** |
| **Total assets** | | 1,704 | 51,889 | 432 | 12,324 | 7,180 | **73,529** |
| **Liabilities** | | | | | | | |
| Investment contract liabilities | 17 | - | 50,286 | - | - | - | **50,286** |
| Third-party interests in consolidated funds | | - | - | - | - | 6,972 | **6,972** |
| Provisions | 18 | 19 | 20 | 6 | - | - | **45** |
| Deferred tax liabilities | | 42 | 49 | - | - | - | **91** |
| Current tax payable | | 11 | 4 | (11) | - | - | **4** |
| Borrowings and lease liabilities[2] | | 28 | 50 | 203 | - | (1) | **280** |
| Trade, other payables and other liabilities | | 895 | 599 | 23 | - | 203 | **1,720** |
| Contract liabilities | | 1 | 191 | - | - | - | **192** |
| Derivative liabilities | | - | 1 | - | - | 23 | **24** |
| Liabilities of operations classified as held for sale | 4(f) | - | - | - | 11,988 | (7) | **11,981** |
| Inter-segment funding - liabilities | | - | - | 12 | - | (12) | **-** |
| **Total liabilities** | | 996 | 51,200 | 233 | 11,988 | 7,178 | **71,595** |
| **Total equity** | | | | | | | **1,934** |
| **Total equity and liabilities** | | | | | | | **73,529** |

[1]Consolidation adjustments comprise the elimination of inter-segment transactions and the consolidation of investment funds.
[2]The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the time of initial application.

# Notes to the condensed consolidated interim financial statements

For the six month period ended 30 June 2019

**5: Segmental information** *continued*

**5(c)(ii): Statement of financial position – segmental information at 30 June 2018**

| | Notes | Advice & Wealth Management | Wealth Platforms | Head Office | Discontinued Operations | Consolidation Adjustments[1] | Total |
|---|---|---|---|---|---|---|---|
| | | | | | | | £m |
| **Assets** | | | | | | | |
| Goodwill and intangible assets | 10 | 401 | 165 | - | - | - | **566** |
| Property, plant and equipment | 11 | 10 | 7 | - | - | - | **17** |
| Investments in associated undertakings | | - | - | 1 | - | - | **1** |
| Deferred acquisition costs | | - | - | - | 12 | - | **12** |
| Contract costs | | - | 514 | - | 61 | - | **575** |
| Contract assets | | 45 | - | - | - | - | **45** |
| Loans and advances | | 22 | 190 | 7 | - | - | **219** |
| Financial investments | 12 | 5 | 46,401 | 2 | 11,334 | 6,827 | **64,569** |
| Reinsurers' share of policyholder liabilities | 17 | - | - | - | 2,666 | - | **2,666** |
| Deferred tax assets | | 6 | 13 | - | - | - | **19** |
| Current tax receivable | | - | 3 | - | - | - | **3** |
| Trade, other receivables and other assets | | 370 | 207 | 4 | 121 | 735 | **1,437** |
| Derivative assets | | - | - | - | - | 33 | **33** |
| Cash and cash equivalents | 15 | 365 | 595 | 618 | 543 | 1,254 | **3,375** |
| Inter-segment funding - assets | | - | 12 | - | - | (12) | **-** |
| **Total assets** | | 1,224 | 48,107 | 632 | 14,737 | 8,837 | **73,537** |
| **Liabilities** | | | | | | | |
| Long-term business insurance policyholder liabilities | 17 | - | - | - | 513 | - | **513** |
| Investment contract liabilities | 17 | - | 46,654 | - | 13,486 | - | **60,140** |
| Third-party interests in consolidated funds | | - | - | - | - | 8,105 | **8,105** |
| Provisions | 18 | 18 | 19 | 12 | 66 | - | **115** |
| Deferred tax liabilities | | 42 | 38 | - | 84 | - | **164** |
| Current tax payable/(receivable) | | 6 | - | (11) | 17 | - | **12** |
| Borrowings | | - | - | 197 | - | - | **197** |
| Trade, other payables and other liabilities | | 522 | 485 | 31 | 209 | 690 | **1,937** |
| Contract Liabilities | | 1 | 198 | - | 36 | - | **235** |
| Derivative liabilities | | - | 1 | - | - | 58 | **59** |
| Inter-segment funding - liabilities | | - | - | 12 | - | (12) | **-** |
| **Total liabilities** | | 589 | 47,395 | 241 | 14,411 | 8,841 | **71,477** |
| **Total equity** | | | | | | | **2,060** |
| **Total equity and liabilities** | | | | | | | **73,537** |

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

The June 2018 segmental statement of financial position comparative has been re-presented and no longer includes a subtotal for continuing business. This change ensures that the elimination of inter-segment transactions can be reported at the Group level within consolidation adjustments.

# Notes to the condensed consolidated interim financial statements

For the six month period ended 30 June 2019

**5: Segmental information** *continued*

**5(c)(iii): Statement of financial position – segmental information at 31 December 2018**

| | Notes | Advice & Wealth Management | Wealth Platforms | Head Office | Discontinued Operations | Consolidation Adjustments[1] | £m Total |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Goodwill and intangible assets | 10 | 386 | 164 | - | - | - | **550** |
| Property, plant and equipment | 11 | 10 | 7 | - | - | - | **17** |
| Investments in associated undertakings | | - | - | 2 | - | - | **2** |
| Deferred acquisition costs | | - | - | - | 11 | - | **11** |
| Contract costs | | - | 498 | - | 53 | - | **551** |
| Contract assets | | 44 | - | - | - | - | **44** |
| Loans and advances | | 27 | 188 | 7 | - | - | **222** |
| Financial investments | 12 | 3 | 44,950 | 2 | 9,686 | 4,578 | **59,219** |
| Reinsurers' share of policyholder liabilities | 17 | - | - | - | 2,162 | - | **2,162** |
| Deferred tax assets | | 7 | 22 | 9 | - | - | **38** |
| Current tax receivable | | - | 23 | 1 | 23 | - | **47** |
| Trade, other receivables and other assets | | 197 | 151 | 8 | 30 | 100 | **486** |
| Derivative assets | | - | - | - | - | 46 | **46** |
| Cash and cash equivalents | 15 | 358 | 599 | 440 | 514 | 484 | **2,395** |
| Inter-segment funding - assets | | - | 12 | - | - | (12) | **-** |
| **Total assets** | | 1,032 | 46,614 | 469 | 12,479 | 5,196 | **65,790** |
| **Liabilities** | | | | | | | |
| Long-term business insurance policyholder liabilities | 17 | - | - | - | 602 | - | **602** |
| Investment contract liabilities | 17 | - | 45,211 | - | 11,239 | - | **56,450** |
| Third-party interests in consolidated funds | | - | - | - | - | 5,116 | **5,116** |
| Provisions | 18 | 26 | 20 | 9 | 39 | - | **94** |
| Deferred tax liabilities | | 40 | - | - | 19 | - | **59** |
| Current tax payable/(receivable) | | 9 | 5 | (18) | 9 | - | **5** |
| Borrowings | | - | - | 197 | - | - | **197** |
| Trade, other payables and other liabilities | | 340 | 425 | 20 | 158 | 56 | **999** |
| Contract liabilities | | 1 | 194 | - | 31 | - | **226** |
| Derivative liabilities | | - | 1 | - | - | 36 | **37** |
| Inter-segment funding - liabilities | | - | - | 12 | - | (12) | **-** |
| **Total liabilities** | | 416 | 45,856 | 220 | 12,097 | 5,196 | **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.

The December 2018 segmental statement of financial position comparative has been re-presented and no longer includes a subtotal for continuing business. This change ensures that the elimination of inter-segment transactions can be reported at the Group level within consolidation adjustments.

### 5: Segmental information *continued*

### 5(d): Geographic segmental information

In the following table, revenue is shown based on the geographic location of our businesses.

| | UK | | | International | | | | £m |
|---|---|---|---|---|---|---|---|---|
| **Six months 2019** | **Advice and Wealth Management** | **Wealth Platforms** | **Head Office** | **Wealth Platforms** | **Consolidation adjustments** | **Total continuing operations** | **Discontinued operations** | **Total Group** |
| Gross earned premiums | **-** | **-** | **-** | **1** | **-** | **1** | **76** | **77** |
| Premiums ceded to reinsurers | **-** | **-** | **-** | **(1)** | **-** | **(1)** | **(43)** | **(44)** |
| **Net earned premiums** | **-** | **-** | **-** | **-** | **-** | **-** | **33** | **33** |
| Premium based fees | **45** | **-** | **-** | **36** | **-** | **81** | **6** | **87** |
| Fund based fees[1] | **201** | **86** | **-** | **51** | **-** | **338** | **33** | **371** |
| Retrocessions received, intragroup | **-** | **1** | **-** | **1** | **(2)** | **-** | **5** | **5** |
| Fixed fees | **-** | **1** | **-** | **14** | **-** | **15** | **1** | **16** |
| Surrender charges | **-** | **-** | **-** | **8** | **-** | **8** | **-** | **8** |
| Other fee and commission income | **-** | **-** | **-** | **-** | **8** | **8** | **-** | **8** |
| **Fee income and other income from service activities** | **246** | **88** | **-** | **110** | **6** | **450** | **45** | **495** |
| Investment return | **5** | **2,748** | **2** | **1,625** | **663** | **5,043** | **1,054** | **6,097** |
| Other income | **2** | **82** | **3** | **-** | **(66)** | **21** | **-** | **21** |
| **Total revenue** | **253** | **2,918** | **5** | **1,735** | **603** | **5,514** | **1,132** | **6,646** |

| | UK | | | International | | | | £m |
|---|---|---|---|---|---|---|---|---|
| Six months 2018 | Advice and Wealth Management | Wealth Platforms | Head Office | Wealth Platforms | Consolidation adjustments | Total continuing operations | Discontinued operations | Total Group |
| Gross earned premiums | - | - | - | 1 | - | 1 | 74 | 75 |
| Premiums ceded to reinsurers | - | - | - | (1) | - | (1) | (43) | (44) |
| **Net earned premiums** | - | - | - | - | - | - | 31 | 31 |
| Premium based fees | 43 | - | - | 38 | - | 81 | 8 | 89 |
| Fund based fees[1] | 230 | 85 | - | 50 | - | 365 | 175 | 540 |
| Retrocessions received, intragroup | - | 2 | - | 3 | (5) | - | 7 | 7 |
| Fixed fees | - | 1 | - | 14 | - | 15 | 1 | 16 |
| Surrender charges | - | - | - | 9 | - | 9 | - | 9 |
| Other fee and commission income | - | - | - | - | 5 | 5 | - | 5 |
| **Fee income and other income from service activities** | 273 | 88 | - | 114 | - | 475 | 191 | 666 |
| Investment return | 4 | 204 | 1 | (2) | 81 | 288 | 5 | 293 |
| Other income | - | 79 | 3 | 4 | (77) | 9 | 2 | 11 |
| **Total revenue** | 277 | 371 | 4 | 116 | 4 | 772 | 229 | 1,001 |

| | UK | | | International | | | | £m |
|---|---|---|---|---|---|---|---|---|
| Full year 2018 | Advice and Wealth Management | Wealth Platforms | Head Office | Wealth Platforms | Consolidation adjustments | Total continuing operations | Discontinued operations | Total Group |
| Gross earned premiums | - | - | - | 1 | - | 1 | 147 | 148 |
| Premiums ceded to reinsurers | - | - | - | (1) | - | (1) | (87) | (88) |
| **Net earned premiums** | - | - | - | - | - | - | 60 | 60 |
| Premium based fees | 87 | - | - | 77 | - | 164 | 15 | 179 |
| Fund based fees[1] | 460 | 169 | - | 102 | - | 731 | 210 | 941 |
| Retrocessions received, intragroup | - | 3 | - | 4 | (7) | - | 14 | 14 |
| Fixed fees | - | 2 | - | 28 | - | 30 | 2 | 32 |
| Surrender charges | - | - | - | 16 | - | 16 | 1 | 17 |
| Other fee and commission income | - | - | - | - | 13 | 13 | - | 13 |
| **Fee income and other income from service activities** | 547 | 174 | - | 227 | 6 | 954 | 242 | 1,196 |
| Investment return | 9 | (1,562) | 3 | (916) | (246) | (2,712) | (771) | (3,483) |
| Other income | 2 | 98 | 6 | 3 | (74) | 35 | 2 | 37 |
| **Total revenue** | 558 | (1,290) | 9 | (686) | (314) | (1,723) | (467) | (2,190) |

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

### 6: Adjusted profit and adjusting items

In determining adjusted profit before tax, certain adjustments are made to IFRS profit before tax to reflect the underlying performance of the Group.

#### 6(a): 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 any impairment of goodwill from adjusted profit as well as the amortisation and impairment of acquired other intangible assets, any acquisition costs and finance costs related to the discounting of contingent consideration.

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

| | | | | £m |
|---|---|---|---|---|
| | Note | **Six months 2019** | Six months 2018 | Full year 2018 |
| Amortisation of other acquired intangible assets | 10(a) | **22** | 21 | 41 |
| Acquisition costs[1] | | **3** | 6 | 5 |
| Impairment of other intangible assets | | **-** | - | 1 |
| Unwinding of discount on contingent consideration | | **1** | 1 | 3 |
| **Total goodwill impairment and impact of acquisition accounting** | | **26** | 28 | 50 |

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

#### 6(b): Business transformation costs

Business transformation costs include three items: costs associated with the UK Platform Transformation Programme, build out costs incurred within Quilter Investors as a result of the sale of the Single Strategy business, and the Optimisation Programme costs. All items are in respect of continuing operations and are described in detail below. For the period ended 30 June 2019, these costs totalled £35 million (30 June 2018: £37 million, 31 December 2018: £84 million) in aggregate.

*UK Platform Transformation Programme* – 30 June 2019: £30 million, 30 June 2018: £27 million, 31 December 2018: £58 million

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.

*Quilter Investors' build out costs* – 30 June 2019: £nil, 30 June 2018: £10 million, 31 December 2018: £19 million

In March 2016, Old Mutual plc announced its Managed Separation strategy that sought to unlock and create significant long-term value for shareholders. As part of this strategy, Quilter's Multi-Asset (now renamed as Quilter Investors) and Single Strategy teams were to develop as separate distinct businesses, and the Single Strategy business was sold to its management and TA Associates on 29 June 2018. As a result, the Group incurred £24 million of one-off costs in the year ended 31 December 2018, £5 million of which were included in profit on disposal within discontinued operations and £19 million is an adjusting item within continuing business.

*Optimisation Programme costs* – 30 June 2019: £5 million, 30 June 2018: £nil, 31 December 2018: £7 million

Following the Group's Managed Separation from Old Mutual plc in 2018, the Group has initiated an Optimisation Programme focused on driving operational efficiencies, incurring £5 million of one-off project costs in 2019.

#### 6(c): 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 its Managed Separation strategy. These costs are not expected to persist in the long term as they relate to a fundamental restructuring of the Group, which is not operational in nature, rather than more routine restructuring activity which would be seen as part of the usual course of business. The treatment and the disclosure of these costs as an adjusting item are also intended to make these costs more visible to the readers of the financial statements in the context of publicly disclosed estimates previously given in relation to these items. For the period ended 30 June 2019 these costs were £2 million (30 June 2018: £17 million, 31 December 2018: £24 million). The 2019 Managed Separation costs primarily relate to post-listing rebranding.

#### 6(d): Finance costs

The nature of much of the Group's operations means that, for management's decision-making and internal performance management, the effects of interest costs on external borrowings are removed when calculating adjusted profit. For the six months ended 30 June 2019 finance costs were £5 million (30 June 2018: £8 million, 31 December 2018: £13 million).

#### 6(e): 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 recognition of the income received from policyholders (which is included within the Group's revenue) to fund the policyholder tax liability can vary in timing to the recognition of the corresponding tax expense, creating volatility to the Group's IFRS (loss)/profit before tax attributable to equity holders. For a further explanation of the impact of markets on the policyholder tax charge see note 7(a). Adjustments are also made to remove distortions from other non-operating adjusting items. For the period ended 30 June 2019 the total of policyholder tax adjustments to adjusted profit is £(76) million (30 June 2018: £15 million, 31 December 2018: £101 million) relating to both continuing and discontinued operations, as shown in note 7(c).

# Notes to the condensed consolidated interim financial statements

For the six month period ended 30 June 2019

#### 6(f): Voluntary customer remediation

During 2017, as part of its ongoing work to promote fair customer outcomes, the Group conducted product reviews consistent with the recommendations from the Financial Contact Authority's ('FCA') thematic feedback and the FCA's guidance FG16/8 *Fair treatment of long-standing customers in the life insurance sector*. Following these reviews a provision of £69 million was established.

During 2019 the components of the remaining provision have been reviewed and £6 million of the provision was released (as detailed in note 18: Provisions), wholly relating to discontinued operations.

## 7: Tax

#### 7(a): Tax charged to the income statement

| | Note | **Six months 2019** | Six months 2018 | Full year 2018 |
|---|---|---|---|---|
| | | | | **£m** |
| **Current tax** | | | | |
| United Kingdom | | **15** | 1 | (5) |
| International | | **2** | 2 | 3 |
| Adjustments to current tax in respect of prior periods | | **-** | - | (11) |
| **Total current tax** | | **17** | 3 | (13) |
| **Deferred tax** | | | | |
| Origination and reversal of temporary differences | | **51** | (6) | (61) |
| Effect on deferred tax of changes in tax rates | | **2** | - | - |
| Adjustments to deferred tax in respect of prior periods | | **-** | (2) | (7) |
| **Total deferred tax** | | **53** | (8) | (68) |
| **Total tax charged/(credited) to income statement - continuing operations** | | **70** | (5) | (81) |
| **Total tax charged/(credited) to income statement - discontinued operations** | 4(c) | **61** | (9) | (86) |
| **Total tax charged/(credited) to income statement** | | **131** | (14) | (167) |
| | | | | |
| Attributable to policyholder returns - continuing operations | | **78** | (3) | (61) |
| Attributable to equity holders - continuing operations | | **(8)** | (2) | (20) |
| **Total tax charged/(credited) to income statement - continuing operations** | | **70** | (5) | (81) |
| Attributable to policyholder returns - discontinued operations | | **59** | (15) | (97) |
| Attributable to equity holders - discontinued operations | | **2** | 6 | 11 |
| **Total tax charged/(credited) to income statement - discontinued operations** | | **61** | (9) | (86) |
| **Total tax charged/(credited) to income statement** | | **131** | (14) | (167) |

#### Policyholder tax

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

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

The Group's income tax expense on continuing business was £70 million for the six months to 30 June 2019, compared to a credit of £81 million for the prior year. This income tax expense/(credit) can vary significantly period on period as a result of market volatility and the impact this has on policyholder tax. The recognition of the income received from policyholders (which is included within the Group's revenue) to fund the policyholder tax liability can vary in timing to the recognition of the corresponding policyholder tax expense, creating volatility to the Group's IFRS (loss)/profit before tax attributable to equity holders. An adjustment is made to adjusted profit to remove these distortions, as explained further in note 6(e).

Significant market volatility during the year ended 31 December 2018 led to large investment losses that have reversed in the first half of 2019, resulting in investment gains of £623 million on products subject to policyholder tax. The gain is a component of the total 'investment return' gain of £5,043 million shown in the income statement and £1,054 million shown in the discontinued operations income statement. The impact of the £623 million investment return gain, is the primary reason for the £137 million tax charge attributable to policyholder returns in respect of both continuing (£78 million) and discontinued (£59 million) business for the period ended 30 June 2019 (30 June 2018: £18 million credit, 31 December 2018 £158 million credit).

### 7(b): Reconciliation of total income tax expense

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

| | Note | **Six months 2019** | Six months 2018 | Full year 2018 |
|---|---|---|---|---|
| | | | | **£m** |
| **Profit before tax from continuing operations** | | **38** | (3) | 8 |
| Tax at UK standard rate of 19% (2018: 19%) | | **7** | - | 1 |
| Different tax rate or basis on overseas operations | | **(3)** | (3) | (5) |
| Untaxed and low taxed income | | **(1)** | (1) | (8) |
| Disallowable expenses | | **1** | 4 | 6 |
| Adjustments to current tax in respect of prior years | | **-** | - | (11) |
| Net movement on deferred tax assets not recognised | | **(1)** | (2) | (11) |
| Effect on deferred tax of changes in tax rates | | **2** | - | - |
| Adjustments to deferred tax in respect of prior years | | **-** | (2) | (7) |
| Income tax attributable to policyholder returns | | **65** | (1) | (46) |
| **Total tax charged/(credited) to income statement - continuing operations** | | **70** | (5) | (81) |
| **Total tax charged/(credited) to income statement - discontinued operations** | 4(c) | **61** | (9) | (86) |
| **Total tax charged/(credited) to income statement** | | **131** | (14) | (167) |

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

| | **Six months 2019** | Six months 2018 | Full year 2018 |
|---|---|---|---|
| | | | **£m** |
| **Income tax expense/(credit) on continuing operations** | **70** | (5) | (81) |
| **Tax on adjusting items** | | | |
| Goodwill impairment and impact of acquisition accounting | **4** | 3 | 8 |
| Business transformation costs | **7** | 7 | 16 |
| Managed Separation costs | **-** | 2 | 2 |
| Finance costs | **1** | 2 | 2 |
| Policyholder tax adjustments | **(61)** | 7 | 64 |
| Other shareholder tax adjustments | **9** | (3) | 5 |
| **Tax on adjusting items - continuing operations** | **(40)** | 18 | 97 |
| Tax attributable to policyholder returns - continuing operations | **(17)** | (4) | (3) |
| **Tax charged on adjusted profit - continuing operations** | **13** | 9 | 13 |
| | | | |
| **Income tax expense/(credit) on discontinued operations** | **61** | (9) | (86) |
| **Tax on adjusting items** | | | |
| Policyholder tax adjustments | **(15)** | 8 | 37 |
| Profit on business disposals | **-** | 5 | 4 |
| Voluntary customer remediation provision | **(1)** | - | - |
| Other shareholder tax adjustments | **(1)** | (5) | (17) |
| **Tax on adjusting items - discontinued operations** | **(17)** | 8 | 24 |
| Tax attributable to policyholder returns - discontinued operations | **(44)** | 7 | 60 |
| **Tax charged on adjusted profit - discontinued operations** | **-** | 6 | (2) |
| | | | |
| **Tax charged on total adjusted profit** | **13** | 15 | 11 |

# Notes to the condensed consolidated interim financial statements

For the six month period ended 30 June 2019

### 8: Earnings per share

The Group calculates earnings per share ('EPS') on a number of different bases. IFRS requires the calculation of basic and diluted EPS, Adjusted EPS reflects earnings that are consistent with the Group's adjusted profit measure and Headline EPS is a requirement of the Johannesburg Stock Exchange. The Group's EPS (for total business, continuing and discontinued operations) on these different bases are summarised below.

Basic EPS is calculated by dividing profit after tax attributable to ordinary equity shareholders of the parent by the weighted average number of Ordinary Shares in issue during the year. The weighted average number of shares excludes treasury shares, comprising 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.

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

The Group is also 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'. Disclosure of HEPS is not a requirement of IFRS, but it is a commonly used measure of earnings in South Africa.

| | | | | | **Pence** |
|---|---|---|---|---|---|
| | Source of guidance | Notes | **Six months 2019** | Six months 2018 | Full year 2018 |
| Basic earnings per share | IFRS | 8(b) | **(0.9)** | 18.7 | 26.6 |
| Diluted basic earnings per share | IFRS | 8(b) | **(0.9)** | 18.7 | 26.5 |
| Adjusted basic earnings per share | Group policy | 8(b) | **5.6** | 6.6 | 13.5 |
| Adjusted diluted earnings per share | Group policy | 8(b) | **5.5** | 6.6 | 13.5 |
| Headline basic earnings per share (net of tax) | JSE Listing Requirements | 8(c) | **(0.9)** | 2.8 | 10.6 |
| Headline diluted earnings per share (net of tax) | JSE Listing Requirements | 8(c) | **(0.9)** | 2.8 | 10.5 |

### 8(a): Weighted average number of Ordinary Shares

The table below summarises the calculation of the weighted average number of Ordinary Shares for the purposes of calculating basic and diluted earnings per share for each profit measure (IFRS, adjusted and headline profit):

| | | | **Millions** |
|---|---|---|---|
| | **Six months 2019** | Six months 2018 | Full year 2018 |
| Weighted average number of Ordinary Shares | **1,902** | 1,902 | 1,902 |
| Treasury shares including those held in EBTs | **(68)** | (72) | (70) |
| **Basic weighted average number of Ordinary Shares** | **1,834** | 1,830 | 1,832 |
| Adjustment for dilutive share awards and options | **18** | - | 7 |
| **Diluted weighted average number of Ordinary Shares** | **1,852** | 1,830 | 1,839 |

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

| | | | **£m** |
|---|---|---|---|
| | **Six months 2019** | Six months 2018 | Full year 2018 |
| (Loss)/profit after tax from continuing operations | **(32)** | 2 | 89 |
| Adjusting items | **129** | 83 | 107 |
| Tax on adjusting items | **40** | (18) | (97) |
| Less: Policyholder tax adjustments | **(61)** | 7 | 64 |
| **Adjusted profit after tax on continuing operations** | **76** | 74 | 163 |
| | | | |
| Profit after tax from discontinued operations | **15** | 340 | 399 |
| Adjusting items | **9** | (293) | (327) |
| Tax on adjusting items | **17** | (8) | (24) |
| Less: Policyholder tax adjustments | **(15)** | 8 | 37 |
| **Adjusted profit after tax on discontinued operations** | **26** | 47 | 85 |
| **Adjusted profit after tax** | **102** | 121 | 248 |

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

| | | | Pence |
|---|---|---|---|
| | **Six months 2019** | Six months 2018 | Full year 2018 |
| Basic EPS from continuing operations | **(1.7)** | 0.1 | 4.8 |
| Basic EPS from discontinued operations | **0.8** | 18.6 | 21.8 |
| **Basic EPS** | **(0.9)** | 18.7 | 26.6 |
| Diluted EPS from continuing operations | **(1.7)** | 0.1 | 4.8 |
| Diluted EPS from discontinued operations | **0.8** | 18.6 | 21.7 |
| **Diluted EPS** | **(0.9)** | 18.7 | 26.5 |
| Adjusted basic EPS from continuing operations | **4.1** | 4.0 | 8.9 |
| Adjusted basic EPS from discontinued operations | **1.5** | 2.6 | 4.6 |
| **Adjusted basic EPS** | **5.6** | 6.6 | 13.5 |
| Adjusted diluted EPS from continuing operations | **4.1** | 4.0 | 8.9 |
| Adjusted diluted EPS from discontinued operations | **1.4** | 2.6 | 4.6 |
| **Adjusted diluted EPS** | **5.5** | 6.6 | 13.5 |

### 8(c): Headline earnings per share

| | | | | | | £m |
|---|---|---|---|---|---|---|
| | | **Six months 2019** | | Six months 2018 | | Full year 2018 |
| | **Gross** | **Net of tax** | Gross | Net of tax | Gross | Net of tax |
| **Profit attributable to ordinary equity holders** | | **(17)** | | 342 | | 488 |
| Adjusting items: | | | | | | |
| Less: profit on business disposals | **-** | **-** | (285) | (290) | (290) | (294) |
| **Headline earnings** | **-** | **(17)** | (285) | 52 | (290) | 194 |
| **Headline basic EPS (pence)** | | **(0.9)** | | 2.8 | | 10.6 |
| **Headline diluted EPS (pence)** | | **(0.9)** | | 2.8 | | 10.5 |

### 9: Dividends

| | | | | £m |
|---|---|---|---|---|
| | **Payment date** | **Six months 2019** | Six months 2018 | Full year 2018 |
| 2018 Special interim dividend paid - 12.0p per ordinary share | 21 September 2018 | **-** | - | 221 |
| 2018 Final dividend paid - 3.3p per ordinary share | 20 May 2019 | **61** | - | - |
| **Dividends paid to ordinary shareholders** | | **61** | - | 221 |

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 EBTs.

### 10: Goodwill and intangible assets

#### 10(a): Summary of goodwill and intangible assets

| £m | Goodwill | Software development costs | Other intangible assets | Total |
|---|---|---|---|---|
| **Gross amount** | | | | |
| 1 January 2018 | 306 | 97 | 371 | 774 |
| Acquisitions through business combinations | 3 | - | 5 | 8 |
| Transfer to non-current assets held for sale | (1) | - | - | (1) |
| Other movements[1] | 5 | 2 | - | 7 |
| 30 June 2018 | 313 | 99 | 376 | 788 |
| Acquisitions through business combinations | 2 | - | 4 | 6 |
| Additions | - | 4 | - | 4 |
| Other movements | (1) | (3) | - | (4) |
| 31 December 2018 | 314 | 100 | 380 | 794 |
| Acquisitions through business combinations | **52** | **-** | **36** | **88** |
| Additions | **-** | **4** | **-** | **4** |
| Transfer to non-current assets held for sale | **(30)** | **-** | **-** | **(30)** |
| **30 June 2019** | **336** | **104** | **416** | **856** |
| | | | | |
| **Amortisation and impairment losses** | | | | |
| 1 January 2018 | - | (92) | (108) | (200) |
| Amortisation charge for the period | - | (2) | (21) | (23) |
| Other movements | - | - | 1 | 1 |
| 30 June 2018 | - | (94) | (128) | (222) |
| Amortisation charge for the period | - | (2) | (20) | (22) |
| Impairment of other acquired intangibles | - | - | (1) | (1) |
| Other movements | - | 1 | - | 1 |
| 31 December 2018 | - | (95) | (149) | (244) |
| Amortisation charge for the period | **-** | **(3)** | **(22)** | **(25)** |
| **30 June 2019** | **-** | **(98)** | **(171)** | **(269)** |
| | | | | |
| **Carrying amount** | | | | |
| 30 June 2018 | 313 | 5 | 248 | 566 |
| 31 December 2018 | 314 | 5 | 231 | 550 |
| **30 June 2019** | **336** | **6** | **245** | **587** |

[1]Goodwill 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 Quilter Financial Planning acquisitions, resulting in a reclassification from other intangibles to goodwill.

#### 10(b): Analysis of other intangible assets

| £m | **30 June 2019** | 30 June 2018 | 31 December 2018 | Average estimated useful life | Average period remaining |
|---|---|---|---|---|---|
| **Net carrying value** | | | | | |
| Distribution channels | **26** | 32 | 28 | 8 years | 4 years |
| Customer relationships | **217** | 211 | 199 | 10 years | 6 years |
| Brand | **2** | 5 | 4 | 5 years | 1 year |
| **Total other intangible assets** | **245** | 248 | 231 | | |

Distribution channel assets are in relation to various Quilter Financial Planning businesses. Customer relationship assets are largely in relation to the Quilter Cheviot and Quilter Financial Planning businesses, the latter element increasing due to the 2019 acquisitions of Charles Derby Group and Lighthouse plc, both of which are provisional calculations and therefore the apportionment between goodwill and other intangibles is subject to change. The brand asset is in relation to the Quilter Cheviot business.

**10: Goodwill and other intangibles** *continued*

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

| | | | £m |
|---|---|---|---|
| | **30 June 2019** | 30 June 2018 | 31 December 2018 |
| **Goodwill (net carrying amount)** | | | |
| Advice and Wealth Management | **205** | 151 | 153 |
| Wealth Platforms | **131** | 162 | 161 |
| **Goodwill (as per the Statement of Financial Position)** | **336** | 313 | 314 |
| Goodwill held for sale | **30** | - | - |
| **Total goodwill** | **366** | 313 | 314 |

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, or earlier if an indicator of impairment exists, 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. If applicable, an impairment charge is recognised when the recoverable amount is less than the carrying value. Goodwill impairment indicators include sudden stock market falls, the absence of net client cash flows ('NCCF'), significant falls in profit and an increase in the discount rate.

During the six months to 30 June 2019, there were no indicators of impairment for either the Advice and Wealth Management or Wealth Platforms CGUs. In this period, adjusted profit has increased by 5% from the prior period to £115 million, although NCCF has been weaker compared to the prior period due to lower gross sales. The IFRS profit after tax from continuing operations has declined from a profit of £2 million to a loss of £(32) million. However, due to significant headroom in the recoverable amount over the carrying value for both CGUs, the impact of the lower NCCF and IFRS loss from continuing operations in the current period are not considered material enough to be indicators of impairment.

As part of the assessment of assets held for sale as disclosed in note 4(f), an allocation of goodwill was made in relation to the QLA business. The £30 million transferred represents the share of the goodwill in the Wealth Platforms CGU applicable to QLA, based on its fair value relative to the fair values of the other businesses within that CGU.

# Notes to the condensed consolidated interim financial statements

For the six month period ended 30 June 2019

### 11: Property, plant and equipment

| | | | | £m |
|---|---|---|---|---|
| | Right-of-use assets | Leasehold improvements | Plant and equipment | Total |
| **Gross amount** | | | | |
| 1 January 2018 | - | 13 | 75 | 88 |
| Additions | - | 1 | 1 | 2 |
| Disposals | - | - | (1) | (1) |
| Other movements | - | (1) | - | (1) |
| 30 June 2018 | - | 13 | 75 | 88 |
| Additions | - | 1 | 4 | 5 |
| Other movements | - | (1) | - | (1) |
| 31 December 2018 | - | 13 | 79 | 92 |
| Implementation of IFRS 16[1] | **74** | **(3)** | **-** | **71** |
| Acquisitions through business combinations | **1** | **1** | **2** | **4** |
| Additions | **-** | **-** | **4** | **4** |
| Other movements[2] | **1** | **1** | **3** | **5** |
| **30 June 2019** | **76** | **12** | **88** | **176** |
| | | | | |
| **Amortisation and impairment losses** | | | | |
| 1 January 2018 | - | (7) | (63) | (70) |
| Depreciation charge for the period | - | - | (3) | (3) |
| Disposals | - | - | 1 | 1 |
| Other movements | - | - | 1 | 1 |
| 30 June 2018 | - | (7) | (64) | (71) |
| Depreciation charge for the period | - | (1) | (4) | (5) |
| Disposals | - | - | 1 | 1 |
| 31 December 2018 | - | (8) | (67) | (75) |
| Implementation of IFRS 16 | - | **2** | - | **2** |
| Acquisitions through business combinations | **-** | **-** | **(1)** | **(1)** |
| Depreciation charge for the period | **(6)** | **-** | **(3)** | **(9)** |
| Other movements | **-** | **-** | **(4)** | **(4)** |
| **30 June 2019** | **(6)** | **(6)** | **(75)** | **(87)** |
| | | | | |
| **Carrying amount** | | | | |
| 30 June 2018 | - | 6 | 11 | 17 |
| 31 December 2018 | - | 5 | 12 | 17 |
| **30 June 2019** | **70** | **6** | **13** | **89** |

[1]The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the time of initial application.
[2]During the year, fully amortised plant and equipment within the Quilter Financial Planning business have been reclassified from intangible assets to tangible assets.

### 12: 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 |
|---|---|---|---|
| | **30 June 2019** | 30 June 2018 | 31 December 2018 |
| Government and government-guaranteed securities | **1,055** | 1,562 | 1,175 |
| Other debt securities, preference shares and debentures | **2,449** | 2,524 | 2,095 |
| Equity securities | **12,339** | 13,944 | 10,006 |
| Pooled investments | **50,261** | 46,520 | 45,931 |
| Short-term funds and securities treated as investments | **25** | 19 | 12 |
| **Total financial investments** | **66,127** | 64,569 | 59,219 |
| Less: financial investments classified as held for sale | **(9,704)** | - | - |
| **Total financial investments net of held for sale** | **56,423** | 64,569 | 59,219 |
| | | | |
| Recoverable within 12 months | **65,987** | 64,403 | 59,044 |
| Recoverable after 12 months | **140** | 166 | 175 |
| **Total financial investments** | **66,127** | 64,569 | 59,219 |

### 13: 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.

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

The methods and assumptions used in determining fair value are set out in note 14.

**30 June 2019**

| Measurement basis | Fair value | | | | £m |
|---|---|---|---|---|---|
| | Mandatorily at FVTPL | Designated at FVTPL | Amortised cost | Non-financial assets and liabilities | Total |
| **Assets** | | | | | |
| Investments in associated undertakings[1] | - | - | - | 2 | 2 |
| Contract assets | - | - | 45 | - | 45 |
| Loans and advances | 186 | - | 34 | - | 220 |
| Financial investments | 56,421 | 2 | - | - | 56,423 |
| Trade, other receivables and other assets | - | - | 1,309 | 44 | 1,353 |
| Derivative financial instruments | 24 | - | - | - | 24 |
| Cash and cash equivalents | 1,072 | - | 872 | - | 1,944 |
| Total assets that include financial instruments | 57,703 | 2 | 2,260 | 46 | 60,011 |
| Total other non-financial assets | - | - | - | 1,201 | 1,201 |
| **Total assets net of held for sale** | 57,703 | 2 | 2,260 | 1,247 | 61,212 |
| Total assets classified as held for sale | 11,421 | 137 | 86 | 673 | 12,317 |
| **Total assets** | 69,124 | 139 | 2,346 | 1,920 | 73,529 |
| **Liabilities** | | | | | |
| Investment contract liabilities | 50,286 | - | - | - | 50,286 |
| Third-party interest in consolidation of funds | 6,972 | - | - | - | 6,972 |
| Borrowings and lease liabilities[2] | - | - | 280 | - | 280 |
| Trade, other payables and other liabilities | - | - | 1,587 | 133 | 1,720 |
| Derivative financial instruments | 24 | - | - | - | 24 |
| Total liabilities that include financial instruments | 57,282 | - | 1,867 | 133 | 59,282 |
| Total other non-financial liabilities | - | - | - | 332 | 332 |
| **Total liabilities net of held for sale** | 57,282 | - | 1,867 | 465 | 59,614 |
| Total liabilities classified as held for sale | 11,040 | - | 125 | 816 | 11,981 |
| **Total liabilities** | 68,322 | - | 1,992 | 1,281 | 71,595 |

[1]Investments in associated undertakings classified as non-financial assets and liabilities are equity accounted.
[2]The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

### 13: Categories of financial instruments *continued*

30 June 2018

£m

| Measurement basis | Fair value | | | | |
|---|---|---|---|---|---|
| | Mandatorily at FVTPL | Designated at FVTPL | Amortised cost | Non-financial assets and liabilities | Total |
| **Assets** | | | | | |
| Investments in associated undertaking[1] | - | - | - | 1 | 1 |
| Contract assets | - | - | - | 45 | 45 |
| Loans and advances | 190 | - | 29 | - | 219 |
| Financial investments | 64,399 | 170 | - | - | 64,569 |
| Reinsurers' share of policyholder liabilities | 2,263 | - | - | 403 | 2,666 |
| Trade, other receivables and other assets | - | - | 1,437 | - | 1,437 |
| Derivative financial instruments | 33 | - | - | - | 33 |
| Cash and cash equivalents[2] | 1,395 | - | 1,980 | - | 3,375 |
| Total assets that include financial instruments | 68,280 | 170 | 3,446 | 449 | 72,345 |
| Total other non-financial assets | - | - | - | 1,192 | 1,192 |
| **Total assets** | 68,280 | 170 | 3,446 | 1,641 | 73,537 |
| | | | | | |
| **Liabilities** | | | | | |
| Long-term business insurance policyholder liabilities | - | - | - | 513 | 513 |
| Investment contract liabilities | 60,140 | - | - | - | 60,140 |
| Third-party interest in consolidation of funds | 8,105 | - | - | - | 8,105 |
| Borrowings | - | - | 197 | - | 197 |
| Trade, other payables and other liabilities | - | - | 1,937 | - | 1,937 |
| Derivative financial instruments | 59 | - | - | - | 59 |
| Total liabilities that include financial instruments | 68,304 | - | 2,134 | 513 | 70,951 |
| Total other non-financial liabilities | - | - | - | 526 | 526 |
| **Total liabilities** | 68,304 | - | 2,134 | 1,039 | 71,477 |

[1]Investments in associated undertakings classified as non-financial assets and liabilities are equity accounted.
[2]As at 30 June 2018, money market collective investment funds have been reclassified from amortised cost to FVTPL Level 1 to aid comparability between periods.

31 December 2018

£m

| Measurement basis | Fair value | | | | |
|---|---|---|---|---|---|
| | Mandatorily at FVTPL | Designated at FVTPL | Amortised cost | Non-financial assets and liabilities | Total |
| **Assets** | | | | | |
| Investments in associated undertakings[1] | - | - | - | 2 | 2 |
| Contract assets | - | - | 44 | - | 44 |
| Loans and advances | 189 | - | 33 | - | 222 |
| Financial investments | 59,052 | 167 | - | - | 59,219 |
| Reinsurers' share of policyholder liabilities | 1,671 | - | - | 491 | 2,162 |
| 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]Investments in associated undertakings classified as non-financial assets and liabilities are equity accounted.

## 14: Fair value methodology

This section explains the judgements and estimates made in determining the fair values of financial instruments that are recognised and measured at fair value in the financial statements. Classifying financial instruments into the three levels of fair value hierarchy (see note 14(b)), prescribed under IFRS, provides an indication about the reliability of inputs used in determining fair value.

### 14(a): Determination of fair value

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

- for units in unit trusts and shares in open ended investment companies, fair value is determined by reference to published quoted prices representing exit values in an active market;
- for equity and debt securities not actively traded in organised markets and where the price cannot be retrieved, the fair value is determined by reference to similar instruments for which market observable prices exist;
- for assets that have been suspended from trading on an active market, the last published price is used. Many suspended assets are still regularly priced. At the reporting date all suspended assets are assessed for impairment; and
- where the assets are private company shares 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 interest, tax, depreciation and amortisation multiple or any other relevant technique.

#### Derivatives

The fair value of derivatives is determined with reference to the exchange traded prices of the specific instruments. In situations where the derivatives are traded over the counter the fair value of the instruments is determined by the utilisation of option pricing models.

#### Investment contract liabilities

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

#### Third-party interest in consolidated funds

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

#### Borrowings and lease liabilities

Borrowings and lease liabilities funds are stated at amortised cost.

### 14: Fair value methodology *continued*

### 14(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.<br>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.

### 14(c): Transfer between fair value hierarchies

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

There were transfers of financial investments of £167 million from Level 1 to Level 2 during the year (30 June 2018: £15 million, 31 December 2018: £13 million). There were transfers of financial investments of £55 million from Level 2 to Level 1 during the year (30 June 2018: £76 million, 31 December 2018: £107 million). These movements are matched exactly by transfers of investment contract liabilities. See note 14(e) for the reconciliation of Level 3 financial instruments.

### 14(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 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.

### 14: Fair value methodology *continued*

| | 30 June 2019 | | 30 June 2018 | | 31 December 2018 | |
|---|---|---|---|---|---|---|
| | £m | % | £m | % | £m | % |
| **Financial assets measured at fair value** | | | | | | |
| Level 1[1] | **55,561** | **80.2%** | 58,211 | 85.1% | 52,060 | 83.4% |
| Level 2 | **12,281** | **17.7%** | 9,128 | 13.3% | 9,272 | 14.8% |
| Level 3 | **1,421** | **2.1%** | 1,111 | 1.6% | 1,154 | 1.8% |
| **Total** | **69,263** | **100.0%** | 68,450 | 100.0% | 62,486 | 100.0% |
| **Financial liabilities measured at fair value** | | | | | | |
| Level 1 | **59,498** | **87.1%** | 58,566 | 85.8% | 54,944 | 89.2% |
| Level 2 | **7,403** | **10.8%** | 8,629 | 12.6% | 5,508 | 8.9% |
| Level 3 | **1,421** | **2.1%** | 1,109 | 1.6% | 1,151 | 1.9% |
| **Total** | **68,322** | **100.0%** | 68,304 | 100.0% | 61,603 | 100.0% |

[1]As at 30 June 2018 money market collective investment funds have been reclassified from amortised cost to FVTPL Level 1 to aid comparability between periods.

| | | | | £m |
|---|---|---|---|---|
| **30 June 2019** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Financial assets measured at fair value** | | | | |
| Mandatorily (fair value through profit or loss) | **44,024** | **12,259** | **1,420** | **57,703** |
| Loans and advances | **186** | **-** | **-** | **186** |
| Financial investments | **42,766** | **12,235** | **1,420** | **56,421** |
| Cash and cash equivalents | **1,072** | **-** | **-** | **1,072** |
| Derivative financial instruments - assets | **-** | **24** | **-** | **24** |
| Designated (fair value through profit or loss) | **2** | **-** | **-** | **2** |
| Financial investments | **2** | **-** | **-** | **2** |
| **Total assets net of held for sale** | **44,026** | **12,259** | **1,420** | **57,705** |
| Total assets classified as held for sale | **11,535** | **22** | **1** | **11,558** |
| **Total assets measured at fair value** | **55,561** | **12,281** | **1,421** | **69,263** |
| **Financial liabilities measured at fair value** | | | | |
| Mandatorily (fair value through profit or loss) | **48,481** | **7,381** | **1,420** | **57,282** |
| Investment contract liabilities | **48,481** | **385** | **1,420** | **50,286** |
| Third-party interests in consolidated funds | **-** | **6,972** | **-** | **6,972** |
| Derivative financial instruments – liabilities | **-** | **24** | **-** | **24** |
| **Total liabilities net of held for sale** | **48,481** | **7,381** | **1,420** | **57,282** |
| Total liabilities classified as held for sale | **11,017** | **22** | **1** | **11,040** |
| **Total liabilities measured at fair value** | **59,498** | **7,403** | **1,421** | **68,322** |

| 30 June 2018 | Level 1 | Level 2 | Level 3 | Total £m |
|---|---|---|---|---|
| **Financial assets measured at fair value** | | | | |
| Mandatorily (fair value through profit or loss) | 58,041 | 9,128 | 1,111 | 68,280 |
| Reinsurers' share of policyholder liabilities | 2,263 | - | - | 2,263 |
| Loans and advances | 190 | - | - | 190 |
| Financial investments | 54,193 | 9,095 | 1,111 | 64,399 |
| Cash and cash equivalents[1] | 1,395 | - | - | 1,395 |
| Derivative financial instruments - assets | - | 33 | - | 33 |
| Designated (fair value through profit or loss) | 170 | - | - | 170 |
| Financial investments | 170 | - | - | 170 |
| **Total assets measured at fair value** | 58,211 | 9,128 | 1,111 | 68,450 |
| **Financial liabilities measured at fair value** | | | | |
| Mandatorily (fair value through profit or loss) | 58,566 | 8,629 | 1,109 | 68,304 |
| Investment contract liabilities | 58,566 | 465 | 1,109 | 60,140 |
| Third-party interests in consolidated funds | - | 8,105 | - | 8,105 |
| Derivative financial instruments – liabilities | - | 59 | - | 59 |
| **Total liabilities measured at fair value** | 58,566 | 8,629 | 1,109 | 68,304 |

[1]As at 30 June 2018 money market collective investment funds have been reclassified from amortised cost to FVTPL Level 1 to aid comparability between periods.

| 31 December 2018 | Level 1 | Level 2 | Level 3 | Total £m |
|---|---|---|---|---|
| **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 |

### 14(e): Level 3 fair value hierarchy disclosure

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

In prior periods, included within the assets classified as Level 3 was a shareholder investment in an unlisted equity (30 June 2018: £2 million, 31 December 2018: £3 million); this was not matched by a corresponding liability and therefore any changes in market value were recognised in the Group's income statement. Following the acquisition of the Charles Derby Group during the period, the Group's investment is no longer held as a Level 3 financial investment, but instead as an investment in subsidiary which is eliminated on consolidation.

# Notes to the condensed consolidated interim financial statements

For the six month period ended 30 June 2019

### 14: Fair value methodology *continued*

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

| | **30 June 2019** | 30 June 2018 | 31 December 2018 |
|---|---|---|---|
| | | | **£m** |
| At beginning of the year | **1,154** | 1,169 | 1,169 |
| Total net fair value gains recognised in: | | | |
| - profit or loss | **68** | 20 | 54 |
| Purchases | **31** | - | 38 |
| Sales | **(3)** | (2) | (25) |
| Transfers in | **210** | 57 | 69 |
| Transfers out | **(36)** | (133) | (151) |
| Foreign exchange and other | **(3)** | - | - |
| **Total Level 3 financial assets** | **1,421** | 1,111 | 1,154 |
| Unrealised fair value gains/(losses) relating to assets held at the year end recognised in: | | | |
| - profit or loss | **68** | 20 | 54 |

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

Transfers into Level 3 assets for the current period total £210 million (30 June 2018: £57 million, 31 December 2018: £69 million). This is due to a combination 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, and an increase in suspended funds previously showed within Level 1. Transfers out of Level 3 assets in the current period comprise £36 million (30 June 2018: £133 million, 31 December 2018: £151 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.

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

| | **30 June 2019** | 30 June 2018 | 31 December 2018 |
|---|---|---|---|
| | | | **£m** |
| Pooled investments | **245** | 87 | 86 |
| Unlisted and stale price pooled investments | **129** | 86 | 82 |
| Suspended funds | **116** | 1 | 4 |
| Private equity investments | **1,176** | 1,024 | 1,068 |
| **Total Level 3 financial assets** | **1,421** | 1,111 | 1,154 |

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

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

| | **30 June 2019** | 30 June 2018 | 31 December 2018 |
|---|---|---|---|
| | | | **£m** |
| At beginning of the year | **1,151** | 1,167 | 1,167 |
| Total net fair value gains recognised in: | | | |
| Profit or loss | **68** | 20 | 53 |
| Purchases | **31** | - | 38 |
| Sales | **(3)** | (2) | (25) |
| Transfers in | **210** | 57 | 69 |
| Transfers out | **(36)** | (133) | (151) |
| **Total Level 3 financial liabilities** | **1,421** | 1,109 | 1,151 |
| Unrealised fair value gains/(losses) relating to liabilities held at the period end recognised in: | | | |
| Profit or loss | **68** | 20 | 53 |

### 14: Fair value methodology *continued*

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

Details of the valuation techniques applied to the different categories of financial instruments can be found in note 14(a) above, including the valuation techniques applied when significant unobservable assumptions are used to value Level 3 assets.

The majority of the Group's level 3 assets are held within private equity investments, where the valuation of these assets is performed on an asset-by-asset basis using a valuation methodology appropriate to the specific investment and in line with industry guidelines. Private equity investments are valued at the value disclosed in the latest available set of audited financial statements or, if more recent information is available, from investment managers or professional valuation experts at the value of the underlying assets of the private equity investment. For this reason, no reasonable alternative assumptions are applicable and management therefore perform a sensitivity of an aggregate 10% change in the value of the financial asset or liability (30 June 2018: 10%, 31 December 2018: 10%), representing a reasonable possible alternative judgement in the context of the current macro-economic environment in which the Group operates. It is therefore considered that the impact of this sensitivity will be in the range of £142 million to the reported fair value of level 3 assets, both favourable and unfavourable (30 June 2018: £111 million, 31 December 2018: £115 million). As described in note 14(e), changes in the value of Level 3 assets held within linked policyholder funds are exactly matched by corresponding changes in the value of liabilities due to policyholders and therefore have no impact on the Group's net asset value or profit or loss, except to the extent that it has an impact on management fees earned.

### 14(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 and would be classified as Level 3 in the fair value hierarchy.

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

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

### 15: Analysis of cash and cash equivalents

| | | | **£m** |
|---|---|---|---|
| | **30 June 2019** | 30 June 2018 | 31 December 2018 |
| Cash at bank | **369** | 726 | 550 |
| Money market funds | **1,410** | 1,395 | 1,361 |
| Cash and cash equivalents in consolidated funds | **546** | 1,254 | 484 |
| **Total cash and cash equivalents per consolidated statement of cash flows** | **2,325** | 3,375 | 2,395 |
| Less: cash within held for sale | **(381)** | - | - |
| **Total cash and cash equivalents per statement of financial position** | **1,944** | 3,375 | 2,395 |

Except for cash and cash equivalents subject to consolidation of funds of £546 million (30 June 2018: £1,254 million, 31 December 2018: £484 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.

## 16: Share-based payments

During the six months ended 30 June 2019, the Group participated in a number of share-based payment arrangements. This note describes the nature of the plans and how the share options and awards are valued.

### 16(a): Description of share-based payment arrangements

The Group operates the following share-based payment schemes with awards over Quilter plc shares which came into force on 25 June 2018: the Quilter plc Performance Share Plan, the Quilter plc Share Reward Plan, the Quilter plc Share Incentive Plan, and the Quilter plc Sharesave Plan.

The Old Mutual Wealth Joint Share Ownership Plan, the Old Mutual Wealth Phantom Share Reward Plan and the Old Mutual plc Managed Separation Incentive Plan were awards over Old Mutual plc shares or, in the case of the Old Mutual Wealth Phantom Share Reward Plan, notional Old Mutual plc shares. These share-based payment schemes were transferred to awards over Quilter plc shares on 25 June 2018 and continue to the original vesting dates.

| | Description of award | | | | | Vesting conditions | | |
|---|---|---|---|---|---|---|---|---|
| Scheme | Restricted shares | Conditional shares | Options | Other | Dividend entitlement[1] | Contractual life (years) | Typical service (years) | Performance (measure) |
| Quilter plc Performance Share Plan - Share Options (Nil cost options) | - | - | ✓ | - | ✓ | Up to 10 | 3 | AP EPS CAGR[2] and Relative Total Shareholder Return |
| Quilter plc Performance Share Plan - Conditional Shares | - | ✓ | - | - | ✓ | Not less than 3 | 3 | Conduct, Risk & Compliance Underpins |
| Quilter plc Share Reward Plan - Conditional Shares | - | ✓ | - | - | ✓ | Typically 3 | 3 | - |
| Quilter plc Share Incentive Plan - Restricted Shares | ✓ | - | - | - | ✓ | Not less than 3 | 2 | - |
| Quilter plc Sharesave Plan[3] | - | - | ✓ | ✓ | - | $3^{1/2}$ - $5^{1/2}$ | 3 & 5 | - |
| Old Mutual Wealth Joint Share Ownership Plan - Jointly Owned/Restricted Shares[4] | ✓ | - | - | ✓ | ✓ | 3 | 3 | - |
| Old Mutual Wealth Phantom Share Reward Plan - Conditional Shares[5] | - | ✓ | - | - | ✓ | Typically 3 | 3 | - |
| Old Mutual plc Managed Separation Incentive Plan - Share Options (Nil cost options) | - | - | ✓ | - | ✓ | Up to 10 | - | Targets in respect of Managed Separation completion |

[1]Participants are entitled to actual dividends for the Joint Share Ownership Plan Restricted shares and the Share Incentive Plan. For all other schemes participants are entitled to dividend equivalents.
[2]Adjusted Profit compound annual growth rate ('CAGR').
[3]The Quilter plc Sharesave Plan is linked to a savings plan.
[4]The Joint Share Ownership Plan ('JSOP') was implemented for certain key employees of the Group in 2013, with the final grant of awards in 2016. It provided participants with an interest in the capital growth of the company by granting joint ownership of shares in Old Mutual Wealth Management Ltd (now Quilter plc) with an EBT, whereby the trust owned the principal value of the shares and the participants owned any growth in value during the vesting period. Upon the demerger and listing of Quilter plc, the trust exercised a call option to acquire the participants' interest in the shares based on the growth in value of the Company between grant and listing, in return for consideration shares in Quilter plc. The consideration shares for any awards that remain unvested are restricted until the normal vesting date, and attract dividends during that time.
[5]Awards granted under the Phantom Share Reward Plan prior to the demerger of Quilter plc were made over notional ordinary shares in Old Mutual plc that were settled in cash on the vesting date. Upon the demerger and listing of Quilter plc, all unvested notional share awards were converted to conditional awards over ordinary shares in Quilter plc, which will be settled in Quilter plc shares on the normal vesting dates.

### 16(b): Reconciliation of movements in options

The movement in options outstanding under the Performance Share Plan and Sharesave Plan arrangements during the period is detailed below:

| | | **Six months 2019** | | Six months 2018 | | Full year 2018 |
|---|---|---|---|---|---|---|
| **Options over shares (London Stock Exchange)** | **Number of options** | **Weighted average exercise price** | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| **Outstanding at beginning of the period** | **2,468,964** | **£0.00** | 7,622,956 | £1.60 | 7,622,956 | £1.60 |
| Granted during the period | **23,277,265** | **£0.73** | 2,824,136 | £0.00 | 2,824,136 | £0.00 |
| Forfeited during the period | **-** | **-** | (2,083,686) | £1.60 | (2,252,333) | £1.60 |
| Exercised during the period | **-** | **-** | (5,533,303) | £1.60 | (5,578,539) | £1.60 |
| Expired during the period | **-** | **-** | (5,967) | £1.60 | (5,967) | £1.60 |
| Cancelled during the period | **(72,960)** | **£1.25** | - | - | (141,289) | £1.60 |
| **Outstanding at end of the period** | **25,673,269** | **£0.66** | 2,824,136 | £0.00 | 2,468,964 | £0.00 |
| **Exercisable at end of the period** | **-** | **-** | - | - | - | - |

### 16: Share-based payments *continued*

### 16(b): Reconciliation of movements in options *continued*

The weighted average fair value of options at the measurement date, for options granted during the six months ended 30 June 2019 is £0.71, and for both the six months ended 30 June 2018 and the year ended 31 December 2018 was £1.24.

The options outstanding at 30 June 2019 have exercise prices of £nil for the Quilter plc Performance Share Plan and £1.25 for the Quilter plc Sharesave Plan, with a weighted average remaining contractual life of 3.2 years. At 30 June 2018 and 31 December 2018 the exercise price was £nil, as they were all nil cost options, with a weighted average remaining contractual life of 2.7 years and 2.2 years respectively.

### 16(c): Measurements and assumptions

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

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

The inputs used in the measurement of fair values at the grant date for awards granted during 2019 were as follows:

| Scheme | Weighted average share price £ | Weighted average exercise price £ | Weighted average expected volatility | Weighted average expected life (years) | Weighted average risk free interest rate | Weighted average expected dividend yield | Expected forfeitures per annum |
|---|---|---|---|---|---|---|---|
| Quilter plc Performance Share Plan - Share Options (Nil cost options) | 1.39 | 0.00 | 29.3% | 3.39 | 0.7% | 0.0% | 4% |
| Quilter plc Performance Share Plan - Conditional Shares | 1.39 | 0.00 | 29.3% | 3.00 | 0.6% | 0.0% | 4% |
| Quilter plc Share Reward Plan - Conditional Shares | 1.39 | 0.00 | 29.3% | 2.04 | 0.6% | 0.0% | 4% |
| Quilter plc Sharesave Plan | 1.42 | 1.25 | 28.1% | 3.65 | 0.8% | 3.0% | 10% |

### 16(d): Share grants

The following summarises the fair value of Restricted Shares and Conditional Shares granted by the Group during the period:

| | **Six months 2019** | | Six months 2018 | | Full year 2018 | |
|---|---|---|---|---|---|---|
| **Instruments granted during the period** | **Number granted** | **Weighted average fair value** | Number granted | Weighted average fair value | Number granted | Weighted average fair value |
| Quilter plc Performance Share Plan – Conditional Shares | **4,048,663** | **£1.39** | 2,256,591 | £1.52 | 5,928,616 | £1.41 |
| Quilter plc Share Reward Plan – Conditional Shares | **10,229,933** | **£1.39** | - | - | - | - |
| Quilter plc Share Incentive Plan – Restricted Shares | **-** | **-** | 5,199,510 | £1.53 | 5,202,140 | £1.53 |
| Old Mutual Wealth Phantom Share Reward Plan – Conditional Shares | **-** | **-** | 6,474,853 | £1.52 | 6,474,853 | £1.52 |

### 16(e): Financial impact

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

| | | | **£m** |
|---|---|---|---|
| | **Six months 2019** | Six months 2018 | Full year 2018 |
| Expense arising from equity-settled share and share option plans - continuing operations | **13** | 12 | 26 |
| Expense arising from equity-settled share and share option plans - discontinued operations | **-** | 1 | 1 |
| Total expense arising from equity-settled share and share option plans | **13** | 13 | 27 |
| Expense arising from cash-settled share and share option plans - continuing operations | **-** | 3 | 3 |
| Total expense arising from share and share option plans | **13** | 16 | 30 |

### 17: Insurance and investment contract liabilities

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

| | | | | | | | | | | £m |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **30 June 2019** | | | 30 June 2018 | | | 31 December 2018 | | |
| | Notes | **Gross** | **Re-insurance** | **Net** | Gross | Re-insurance | Net | Gross | Re-insurance | Net |
| **Life assurance policyholder liabilities** | | | | | | | | | | |
| Life assurance policyholder liabilities | 17(a) | **676** | **(556)** | **120** | 503 | (395) | 108 | 588 | (478) | 110 |
| Outstanding claims | | **18** | **(14)** | **4** | 10 | (8) | 2 | 14 | (13) | 1 |
| Less: liabilities transferred to held for sale | | **(694)** | **570** | **(124)** | - | - | - | - | - | - |
| **Insurance contract liabilities** | | **-** | **-** | **-** | 513 | (403) | 110 | 602 | (491) | 111 |
| Unit-linked investment contracts | | **61,326** | **(1,516)** | **59,810** | 60,140 | (2,263) | 57,877 | 56,450 | (1,671) | 54,779 |
| Less: liabilities transferred to held for sale | | **(11,040)** | **1,516** | **(9,524)** | - | - | - | - | - | - |
| **Investment contract liabilities** | 17(b) | **50,286** | **-** | **50,286** | 60,140 | (2,263) | 57,877 | 56,450 | (1,671) | 54,779 |
| **Total life assurance policyholder liabilities** | | **50,286** | **-** | **50,286** | 60,653 | (2,666) | 57,987 | 57,052 | (2,162) | 54,890 |

### 17(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 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **30 June 2019** | | | 30 June 2018 | | | 31 December 2018 | | |
| | Note | **Gross** | **Re-insurance** | **Net** | Gross | Re-insurance | Net | Gross | Re-insurance | Net |
| **Carrying amount at 1 January** | | **588** | **(478)** | **110** | 480 | (375) | 105 | 480 | (375) | 105 |
| Impact of new business | | **3** | **(6)** | **(3)** | 2 | (6) | (4) | 2 | (10) | (8) |
| Impact of experience effects | | **18** | **(11)** | **7** | 19 | (12) | 7 | 38 | (26) | 12 |
| Impact of assumption changes | | **67** | **(61)** | **6** | 2 | (2) | - | 69 | (68) | 1 |
| Other movements | | **-** | **-** | **-** | - | - | - | (1) | 1 | - |
| Movement shown in discontinued operations income statement[1] | 4(c) | **88** | **(78)** | **10** | 23 | (20) | 3 | 108 | (103) | 5 |
| Transfer to liabilities held for sale | | **(676)** | **556** | **(120)** | - | - | - | - | - | - |
| **Total insurance contract life assurance policyholder liabilities** | | **-** | **-** | **-** | 503 | (395) | 108 | 588 | (478) | 110 |

[1]Of the £88 million gross movement in the six months ended 30 June 2019, £91 million is included within change in insurance contract liabilities and £3 million is included within in gross earned premiums in relation to the release of a provision for unearned premiums.

### 17(b): Unit-linked investment contract liabilities

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

| | | | | | | | | | £m |
|---|---|---|---|---|---|---|---|---|---|
| | **30 June 2019** | | | 30 June 2018 | | | 31 December 2018 | | |
| | **Gross** | **Re-insurance** | **Net** | Gross | Re-insurance | Net | Gross | Re-insurance | Net |
| **Carrying amount at 1 January** | **56,450** | **(1,671)** | **54,779** | 59,139 | (2,525) | 56,614 | 59,139 | (2,525) | 56,614 |
| From continuing operations | | | | | | | | | |
| Fair value movements | **4,002** | **-** | **4,002** | (106) | (3) | (109) | (3,109) | - | (3,109) |
| Investment income | **346** | **-** | **346** | 299 | - | 299 | 610 | - | 610 |
| Movements arising from investment return | **4,348** | **-** | **4,348** | 193 | (3) | 190 | (2,499) | - | (2,499) |
| From discontinued operations | | | | | | | | | |
| Fair value movements | **1,078** | **(159)** | **919** | (99) | (1) | (100) | (1,010) | 78 | (932) |
| Investment income | **72** | **-** | **72** | 102 | - | 102 | 195 | - | 195 |
| Movements arising from investment return | **1,150** | **(159)** | **991** | 3 | (1) | 2 | (815) | 78 | (737) |
| Contributions received | **2,747** | **315** | **3,062** | 4,047 | 266 | 4,313 | 7,117 | 774 | 7,891 |
| Maturities | **(86)** | **-** | **(86)** | (100) | - | (100) | (183) | - | (183) |
| Withdrawals and surrenders | **(3,189)** | **-** | **(3,189)** | (2,894) | - | (2,894) | (6,091) | - | (6,091) |
| Claims and benefits | **(98)** | **-** | **(98)** | (116) | - | (116) | (234) | - | (234) |
| Reclassification from provisions | **-** | **-** | **-** | 3 | - | 3 | - | - | - |
| Transfer to held for sale | **(11,040)** | **1,516** | **(9,524)** | - | - | - | - | - | - |
| Other movements | **(1)** | **(1)** | **(2)** | (129) | - | (129) | (2) | 2 | - |
| **Change in liability** | **(6,169)** | **1,671** | **(4,498)** | 1,007 | 262 | 1,269 | (2,707) | 854 | (1,853) |
| Currency translation (gain)/loss | **5** | **-** | **5** | (6) | - | (6) | 18 | - | 18 |
| **Total unit-linked investment contract policyholder liabilities** | **50,286** | **-** | **50,286** | 60,140 | (2,263) | 57,877 | 56,450 | (1,671) | 54,779 |

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

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

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

None of the reinsurers share of policyholder liabilities relating to investment contract liabilities were past due as at 30 June 2019 (30 June 2018: £nil, 31 December 2018: £nil).

### 18: Provisions

| | | | | £m |
|---|---|---|---|---|
| **30 June 2019** | **Compensation provisions** | **Sale of Single Strategy business** | **Other** | **Total** |
| Balance at beginning of the period | **54** | **20** | **20** | **94** |
| Adjustment on initial application of IFRS 16 | **-** | **-** | **(5)** | **(5)** |
| Additions from business combinations | **1** | **-** | **1** | **2** |
| Charge to income statement | **1** | **-** | **-** | **1** |
| Utilised during the period | **(15)** | **(5)** | **(1)** | **(21)** |
| Unused amounts reversed | **(6)** | **-** | **-** | **(6)** |
| Transfer to held-for-sale | **(19)** | **-** | **(1)** | **(20)** |
| **Balance at 30 June 2019** | **16** | **15** | **14** | **45** |

| | | | | £m |
|---|---|---|---|---|
| 30 June 2018 | Compensation provisions | Sale of Single Strategy business | Other | Total |
| Balance at beginning of the period | 82 | - | 22 | 104 |
| Charge to income statement | 4 | 19 | 1 | 24 |
| Utilised during the year | (4) | (2) | (2) | (8) |
| Unused amounts reversed | (1) | - | (1) | (2) |
| Foreign exchange and other movements | (3) | - | - | (3) |
| Balance at 30 June 2018 | 78 | 17 | 20 | 115 |

**18: Provisions** *continued*

| | | | | £m |
|---|---|---|---|---|
| 31 December 2018 | Compensation provisions | Sale of Single Strategy business | Other | Total |
| Balance at beginning of the year | 82 | - | 22 | 104 |
| Additions from business combinations | - | - | 1 | 1 |
| Charge to income statement | 11 | 25 | 3 | 39 |
| Utilised during the year | (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** |

**Compensation provisions**

Compensation provisions totalled £16 million (30 June 2018: £78 million, 31 December 2018: £54 million).

*Voluntary client remediation provision*

During 2017, as part of its 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 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 was 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. At the end of 2018 there was £38 million of the provision remaining, including £6 million of programme costs.

During the first six months of 2019, the components of the remaining provision were reviewed as new and improved data emerged, together with improvements in estimation methodology and modelling, resulting in a £6 million release. A further £13 million was utilised during this period, leaving £19 million which has been transferred to held for sale liabilities at 30 June 2019.

*Estimates and assumptions*

Key estimates and assumptions in relation to the provision are:

- 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 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. The current remaining provision for programme costs has been calculated as falling within a range of approximately £6 million to £8 million.

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

| Assumption | Change in assumption/estimate | Consequential change in provision (£m) |
|---|---|---|
| Modelled investment return | +/- 2% | +/- 0.2 |
| Timing of protection remediation | 12 month delay | + 1.6 |

*Compensation provisions (other)*

Other compensation provisions of £16 million include 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 management’s best estimate 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 provision**

In 2018, 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 provision established for restructuring was £19 million, of which £5 million was utilised during 2018. The carried forward restructuring provision at 31 December 2018 was £14 million. In the first six months of 2019, a further £5 million of the restructuring provision was utilised and therefore £9 million of the provision remains at the period end.

Additional provisions totalling £6 million were also made as a consequence of the sale of the Single Strategy Asset Management business. These were 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. The carried forward additional provision at 31 December 2018 was £6 million. None of the additional sale-related provision has been utilised in 2019 and this therefore still stands at £6 million.

### 18: Provisions *continued*

### 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. During 2019, provisions related to dilapidations were removed as part of the establishment of right of use assets and lease liabilities under IFRS 16 *Leases*.

### 19: 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 18). Possible obligations and known liabilities where no reliable estimate can be made or it is considered improbable that an outflow would result are reported as contingent liabilities in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

*Tax*

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

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

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

*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 and claims, and enters into 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.

### 20: Capital and financial risk management

The principal risks and uncertainties of the Group and the management of these risks have not materially changed since the year ended 31 December 2018.

Details of the principal risks and uncertainties can be found in the Capital and Risk Management information in Note 40 of the Group's 2018 ARA, and the estimation techniques and uncertainties in the specific disclosures to which they relate.

### 21: 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 prior to separation from Old Mutual plc which was disclosed in the Group's 2018 ARA. 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.

### 22: Events after reporting date

*Interim dividend*

Subsequent to 30 June 2019, the Board has declared an interim dividend of 1.7 pence per ordinary share. This amounts to £31 million in total, and will be accounted for as an appropriation of retained earnings in the year ending 31 December 2019. The interim dividend will be paid on 20 September 2019 to shareholders on the UK and South African share registers.

*Disposal of QLA business*

Following the Group's recently announced strategic review in respect of Quilter Life Assurance ('QLA'), on 4 August 2019 the Group entered into an agreement to sell the business to ReAssure Group plc ('the Acquirer') for consideration of £425 million, anticipated to be settled by a cash payment of £395 million at completion and a pre-completion dividend, subject to QLA Board approval, of £30 million. In the event that the QLA Board does not approve this £30 million dividend, or approves a lower dividend amount, the Acquirer will increase the amount settled in cash at completion on a pound-for-pound basis up to £425 million. Sale consideration will be increased by an interest charge between 1 January 2019 and the earlier of the completion date (or, in the case of the dividend, the dividend payment date) and 31 December 2019. The Group expects to complete the sale, which is subject to receiving regulatory approval, by the end of 2019. Economic ownership of QLA will pass to the Acquirer from 1 January 2019 (with all profits earned up until 31 December 2018 for the account of Quilter plc), with the exception of a £90 million dividend paid to the Group in March 2019 and a further £40 million dividend payable by QLA, subject to QLA Board approval, to the Group anticipated during Q3 2019 prior to completion. No further deferred or contingent consideration is payable. The results of the QLA business will continue to be included within the Group's results until the completion date.