Quilter

Annual Report 2019

For the generations of today and tomorrow

Contents

Financial highlights

Quilter delivered solid results for 2019, in a challenging environment for flows. Assets under management and administration benefited from the rebound in equity markets during the year and adjusted profit before tax increased, with stable revenues supported by continued cost discipline across the business.

Assets under management and administration (AuMA)[1] *

£110.4bn

2019	£110.4bn
2018	£97.7bn

Net client cash flow (NCCF) (excluding Quilter Life Assurance)*

£0.3bn

2019	£0.3bn
2018	£4.7bn

Adjusted profit before tax[2]

£235m

2019	£235m
2018	£233m

Adjusted diluted earnings per share[2,3] *

11.3p

2019	11.3p
2018	13.5p

IFRS (loss)/profit after tax (from continuing operations)[1]

£(21)m

2019	£(21)m
2018	£66m

Recommended final dividend per share

3.5p

2019	3.5p
2018	3.3p

[1] Continuing operations, excluding Quilter Life Assurance.
[2] Continuing operations and Quilter Life Assurance.
[3] 2018 adjusted diluted earnings per share includes 1.2p from Single Strategy.

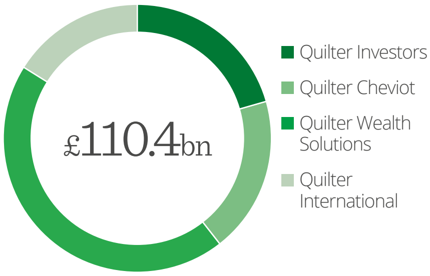
Alternative Performance Measures ("APMs")

We assess our financial performance using a variety of measures including APMs, as explained further on page 212. These measures are indicated with an asterix: *

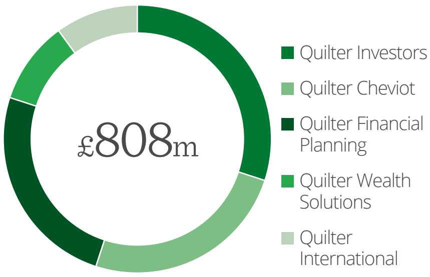
Quilter at a glance

Quilter is a leading UK and cross-border full-service wealth manager, providing advice-led investment solutions and investment platforms to over 900,000 customers. We are listed on the London and Johannesburg stock exchanges.

Assets under management and administration*



Total net fee revenue[1]



Target customer segment

c.5m

affluent adults in UK

£1.7trn

liquid assets

Our business

Quilter is a modern, multi-channel wealth management company. Advice is core to our business model and we believe in transparency and customer choice. We service customers either through our restricted financial planners ("RFPs") or third-party independent financial advisers ("IFAs") by providing financial planning, investment solutions and platform services.

Quilter operates in one of the largest wealth markets in the world – and one that is growing. With scale and leading positions in our chosen capabilities, we give RFPs and IFAs and their clients choice and flexibility in how they access our solutions and services.

Our purpose

To help create prosperity for the generations of today and tomorrow.

We believe:

- In the value of trusted face-to-face advice
- That better choice doesn't mean more choice
- That investment solutions should be simply packaged
- That award-winning service and measurable outcomes for our customers should always offer good value
- That a company's purpose goes beyond making a profit and should focus also on being a responsible business as well as a responsible investor

Our positioning

To be the best place for trusted financial advice in the UK

- Customer choice at the heart of everything we do
- Open, transparent and fair
- Competitive products, quality and pricing at every part of the value chain
- Focussed on delivering 'great' customer solutions
- Modern business model designed for today's regulatory world

Our investment case

A unique combination of capabilities, scale and market position

- Full-service wealth manager providing choice and delivering good customer outcomes
- Leading positions across one of the largest wealth markets with strong structural growth drivers
- Multi-channel proposition and investment performance driving integrated flows, and long-term customer and adviser relationships
- Attractive top-line growth with opportunity for operating leverage
- Strong balance sheet with low gearing and good cash generation driving shareholder returns

Our journey to date

We are on a multi-year journey to deliver Quilter as a modern, UK-focussed wealth manager. Since 2012, we have adapted our business model from being a UK and European life assurer to where we are today. 2018 was a year of initiation as a Listed company, with 2019 a year of strategic reshaping and transition. In 2020, we look to consolidate growth and execute on our strengthened business position.

2017
- Old Mutual plc Managed Separation announced

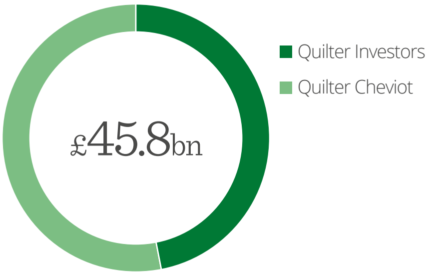
2018
- Managed Separation completed
- Listed as Quilter plc on LSE and JSE
- Sale of Single Strategy asset management business to TA Associates
- Closure of FCA investigation into Life Assurance book
- Special dividend

2019
- Acquisition of Charles Derby Group
- Optimisation phase 1
- Quilter Investors buildout and product refresh
- Acquisition of Lighthouse Group plc
- Sold Quilter Life Assurance
- UK Platform Transformation Programme: Migration testing and delivery phase

2020

Our Group companies operate within two main segments

Assets under management*



Restricted financial planners

1,799

Second-largest adviser base in the UK

Investment managers

167

Advice and Wealth Management

The segment comprises:

Quilter Financial Planning

Quilter has the second-largest advice business in the UK. Through our Network advice business, restricted financial planners operate as 'appointed representatives' of Quilter whereas in our National advice business, the advisers are either employees or registered individuals of Quilter, with each delivering face-to-face financial advice tailored to meet customers' specific needs. We stand behind their advice and provide them with a panel of selected Quilter and third-party products which offers choice to their clients.

Quilter Private Client Advisers is our rapidly growing high net worth advice business. Wholly owned with all advisers employed by Quilter, it is closely aligned with Quilter Cheviot, specialising in providing financial advice to affluent clients across the UK.

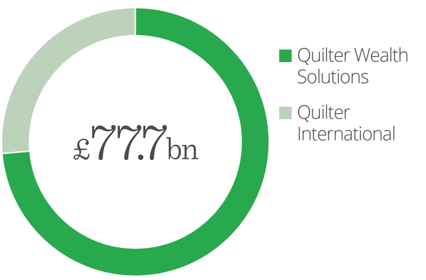
Quilter Cheviot

Quilter Cheviot is a leading private client wealth manager providing discretionary and advisory wealth management services to private investors and corporate pension funds, trusts and charities.

Quilter Investors

Quilter Investors is a leading provider of multi-asset investment solutions, offering a broad range of solutions for its customers' accumulation and decumulation needs.

Assets under administration*



Investment Platforms market position

2nd

UK's second-largest adviser-focussed Platform

Independent financial advisers

4,000+

Active relationships across the UK

Wealth Platforms

The segment comprises:

Quilter Wealth Solutions

Quilter Wealth Solutions is the UK's second-largest adviser-focussed investment platform provider. The platform is available to both Quilter Financial Planning and third-party independent advisers.

Quilter International

Quilter International is a leading investment platform provider of cross-border investment funds and wrappers aimed at affluent and high net worth UK residents seeking investment solutions outside of the UK, as well as expatriates and international investors in selected offshore markets.

Discontinued operations

Quilter Life Assurance

Quilter Life Assurance was the book of legacy UK life insurance (including the institutional life business) sold to ReAssure on 31 December 2019 for £425 million or 120% of pro forma 2018 own funds. £375 million of the net surplus proceeds from the sale is anticipated to be returned to shareholders via a share buyback.

All businesses within the Group will be subject to rebranding to align with the Quilter name. For the purposes of the Annual Report, all businesses have been referenced by their new name – please see Glossary on page 215 for further details.

Notes:
All figures as at 31 December 2019, unless otherwise stated. Segmental numbers are before eliminations and Head Office, which are detailed in the Financial Review starting on page 22.

* See page 212 for alternative performance measure definitions.
[1] For further information on Total net fee revenue, see the Financial Review on page 24 and 25.

Chairman's statement

2019 has been another busy year for Quilter. Our people are focussed not only on achieving good outcomes for our customers but on building an organisation that delivers for all our stakeholders.

Introduction

2019 was another eventful year for Quilter and a strong one, in terms of total returns, for our shareholders. As our Chief Executive, Paul Feeney, discusses later, we have continued to reshape the business inorganically through acquisitions and disposals as well as organically through driving internal change and efficiency improvements. I am pleased with the progress we made in 2019 but there is still more to do to realise Quilter's potential, deliver increasing value for our shareholders and to surpass the expectations of our broader stakeholders. We look forward to rising to this challenge in 2020 and beyond.

Despite an uncertain UK political backdrop, we have delivered a good financial performance with an increase in adjusted profit before tax of 1% to £235 million (2018: £233 million) and IFRS loss before tax attributable to equity holders of £(53) million versus a profit £41 million in 2018. As we signalled at the beginning of 2019, we expected a challenging year for net client cash flows and flows have been disappointing for us and our industry. Platform industry statistics indicate that 2019 was the lowest year for net flows since 2013. A key factor affecting our net flows has been the impact of a loss of a particular cohort of investment managers in Quilter Cheviot and lower gross flows onto our UK Platform ahead of adviser and customer migrations in respect of our platform transformation programme; once this has been completed in summer 2020, we expect the new platform to provide a positive catalyst to boost flows.

One of the more notable events of 2019 was the sale of our heritage life business, Quilter Life Assurance, to ReAssure for £425 million (and interest income of £21m) which, we believe, was an excellent outcome for customers and shareholders alike.

Following shareholder consultation, the Board announced its intention to return this capital to shareholders via a share buyback programme. This will be conducted concurrently on the London and Johannesburg stock exchanges. The buyback is dependent on regulatory approval and the renewal of share repurchase authorities at the Group's 2020 Annual General Meeting ("AGM"), and will be subject to periodic Board review to ensure that this remains the most effective and timely method of returning capital to shareholders. Given the size of the capital return relative to the current trading liquidity in Quilter shares, we currently expect the buyback programme to complete by the time of our 2021 Annual General Meeting.

Shareholder returns and dividend

Quilter delivered a total shareholder return of 42% in calendar year 2019. While this was aided by a low starting point due to the market sell-off in late 2018, I am particularly pleased that our performance was ahead of our principal UK peers (median return 25%) and the FTSE-250 (29%) over the 12 month period to 31 December 2019.

The Board is pleased to recommend a final dividend of 3.5 pence for the 2019 financial year which, together with the interim dividend of 1.7 pence paid in September, would take the proposed full year dividend to 5.2 pence.

The dividend will be paid, subject to shareholder approval at our 2020 Annual General Meeting on 18 May 2020, to shareholders on the register on 3 April 2020. Our 2019 dividend represented a pay-out ratio of 46%, close to the midpoint of the targeted 40% to 60% range we set out in our prospectus at Listing and is at a level appropriate for a company relatively early in its quoted life. Following the sale of Quilter Life Assurance, we expect the dividend pay-out level for the 2020 calendar year to be towards the upper end of our target range.

Board

Having established a Board with sufficient breadth, depth and industry experience to lead Quilter into the public markets, and with the right mix of skills to provide counterbalance to support, challenge and guide our executive team, the Board was little changed during 2019. The only change to the Board was welcoming Mark Satchel back following his appointment as Chief Financial Officer in March 2019 after the departure of Tim Tookey.

Since the year-end, Cathy Turner and Suresh Kana have both advised the Board that they will not be standing for re-election at the 2020 AGM. Suresh's insight into South African corporate governance practices has been very valuable during our formative period as a dual-listed company. However, he has decided that such input is now less important given that our governance processes are more established and, given the time commitment of serving on a UK public company Board from South Africa. It is now an appropriate moment to stand down.

Glyn Jones
Chairman

Proposed full year dividend

5.2 pence per share

In addition to c.£375 million capital return
2018: 3.3 pence per share final dividend
plus 12.0 pence per share special interim dividend

Cathy has recently taken up an appointment as a Board member and Chair of the Remuneration Committee at a FTSE-100 company and can no longer commit the required time to her duties on the Quilter Board. Cathy has made a significant contribution to the establishment by Quilter of remuneration policies and structures appropriate for an independent, public company and we wish her every success in her future endeavours. Ruth Markland, our Senior Independent Director, who has served as a member of our Board Remuneration Committee since she joined the Board in June 2018, has agreed to succeed Cathy as Chair of our Board Remuneration Committee. An external search agency has been appointed to help us identify successors for both Suresh and Cathy.

To ensure the Board is working effectively, we appointed Professor Rob Goffee, an experienced expert in such work, to undertake a Board effectiveness review during 2019. The conclusions of this review are summarised on pages 50 to 51.

Governance and regulation

We advised shareholders in our 2018 Annual Report that we would be conducting an external audit tender during 2019. Given the longevity of KPMG's tenure as our existing auditors, they did not participate in the audit tender process. The Quilter Board, on the recommendation of the Audit Tender Sub Committee, chaired by Rosie Harris, appointed PwC as our external auditors from 1 January 2020. A resolution for the appointment of PwC as auditors will be submitted for shareholder approval at our 2020 AGM. Further detail about the tender process can be found in the Governance report on page 57.

Two resolutions at our 2019 AGM attracted a meaningful level of votes against from shareholders:

- The resolution to authorise political donations saw 25% votes against but, nevertheless, passed; and
- The resolution to authorise Directors to allot shares was not passed, with 50.5% of shares voting against.

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 such 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 December 2019, the Quilter share register was split 60%:40% between the Johannesburg Stock Exchange and London Stock Exchange respectively.

In line with the guidelines in the 2018 UK Corporate Governance Code, we sought to fully understand the views of South African shareholders on both of these resolutions. Further detail on this shareholder engagement can be found on page 47.

The 2019 AGM also provided approval for the Company to undertake an Odd-Lot Offer ("OLO"). The OLO was launched alongside the announcement of our full year 2019 results. The OLO will allow those of our shareholders with fewer than 100 shares who wish to dispose of their shares to do so in a simple, cost-effective manner.

Throughout the year we have implemented the Senior Managers and Certification Regime ("SMCR") into our UK businesses not already subject to it. Further regulatory deliverables are due in 2020 alongside a focus on embedding the principles of SMCR into our business culture and practices.

Conclusion

2019 has been another busy year for Quilter. Our people are focussed not only on achieving good outcomes for our customers but on building an organisation that delivers for shareholders and also embraces a wider corporate and social responsibility through making a difference for the generations of today and tomorrow. On behalf of the Board, I would like to thank our management team and all of our employees for their effort, focus and commitment to achieving our goals. Thank you also to our shareholders for your continued support.

Glyn P. Jones

Glyn Jones
Chairman

Building Quilter to deliver long-term success for all our stakeholders
Section 172 statement

In undertaking its duties in 2019, the Board continued to be mindful of the need to appropriately balance the interests and expectations of the Group's key stakeholders. Throughout this report, we describe how stakeholders have been considered as Quilter strives to achieve its purpose of helping create prosperity for the generations of today and tomorrow.

Further insight into our engagement with stakeholders can be found on pages 44 to 47. For our Section 172 statement, see page 44.

Chief Executive Officer's statement

Last year I noted Quilter had come to market not as the finished article but as a work in progress. In 2019, we made significant strides towards achieving our goals.

Execution

We have a clear vision about what we want Quilter to be; a modern, advice-led, wealth management company built on the principles of fairness, transparency and choice with each of these supported by great service. Our core UK customer propositions are free of exit charges or surrender penalties. Delivering good customer outcomes through the provision of trusted advice is central to everything we do. The combination of our own restricted financial planners together with the c.4,000 independent adviser firms who use Quilter's UK Platform on a regular basis provides us with two strong channels to drive business growth.

Our ambitions are considerable and the growth opportunity across our markets remains compelling, so during 2019 we have been moving at pace to transform Quilter by:

- a relentless focus on optimisation and the development and implementation of our new UK Platform;
- reshaping our business through both acquisitions and disposals;
- investing in our revenue generation capability through growth in restricted financial planners and adding investment managers to replace the departures we saw in 2018; and
- maintaining the capital discipline we demonstrated with 2018's special dividend through a commitment to return the £375 million net surplus sale proceeds from the disposal of Quilter Life Assurance through on-market share repurchases.

Remaining key milestones include the migration of customers from our existing platform onto our new UK Platform, the first stage of which was completed in early 2020. We also need to complete the first phase of our optimisation plans by the end of 2021. As we look ahead, we believe that the secular growth characteristics of our markets remain strong, and each of our businesses is well positioned strategically in each of the markets in which they operate. Our objective is to deliver on our potential by making Quilter more than the sum of its parts and delivering excellent outcomes for all our stakeholders.

Financial performance

We have delivered a solid profit performance in 2019 in a market that has had to contend with extreme political and economic uncertainty due to Brexit in the UK, and trade and geopolitical concerns more broadly across the globe. Business conditions in 2019 were the opposite of those experienced in the previous year. In 2018, Quilter benefited from good new business flows but a challenging environment which was exacerbated by the market sell off late in that year. By contrast, in 2019 the net flow environment has been more challenging due to the aforementioned geopolitical uncertainty coupled with certain Quilter-specific issues, discussed below. However, the market rebound early in 2019 was stronger than we expected at the end of 2018, which, coupled with the high level of retention of our assets under management and administration, meant we closed the year with record AuMA of £110.4 billion.

Against this backdrop, I am pleased with our adjusted profit before tax (excluding Quilter Life Assurance) for the year of £182 million (2018: £176 million), up 3% on last year, or £235 million (2018: £233 million), up 1%, including Quilter Life Assurance. This reflected stable revenue margins coupled with a 4% increase in average AuMA and was supported by strong cost discipline and our optimisation activities. Expenses increased modestly as a result of investment in the business through our distribution acquisitions and the normalisation of the charge for the FSCS levy. Excluding the impact from acquisitions, underlying costs (including Quilter Life Assurance) were broadly unchanged on 2018, in line with the guidance provided at the beginning of the year. On an IFRS basis, our continuing business made a loss after tax of £21 million (2018: profit after tax of £66 million). The difference between our IFRS and adjusted profit is predominantly due to the amortisation of (non-cash) intangibles related to acquisitions, the costs of our Platform Transformation Programme (which will fall away in 2021) and the restructuring costs associated with our optimisation plans, which will continue to be incurred in 2020 and 2021.

Transformation

A key initiative in 2019 was broadening the reach of our advice business. We acquired Charles Derby Group in February 2019 which, in one step, gave us UK-wide scale in our recently formed national advice business. The subsequent addition of 390 financial advisers through the acquisition of Lighthouse Group plc in June 2019 added critical mass to the national advice business as well as broadened our network business. We will enhance the Lighthouse restricted proposition through access to Quilter Investors solutions which have been specifically designed to meet the needs of

Paul Feeney
Chief Executive Officer

> Irrespective of short-term market sentiment, we remain very optimistic on the long-term secular opportunity across our markets and we are strategically well positioned to benefit from this.

customers of advice businesses. In line with the trend in previous acquisitions, over time, we expect a number of the 250 Lighthouse independent financial advisers to convert to a restricted proposition based upon the ability of our propositions to meet their customers' needs.

The integration of both the above acquisitions are progressing in line with expectations and should contribute to flows during 2020. While these acquisitions were strategically important, we also experienced good levels of organic growth in RFPs across our wider business. We added a net 41 RFPs across the firm representing organic growth of 3% and have a strong pipeline of new joiners expected for 2020 which is partly due to the scaling up of our investment in our Financial Adviser School. Given the focus on broadening of our business, we were delighted that Quilter was named as the top-ranked financial adviser firm in 2019 by FTAdviser which provides external validation of our commitment to providing high-quality advice.

The sale of Quilter Life Assurance was in line with our strategic objectives. Once the FCA thematic review into fair treatment of long-standing customers closed with a favourable outcome in late 2018, we decided to undertake a strategic review of the business which concluded that a sale was in the best interests of customers, shareholders and employees. The sale of Quilter Life Assurance to ReAssure helps simplify and focus our business and removes a drag from our growth trajectory. We were delighted with the sale price achieved of £425 million (and interest income of £21 million), representing 120% of pro forma own funds, which set a new benchmark for pricing of closed life book transactions in the UK. Our Board is highly focussed on capital discipline and we intend to return the full net surplus sale proceeds (after disposal costs) of £375 million to shareholders.

In terms of our operational transformation through optimisation, we continue to make excellent progress. In late 2018 and 2019 our focus was on initiatives with near-term benefits such as supplier contract renegotiation and reduction, driving savings in property and facility costs, and reducing dependence on higher cost contracting staff. We are now 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, a firm-wide general ledger and enhancing the straight through processing capabilities within our advice business. We have started the consolidation of the support functions which is designed to create centres of excellence 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.

Our optimisation plans have contributed to keeping our operating margin stable year-on-year, despite the impact of our Advice acquisitions which have a lower operating margin than the rest of the Group. We remain committed to delivering the targeted improvement in our operating margin in 2020 and in 2021. As a result of the sale of Quilter Life Assurance, this will be off a lower base than we originally expected when we announced our targets in March 2019. We target an operating margin of 27% for 2020 and 29% for 2021.

Turning to our UK Platform Transformation Programme, this has been a priority over the course of 2019. We spent the year with the system in soft launch phase which was used to verify core system functionality, processes and controls in a live environment. This provided valuable insight as we worked through to the core code delivery in the summer and the delivery of the master version of the code in early November 2019. Alongside our rigorous testing approach, we undertook two dry runs and three dress rehearsals as part of our migration readiness plans before our initial migration in February 2020.

This initial migration of c.8% of the total platform assets under administration represented the funds associated with around 60 adviser firms and 25,000 customers. In the period immediately after migration, operational activity has been in line with expectations and initial feedback from advisers using the new system has been positive. We will incorporate lessons learnt from this process into our plans and ensure the new platform is operating well and at scale, ahead of undertaking our final migration by the end of summer, with scheduling of this timed to reduce potential disruption to our customers and advisers.

Our strategic priorities

We have a strong track record in terms of transformational change and delivering against our promises. We are well placed to grow sustainably, providing we simplify and unify our business. Our strategic priorities over the next few years are:

1 Delivering on customer outcomes
Ensure we deliver good customer outcomes, strong investment returns and quality customer service.

2 Advice and Wealth Management growth
Grow our advice business by adding financial advisers and investment managers, supporting them to improve their productivity. We will also enhance the investment solutions offered by the Quilter Investors team.

3 Wealth Platforms growth
Deliver our UK Platform Transformation Programme which will bring benefits including greater capability and functionality.

4 Optimisation
We will grow our business by enhancing centres of excellence and driving efficiency while reducing unnecessary cost and complexity.

For detail on performance towards our strategic objectives, see pages 18 to 19.

Chief Executive Officer's statement continued

Ensuring that assets are transferred from our existing platform onto the new platform on a high-quality, low-risk basis is mission-critical.

The total costs of the project are expected to be around £185 million, in line with the revised estimates we set out in August 2019. Of this sum, £136 million had been spent by end-December 2019.

Separately, we executed well on the programme to build out Quilter Investors' capability as a standalone business independent of the transitional support provided by Merian Global Investors (formerly Old Mutual Global Investors). This project was completed more than six months ahead of schedule and within budget.

Operational performance

Delivering good customer outcomes through a trusted advice relationship is core to the Quilter business model. Both our restricted and third-party independent advisers drive client flows to our platform – the centre of our business which provides the investment 'wrappers', where needed, to meet clients' needs. Our investment solutions provide the intellectual capital to deliver the financial 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 net flows.

Gross client cash flows (excluding Quilter Life Assurance) into the business were lower at £12.3 billion (2018: £14.2 billion) and as already noted, 2019 was challenging in terms of NCCF. 2019 NCCF (excluding Quilter Life Assurance) of £0.3 billion was down from £4.7 billion in 2018. As well as general market uncertainty caused by Brexit and broader geopolitical and macro-economic concerns, the 2019 result includes two Quilter-specific issues:

First, despite higher gross sales in 2019 from Quilter Cheviot, the departure of a group of Investment Managers who resigned in mid-2018 had an impact on outflows in the business once their non-compete restrictions expired in the second quarter 2019. We recorded outflow requests totalling £1.3 billion from clients looking to follow these Investment Managers and, as previously announced, we also experienced the transfer of a quasi-institutional £0.2 billion mandate from Quilter Cheviot late in the second quarter.

Secondly, partly due to market uncertainty, we have experienced a lower level of new gross flows onto our UK Platform from both our and third-party financial advisers ahead of our planned platform migration this year. This has led to lower levels of flow into Quilter Investors, with the combination of these factors leading to lower net flows.

Quilter International's NCCF was up 67% on the prior year, albeit off a low base. The current business flows are consistent with repositioning the business to have deeper roots in fewer markets, and to ensure the product range and client offering across our international markets are consistent with Quilter's risk appetite in all markets where we operate.

We are pleased that overall levels of client retention across the business were broadly unchanged, outside of the isolated impact from the Quilter Cheviot departures.

AuMA, excluding Quilter Life Assurance, increased 13% to £110.4 billion from £97.7 billion at 31 December 2018. The market recovery began late in the first quarter and overall market levels oscillated around the higher levels for most of the year, with the FTSE-100 up 12% during the year. This led to average AuMA, excluding Quilter Life Assurance, of £105.7 billion, the principal driver of management fee revenue, modestly higher than the 2018 average level of £101.9 billion.

Investment performance

Our solutions have continued to deliver good investment performance for our clients. Performance at Quilter Cheviot, our discretionary fund management business, continued to outperform relevant ARC benchmarks, with strong returns from our stock selection. We recorded first or second quartile performance over one, three and five years, and top quartile over 10 years across all categories.

The medium and longer-term performance of Quilter Investors' multi-asset funds has also remained strong, although the shorter-term performance of the biggest range, Cirilium Active, has been more mixed reflecting some tactical positioning over the prior year end and the start of 2019 that did not perform in the short-term to our medium and long-term expectations. This underperformance partially recovered in a strong finish to the year. Our Cirilium passive range has continued

As part of Quilter's Principal Partnership with England Rugby, we support the "Quilter Kids First" programme

"The sport of rugby shares many of the attributes that we strive for as a business: teamwork, a can-do attitude and the desire to make a difference for oneself and the people you care about."

to perform strongly. The second largest range, our Managed Portfolio Service, continued to deliver good performance.

We have both simplified and broadened the Quilter Investors product range through fund consolidation and new product launches during 2019. These new products, including our new multi-asset income suite and the Cirilium blend proposition, have been launched in response to the specific needs of our customers based upon direct research we conducted through our advice business. These products have lower revenue margins than our current stock of business and, equally, have a lower cost to manufacture. We are pleased with the early response from clients and advisers to these new products and look forward to them contributing to the Group's net flows in the years to come.

Brand

Ensuring Quilter brand consistency and strengthening the ties that bind our people to deliver our purpose is a core focus for the management team. Feedback from the gradual transition to a single Quilter brand across our business from both staff and advisers has been overwhelmingly positive. The move to the Quilter brand allows our network of 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.

Culture and values

Creating a responsible business which builds positive stakeholder relationships is very important to me. In particular I want Quilter to be a place where our people can fulfil their potential and thrive. During 2019 we continued our colleague wellbeing initiative, Thrive, which supports our people's emotional, mental, physical, financial and social wellbeing. Colleagues are engaged in the community via the Quilter Foundation which is our registered charity. It supports young people by enhancing financial capability, improving employment prospects and supporting good mental health. As we complete our transition to a unified brand I am delighted that our employee engagement scores remain strong and we will continue to strengthen our culture and the ties that bind us across the organisation.

Our vision for Quilter is to be a modern, advice led, Wealth Manager delivering good customer outcomes. Our foundations are built on three simple principles; delivering customer choice, being transparent and ensuring fairness in all our dealings with customers, with all of this underpinned by high quality service levels.

Choice is about delivering quality assured choice rather than unlimited choice to customers and being agnostic as to active versus passive solutions and in terms of how customers wish to approach us – whether it is via their own independent adviser or through one of our own restricted financial planners.

Transparency means no hidden charges and no lock-ins so that customers only pay Quilter for what they use and are free to go elsewhere if they choose.

Fairness is about always doing the right thing for our customers. In this regard, we are aware of current market commentary surrounding British Steel pension transfer advice. Prior to our acquisition in June last year, Lighthouse advised around 300 British Steel pension scheme members to undertake a defined benefit transfer. Of this sum, approximately 80 were undertaken prior to June 2017 after which the transfer values of the pension scheme were fundamentally enhanced. Since the year-end we have been notified of around 30 complaints relating to advice provided by Lighthouse, all of which related to the pre-June 2017 period. We are in the process of reviewing those complaints and have written directly to the customers involved. Whilst Lighthouse has professional indemnity insurance cover in place, we have taken a provision of £12 million on a gross basis to cover potential costs and this has been reflected as an adjustment to the acquisition balance sheet of Lighthouse. We have initiated a review of all cases advised by Lighthouse, prior to its acquisition by Quilter in June 2019, to assess the standard of advice given to British Steel pension scheme members, and have actively engaged with the regulator. While this situation is obviously disappointing, our priority is to do the right thing for our customers.

Outlook

Quilter's performance during the early part of 2020 was broadly in line with our expectations. Markets were initially resilient, we were seeing a more confident tone from clients and their advisers and the overall NCCF flow trends for the UK business were consistent with the trends seen in late 2019. Net flows onto the UK Platform continued at a similar level and the outflows at Quilter Cheviot continued to decline leading to a modest NCCF inflow in that business. NCCF for Quilter International was at a similar run-rate to the first quarter of 2019.

The sharp Coronavirus-induced market correction in late February has created a level of uncertainty as to the outlook for the remainder of 2020. As we all try to understand the potential impact of this on people, economies and markets, my focus is two-fold; firstly, making sure our people are safe and secondly, a customer focus. We have contingency plans in place for home-working across the organisation and we are following Public Health England guidelines, as they develop. In times of turbulence like this, we want our advisers and investment managers to be right there to support and guide our clients, so they are not left to deal with this level of uncertainty alone. At this stage, it is too early to ascertain the impact of this situation on investor sentiment, NCCF and revenues.

Our optimisation programme will deliver the cost savings that are embedded in our operating margin targets for 2020/2021. However, as we have previously indicated, those targets were based on an expectation of broadly stable markets from the base level at time they were set, coupled with a modest aggregate NCCF contribution over the period. If markets were to remain at recent post-correction levels for an extended period, or to decline further, then delivering our operating margin target for 2020 will be a challenge. We remain committed to our targets but recognise that attainability will be subject to market levels, investor activity and management actions over the remainder of the year.

Irrespective of short-term market sentiment, we remain optimistic on the long-term secular opportunity across our markets and we are strategically well positioned to benefit from this. Completing the first migration onto our new UK Platform in early February was a major milestone for the Group. We are now focussed on delivering the second and final migration to a high-quality outcome in the summer. The new Platform will strengthen the cohesion between our different business capabilities and be a catalyst for faster growth.

Paul Feeney
Chief Executive Officer

Responsible business

Quilter is here for a reason – to help create prosperity for the generations of today and tomorrow. We're committed to operating our business responsibly, for the long term, for the benefit of all our stakeholders.

We help customers to be financially secure and achieve their financial goals and we also help colleagues, business partners and communities to thrive and prosper through our long-term positive relationships. And for shareholders we strive to deliver sustainable returns over the long term. We call this Shared Prosperity.

Our Shared Prosperity Plan sets out our approach to responsible business. This is informed and shaped by what matters most to our stakeholders, and what we believe has the greatest impact on our ability to create long-term financial and non-financial value. We engage regularly with our stakeholders to understand their priorities and expectations as social norms and socio-economic trends evolve over time.

Our Shared Prosperity Plan focuses on three core themes where we aim to have a positive impact: financial wellbeing; inclusive growth; and responsible investment. These are underpinned by our culture, values and unwavering commitment to responsible business conduct.

Our Shared Prosperity Plan

Financial wellbeing

By enabling people to enhance their financial knowledge and confidence we can help customers, colleagues and communities to be more financially resilient and achieve long-term financial security.

Our commitments:

- Improve access to financial advice and guidance.
- Promote financial wellbeing for all colleagues.
- Empower young people to manage their money well for life.

Inclusive growth

Financial security is vital to our overall wellbeing. By supporting people into sustained employment, helping people thrive in work and promoting long-term savings we enable customers, colleagues and communities to have a more secure financial future.

Our commitments:

- Empower customers to be more engaged in their financial future.
- Create an inclusive culture that embraces diversity.
- Enable colleagues and communities to thrive in work.

Responsible investment

The investment industry can positively influence environmental, social and governance issues that impact investment returns upon which savers rely for their future financial security. At the same time, we also need to continually reduce our own environmental impact.

Our commitments:

- Embed responsible investment principles across our business.
- Exercise active stewardship of our customers' assets.
- Reduce the environmental intensity of our activities.

Non-financial information statement

This section of the Annual Report (pages 10 to 15) provides information as required by regulation in relation to: environmental matters, our employees, social matters, human rights, and anti-corruption and bribery. In addition, other related information can be found as follows: business model – page 17; principal risks and how they are managed – pages 32 to 33; and key performance indicators – pages 20 and 21. More detailed disclosures about Quilter's non-financial performance can be found in the separate Responsible Business Report 2019.

Our Shared Prosperity Plan focusses on three core themes: financial wellbeing, inclusive growth and responsible investment. Through the Plan we strive to deliver benefit for all our stakeholders, including customers, colleagues, communities and shareholders.

Jane Goodland
Corporate Affairs Director

2019 Progress

Improving access to financial advice

We continue to make financial advice more accessible by growing the number of restricted financial planners we employ and work with, reaching 1,799 at the end of 2019, up from 1,621 the previous year. Through the Quilter Financial Adviser School we brought 74 new financial advisers into the industry in 2019, bringing the total to 175 since the School launched in 2017.

Quilter was named number one in the 2019 FTAdviser Top 100 Financial Advisers ranking which judges firms on aspects important to customers such as adviser qualifications, amount of experience, staff retention, business growth, investment outcomes and scale. The achievement is recognition not only of the growth of Quilter Financial Planning over the past year, but also our continued commitment to providing high-quality face-to-face advice.

Financial and mental wellbeing

'Thrive' is our colleague wellbeing initiative which supports our people with their mental, physical, social and financial wellbeing. Our 121 Thrive Ambassadors champion the programme internally and Quilter's CEO, Paul Feeney, has taken a leading role in tackling the stigma around mental health in the City.

We understand how financial concerns can affect our colleagues' mental health. As an employer we play a vital role in our colleagues' financial lives. In 2019 we commenced our financial wellbeing programme which promotes a range of information, benefits and guidance to support colleagues in having a more secure financial future.

Vulnerable customers

During 2019 we retained our strong focus on vulnerable customers. In addition to our comprehensive internal programmes to ensure customer-facing colleagues are well-equipped to support vulnerable customers, we continued to chair the industry working group of TISA to raise standards across the industry. This has involved working with charities to release a series of help-sheets to support financial firms understand the difficulties that different vulnerabilities may create and the development of an online self-assessment tool which will be available free of charge to financial services firms.

Responsible investment

We have made a commitment to embed responsible investment principles across our business and have signed the UN-backed Principles for Responsible Investment. By investing responsibly, we can actively take account of the environmental, social and governance ("ESG") issues that may impact long-term investment returns.

Attention on this area increased considerably during 2019 with a wave of new regulatory change focused on embedding ESG factors into EU financial services regulation. In line with our Shared Prosperity Plan commitment we are in the process of embedding responsible investment principles across our business.

During 2019 we expanded our voting and engagement activity within our investment management businesses, and our fund research team incorporated ESG considerations into its research process. Recently we added ESG fund ratings onto our UK Platform but we have more to do to fully embed responsible investment across our business. For example, we will embed ESG preferences within the suitability assessment element of our financial advice process and enhance ESG disclosure.

Quilter colleagues

As at 31 December 2019

Total number of colleagues[1]

4,836

2018: 4,343

Total split by gender
% (number)

53% (2,550) | 47% (2,286)

2018: 52% (2,258) 48% (2,085)

Quilter plc Board split by gender
% (number)

64% (7) | 36% (4)

2018: 64% (7) 36% (4)

Executive Committee split by gender[2]
% (number)

75% (9) | 25% (3)

2018: 79% (11) 21% (3)

Senior management split by gender[3]
% (number)

68% (75) | 32% (36)

2018: 66% (70) 34% (36)

■ Male ■ Female

1 Additional employee data is provided in note 9(c)(iii) on page 144 which shows the average position during the year.
2 Executive Committee as at 31 December 2019. Note, as per page 40, changes were made to the composition of the Committee after year-end.
3 Senior management defined as Executive Committee and their direct reports, excluding administrative staff.

Responsible business continued

Inclusion and diversity

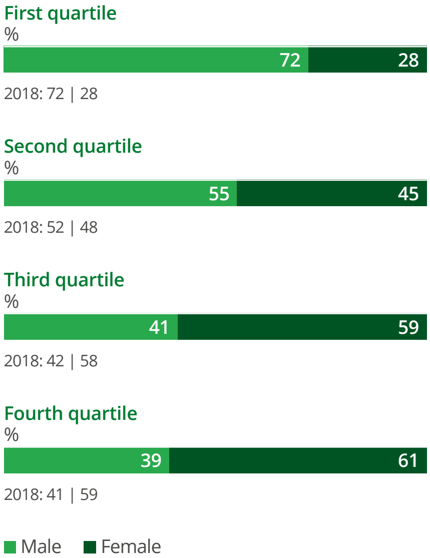
We built on our existing inclusion activity in 2019, encompassing a greater focus on LGBT with our support for the launch of LGBTGreat – a collaborative organisation working to develop all aspects of LGBT equality and inclusion within the investment industry.

On gender equality we continue to focus on our target, as set out in our pledge to the HM Treasury Women in Finance Charter, to reach at least 35% women in our senior leadership community by the end of 2020. As at the end of 2019 this group was 32% female, which is down from 34% as at the end of 2018 but up from 2017 which was 29%. Whilst it is disappointing that we have not made more progress in this regard, we remain committed to meeting our target by focusing on gender equality, talent development, recruitment and succession plans.

Fewer women in senior leadership and investment management roles are two main drivers behind our gender pay gap figures, which remain largely unchanged since we reported last year. We acknowledge that there will likely be a considerable time-lag between the interventions we are making now to tackle gender diversity in our colleague population and the gender pay gap figures.

Proportion of men and women by pay quartile

The bars below show the proportion of men and women in each pay quartile from the first (highest pay) to the fourth (lowest pay).



Environmental performance

During the year we made good progress on managing our environmental impact, considerably reducing our environmental intensity from 0.83 in 2018 to 0.60 in 2019, which is a measure of our greenhouse gas emissions per employee during the year, as shown in the table overleaf. We achieved this by reducing our energy consumption and by increasing the proportion of energy we use from renewable sources. We aim to continue this trend in future by switching to renewable energy tariffs where practical, and extending our environmental management system, which is aligned to international standard ISO 14001, beyond our Southampton office to other sites. We are also seeking environmental benefits from the consolidation of our London offices into a single site at Senator House, which has been refurbished to a BREEAM 'Very Good' standard. We look forward to further environmental benefits which we aim to achieve by working with our newly appointed Group-wide facilities management contractor, selected in part on their strong environmental credentials.

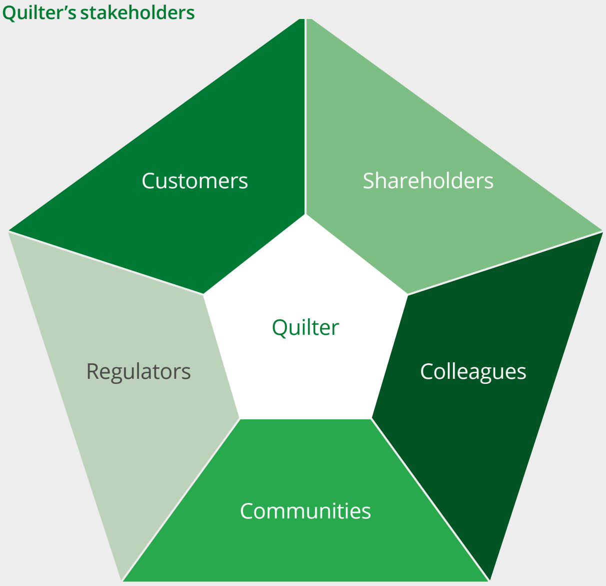
We have joined over 7,000 companies that support the CDP (Carbon Disclosure Project), a globally recognised initiative for companies to measure, manage, disclose and reduce their environmental impacts. In 2019 we reported for the first time under CDP and achieved a B- rating.

Gender pay gap

As at 5 April of each year

	Mean		Median	
	2019	2018	2019	2018
Hourly pay gap	35%	35%	32%	29%
Bonus gap	72%	70%	34%	39%
Women receiving bonuses	86%	85%	86%	86%
Men receiving bonuses	85%	85%	85%	85%

Quilter's stakeholders



As a provider of financial advice and long-term investment solutions, the most material climate-related risks for Quilter are likely to be felt within the investment portfolios we manage on behalf of our clients. As a responsible investor we engage with third-party fund managers and companies on their management of environment issues, particularly climate change. Going forward we will also enhance our work to assess climate-related risks within investment portfolios.

We note the work of the Financial Stability Board Task Force on Climate-related Financial Disclosure ("TCFD") to promote consistent climate-related financial risk disclosures by companies, for use by a range of stakeholders including investors. Ultimately, this will support more efficient allocation of capital and contribute to a more orderly transition to a low-carbon economy. As we evolve our approach to responsible business and responsible investment specifically, we will increasingly seek to align our disclosures with TCFD, covering the core elements of recommended climate-related financial disclosures including governance, strategy, risk management, metrics and targets.

Operating responsibly

Over and above the commitments set out in our Shared Prosperity Plan, we have an unwavering commitment to operate our daily business ethically, lawfully and with integrity at all times. We summarise our approach here and more detail can be found in the Responsible Business Report.

Responsible business governance

Our approach to responsible business helps us to manage a number of our principal risks and uncertainties, particularly those which relate to brand, reputation, people, culture or conduct risk. For more information about our principal risks and uncertainties, see pages 32 to 33.

The Board oversees Quilter's approach to responsible business through the Board Corporate Governance and Nominations Committee which is chaired by Quilter's Chairman.

The Committee regularly considers different aspects of the responsible business agenda as shown on page 49. Within executive management, Quilter CEO Paul Feeney has overall accountability for ensuring we do business in the right way. He is supported by the Responsible Business Forum which is a management group that provides oversight, direction and challenge with respect to Quilter's responsible business approach. The Forum, which is chaired by the Group Corporate Affairs Director, meets quarterly and comprises members from each operating business and key corporate functions.

In addition to these oversight and management groups, our responsible business governance framework comprises numerous policies, codes and standards as referenced overleaf.

Supporting the UN Sustainable Development Goals

All Member States of the United Nations adopted the 2030 Agenda for Sustainable Development and Sustainable Development Goals (SDGs) in 2015. Together these aim to end poverty, improve health and education, reduce inequality, and spur economic growth, whilst tackling climate change and protecting the natural environment. We have assessed the goals and believe our Shared Prosperity Plan can have the greatest contribution to the following six SDGs:

- SDG 3 Good Health and Wellbeing
- SDG 4 Quality Education
- SDG 5 Gender Equality
- SDG 8 Decent Work and Economic Growth
- SDG 13 Climate Action
- SDG 17 Partnerships for the Goals

Our Responsible Business Report provides further detail about how we are aligned to these goals.

Greenhouse gas emissions 2019[1]

	TCO_2e 2019	TCO_2e 2018	TCO_2e 2017
Scope 1	664	636	556
Scope 2	2,216	3,037	3,289
Scope 2 – market-based	1,378	1,976	3,079
Total – Scopes 1 and 2	**2,880**	**3,672**	**3,845**
Tonnes of CO_2e/average number of colleagues	**0.60**	**0.83**	**0.91**

[1] Our emissions are calculated and reported in accordance with the GHG Protocol Corporate Standard. Please refer to the Glossary on page 215 for definitions of the GHG emissions categories shown in the above table.

Responsible business continued

Code of Conduct and speak up

We are committed to maintaining the highest standards of integrity, legal compliance and ethics at all times. Our Code of Conduct sets out the duties and expectations of all colleagues and includes acting with integrity and respect, treating customers fairly, managing conflicts of interest, good market conduct, information, data and communications, use of Company assets, prevention of financial crime and working with regulators and governments. Colleagues are required to undertake annual mandatory training to ensure they fully understand the requirements of the Code of Conduct. This also includes training on whistleblowing, human rights, diversity and inclusion and financial crime (which includes anti-corruption and anti-bribery). During 2019, 96% of colleagues completed this training.

In line with our whistleblowing policy, colleagues are required to report knowledge or suspicion of malpractice or actions that endanger Quilter Group's employees or assets. Concerns can be reported to line managers, Risk and Compliance or via the independent confidential ethics hotline which is available year round and provides the option to report anonymously.

All reports are treated seriously and confidentially, are fully investigated and escalated to senior management and George Reid, independent Non-executive Director and designated Group Whistleblowing Champion. The whistleblowing policy provides employees who raise concerns in good faith with protection from detriment to their future employment opportunities.

Colleague relations

Our ability to attract, develop and retain the best talent is critical to our business. We strive for an engaged colleague community and collegiate culture. Cathy Turner is the designated Non-executive Director with responsibility for ensuring the Board understands the views of colleagues so that their interests can be considered when taking material decisions. At least annually, Cathy meets with Quilter's employee forums, which are designed to be a consultative body to represent colleagues. Throughout the year the Non-executive Directors also held a series of Board breakfast discussions with leaders across the business to better understand the culture of the organisation and identify areas for further focus.

We proactively seek feedback from colleagues via our culture survey which we moved from a quarterly to a weekly cycle to provide more meaningful real-time engagement. The engagement score for 2019 was 7.2 compared to 7.7 out of 10 for 2018. This reduction was not unexpected given the transformation across the business during the year, however we strive to ensure colleagues are well supported and engaged through these periods of organisational change.

Our internal communications processes and plans ensure that colleagues are fully informed on a range of topics affecting them including Company strategy and commercial priorities, financial performance and Company results, corporate activity such as acquisitions and disposals, relevant external social, financial and economic factors impacting our business, our responsible business activities, and matters directly impacting individuals, such as recognition and reward, benefits, mental and physical wellbeing initiatives. We have an active learning and development programme and a mentoring programme, which by the end of 2019 included 150 mentoring relationships.

Human rights

We recognise our responsibility to respect the rights and freedoms of those that not only work for Quilter but also those in our supply chain. Our human resource and supplier policies and processes prohibit all forms of modern slavery, forced labour, compulsory labour and child labour. They also promote equal opportunity and prohibit any form of discrimination or unfair treatment on the grounds of protected characteristics, or because of any other personal factor. We respect the right of employees to associate for the purposes of collective bargaining and colleagues are free to join a union of their choice. We are also committed to fair pay and as such Quilter is an accredited Living Wage employer. As a minimum we pay colleagues, contractors and on-site suppliers the UK's Real Living Wage, which is based on the cost of living and calculated annually by the Living Wage Foundation, currently £9.30 an hour across the UK and £10.74 an hour in London.

Working with suppliers

Our Third-Party Risk Management Policy sets out requirements with respect to our procurement, outsourcing and supplier management activities. Our Supplier Code of Conduct applies to all suppliers and their sub-contractors that provide goods and services to Quilter. It sets out the minimum

Financial education
"Pupils enjoying a financial education workshop delivered by charity partner, MyBnk."

standards we expect our suppliers to adhere to when doing business with Quilter in addition to the contractual terms agreed. The Code covers legal compliance, ethical standards, conflicts of interest, anti-bribery and corruption, brands, trade marks, intellectual property, information and data protection, labour standards, living wage, discrimination, health and safety, and environmental management.

Data privacy and IT security

Customers and colleagues trust us with their personal data which can include sensitive and financial information. We take seriously our responsibility to control and protect this data and use it only for the purposes for which it was collected. We also recognise the legal requirements that relate to our data protection duties and in particular to satisfying data subjects' rights.

Data privacy and cyber security are overseen by the Board Technology and Operations Committee and the collection and use of personal data is governed by a Privacy Policy and overseen by a Group Data Protection Officer ("GDPO") with the support of a formal committee, the Quilter Privacy Forum. We recognise that cyber risks are constantly evolving and it is therefore not possible to reduce the risk of breaches to zero. Where breaches do occur, we believe the resulting impacts can be reduced through effective incident response plans which we have developed and tested. More detail about our approach to data privacy and security can be found in our Responsible Business Report 2019.

Financial crime, bribery and corruption

As a financial services company we recognise the potential risk of being a target for financial crime, including money laundering, terrorist financing, tax evasion and fraud. We also acknowledge the potential risk of bribery and corruption which could result in financial loss, regulatory fines and/or censure and damage to reputation. We have zero tolerance for financial crime, bribery or corruption and have a robust control environment in place including policies and training on Anti-Money Laundering and Counter Terrorist Financing, Anti-bribery and Corruption, and Fraud Prevention.

Tax strategy

As a responsible business, we are committed to full compliance with our tax obligations, paying the right amount of tax at the right time. We have no tolerance for tax evasion and we do not promote tax avoidance or aggressive tax planning arrangements to our customers or to other parties. More information about our tax strategy can be found in the Responsible Business section of quilter.com.

The Quilter Foundation

The Quilter Foundation is Quilter's charity. Launched in 2018, its mission, anchored to Quilter's purpose, is to help young people thrive and prosper. The Foundation works in partnership with a small number of strategic charity partners to deliver life changing impact in our communities. The Foundation's partners are focused on improving young people's life chances by enhancing financial capability, improving employment prospects, and supporting good mental health and wellbeing. The Foundation is registered with the Charities Commission and governed by a Trustee Board with two independent trustees, Philippa Foster Back, CBE and Professor Richard Breen, who sit alongside five Quilter executives.

Young Carers campaign

In 2019 we continued our Young Carers campaign, recognising that these young people are often disadvantaged when it comes to education, mental health and wellbeing as a result of their caring roles. Through our principal partner, Carers Trust, we are working to improve support services and recognition for young people caring, unpaid, for a family member or friend who is ill, frail, disabled or has mental health or addiction problems. Support is provided via small grants, community-based support services and respite opportunities. The Mix is the digital support partner for the campaign, through which young carers can access free, confidential online support from peers and experts.

Financial education

We know that our money habits take shape in childhood, and so financial education at an early age can help equip young people with the skills, habits and knowledge to manage their money well for life. Yet our schools do not routinely teach financial education. To address the gap we have partnered with leading financial education charity MyBnk and chair a collaborative industry initiative called KickStart Money to deliver high-energy and innovative money workshops for young people in our communities. So far we have enabled 19,379 young people to benefit from these lessons since 2016. We have had the programme independently assessed, showing tangible results, and we have lobbied for financial education to be included on the National Primary Curriculum.

Routes into sustained employment

In 2019 the Foundation forged three new strategic partnerships with School of Hard Knocks in London, Street League in Birmingham and Safe New Futures in Southampton. All three charities use innovative ways to support disadvantaged young people to overcome barriers between them and sustained employment, education or training. Over the coming years, with our partners, we will reach hundreds of young people in Southampton, London and Birmingham, helping them have a more secure financial future.

Jane Goodland
Corporate Affairs Director

Market growth drivers

Our chosen markets are experiencing secular growth in the demand for wealth management services, while at the same time facing constrained supply of financial advisers, fee pressure, onerous regulation and ever-increasing complexity from fiscal change.

Market drivers of demand	Quilter's response
Savings responsibility shifting to the individual The ongoing shift in responsibility to individuals for ensuring sufficient long-term savings and retirement provision increasingly means customers need to make their own financial plans.	We have built a business which aims to make Quilter the best place to go for trusted financial advice in the UK.
Pension reform driving increased need for retirement solutions UK pension freedom increases the flexibility for individuals to manage their long-term savings. To support this, wealth managers need to be ready to advise on and manage customers' funds beyond the savings phase well into the retirement phase.	With customer choice at the heart of everything we do, we seek to support clients through their savings and investment life-cycle with an open, transparent and fair business model.
Demographics: ageing population and inter-generational wealth transfer Demographic changes and the savings gap create an increasing demand for wealth solutions. A shift from opaque, traditional life saving products to more modern, transparent solutions held via platforms bolsters this growth.	Our money management offers risk-based investment solutions, agnostic to active and passive management, designed to deliver good customer outcomes.
Complexity driving increased need for advice alongside digital solutions UK pension freedom has resulted in increased choice, and accordingly, complexity, for individuals to plan for their future. While self-directed and robo-advice will be an important constituent of the wealth management sector, we continue to anticipate a significant opportunity for adviser-led investment solutions.	With the second largest adviser force in the UK, we strongly believe in the value of trusted face-to-face advice, and we continue to research how this can be best assisted through digital channels.

Market forces on supply	Quilter's response
Withdrawal of financial advisers in the face of regulation and market changes Evolution of the advice regulatory landscape triggered a reduction in the number of financial advisers and subsequent growth has been muted despite a growing need, causing demand for investment advice to exceed supply.	We believe the driver of Quilter's growth over time will be through the provision of trusted advice, and we will continue to invest in its evolution and in the breadth of our offering.
Evolving value chains and increasing regulatory costs placing pressure on smaller firms RDR, MiFID II, the FSCS levy, and Professional Indemnity Insurance alike have resulted in greater compliance, costs and administrative burdens on financial advisers and their firms, making smaller firms less economically viable.	Our business model, where firms become restricted and benefit from our support and buying power to provide high-quality, cost-effective solutions for their clients, alleviates this burden.
Shift away from traditional insurance-based investment products Investment platforms offer a wider choice of investments tailored to individual needs, and are combined with easy-to-access digital services at competitive fee prices.	We are nearing the completion of our re-platforming project, with the final migration planned to complete by the end of summer 2020. The new UK Platform will be market-leading in its IT resilience and its experience for advisers and customers, and will allow us to continue to innovate to meet changing needs while providing operational leverage.
Increased focus on industry professionalism, transparency and customer outcomes Segments of the wealth industry have been increasingly scrutinised by the FCA including life insurance products, platforms and advice quality. This has led to increased challenges particularly for small and mid-sized advice firms given the uncertainty created and the requirement to achieve higher levels of qualification and securing comprehensive Professional Indemnity Insurance.	We are building a modern business model designed for today's regulatory world and adaptable to potential future change.

Business model

Our full-service model enables us to support the changing needs of our customers throughout their lives.

A typical Quilter customer looking to manage their wealth needs three things: 'a financial plan', a means of holding their assets safely in the right tax efficient wrapper ('Platform') and an investment strategy aligned with their risk appetite and investment horizon – 'solutions'. We earn revenues from the assets under our management or administration as a result of providing advice-led investment solutions and our platform to customers across the UK and in select international markets.

Quilter has an integrated multi-channel access model, with two core strategies – the first whereby customers can come to us through our advisers or secondly through the open market channel with their own independent adviser. When we support a customer to manage their wealth in more than one area, and therefore earn more than one revenue stream, we refer to it as an 'integrated flow'. The unbundled, open nature of our model, offering flexibility to use one, two or all three components, is a key competitive advantage, provides customers and their advisers with choice at every stage and imposes external market discipline on our propositions.

For Quilter, our model provides greater market breadth, customer and adviser choice, supporting long-term customer relationships. Our scale and leading market positions in each of our business segments enables us to benefit from strong structural growth dynamics and capture an increasing share of the market.

Quilter's multi-channel advice-led model

An open, transparent, full-service model serving customers across the wealth spectrum.

Customer segment	High Net Worth	Affluent	Mass Affluent
Financial advice	Open market, independent financial advisers		
	Quilter Private Client Advisers	Quilter Financial Planning	Quilter Financial Advisers
Platform and wrappers	Platforms and wrappers (e.g. ISAs, pensions, collective investment accounts)		
Investment solutions	Discretionary Fund Management	Managed Portfolios	Multi-Asset Funds

Progress against our strategic objectives

Our strategy will enable us to:
- become the leading provider of insightful, trusted financial advice;
- offer easy and simple access to manage investments on one platform in an appropriate wrapper;
- provide outcome-based, risk-adjusted investment solutions, focused on meeting the real needs of our customers; and
- deliver top line growth and operating leverage

1. Delivering on customer outcomes

Strategic objective

Focus on ensuring good customer outcomes and risk-adjusted investment returns while delivering quality service to customers. Developing appropriate investment propositions and solutions is key to the delivery of this objective.

KPIs
- NCCF/opening AuMA
- Integrated net flows

Other performance indicators
- Asset retention
- Investment performance
- Levels of upheld complaints

2019 performance

- Gross flows were lower year-on-year due to challenging market conditions weighing on investment sentiment
- Integrated net flows were impacted by cautious investment sentiment leading to a decrease in gross sales from Quilter Financial Planning
- Quilter Cheviot continued to perform well for clients, delivering out-performance relative to their relevant benchmarks over one, three, five and ten-year periods
- Quilter Investors mid- and long-term performance remained strong although short-term performance in the largest range, Cirilium Active, was mixed in early 2019
- Asset retention at 88%, excluding QLA, reflected our strong product and proposition offering, and high customer service standards
- Complaints remained low and levels of upheld complaints were in line with the industry average

Awards
- Winner – FTAdviser Top 100 Financial Adviser

Focus for 2020

- Continue to provide high-quality products which meet the needs of our customers, at competitive prices, at every part of the value chain
- Continue to drive investment performance and deliver good outcomes for customers
- Maintain good customer service with low levels of customer complaints
- Continue to uphold principle of treating customers fairly, including maintaining robust processes around complaints and their appropriate resolution

2. Advice and Wealth Management growth

Strategic objective

Advice
- Grow by adding advisers through recruitment and acquisitions, and support individual adviser productivity
- Support the Financial Adviser School intake and graduates
- Develop our National advice business

Investment management
- Build out Quilter Investors and use adviser feedback to provide building blocks for market-leading solutions
- Add investment managers to support Quilter Cheviot's business growth

KPIs
- Integrated net flows
- Number of restricted financial planners
- Number of investment managers

Other performance indicators
- Adviser productivity

2019 performance

- 3% organic growth in restricted financial planners, with an additional 8% increase through acquisition of Lighthouse plc and seven smaller PCA firms
- Adviser productivity impacted by lower gross flows, affected by market environment and newly acquired advisers transitioning to Quilter's proposition
- Integration of acquired adviser firms into Quilter Financial Planning progressing well
- Quilter Investors' technology and employee infrastructure build-out completed
- Launched new products and refreshed product suite within Quilter Investors
- Net 12 investment managers joined Quilter Cheviot, with team now at 167
- Gross sales in Quilter Cheviot remain resilient despite market conditions

Focus for 2020

- Advice businesses well positioned to support customers as market sentiment improves and subsequently drive NCCF
- Continue integration of acquired adviser firms and offer broader Quilter proposition to larger customer base
- Deliver national, own-brand advice business model
- Build on momentum achieved with Quilter Investors' new product launch and refresh
- Capitalise on Quilter Cheviot's larger investment management team and build momentum from new fund launches
- Continue to align Quilter Private Client Advisers and Quilter Cheviot proposition

3. Wealth Platforms growth

Strategic objective

Wealth Solutions

- Safely deliver our UK Platform Transformation Programme with high-quality support for customers and advisers throughout the migration process. Once implemented, realise the benefits of the more modern platform and its enhanced proposition for advisers.

International

- Maintain focus of geographic footprint and ensure high quality and value of new business.

KPIs

- Integrated net flows

Other performance indicators

- Control of costs to deliver PTP
- NCCF from RFPs onto UK Platform
- NCCF from IFAs onto UK Platform
- NCCF into International

2019 performance

- Soft-launched the new UK Platform to selected clients, received the final code from FNZ and completed testing
- First of two migration phases achieved successfully in February 2020
- Total programme costs revised from £160 million to £185 million due to timeline extension, dual running costs and additional activities to reduce migration risk – project remains in line with revised budget
- Stabilisation of flows within Quilter International
- Quilter Life Assurance (see "discontinued business") sold to ReAssure for £425 million (and interest income of £21 million) or 120% pro forma 31 December 2018 own funds

Focus for 2020

- Safely migrate advisers and customers in second phase of UK Platform Transformation Programme and decommission outgoing system
- Leverage improved functionality from new UK Platform to grow market share with independent advisers
- Develop deeper roots within Quilter International's markets, including UK onshore customers
- Continue to develop Quilter Cheviot's proposition within Quilter International's markets

UK Platform Transformation Programme delivery timeline (from soft launch)

4. Optimisation

Strategic objective

Drive operational leverage through building enhanced scale and delivering efficiency in operational processes. Target a 2 percentage point improvement in 2020 operating margin and a further 2 percentage point improvement in 2021.

KPIs

- Operating margin
- Adjusted profit before tax

Other performance indicators

- Control of costs to deliver the Programme
- Employee engagement scores
- Internal surveys monitoring cost awareness and positive cultural change

2019 performance

- Mobilised efficiency initiatives including delayering and streamlining the business
- Delivered £14 million savings in the year when compared to 2018, with full-year run-rate of £24 million
- £18 million costs incurred in the year to deliver the programme, totalling £25 million since Optimisation began

Focus for 2020

- Continue strict cost management
- Seek opportunities for further operational efficiency
- Implement new systems allowing for further future operational leverage
- Reduce stranded costs associated with the sale of Quilter Life Assurance
- Complete re-brand of business to Quilter to unify the business and provide a strong foundation from which to grow market share
- Support employee engagement through transition period
- Develop plans for Optimisation phase 2

Key performance indicators

Quilter has identified the key performance indicators it believes are useful in assessing the Group's performance against its strategic priorities. They encompass both financial and non-financial measures, as set out below.

NCCF/opening assets under management and administration ("AuMA")[*1]

Definition
Total net flows as a percentage of opening AuMA (excluding Quilter Life Assurance). This measure evaluates the level of flows during the period in relation to the asset base, discretely from market movements.

Performance
NCCF as a percentage of opening AuMA of 0% reflected challenging market conditions, with Brexit and broader geopolitical and macro-economic concerns weighing on investor sentiment. The medium-term target of 5% still remains.

Integrated net flows[*1]

Definition
Total NCCF (excluding Quilter Life Assurance) that has flowed through two or more businesses within Quilter. It is a lead indicator of revenue generation driven by an integrated business model.

Performance
In a year of challenging markets as investors remained cautious due to Brexit and other geopolitical concerns, integrated net flows were £2.6 billion. While sentiment led to a lower level of gross sales from Quilter Financial Planning, what flow was available continued to touch more than one business within the Group, demonstrating the robustness and relevance of the integrated model.

Operating margin[*2]

Definition
Represents adjusted profit before tax divided by total fee revenue, including life tax contributions and adviser fees. Operating margin excludes financing costs. This is an efficiency measure that reflects the percentage of net revenues that become adjusted profit.

Performance
The operating margin in 2019 declined to 29% reflecting the drag on revenue from Advice acquisitions while they transitioned to the Quilter proposition.

Adjusted profit before tax[*2]

Definition
Represents the underlying operating profit of the Group. It therefore adjusts IFRS profits for key adjusting items such as goodwill impairment and amortisation of intangibles, business transformation costs, financing costs on external borrowings, and policyholder tax adjustments, excluding non-core operations, as detailed in Note 7 in the financial statements.

Performance
Adjusted profit before tax was £235 million, up 1% from 2018, driven by increased revenue in the Advice and Wealth Management segment, and strengthened cost discipline.

NCCF/opening assets under management and administration ("AuMA")[*1]

0%

2019	0%
2018	5%
2017	9%
2016	6%

Integrated net flows[*1]

£2.6bn

2019	£2.6bn
2018	£4.7bn
2017	£5.2bn
2016	£2.2bn

Operating margin[*2]

29%

2019	29%
2018	30%
2017	29%
2016	32%

Adjusted profit before tax[*2]

£235m

2019	£235m
2018	£233m
2017	£209m
2016	£208m

* See page 212 for alternative performance measures
[1] Excluding Quilter Life Assurance
[2] Including Quilter Life Assurance

R This KPI is linked to Remuneration. See Remuneration report on page 64 for more information.

Total shareholder return (“TSR”) R

Definition

The difference between the opening and closing share price[1] over the period, plus any dividends paid during that period.

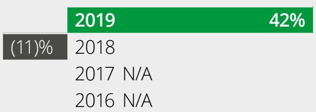
[1] Performance shown for QLT as traded on the London Stock Exchange.

Performance

Despite share price weakness across the industry sector in 2019 as the effect of Brexit and other geopolitical issues weighed on sentiment of Wealth Management stocks generally, Quilter experienced strong share price performance following the announcement of Optimisation Phase 1 in March 2019 and after the UK election in December. With a total dividend for 2019 of 5.2 pence per share, TSR for the year was 42%, outperforming peers.

Total shareholder return (“TSR”)

42%



IFRS (loss)/profit before tax* R

Definition

IFRS profit before tax attributable to equity holders from continuing operations, prepared in accordance with IFRS.

For remuneration purposes, IFRS profit before tax is adjusted to exclude amortisation of intangible assets, policyholder tax adjustments and other one-off items (refer to Note 5(b)) and page 75 of the Remuneration Report.

Performance

IFRS profit before tax attributable to equity holders from continuing operations decreased primarily due to a change in policyholder tax which can vary significantly year-on-year as a result of market volatility. IFRS profit before tax excluding amortisation, policyholder tax adjustments and one-off items is £10 million higher than 2018 primarily due to lower financing costs and managed separation costs, offset by increased Optimisation costs.

IFRS (loss)/profit before tax*[1]

£141m

IFRS profit before tax (excluding amortisation, policyholder tax adjustments and one-off items)

IFRS (loss)/profit before tax

Restricted financial planners (“RFPs”)

Definition

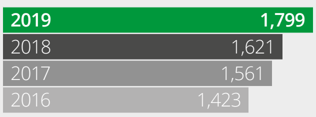
Number of advisers licensed to advise clients across Pension, Investment and Protection solutions, but only permitted to recommend products and solutions from providers on the Quilter Financial Planning Restricted Panel.

Performance

We achieved good growth of 11% in RFPs in 2019, 3% of which was organic. The majority of the organic growth was achieved in the first half of the year, while in the second half, focus turned to the integration of large adviser acquisitions – Lighthouse plc and Charles Derby Group.

Restricted financial planners (“RFPs”)*

1,799



Investment managers (“IMs”)

Definition

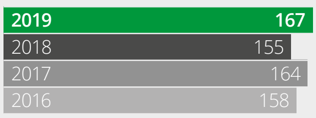
Number of individuals who provide investment management services to clients of Quilter Cheviot in line with individual circumstances and investment objectives.

Performance

Growth in investment managers was a key focus for 2019 as we have been enlarging the Quilter Cheviot investment team following a small number of resignations from a particular cohort of IMs in mid-2018. We are pleased with the calibre of new investment managers who have joined the already successful Quilter Cheviot team.

Investment managers (“IMs”)

167



Financial review

Review of financial performance

Overview

In this financial review, unless indicated otherwise, all results are presented including QLA in both the current year and prior year comparative. Unless indicated otherwise, the prior year comparative will exclude the results of the Single Strategy business that was disposed on 29 June 2018.

The Group delivered solid results for 2019, in a challenging environment for flows. Platform industry statistics indicate that 2019 was the lowest year for net flows since 2013 due to broader UK political and economic uncertainty. NCCF for the Group was £0.3 billion, excluding the Quilter Life Assurance business, which was sold to ReAssure in December 2019. AuMA, excluding the Quilter Life Assurance business, increased by 13% to close at £110.4 billion, benefiting from the rebound in equity markets during the year, with the FTSE-100 index up 12% for the year. Adjusted profit before tax (including QLA) increased by 1% to £235 million, with stable revenue, supported by continued cost discipline across the business. The Group's IFRS loss after tax from continuing operations (excluding QLA) was £21 million, compared to a profit after tax of £66 million in 2018, primarily due to the change in policyholder tax, which can vary significantly year-on-year as a result of market volatility.

Alternative Performance Measures ("APMs")

We assess our financial performance using a variety of measures including APMs, as explained further on pages 212 to 214. In the headings presented, these measures are indicated with an asterix: *.

Key financial highlights

Year ended 31 December 2019

Continuing operations (excluding QLA)	Advice & Wealth Management	Wealth Platforms	Eliminations	Total Group
Gross sales (£bn)*	7.5	8.0	(3.2)	**12.3**
Gross outflows (£bn)*	(7.8)	(6.6)	2.4	**(12.0)**
NCCF (£bn)*	(0.3)	1.4	(0.8)	**0.3**
Integrated net flows (£bn)*	1.6	1.0	–	**2.6**
AuMA (£bn)*	45.8	77.7	(13.1)	**110.4**
NCCF/opening AuMA (%)*	(1%)	2%	n/a	**–**
Asset retention (%)*	81%	90%	n/a	**88%**

Year ended 31 December 2018

Continuing operations (excluding QLA)	Advice & Wealth Management	Wealth Platforms	Eliminations	Total Group
Gross sales (£bn)*	8.0	9.5	(3.3)	**14.2**
Gross outflows (£bn)*	(4.5)	(6.1)	1.1	**(9.5)**
NCCF (£bn)*	3.5	3.4	(2.2)	**4.7**
Integrated net flows (£bn)*	3.6	1.1	–	**4.7**
AuMA (£bn)*	40.7	67.7	(10.7)	**97.7**
NCCF/opening AuMA (%)*	8%	5%	n/a	**5%**
Asset retention (%)*	89%	91%	n/a	**91%**

Mark Satchel
Chief Financial Officer

> The Group delivered strong adjusted profit growth from continuing operations despite a challenging environment for flows.

Net client cash flow ("NCCF")*

NCCF, excluding Quilter Life Assurance, was a net inflow of £0.3 billion (2018: £4.7 billion). After a good first quarter, the Group experienced net outflows in the second and third quarters of the year, which modestly reversed in the final quarter. Gross sales were lower due to challenging market conditions, with Brexit and broader geopolitical and macro-economic concerns weighing on investor sentiment. The Group also experienced higher gross outflows during the year, primarily as a result of the Investment Manager ("IM") departures from Quilter Cheviot, who resigned during 2018.

Net inflows into Quilter Investors were £0.5 billion, down 82% from 2018 (£2.8 billion) reflecting lower new business volumes from Quilter Financial Planning, Quilter's own platform (Quilter Wealth Solutions) and third-party platforms. As reported during the year, new business flows from Quilter Financial Planning and independent financial advisers were particularly impacted by investor uncertainty over Brexit in the UK and the macro environment more generally. This had a knock-on impact for Quilter Investors, where net flows from the restricted channel were £1.2 billion (2018: £2.4 billion), of which £0.3 billion (2018: £1.1 billion) were from third-party platforms and £0.9 billion (2018: £1.3 billion) from our own platform, Quilter Wealth Solutions. Flows from the Wealth Platforms segment to Quilter Investors were net outflows of £0.1 billion in 2019 (2018: net inflow £0.8 billion). Third-party net outflows into Quilter Investors were £0.6 billion in 2019 (2018: outflow £0.4 billion).

Quilter Cheviot experienced NCCF outflows of £0.8 billion (2018: inflow of £0.7 billion), which included £1.3 billion of outflows linked to the departures of the IMs who resigned in mid-2018 and the loss of a £0.2 billion quasi-institutional mandate.

Quilter Wealth Solutions recorded net inflows of £0.9 billion, down 71% on prior year (2018: £3.1 billion). Gross sales of £6.0 billion (2018: £7.7 billion) decreased by £1.7 billion, primarily as a result of lower levels of defined benefit scheme ("DB") to defined contribution scheme ("DC") pension transfers, which were down 50% to £0.8 billion (2018: £1.6 billion) and lower levels of market activity more generally, particularly from independent financial advisers. NCCF from Quilter Wealth Solutions was further impacted by the impending migration of client assets to our new technology platform.

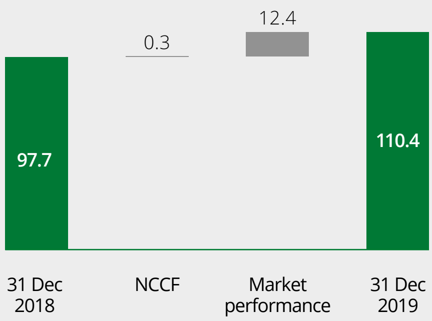
Quilter International's NCCF increased by 67% to £0.5 billion (2018: £0.3 billion), supported by a small number of investments from Hong Kong and Latin America in the fourth quarter, which totalled £0.3 billion.

Flows from continuing operations	2019	2018	% Change
Total integrated net flows*	2.6	4.7	(45%)
Direct net flows	(1.5)	2.2	–
Eliminations	(0.8)	(2.2)	64%
Total Quilter plc NCCF from continuing operations	**0.3**	**4.7**	**(94%)**

Integrated net flows (excluding Quilter Life Assurance) were £2.6 billion, down 45% from 2018 (£4.7 billion), as cautious investment sentiment led to a decrease in gross sales from Quilter Financial Planning. Similarly, Quilter Wealth Solutions experienced a decline in net flows primarily due to weaker flows across the industry due to a combination of Brexit, defined benefit transfer headwinds and lower pension limits having an impact. The restricted channel of Quilter Financial Planning accounted for £1.2 billion (2018: £2.4 billion) of Quilter Investors' net flows and £1.0 billion (2018: £1.1 billion) of Quilter Wealth Solutions' net flows.

Total Restricted Financial Planner ("RFP") headcount of 1,799 at 31 December 2019 included an additional 137 RFPs following the acquisition of Lighthouse Group plc. Excluding RFPs added through the Lighthouse Group plc acquisition, net RFP growth of 41 represents an annualised growth rate of 3%. We continue to generate good levels of new RFP appointments within existing businesses and through the recruitment of newly appointed representative firms, driven in part by the appointment of new recruitment leadership to drive our organic recruitment capability. The Quilter Financial Adviser School continues to be popular with firms and is on schedule to add around 100 graduates into Quilter Financial Planning firms in 2020. New RFP appointments have been partially offset by the natural attrition of advisers, with turnover levels within our appointed representative firms remaining stable throughout the year. Productivity* for Quilter Financial Planning was £1.0 million per RFP for the year (2018: £1.7 million), reflecting the challenging market conditions in 2019. Our strategic focus of building

NCCF and AuMA from continuing operations (£bn)



Asset retention (excluding QLA)

88%

Net organic RFP growth

3%

A further 8% of growth was achieved through inorganic acquisitions

Financial review continued

scale within the National model will help drive overall productivity levels in 2020 and beyond, boosted by the integration of Lighthouse Group plc and the acquisition of Prescient in December 2019.

Asset retention* (excluding Quilter Life Assurance) has declined marginally to 88% (2018: 91%), as a result of the outflows in Quilter Cheviot from the departing IMs. Adjusting for these outflows, asset retention is 90%, in line with prior year and previous medium-term experience.

Assets under Management/Administration ("AuMA")*

AuMA was £110.4 billion at 31 December 2019, up 13% from 31 December 2018 (£97.7 billion, excluding Quilter Life Assurance), driven by positive market performance of £12.4 billion and net inflows of £0.3 billion.

Quilter Investors' AuM was £20.8 billion, up 18% since the start of the year (2018: £17.7 billion). The Cirilium fund range AuM increased by 23% to £11.1 billion at 31 December 2019 (2018: £9.0 billion), with £0.8 billion of net inflows and £1.3 billion of market movement. The WealthSelect fund range increased by 22% to £6.7 billion of AuM at the end of December 2019 (2018: £5.5 billion). Quilter Cheviot AuM of £24.2 billion increased by 9% in the year, primarily as a result of positive market movements. Quilter Wealth Solutions' AuA increased by 16% to £57.2 billion, which is primarily comprised of £27.8 billion within pension propositions (of which £4.4 billion has been generated from the restricted channel and £23.4 billion from third party advisers) and £16.5 billion of ISA products. Quilter International AuA was £20.5 billion, up 12% (2018: £18.3 billion) predominantly due to favourable markets over the year and modest client inflows.

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 items, as detailed in note 7 in the consolidated financial statements on page 137 of this report, and is the profit measure presented in the Group's segmental reporting.

Adjusted profit before tax for 2019 (including QLA) was £235 million, 1% higher than the prior year (2018: £233 million, excluding the Single Strategy business; 2018: £259 million including the Single Strategy business). Adjusted profit for the Advice and Wealth Management segment grew by 1% (excluding the Single Strategy business) and the Wealth Platforms segment grew by 2% during the year. Excluding QLA, adjusted profit for the Wealth Platforms segment grew by 7%.

Total net fee revenue of £808 million increased by 3% (2018: £788 million) over the year. Net management fees of £649 million were broadly stable on those of the prior year (2018: £647 million) as the growth in revenues from higher average AuMA in Quilter Investors and Quilter Wealth Solutions was offset by a decreasing revenue contribution from Quilter Life Assurance given the run-off nature of that business. Other revenue of £159 million grew by 13% (2018: £141 million), where the growth in Quilter Financial Planning contributed to the increase.

Expenses for the Group increased from £555 million to £573 million, mainly due to the impact of the Quilter Financial Planning acquisitions made in the year. Excluding acquisitions, expenses remained stable year on year.

The Group's overall operating margin has remained broadly stable at 29% (2018: 30%). Realised optimisation benefits have offset the impact of the Quilter Financial Planning acquisitions, which initially provide a drag on operating margin.

Financial performance from continuing operations and Quilter Life Assurance

2019 (£m)	Advice & Wealth Management	Wealth Platforms	Head Office	Total Group
Net management fee*	296	353	–	**649**
Other revenue*	111	45	3	**159**
Total net fee revenue*	**407**	**398**	**3**	**808**
Expenses*	**(304)**	**(233)**	**(36)**	**(573)**
Adjusted profit before tax*	**103**	**165**	**(33)**	**235**
Tax				**(25)**
Adjusted profit after tax				**210**
Operating margin (%)*	25%	41%		**29%**
Revenue margin (bps)*	67	42		**57**

Financial performance from continuing operations and Quilter Life Assurance

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

[1] Total adjusted profit before tax including the Single Strategy Asset Management business for 2018 is £259 million. Refer to reconciliation on page 26.

Total net fee revenue*

The Group's total net fee revenue increased by 3% to £808 million (2018: £788 million) due to higher average AuMA across all businesses, primarily as a result of the rebound in equity markets in 2019 and increased advice fees as a result of the Quilter Financial Planning acquisitions in both 2018 and 2019.

Total net fee revenue for the Advice and Wealth Management segment grew by 9% during the year, to £407 million (2018: £373 million). Quilter Investors average AuM increased by 10% to £19.6 billion, with £17 million of additional net management fee revenue compared to the prior year. This included non-recurring net revenue for Quilter Investors resulting from the release of revenue provisions that were no longer required and which relate to the separation of the business from the Single Strategy business that was sold in 2018 (c. £8 million). Quilter Cheviot average AuM was flat year-on-year, as market growth offset the impact of the assets lost as a consequence of the IM departures. Total net fee revenue within Quilter Cheviot was 2% higher in 2019 at £178 million (2018: £175 million). Other revenue increased by £14 million to £111 million, principally due to the increase in advice fees in Quilter Financial Planning as a result of the acquisitions in 2019, and as well as the full year revenue contribution from acquisitions made in 2018.

Total net fee revenue for the Wealth Platforms segment (including QLA) was £398 million, which was down 4% (2018: £414 million) primarily due to a reduction in Quilter Life Assurance and Quilter International's revenue. Quilter Wealth Solutions' net fee revenue increased by £7 million (4%) to £177 million due to higher average AuA of 6% over the course of the year. Quilter International's net fee revenue was £10 million lower than the prior year due to the continued movement of the book towards products that attract lower revenue. As expected, revenues from Quilter Life Assurance continued to decrease given the run-off nature of the book, and totalled £96 million (2018: £109 million).

The Group's revenue margin* from continuing business of 55 bps remained consistent with the prior year (2018: 55 bps).

The revenue margin for Advice and Wealth Management of 67 bps was 2 bps higher compared to the prior year. This increase was due to a 4 bps increase in the revenue margin for Quilter Investors to 63 bps, primarily due to the provision releases (c. 2 bps) and income received from the Compass fund range previously managed by Merian. Quilter Cheviot's revenue margin remained in line with prior year at 72 bps.

The revenue margin for Wealth Platforms (excluding Quilter Life Assurance) decreased by 2 bps to 38 bps, as new business written for Quilter Wealth Solutions and Quilter International is generally in products or in revenue tiering structures that have a slightly lower margin than the average for the current book of business.

Expenses*

Expenses increased by £18 million to £573 million (2018: £555 million) in the year. The acquisitions made by Quilter Financial Planning in 2019, and a full year run-rate for those made in 2018, increased expenses by £24 million, and the continued build out of the Quilter Investors business increased costs by a further £4 million year-on-year. The Quilter Investors business is now fully independent following the separation from the Single Strategy business, with a stable cost base. Expenses also increased as a result of the London office move, which added an additional £3 million as previously guided. The impact of these cost increases and those arising from inflation were more than mitigated by the continued cost disciplines across the business and savings achieved through optimisation. Overall expenses were broadly flat on 2018, excluding the impact of the acquisitions.

Expense split (£m)[1]	2019	2018
Front office and operations	339	319
IT and development	130	123
Support functions	83	96
Other	21	17
Expenses*	**573**	**555**

[1] For the 2018 comparatives, some costs have been reallocated between categories to align with current-year presentation.

Front office and operations expenses increased by 6% to £339 million (2018: £319 million), primarily due to the impact of the Quilter Financial Planning acquisitions made during the year.

IT and development expenses increased by 6% to £130 million (2018: £123 million), mainly due to increased IT run costs to facilitate the growth in the business and general inflation, partly offset by a reduction in development costs due to less regulatory change requirements in 2019 compared to 2018.

Support function expenses relate to back office expenses, which have decreased by 14% to £83 million (2018: £96 million). Savings have been made across various functions as part of optimisation and are expanded on further below.

Other costs include Professional Indemnity Insurance, and charges for regulation and licencing fees. FSCS levies increased by £3 million this year due to an increase in levies for asset managers across the industry and a normalised full year charge for Quilter Financial Planning following the nine month charge in 2018 as the FCA changed the timing of making charges to regulated entities within the industry.

Taxation

The effective tax rate ("ETR") on adjusted profit was 10.7% (2018: 4.5%). 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. A further reduction in the corporation tax rate to 17% from 1 April 2020 was enacted in 2016.

The Group's IFRS income tax expense on continuing business was £66 million for the year ended 31 December 2019, compared to a credit of £86 million for the prior year. This income tax expense or credit can vary significantly year-on-year as a result of market volatility and the impact market movements have on policyholder tax. The recognition of the income received from policyholders (which is included within the Group's IFRS revenue) to fund the policyholder tax liability can vary in timing to the recognition of the corresponding policyholder tax expense, creating volatility to the Group's IFRS profit or loss before tax attributable to equity holders. An adjustment is made to adjusted profit to remove these distortions, as explained further on page 26 and in note 7(a) of the consolidated financial statements.

Earnings Per Share ("EPS")

Basic EPS was 8.0 pence, compared to 26.6 pence in 2018. Basic EPS is based on the Group's IFRS profit (including both continuing and discontinued operations), with the decrease within discontinued operations due principally to the profit on sale of the Single Strategy business in 2018. During the year, the number of shares in issue remained at 1,902 million. The average number of shares in issue used for basic EPS was 1,835 million (2018: 1,832 million), after the deduction of shares held in Employee Benefit Trusts ("EBTs") of 67 million (2018: 70 million) which are held in respect of staff share schemes.

Adjusted diluted EPS* (based on the Group's adjusted profit after tax) was 11.3 pence (2018: 13.5 pence), of which 8.6 pence relates to the continuing business before the reallocation of QLA costs. Refer to page 147 and note 11 of the consolidated financial statements. The average number of shares in issue used for adjusted diluted EPS was 1,863 million (2018: 1,839 million), following inclusion of the dilutive effect of shares and options awarded to employees under share-based payment arrangements of 28 million (2018: 7 million). The dilutive effect of share awards has increased year-on-year due to more share options being awarded to employees during 2019. Further details are included in note 11 of the consolidated financial statements.

Financial review continued

Optimisation

As announced in March 2019, we have commenced a phased, multi-year optimisation programme, targeting a 4 percentage point uplift in the Group's operating margin on an on-going business by 2021. Phase 1 is aiming to unify and simplify the Group through a number of efficiency initiatives that will deliver improvements in operational performance.

Throughout 2019 delivery and benefits were ahead of plan, with £14 million of savings realised during the period when compared to 2018. Together with the initiatives delivered in 2018, this amounts to a run-rate annualised benefit to the Group of approximately £24 million. Implementation costs remain in line with previous guidance.

A number of quick win tactical efficiencies have been delivered, which included targeted staff restructuring, third-party contract renegotiation and termination, and property and facilities savings. Some more complex initiatives, such as the insourcing of technology capabilities as well as the simplification of Group support functions, have also been delivered. All the planned programmes that will transform our business through technology enablement, such as the consolidation and modernisation of our general ledgers and other associated finance, HR and procurement modules, have been initiated. The use of robotics to automate manual operational processes in our International business, as well as streamlining and automating some of the processes used in our advice business, are also underway.

Reconciliation of adjusted profit before tax* to IFRS profit

Adjusted profit before tax for the group, including QLA, was £235 million (2018: £233 million), which includes £182 million for the group excluding QLA (2018: £176 million), and £53 million (2018: £57 million) for QLA.

For adjusted profit before tax on a continuing basis, IFRS accounting standards require £26 million of costs (2018: £28 million), previously reported as part of the QLA business, to be reallocated from discontinued to continuing operations, as these costs do not transfer to

Reconciliation of adjusted profit before tax to profit after tax

£m	For the year ended 31 December 2019 Continuing Operations	For the year ended 31 December 2019 Discontinued operations: Quilter Life Assurance	For the year ended 31 December 2019 Total	For the year ended 31 December 2018 Continuing Operations	For the year ended 31 December 2018 Discontinued operations: Quilter Life Assurance	For the year ended 31 December 2018 Subtotal of Continuing Operations and Quilter Life Assurance	For the year ended 31 December 2018 Discontinued operations: Single Strategy business	For the year ended 31 December 2018 Total
Advice and Wealth Management	103	–	103	102	–	102	26	128
Wealth Platforms	112	53	165	105	57	162	–	162
Head Office	(33)	–	(33)	(31)	–	(31)	–	(31)
Adjusted profit before tax before reallocation*	**182**	**53**	**235**	**176**	**57**	**233**	**26**	**259**
Reallocation of QLA costs[1]	(26)	26	–	(28)	28	–	–	–
Adjusted profit before tax*	**156**	**79**	**235**	**148**	**85**	**233**	**26**	**259**
Adjusting for the following:								
Goodwill impairment and impact of acquisition accounting	(54)	–	(54)	(50)	–	(50)	–	(50)
Profit on business disposals	–	103	103	–	–	–	290	290
Business transformation costs	(77)	–	(77)	(84)	–	(84)	–	(84)
Managed Separation costs	(6)	–	(6)	(24)	–	(24)	–	(24)
Finance costs	(10)	–	(10)	(13)	–	(13)	–	(13)
Policyholder tax adjustments	(62)	(12)	(74)	64	37	101	–	101
Voluntary customer remediation provision	–	10	10	–	–	–	–	–
Total adjusting items before tax	**(209)**	**101**	**(108)**	**(107)**	**37**	**(70)**	**290**	**220**
(Loss)/profit before tax attributable to equity profits	**(53)**	**180**	**127**	**41**	**122**	**163**	**316**	**479**
Tax attributable to policyholder returns	98	76	174	(61)	(97)	(158)	–	(158)
Income tax (expense)/credit	(66)	(89)	(155)	86	83	169	(2)	167
(Loss)/profit after tax	**(21)**	**167**	**146**	**66**	**108**	**174**	**314**	**488**

1 Adjusted profit from continuing operations includes £26 million of costs (2018: £28 million) previously reported as part of the QLA business to be reallocated from discontinued to continuing operations, as these costs do not transfer to ReAssure on disposal at 31 December 2019. Of the £26 million of costs reallocated, £14 million will recur in 2020 to provide services to ReAssure under the Transitional Services Arrangement, with corresponding income to cover these costs. Management actions are being taken to manage the remaining costs, which are expected to continually decline over the next two years.

ReAssure on disposal at 31 December 2019. Of the £26 million of costs reallocated, £14 million will be incurred in 2020 to provide services to ReAssure under the Transitional Services Arrangement, with corresponding income to cover these costs. Management actions are being taken to manage the remaining costs, which are expected to continually decline over the next two years. Due to the sale of the QLA business, we expect to incur additional one-off business transformation costs of up to £10 million over the next two years, as we restructure certain parts of our business and decommission IT infrastructure previously associated with QLA.

The Group's IFRS loss after tax from continuing operations was £21 million, compared to a profit after tax of £66 million in 2018, primarily due to the change in policyholder tax, which can vary significantly year on year as a result of market volatility. The table on the opposite page reconciles the Group's adjusted profit to the IFRS results in 2019 and 2018.

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 7 of the consolidated financial statements.

Business transformation costs of £77 million in 2019 (2018: £84 million) include £57 million (2018: £58 million) incurred on the UK Platform Transformation Programme and £18 million of costs (2018: £7 million) in relation to the optimisation programme. In 2019, a credit of £1 million (2018 cost: £19 million) has been recognised in relation to the separation of Quilter Investors as a result of the sale of the Single Strategy business and restructuring costs of £3 million (2018: nil) as a result of the sale of QLA.

Managed Separation costs were £6 million (2018: £24 million), reflecting costs associated with our successful separation from Old Mutual plc and Listing in June 2018. In 2019, this cost was primarily incurred on the rebranding activities within the business, with a further £4 million expected to be incurred in 2020 for the final rebranding activity.

Finance costs were £10 million (2018: £13 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 £74 million expense for 2019 (2018: credit of £101 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 that is recognised in the form of cash generated from operations.

Cash generated from operations is calculated by removing non-cash generative items from adjusted profit, such as deferrals required under IFRS to spread fee income and acquisition costs over the lives of the underlying contracts with customers. It is stated after deducting an allowance for net cash required to support the capital requirements generated by new business offset by a release of capital from the in-force book.

The Group, including Quilter Life Assurance, achieved a cash generation rate of 94% of adjusted profit over 2019 (2018: 88%). The cash generation rate for the Group excluding Quilter Life Assurance and before the reallocation of Quilter Life Assurance costs is 85% (2018: 81%).

Review of financial position

Capital and liquidity

Solvency II

The Group's pro forma Solvency II surplus is £769 million at 31 December 2019 (31 December 2018: £1,059 million), representing a Solvency II ratio of 180% (31 December 2018: 190%). The Solvency II information for the year to 31 December 2019 contained in this results disclosure has not been audited.

The pro forma Solvency II position is stated after allowing for the impact of the recommended final dividend payment of £65 million (2018: £61 million), the proposed distribution to shareholders of the net surplus proceeds from the QLA sale of £375 million and the Odd-lot Offer to shareholders of c.£30 million.

The Solvency II position for regulatory purposes is also presented below. Under Solvency II rules, the impact of future distribution of share buybacks and Odd-lot Offer to shareholders is not taken into account as at 31 December 2019, thereby increasing the Group's Solvency II surplus to £1,168 million and the Solvency II ratio to 221%.

Group regulatory capital (£m)	Proforma at 31 December 2019[1]	At 31 December 2019[1,2]	At 31 December 2018[3]
Own funds	1,727	2,132	2,237
Solvency capital requirement ("SCR")	958	964	1,178
Solvency II surplus	769	1,168	1,059
Solvency II coverage ratio	**180%**	**221%**	**190%**

1 Based on preliminary estimates.
2 Formal filing due to the PRA by 19 May 2020.
3 As represented within the Quilter plc Group Solvency and Financial Condition report for the year ended 31 December 2018.

The 10 percentage point decrease in the Group Solvency II ratio on a pro forma basis from the 2018 position is primarily due to corporate activity in the year, with the main contributors being the acquisitions of Charles Derby Group, Lighthouse Group plc and Prescient during 2019. The goodwill and intangible assets arising in respect of these acquisitions are not recognised within Solvency II own funds, thereby reducing the Solvency II ratio.

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.

Financial review continued

Composition of qualifying Solvency II capital
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)	Pro forma at 31 December 2019	At 31 December 2019	At 31 December 2018
Tier 1[1]	1,520	1,925	2,036
Tier 2[2]	207	207	201
Total Group Solvency II own funds	**1,727**	**2,132**	**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.

On a pro forma basis:
- the Group SCR is covered by Tier 1 capital, which represents 159% of the Group SCR of £958 million;
- Tier 1 capital represents 88% of Group Solvency II own funds; and
- Tier 2 capital represents 12% of Group Solvency II own funds and 27% of the Group surplus.

Dividend
The Board has recommended a final dividend of 3.5 pence per share at a total cost of £65 million. Subject to shareholder approval, the recommended final dividend will be paid on 18 May 2020 to shareholders on the UK and South African share registers on 3 April 2020. For shareholders on our South African share register a dividend of 72.78519 South African cents per share will be paid on 18 May 2020, using an exchange rate of 20.79577. This will bring the dividend for the full year to 5.2 pence per share (2018: 3.3 pence per share).

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 cash flows associated with these companies will differ markedly from those disclosed in the statutory statement of cash flows, which comprises flows from the entire Quilter plc Group including policyholder movements.

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

Net capital movements
Net capital movements in the period include the cash proceeds of £446 million resulting from the sale of the Quilter Life Assurance business to ReAssure on 31 December 2019. There was also a further £7 million of outflows in connection with disposal costs as a consequence of the sale. Also included are the two dividend payments made to shareholders of £61 million on 20 May 2019 and £31 million on 17 September 2019.

£m	2019	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)
Quilter Life Assurance business sale – cash proceeds	446	–
Single Strategy business sale – cash proceeds	–	576
Short-term loan repayment	–	(300)
Costs of disposal and external financing fees	(7)	(19)
Dividends	(92)	(221)
Net capital movements	**347**	**336**
Managed Separation and head office costs	(49)	(54)
Interest costs	(9)	(6)
Net operational movements	**(58)**	**(60)**
Cash remittances from subsidiaries	307	167
Net capital contributions and investments	(200)	(65)
Other	3	2
Internal capital and strategic investments	**110**	**104**
Closing cash at holding companies at end of period	**815**	**416**

Net operational movements
Net operational movements were £58 million for the year, which comprises corporate and transformation costs, including the Managed Separation and optimisation programmes totalling £49 million. Interest paid of £9 million relates to coupon payments on the Tier 2 bond and non-utilisation fees for the revolving credit facility.

Internal capital and strategic investments
The net inflow in the year of £110 million is principally due to £307 million of cash remittances from the trading businesses, partially offset by £200 million of capital contributions, made to support business unit operational activities, the Platform Transformation Programme and funding for the strategic acquisitions of Charles Derby Group, Lighthouse Group plc and acquisitions by Private Client Advisers within Quilter Financial Planning.

Balance sheet
The Group balance sheet at 31 December 2019 has total equity of £2,071 million (2018: £2,005 million).

Financial investments have increased from £49,533 million for continuing operations at 31 December 2018 to £59,345 million at 31 December 2019, predominantly due to positive market performance. The corresponding increase is reflected in Investment contract liabilities (an increase from £45,211 million for continuing operations at 31 December 2018 to £52,455 million at 31 December 2019), and Third-party interests in consolidated funds (an increase from £5,116 million at 31 December 2018 to £7,675 million at 31 December 2019).

Cash and cash equivalents of £2,473 million have increased by £592 million from £1,881 million at 31 December 2018 for continuing operations. This increase includes £446 million of the cash proceeds received on the sale of Quilter Life Assurance, of which £375 million is planned to be returned to shareholders. Included within this balance are cash investments due to policyholders, and cash to support the capital and funding requirements of the business.

Balance sheet

Summary balance sheet (£m)	At 31 December 2019 Total	At 31 December 2018 Continuing Operations	Quilter Life Assurance	Total
Assets				
Financial investments	59,345	49,533	9,686	59,219
Reinsurers' share of policyholder liabilities	–	–	2,162	2,162
Contract costs/deferred acquisition costs	455	498	64	562
Cash and cash equivalents	2,473	1,881	514	2,395
Goodwill and intangible assets	592	520	30	550
Trade, other receivables and other assets	424	500	30	530
Other assets	449	349	23	372
Total assets	**63,738**	**53,281**	**12,509**	**65,790**
Equity	**2,071**	**1,593**	**412**	**2,005**
Liabilities				
Investment contract liabilities	52,455	45,211	11,239	56,450
Third-party interests in consolidated funds	7,675	5,116	–	5,116
Contract liabilities/deferred revenue	191	195	31	226
Borrowings – sub-ordinated debt	198	197	–	197
Lease liabilities	137	–	–	–
Trade, other payables and other liabilities	836	841	158	999
Other liabilities	175	128	669	797
Total liabilities	**61,667**	**51,688**	**12,097**	**63,785**
Total equity and liabilities	**63,738**	**53,281**	**12,509**	**65,790**

Goodwill and intangible assets have increased by £72 million to £592 million at 31 December 2019. The balance increased by £117 million during the year due to the acquisitions made by Quilter Financial Planning, which was offset by the amortisation of the intangible assets of £45 million charged during the year.

Trade, other receivables and other assets have decreased by £76 million to £424 million mainly due to a reduction in unsettled trades across the business and lower management fees as Quilter Investors no longer acts as authorised corporate director ("ACD") for certain Merian funds.

Other assets of £449 million, which principally reflects property, plant and equipment and loans and advances, increased by £100 million during the year. The implementation of IFRS 16 resulted in an increase in other assets, where a right of use asset has been created in respect of property leases, which have totalled £124 million. Included within this balance are Practice Buy Out ("PBO") loans of £19 million, a £6 million increase during the year.

The lease liability of £137 million has arisen due to the implementation of IFRS 16, which represents the Group's obligation to pay lease rentals on certain property, plant and equipment.

Trade, other payables and other liabilities have reduced by £5 million to £836 million as at 31 December 2019, primarily due to a reduction in outstanding trade payables as Quilter Investors no longer acts as ACD for Merian funds.

Other liabilities have increased from £128 million to £175 million primarily due to an increase in deferred tax liabilities.

Contingent liability/Post balance sheet event

Prior to the Group's acquisition of Lighthouse in June 2019, Lighthouse provided pension transfer advice to around 300 British Steel pension scheme members between 2016 and 2018. The Group was advised after the reporting date of a number of complaints on the advice given by Lighthouse. The Group has initiated a review of all cases advised by Lighthouse, prior to its acquisition by Quilter in June 2019, to assess the standard of advice given to British Steel pension scheme members.

For the cases where a complaint has been received on the advice given by Lighthouse, the likelihood of redress is probable, and an estimate of the amount of redress payable has been made of £9 million. For the remaining cases, it is possible that further costs of redress may be incurred following the outcome of the reviews. Of the pension transfers Lighthouse advised on between 2016 and 2018, approximately 80 cases were undertaken prior to mid-2017 after which the British Steel pension scheme was restructured and transfer values were enhanced considerably.

An additional provision for £3 million has been established in respect of the cost of legal and professional fees related to the complaints and redress process, which includes the anticipated costs to review advice provided of a similar nature in relation to cases that management believe may have similar characteristics.

As the advice was provided before the Group's acquisition of Lighthouse, any further redress costs will be recognised as a pre-acquisition liability within the fair value of the net assets acquired, with a corresponding increase in goodwill. Any adjustments to the acquisition balance sheet must be finalised within 12 months after the acquisition, in June 2020.

Risk review

Quilter has a robust financial resources position and actively manages its risk exposures across the risk universe using a comprehensive and embedded risk framework.

Overview

Quilter has an ambitious strategy to grow its advice-led wealth solutions, while also driving operational leverage through scale and efficiency. Safely delivering this strategy is dependent on a strong risk culture and risk framework to allow risks to be identified, assessed and managed appropriately so as not to impact on our commitments to our customers, our shareholders and other stakeholders.

Our business has become simpler during 2019. The successful sale of Quilter Life Assurance significantly reduces the financial and regulatory complexities associated with delivering life assurance business, and great strides have been made to move towards transitioning the UK Platform business onto FNZ's market-leading technology platform. The Group is focused on its core vision of becoming the leading UK wealth manager. However, while complexity is reducing, the acquisitive growth in our advice business and a number of other key strategic initiatives continue to expose the Group to a diverse and evolving set of internal and external risks.

I was delighted to be asked to become Chief Risk Officer and took up the role from 1 May 2019. I was immediately struck by the enthusiasm and professionalism of the function and the high quality of its outputs. Quilter is a relatively young company and has made great strides in developing an appropriate risk framework. The next stage in the maturing of our risk management environment is to focus on the effectiveness and efficiency of the function and of the risk processes that are operated across the Group. Accordingly, we have developed a risk transformation plan to take the function to the next level.

As part of this work, the risk leadership team has been restructured and strengthened, we have invested in deepening our capabilities in key risk topics to enable greater subject matter expert challenge and intervention, and we have developed more incisive risk analysis and reporting. A key development during 2019 has been the creation of three specialist teams; in IT and change risk, compliance monitoring and financial crime prevention. These teams will allow the development of deep expertise that can be applied across the Group with greater effectiveness and efficiency. The teams are in place, already delivering to a high standard and are key in the delivery of our 2020 Risk Plan as approved by the Quilter Board Risk Committee.

In 2020 we will continue our transformation, with an increasing focus on technology enablement to support our delivery, simplifying and optimising the risk processes that are used Group-wide and we will be considering enhancements to our risk framework to ensure it remains aligned to Quilter's business model.

Risk profile

We continue to operate in a challenging political and economic environment where uncertainty has become the norm. The UK General Election of 12 December 2019 has provided more clarity on the UK's future status, although uncertainty persists until agreements on future trading relationships are concluded. While Quilter's UK-focused business model has protected the Group from many of the cross-border challenges faced by others in the sector, that UK focus means the firm is strongly exposed to any detriment to future UK economic performance and consequential impacts such as loss of investor confidence. Quilter International has experienced challenging business performance following its geographic repositioning, although 2019 NCCF performance is encouraging. The backdrop of uncertainty and associated volatile markets presented a challenge to meeting Group NCCF aspirations in 2019.

Internally, our strategic objective to grow while improving operating leverage means that across the business there are many ongoing change initiatives. These include: the ongoing delivery of the Platform Transformation Programme, which achieved the first migrations of advisers and clients in February 2020; the Optimisation programme which successfully delivered above-plan savings in 2019; and ongoing work to increase Quilter's technology and information security capabilities. While many of these projects will reduce risk in the longer-term through streamlining processes and reducing manual intervention, there are delivery risks which could impact the timescales, costs and expected benefits of these programmes, and could prove a distraction from the ongoing delivery of strong business performance and customer outcomes in the meantime. These multiple concurrent programmes also have the potential to stretch key people across the organisation and so talent retention risk remains a focus.

Matt Burton
Chief Risk Officer

> 2019 has seen real progress in the Risk function's capabilities, impact and influence. Risk-informed decision-making is evident at all levels, across all Group activities.

Quilter's advice-led full-service model often supports customers through the value chain, while other customers may participate in a single service offering from one part of our business. The nature of this model requires Quilter to manage conflicts of interest effectively, and where advice or portfolio management is provided, ensuring that suitability is assured. Adviser firm acquisition has been a feature of Quilter Financial Planning's recent growth, including the June 2019 acquisition of Lighthouse Group. Effective integration of these acquisitions, including relating to adviser conduct, advice quality and IT estate management will continue to be key to managing the risk profile of the Group, and in yielding the anticipated scale benefits.

As the Group becomes more focused and drives increased integrated flows, the importance of strong investment performance in Quilter's core propositions is critical, and the Group has invested in the Quilter Investors build programme to support this important customer outcome.

During February 2020, worldwide concerns intensified that the coronavirus outbreak may escalate into a global pandemic and further impact global supply chains, global growth and employee health and availability. The Group could be adversely impacted by falls in equity market levels, adverse investor sentiment affecting NCCF and increased operational risks should staff availability be significantly affected. The Group has mobilised a crisis response to identify and implement mitigating actions to limit possible impacts.

Our customers, advisers, shareholders and other stakeholders expect us to manage our risks effectively and for the Group to be resilient in all market conditions. Stress and scenario analysis is key in helping the Group to define management responses to extreme stresses and to ensure that we have sufficient financial strength to withstand severe unexpected events. The Group actively manages its risk exposures against appetite across the risk universe, overseen by a range of management and governance committees such that proactive steps can be taken to manage exposures and ensure that the Group can continue to operate safely.

Emerging risks

Quilter is a long-term business and as such we monitor risks which are less certain in terms of timescales and impact. The emerging risk profile is subject to regular review by management committees and the Board Risk Committee. The identification of these risks contributes to our stress and scenario testing which feeds into our strategic planning process and informs our capital deployment decisions. The following are the emerging risks considered to be the most significant.

Near-term risk

Cyber threat developments
Evolving sophisticated cyber criminality presents a persistent threat of attack, capable of compromising the continuity of operations, or the security and integrity of information.

Pandemic
The recent emergence of Coronavirus, and any further deterioration of the situation, presents near-term risk to Quilter's internal operational continuity and supply chain, and has potential to adversely impact financial markets, global growth, and consequently Quilter's future NCCF, AuMA, and earnings.

UK pension reform
Forthcoming changes to UK pension regulations, potentially affecting the pension transfer advice market and UK pension tax relief, may impact future flows and earnings.

Medium-term risk

Economic downturn
Global trade disputes and political uncertainties present a material global economic downturn risk which could negatively impact financial markets and investor confidence, and consequently Quilter's future NCCF, AuMA, and earnings.

Regulatory change
Changes in regulation resulting from shifting expectations of our regulators, or specifically the UK's withdrawal from the EU, could have a material impact on Quilter's business model.

ESG requirements
The increasing emergence of new environmental, social and governance (ESG) requirements from our regulators, requires Quilter to consider enhancements relating to ESG factors in all of its operations.

Longer-term risk

Disruptive competition
Technology developments are likely to present opportunities for competitors and new entrants, which could negatively impact Quilter's market share.

Generational shifts
New generations are being seen to behave differently to those of the past and present. Any failure to connect with future generations presents franchise risk for financial services firms.

Climate change
A transition to a low-carbon economy is increasingly considered to be critical to mitigating the impacts of climate change, representing material risks for financial services firms.

Risk review continued

Principal risks and uncertainties

The Directors have carried out a robust assessment of the emerging and principal risks facing the Group, and the presentation of these has been reviewed, taking account of the recent FRC guidance on the strategic report. Our principal risks and uncertainties are described below, with our emerging risks presented on the previous page. The articulation of the principal risks and uncertainties is consistent with the Group's Enterprise Risk Management ("ERM") framework categorisation and with the 'Top Risk' reporting that is provided quarterly to the Board Risk Committee and the Board. The Board requires management to put in place actions to mitigate these risks and controls to maintain risk exposures within acceptable levels defined by Quilter's risk appetite. Regular monitoring and reporting of risks enables continuous review and challenge of risks and actions.

Principal risks and uncertainties	Key mitigants
Strategic and business risks	
Strategic risk Quilter's strategy is to be the leading UK wealth manager with an advice-led proposition. Should this strategy not yield the anticipated benefits, as a result of inaccurate understanding of target market and customer behaviours, or as a result of failure to manage its new brand effectively, there may be material adverse effect on the Group's business, its financial condition and its reputation.	• Strategic and business planning process • Business performance monitoring • Robust strategic initiative management • Brand management and brand monitoring arrangements
Investment performance risk Strong investment performance within Quilter Investors' fund management proposition and within Quilter Cheviot's discretionary fund management proposition are key to enable Quilter to meet customer expectations and to grow its customer base, and funds under management. During 2019, weaker short-term performance of Quilter Investors' core fund range has been noted with a range of management actions underway to support stronger performance. Longer term underperformance of core investment management propositions could have a material effect on Quilter's business, financial performance and reputation.	• Investment strategy • Investment performance management • Investment risk monitoring • Investment risk standards compliance arrangements
Conflicts of interest risk Quilter's business model exposes it to potential and actual conflicts of interest, including those which result from Quilter's full-service distribution model. Any failure to effectively manage conflicts of interest between its businesses and between Quilter and third parties could result in regulatory sanction and resulting reputational damage and consequential impacts to the Group's business, financial condition and reputation.	• Conflicts of interest register and monitoring • Conflicts identification and management training • Conflicts of interest policy compliance arrangements
Advice and suitability risk Quilter's financial advice and portfolio management services are subject to fundamental regulatory conduct requirements to assure suitability of advisory recommendations and discretionary portfolio management. Failure to operate effective arrangements to support the delivery of suitable advice and portfolio management, including within recently acquired advice businesses, could expose Quilter to risks associated with customer detriment, regulatory censure and remediation programmes, and consequential impacts to the Group's business, financial condition and reputation.	• Advice and portfolio management standards • Suitability monitoring and oversight arrangements • Extensive training arrangements for investment advisers and portfolio managers • Integration of advice firm acquisitions
Financial risks	
Market risk Quilter's principal revenue streams are asset-value related and as such the Group is exposed to the condition of global economic markets, and the UK markets in particular. Continued political uncertainty in the UK as a result of the UK's decision to leave the European Union continues to result in market volatility. Volatility in debt, equity and currency markets may adversely impact customer investment portfolios which in turn impacts Quilter's ability to generate fee-based revenue. Challenging market conditions also impact investor and adviser confidence and have the potential to challenge Quilter's ability to attract new NCCF from investors.	• Stress and scenario analysis • Strength of balance sheet • Financial risk policies, standards and limits

Principal risks and uncertainties	Key mitigants
Operational risks	
Third-party risk Quilter procures certain services from third parties, and this will increase as the Platform Transformation Programme concludes and results in significant business process and technology outsourcing to FNZ. If Quilter does not effectively oversee its third-party providers, they do not perform as anticipated, or Quilter experiences technological or other problems with a third party, it may not realise productivity improvements or cost efficiencies and may experience operational difficulties, increased costs and loss of business, customer detriment and damage to its reputation.	• In 2019 a Chief Procurement Officer was appointed to develop Quilter's approach to third-party management • The Group's Third Party Risk Management Framework is in place and is subject to ongoing enhancement • Third Party Risk Management Policy and standards compliance arrangements
Information technology risk Quilter's business is highly dependent on its technology infrastructure and applications to perform necessary business functions, including to support the provision of services to customers. Some of the infrastructure and applications are legacy in nature and require replacement over the coming years, while multiple acquisitions have extended and complicated the technology estate. Failure to manage technology risk could have a material adverse impact on Quilter's business, its resilience capabilities, financial condition, operations and its reputation.	• A Group Technology Strategy is in place to deliver technology enhancements over a 2-3 year time horizon • Active systems monitoring and resilience plans • IT policy suite and standards compliance arrangements
Information security risk Quilter's business, by its nature, requires it to store, retrieve, evaluate and utilise customer and company data and information, some of which is highly sensitive. Quilter is subject to the risk of IT security breaches from parties with criminal or malicious intent. Should Quilter's intrusion detection and anti-penetration software not anticipate, prevent or mitigate a network failure or disruption, it may have a material adverse effect on Quilter's customers, business, financial condition, operations, and reputation.	• Cyber threat defences and monitoring • Data governance arrangements, including those relating to General Data Protection Regulation (GDPR) compliance • Information security policy and standards compliance arrangements
People risk Quilter relies on its talent to deliver its service to customers and to implement the broad range of strategic change initiatives that are currently ongoing. Failure to retain key staff or to attract suitable talent may impact the delivery of Quilter's strategy and may have an adverse impact on Quilter's business, its financial and operational performance and its delivery of service to customers.	• Performance evaluation arrangements and related performance and risk adjusted remuneration arrangements • Regular employee engagement surveys • Quilter's staff wellbeing initiative, 'Thrive'
Legal and regulatory risks	
Regulatory risk Quilter is subject to regulation in the UK by the Prudential Regulation Authority and the Financial Conduct Authority; and by a range of regulators internationally. Additionally, the firm is subject to the privacy regulations enforced by Information Commissioner's Office and international equivalents. Quilter faces risks associated with compliance with these regulations and to changes in regulations or regulatory focus or interpretation in the markets in which Quilter operates. Failure to manage regulatory compliance effectively could result in regulatory censure, including the possibility of fines or prohibitions which could impact business performance and reputation.	• Compliance advice and monitoring programme • Regulatory horizon scanning • Training and staff awareness programmes • Compliance policy and standards compliance
Financial crime risk Quilter is subject to a range of financial crime laws and regulations in each jurisdiction in which it operates. This includes those relating to money laundering, terrorist financing, sanctions, bribery and corruption and insider dealing. Relevant regulatory and law enforcement agencies have the ability to impose significant censures for failures including the possibility of fines or prohibitions which could impact reputation and business performance.	• Mandatory staff training • Range of specific controls including due diligence and sanctions screening • Financial crime policy and standards compliance arrangements
Legal risk Quilter is exposed to legal disputes relating to its provision of services to customers and its contracts with its staff members and third parties; as well as risks relating to adverse changes to laws in the jurisdictions in which it operates. Failure to adequately manage legal risk could result in unmitigated legal costs or penalties, impacting the Group's business, financial condition and reputation.	• Internal legal risk management arrangements • Access to external counsel advice • Liability insurance arrangements

Risk review continued

Our Enterprise Risk Management framework

Our Enterprise Risk Management ("ERM") framework encompasses a number of elements, including: governance arrangements; end-to-end processes to facilitate the identification, assessment, measurement monitoring and management of risk; and the incorporation of culture and behaviour in reward mechanisms. The ERM framework drives consistency across Quilter's businesses and aims to align strategy, capital, processes, people, technology and knowledge in order to evaluate and manage business opportunities, uncertainties and threats in a structured and disciplined manner.

In this way Quilter seeks to ensure that risk and capital implications are considered when making strategic and operational decisions, and to ensure that Quilter's risk profile is understood and managed on a continuous basis within the approved risk appetite. An important element to risk management is a good management culture of risk-informed decision-making. Quilter links risk management to employee performance and development, as well as to its remuneration and reward schemes. An open and transparent working environment which encourages all employees to embrace risk management is critical to the achievement of the Group's strategic priorities.

Quilter is regulated by the PRA under Solvency II and by the FCA under Capital Requirement Directive regulations, and is also subject to insurance prudential requirements in a small number of other jurisdictions. To meet these regulations, we operate a consistent approach to risk management across Quilter. As such, we have integrated the Own Risk and Solvency Assessment ("ORSA") and Internal Capital Adequacy Assessment Process ("ICAAP") into our risk management framework. Quilter's ORSA and ICAAP are comprehensive risk processes which set out how risks are managed and how risks might change over time as we execute our strategy and respond to developing situations. We analyse the capital required to protect the sustainability of the Group and how those capital requirements might develop over our planning period.

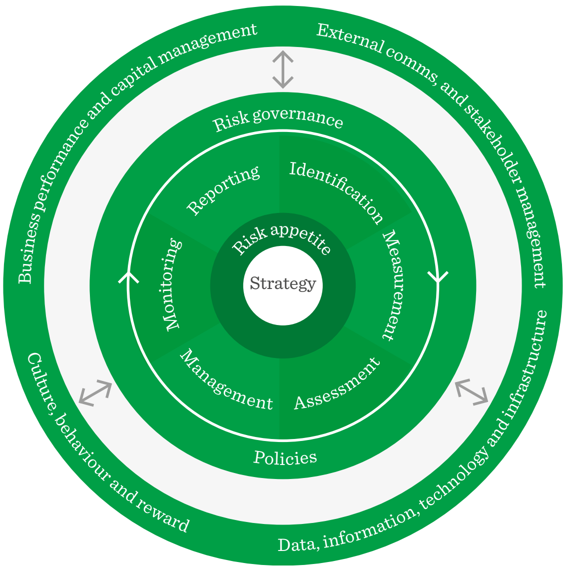
The assessments include a range of stress and scenario testing covering a broad range of scenarios, including market shocks, new business growth scenarios and operational risk events. These tests are in addition to the regulatory solvency capital requirements, which allow for severe and extreme scenarios and stresses (1 in 200-year risk events). Critical to our process is preparing management action plans should adverse events occur. This provides assurance that we are both well capitalised and prepared to take necessary action in order to maintain our resilience during adverse conditions.

The sale of Quilter Life Assurance in December 2019 has removed some complexities associated with the provision of UK life insurance business. Nevertheless, the nature of Old Mutual Wealth Life and Pensions Limited business means that Quilter retains group prudential oversight by the PRA.

Risk appetite

Our risk appetite is the amount of risk we are willing to take in pursuit of our strategic priorities and is defined by the Board. Culturally, it sets the tone regarding our attitude towards risk-taking. Risk appetite also plays a central role in informing decision-making across the Group, protecting and enhancing the return on capital invested. This risk appetite approach is applied consistently across the Group.

To support the strategic decision-making process we apply risk preferences which provide guidelines for striking the appropriate balance of risk and reward when setting our business strategy.



Strategic Risk Appetite Principles

A set of Strategic Risk Appetite Principles has been set by the Board. These principles provide the top-of-the-house guidance on our attitude toward key areas of risk for the Group and support the ongoing management and oversight of risk. The Group's position against these principles is measured on a regular basis.

Customer The Group will ensure fair customer outcomes	**Liquidity** The Group will ensure that it has sufficient liquidity to meet its financial and funding obligations
Capital The Group will hold or have access to sufficient capital to maintain own capital needs	**Control environment** The Group will at all times operate a robust control environment

Policies supporting the system of internal control

The Group Governance Manual ("GGM") and policies form an integral part of our governance and risk management framework, ensuring an appropriate system of internal control, including financial, operational and compliance areas. Together they form the basis of clear delegated authorities and accountabilities, ensuring there is appropriate Board oversight and control of important decisions, and efficient and effective management of day-to-day business. The GGM and policies are approved and adopted by the Board. On an annual basis, a policy attestation process is undertaken, setting out policy compliance across Quilter and is provided to the Board.

Risk culture

The most important element to risk management is a good culture of risk-informed decision-making. We believe that a good risk culture enables effective management of risk. We link risk management to performance and development, as well as to the Group's remuneration and reward schemes. An open and transparent working environment which encourages our people to embrace risk management, and speak up where needed, is critical to the achievement of our strategic priorities.

Matt Burton
Chief Risk Officer

Viability statement

In accordance with provision 31 of the UK Corporate Governance Code 2018, the Directors have assessed the prospects of the Group for a period longer than the 12 months required by the going concern statement.

Quilter's Risk Appetite Framework supports the delivery of Quilter's strategy and business plan with risk preferences and appetite playing a central role in informing decision-making across the Company.

Every year, the Board considers a three-year strategic plan and also an ORSA for the Group, as required by our UK regulators. The plan makes certain key assumptions in respect of the competitive markets and political environments in which the Group operates, economic assumptions and the impact of key strategic initiatives including the delivery and implementation of the new platform. The one-year planning period has greater certainty and is used to set detailed budgets across the Group. Although three years is regarded as an appropriate period for the assessment of the Group's viability, the Directors also regularly consider other strategic matters that may affect the longer-term prospects of the Group.

The Board's assessment included reviews of capital, liquidity, and of principal risks over the three-year planning period. Appropriate aspects of the strategic plan are stress-tested under the ORSA and ICAAP reviews to understand and help set capital and other requirements. The stress tests considered include a broad range of scenarios, including economic and market shocks, mass lapse events, new business growth scenarios and severe business interruption. In all severe but plausible adverse tests, sufficient capital and liquidity were available, demonstrating the Group's resilience to adverse conditions.

Reverse stress tests, which are performed to identify events which would make the current plan unviable, have also been performed. The results of these tests indicate that the Group can reasonably expect to have sufficient capital and liquidity to be able to meet its liabilities over the planning period. The Board regularly monitors performance against a range of predefined key performance indicators and early warning thresholds, which will identify if developments fall outside the Group's risk appetite or expectations, allowing management action to be taken.

The Strategic Report, on pages 1 to 35, sets out the Group's financial performance, business environment, outlook and financial management strategies. In addition, details on the Group's principal risks and risk management framework are set out on pages 32 to 33.

Conclusion on viability

Considering the Group's current capital and trading position, its principal risks, and remaining three-year period of the strategic plan, the Board has a reasonable expectation that the Company and the Group can continue in operation and meet their liabilities as they fall due for the period to 31 December 2022.

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 the mitigating strategies which are or will be applied. As a result, the Directors believe that the Group is well placed to manage its business risks in the context of the current economic outlook and have sufficient financial resources to continue in business for a period of at least 12 months from the date of approval of these consolidated financial statements, and continue to adopt the going concern basis in preparing the consolidated financial statements.

Governance

Governance
An introduction to our Board of Directors, Executive Committee, and our approach to corporate governance and remuneration.

Board of Directors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Chairman and Executive Directors

1. Glyn Jones N RE

Chairman

Appointed November 2016

Skills and experience: Glyn Jones' extensive experience of chairing Boards, including those of Aspen Insurance Holdings, Aldermore Group, Hermes Fund Managers, BT Pension Scheme Management and Towry, a financial planning and wealth advice business, provides him with the skills needed to build and lead an effective and cohesive board at Quilter. His significant experience in UK and international financial services, gained during his tenures as CEO of Gartmore Investment Management and Coutts Group, and whilst running Standard Chartered's international private banking business in Hong Kong, provides him with the necessary knowledge to lead discussions on key business matters including strategy, performance and risk. Glyn is a Fellow of the Institute of Chartered Accountants in England and Wales.

Other appointments: Glyn chaired Aspen Insurance Holdings, a New York Listed international speciality insurance business from 2007 until February 2019.

2. Paul Feeney

Chief Executive Officer

Appointed August 2012

Skills and experience: Paul Feeney is an experienced, entrepreneurial leader, having held various senior business roles in large international financial services businesses, including as CEO of NatWest Private Bank, and NatWest Investments USA, Group Managing Director and Head of Distribution for Gartmore Investment Management, and Global Head of Distribution at BNY Mellon Asset Management International. During his career, Paul has developed a deep understanding of the challenges, risks and opportunities faced by the industry, thereby enabling him to create and develop the vision and strategy of the Group. Paul's strong commercial acumen and dynamic leadership style allow him to effectively oversee the execution of our strategy.

Other appointments: Paul is a member of the FCA Practitioner Panel and was a Non-executive Trustee of Sense International until February 2019.

3. Mark Satchel

Chief Financial Officer

Appointed March 2019

Skills and experience: Mark Satchel brings deep finance, corporate action and business experience to the Board. He joined Old Mutual in the UK in January 2000 and held numerous leadership positions within the finance function and businesses there, during which time he played key roles in the acquisitions of Intrinsic (now Quilter Financial Planning) and Quilter Cheviot. This experience has been invaluable in ensuring that Quilter effectively executes its strategy, for example allowing him to lead the successful disposal of Quilter Life Assurance. Mark previously served as Chief Financial Officer of the business from 2010 to August 2017 and as Corporate Finance Director for the 17-month period to March 2019. Mark is qualified as a Chartered Accountant in South Africa, and worked for KPMG in both South Africa and Canada prior to moving to the UK.

Other appointments: Mark is a Trustee of The Old Grey Europe Charitable Trust.

Former Director who served for part of the year

Tim Tookey, Chief Financial Officer

Tim stepped down from the Board on 13 March 2019 and left Quilter at the end of April 2019.

Board and Committee membership key

- ● Committee Chair
- A Board Audit Committee
- N Board Corporate Governance and Nominations Committee
- T Board Technology and Operations Committee
- RE Board Remuneration Committee
- RI Board Risk Committee
- S Major subsidiary board membership (refer to page 81 for more information)
- E Designated Non-executive Director for communicating the voice of our employees to the Board (refer to page 47 for more information)

Independent Non-executive Directors

4. Rosie Harris A T RI S
Appointed April 2017

Skills and experience: Rosie Harris has extensive knowledge and experience of risk management within the insurance and wealth management industries, having served as Chief Risk Officer for UK Life at Aviva, Group Risk Director at Old Mutual plc and Chief Risk Officer (Insurance) and Managing Director for General Insurance at Lloyds Banking Group plc. This experience has been invaluable to the Board and management as Quilter has developed and embedded its risk management framework. Rosie also provides the Board and management with valuable insights into managing and mitigating the risks that are inherent in running a successful wealth management business. Rosie is a member of the Institute of Chartered Accountants in England and Wales.

Other appointments: Rosie is a Non-executive Director of Tokio Marine Kiln's Insurance and Syndicates businesses and Chairs its Risk Committee.

5. Suresh Kana A N
Appointed August 2018

Skills and experience: Dr Suresh Kana is a highly experienced South African businessman who has spent over three decades working in various roles at PwC, most recently as Chief Executive Officer and territory Senior Partner of PwC Africa. He has a wealth of corporate governance and South African business experience has allowed him to provide the Board and Board Corporate Governance and Nominations Committee with a valuable perspective on both of these key matters and to support Quilter's understanding of our shareholder base.

Other appointments: Suresh is Chairman of Murray & Robert Holdings Limited and an independent Non-executive Director of JSE Limited. He is Deputy Chair of the Integrated Reporting Committee of South Africa and a trustee of the International Financial Reporting Standards Foundation. He is also a Member of the Illovo Sugar Limited Advisory Panel and Chairman of South Africa's King Committee on Corporate Governance.

6. Moira Kilcoyne T RI
Appointed December 2016

Skills and experience: Moira Kilcoyne brings over 25 years' of technology and cyber security leadership, having spent much of her career working in senior technology roles at Morgan Stanley and Merrill Lynch, latterly overseeing global change management and transformative IT implementation as Co-Chief Information Officer for Global Technology and Data at Morgan Stanley. This experience, together with her strong understanding of business operations, business resilience, data management and third party supplier management, equips her with the skills and knowledge needed to oversee and challenge the design and delivery of technology and operations strategy, including the delivery of Quilter's new investment platform.

Other appointments: Moira is a Director of Citrix Systems Inc where she is also a member of its Audit Committee. She is also a Director of Arch Capital Group Limited and a Trustee of the board of Manhattan College.

7. Jon Little RE S
Appointed May 2017

Skills and experience: Jon Little has over 30 years' experience in the investment management business internationally. His experience at Fidelity, JP Morgan Investment Management, BNY Mellon, and as founding Partner of Northill Capital, allows him to critically assess the performance and strategy of our investment management businesses, and challenge management accordingly. Jon is an experienced director and chair having chaired The Dreyfus Corporation in New York and Insight Investment Management, as well as having served on the Board of Jupiter Management plc and various asset management boards, including Northill Capital.

Other appointments: Jon is Chairman of the Oxford Brookes Endowment Investment Committee.

8. Ruth Markland A N RE S
Senior Independent Non-executive Director

Appointed June 2018

Skills and experience: Ruth Markland has a wealth of FTSE-100 board experience, having spent 12 years on the board of Standard Chartered plc and over 10 years on the board of Sage Group plc. In both companies, Ruth served as Senior Independent Director and Chair of the Remuneration Committee. This has provided her with a strong understanding of corporate governance and boardroom dynamics enabling her to act as a helpful sounding board for the Chair and other board members. Ruth has agreed to succeed Cathy Turner as Chair of the Board Remuneration Committee with effect from the end of the 2020 Annual General Meeting.

Ruth headed the commercial practice of Freshfields Bruckhaus Deringer in London for a number of years and then became the Managing Partner of the Asia business, based in Hong Kong.

Other appointments: Ruth is a member of the Supervisory Board of Arcadis NV and an independent Non-executive for Deloitte LLP.

9. Paul Matthews RI S
Appointed August 2018

Skills and experience: Paul Matthews is an experienced FTSE-100 plc board Director who has over four decades' worth of knowledge of the savings and pensions industry. His career at Standard Life, spanning nearly 30 years, where his roles included Group Executive Director, Chief Executive Officer UK & Europe and Chairman of Standard Life Wealth, enables him to identify and support management to understand the opportunities and risks facing Quilter, particularly its distribution businesses. This insight enables him to effectively assess and challenge the executive's strategy proposals, execution and risk management.

Other appointments: Paul is currently an Executive Mentor at Merryck & Co.

10. George Reid A T RI S
Appointed February 2017

Skills and experience: George Reid has extensive financial experience having spent over 20 years in the accounting profession. This knowledge, gained during lengthy tenures at PwC, and, latterly, Ernst & Young LLP as managing partner and Head of Financial Services for Scotland and UK regions, provides George with a deep understanding of accounting and audit matters, and the control environment inherent to wealth management businesses. Such experience allows him to critically assess key accounting and financial considerations including those associated with our recent acquisition of Lighthouse Group and the disposal of Quilter Life Assurance.

George is a Fellow of the Institute of Chartered Accountants in England and Wales.

Other appointments: George is Chairman of the Children's Hospice Association Scotland.

11. Cathy Turner N RE S E
Appointed December 2016

Skills and experience: Cathy Turner's broad experience of HR and remuneration matters gained whilst serving as Group HR Director at Barclays plc, and as Remuneration Committee Chair at Aldermore Bank plc and Spectris plc, enables her to effectively scrutinise and challenge remuneration policy proposals and execution, and effectively oversee the running of the Board Remuneration Committee. Her extensive advisory and leadership experience supports her in engaging with the workforce and effectively communicating their views to the Board, as part of her role as Quilter's designated employee Non-executive Director.

Other appointments: Cathy serves as a Non-executive Director and Chair of the Remuneration Committees of both Aldermore Group plc and Spectris plc. She is also a partner at the senior advisory organisation, Manchester Square Partners.

Company Secretary

12. Patrick Gonsalves
Appointed January 2017

Patrick Gonsalves is an experienced Company Secretary with broad experience across the financial services industry gained with Lloyds Bank, NatWest Bank and, up until December 2016, as Deputy Secretary of Barclays plc.

Patrick was appointed Company Secretary of Old Mutual Wealth Management Limited in January 2017 and is a Fellow of the Institute of Chartered Secretaries and Administrators. Patrick has extensive experience of providing advice and support to listed company boards in periods of significant change which is very relevant to his role at Quilter.

Executive Committee membership

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The Board has delegated the day-to-day running of Quilter to Paul Feeney, as Chief Executive Officer. Paul exercises these powers through the Quilter Executive Committee, the membership of which comprises the Chief Executive Officers of some of Quilter's businesses and key function heads. The Executive Committee meets regularly to ensure the effective implementation of the business strategy, our customer strategy, the financial performance of the business against our business plan and the culture and risk management of our business.

Executive Directors

1. Paul Feeney
Chief Executive Officer

2. Mark Satchel
Chief Financial Officer

For full biographies, see Board of Directors page 38.

Executive management

3. Matt Burton
Chief Risk Officer

Matt was appointed as Chief Risk Officer in May 2019. Matt joined the business as Chief Internal Auditor in April 2016, prior to which he was a partner in PwC's Financial Services Practice with responsibility for leading Internal Audit services to the Insurance and Investment Management sector. Matt has over 25 years of experience across financial services having held senior roles in Credit Suisse, where he was Chief Auditor for EMEA, and Deutsche Bank. Matt is a member of the Institute of Chartered Accountants in England and Wales.

4. Karin Cook
Chief Operating Officer

Karin was appointed to Quilter plc in January 2019 as the Chief Operating Officer and is a key sponsor of Quilter's Optimisation programme, driving efficiency across all areas of the Group. Karin has 30 years' experience in financial services, with her most recent experience at Lloyds Banking Group covering customer operations, payments, technology, security, property and procurement. She has previously worked at HSBC, Morgan Stanley and Goldman Sachs in senior operations, technology and finance roles.

5. Steven Levin
Chief Executive Officer, UK Platform

Steven has extensive experience in developing and distributing financial products, as well as in asset management and investments. Steven has been in his current role since October 2015 and has been instrumental in leading the implementation of the new investment platform. Prior roles include Global Head of Distribution and Managing Director of Skandia International (now Quilter International). He also served as Product & Proposition Director for Old Mutual in South Africa and globally for Old Mutual plc. Steven is a qualified Actuary and a Chartered Financial Analyst.

6. Andy McGlone
Chief Executive Officer, Quilter Cheviot

Andy has over 25 years' experience in investment management having worked at Quilter Cheviot for his entire career, beginning at Quilter Goodison in 1994 as a Trainee Investment Manager. He worked his way up through the private client department before becoming joint head of the newly merged Quilter and Cheviot London front offices in late 2013. Prior to becoming Chief Executive Officer, Andy served as Managing Director of Quilter Cheviot. Andy is a Chartered Fellow of the Chartered Institute for Securities and Investments.

7. Andy Thompson
Chief Executive Officer, Quilter Financial Planning

Andy, who was appointed Chief Executive Officer of Quilter Financial Planning in December 2016, has over 30 years' experience in financial advice and distribution. Having been a financial adviser, Andy began his own successful advice business in 2003, which was subsequently acquired by Quilter Financial Planning in 2012, at which point Andy also joined the business. Since becoming CEO, Andy has continued to strengthen and grow Quilter's distribution business and led many acquisitions, most recently those of Lighthouse Group and Charles Derby Group.

Board and Board Committee composition and meeting attendance

Governance

The Quilter Board has established Board Committees which are entirely composed of independent Non-executive Directors, and the members' attendance at each meeting of the Board and Board Committees is set out in the tables below. As you will see from their biographies, which are set out on pages 38 and 39, the Committee Chairs and other Committee members have recent and relevant skills, experience and expertise. The composition of the Board and the Board Committees meets the requirements of the 2018 UK Corporate Governance Code.

In the year following listing on 25 June 2018, each Board Committee has performed a review of their activity to confirm that they have discharged their responsibilities as set out in their terms of reference. The Committees have further reviewed and revised their terms of reference in line with best practice and the 2018 Corporate Governance Code. The Committees' terms of reference can be found on quilter.com/corporategovernance.

Board and Board Committee meetings

The table below shows the Board and Board Committee meetings held during 2019:

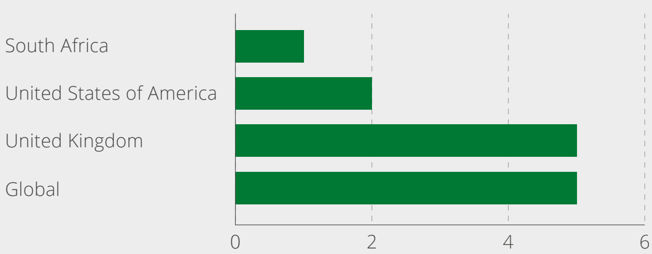
	Scheduled Board meetings	Ad hoc Board meetings[1]	Board Corporate Governance and Nominations	Board Audit	Board Risk	Board Technology and Operations	Board Remuneration
Chairman and Executive Directors							
Glyn Jones	9/9	9/9	5/5				7/7
Paul Feeney	9/9	8/9					
Mark Satchel (appointed 13 March 2019)	7/7	8/8					
Tim Tookey (stepped down 13 March 2019)	2/2	1/1					
Independent Non-executive Directors							
Rosie Harris	9/9	8/8		13/13	8/8	11/11	
Suresh Kana	9/9	6/6	5/5	12/13			
Moira Kilcoyne	9/9	6/6			8/8	11/11	
Jon Little	9/9	6/7					5/7
Ruth Markland	9/9	6/6	5/5	13/13			7/7
Paul Matthews	8/9	6/7			8/8		
George Reid	9/9	8/8		13/13	8/8	11/11	
Cathy Turner	9/9	5/6	4/5				7/7

1 Includes additional meetings of the full Board and meetings of ad hoc committees of the Board. These meetings related to a number of corporate transactions to effect the re-shaping and growth of the business and the distribution of the net surplus proceeds of the sale of Quilter Life Assurance. By their nature, these meetings were often arranged at relatively short notice.

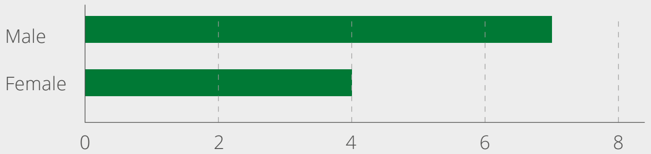
Where exceptionally, due to other commitments, a Director has been unable to attend a meeting, they have separately submitted their comments and input on the matters under discussion to the Chair of the Board or the relevant Board Committee. In addition to the meetings reported above, sufficient time was provided, periodically, for the Chairman to meet privately with the Senior Independent Director and the Non-executive Directors to discuss any matters arising.

Board skills

Geographical experience



Board gender diversity



Chairman's introduction on corporate governance

Dear Shareholder,
Having successfully overseen the Managed Separation and listing of Quilter plc in 2018, the most critical role for the Quilter Board in 2019 has been overseeing the effective delivery of the Quilter strategy in a safe and well controlled manner. I have set out over the coming pages some of the Board's activities in discharging that role as well as how the Board has strived to ensure that Quilter will be successful in the long term by building and maintaining successful relationships with a wide range of stakeholders.

The Quilter Board has reflected on the requirements of the new 2018 UK Corporate Governance Code (the Code) and the wider societal responsibilities for companies that the Code has sought to reinforce. While there is no room for complacency, we believe that the culture and direction that the Board has set for the Quilter Group align well to the updated set of principles set out in the new Code. In order to ensure that Quilter complies fully with the new Code there have been some areas where we have revised our approach to governance. During the year Cathy Turner agreed to ensure that the voice of our employees is heard in the Boardroom. The Board also asked management to revise or enhance reporting to the Board in areas such as the Group's culture, and the quality of our relationships with customers and suppliers. This allows the Board to monitor that we have strong and mutually beneficial relationships with our customers, regulators, suppliers and employees.

Quilter is still a relatively young listed Company and 2019 was a challenging year given the political and economic uncertainties that reduced business and investor confidence, particularly Brexit. It is therefore all the more pleasing that Quilter has made significant progress in delivering on our strategic objectives while managing current business challenges in a way that contributes to, rather than detracts from, the long-term sustainability of our business.

The four strategic priorities of our business remain unchanged:
1. delivering on customer outcomes;
2. Advice and Wealth Management growth;
3. Wealth Platforms growth; and
4. optimisation.

I have set out over the page the role of the Quilter Board and how your Board has overseen the effective delivery of the above strategic priorities in 2019, whilst giving appropriate consideration to the interests of our stakeholders and the long-term consequences of our decisions.

Looking ahead
We have confidence in our corporate governance framework and the ability of your Board to guide the business through the successful delivery of the Group's strategy. To be successful, your Board must remain resolutely focused on ensuring that the executive management team deliver on our strategic priorities; complete the safe and successful delivery of our Platform Transformation Programme and stay focused on delivering for our customers, our shareholders, our employees and our other stakeholders. As we do this, you can have confidence that Quilter will continue to deliver sustainable growth, in a safe and controlled manner for the benefit of all of its stakeholders, into the future.

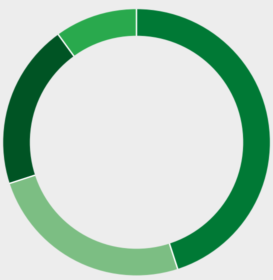
Glyn P. Jones

Glyn Jones
Chairman

11 March 2020

Glyn Jones
Chairman

Board Activity



Strategy and delivery of strategy	45%
Business performance oversight	25%
Risk management and governance	20%
Committee reports	10%

For detail on Board attendance, see page 41.

Leadership and oversight

The role of your Board and our corporate governance framework

The Board Effectiveness Review, independently facilitated by Professor Goffee in 2019, provided confirmation that Quilter is led by an effective and entrepreneurial Board. I am grateful to Ruth Markland, our Senior Independent Director, for overseeing a rigorous and constructive Board Effectiveness Review and Ruth provides further details on the process and the outcome of the review on pages 50 and 51.

During the year, the Quilter Board has re-confirmed the Company's purpose, values and strategy and satisfied itself that these and its culture are aligned. The Board has reviewed and refreshed our Board Charter to ensure it remains aligned to the new UK Corporate Governance Code 2018. The Charter, as you would expect, requires all Directors to act with integrity, lead by example and promote the culture that we seek to embed across the Quilter Group. The Board, working collaboratively with the Board Committees and the subsidiary company boards that we have established across our main trading businesses, ensure that a framework of prudent and effective controls are in place to ensure that the full range of risks inherent in the running of our businesses are assessed and managed. The Board satisfies itself through the business planning process and the regular reports from executive management that Quilter has the necessary resources to meet its objectives. The Board regularly assesses management's progress in delivering against the Business Plan, Operating Plan and achievement of its strategic priorities while continuing to ensure that we are building a sustainable business that is mindful of the role it plays in our wider society and the impacts of its actions on all stakeholders.

The Board has put in place appropriate mechanisms to ensure there is effective engagement with its shareholders and other stakeholders and examples of how this is working in practice are provided below. Additionally, the Quilter Board, relevant Board Committees and our subsidiary boards ensure that our HR policies and practices serve to support and are aligned to our values and the delivery of long-term sustainable success. This has been especially important during a period of significant change for our colleagues.

The work of your Board in 2019

The work of the Board has been strongly influenced by the Group's four strategic priorities as described on page 45. Additionally, the Board has received the following regular reports in 2019:

Report	Purpose
Chief Executive Officer's report	Providing the Chief Executive Officer's perspective on the performance of the business and progress against the Operating Plan approved by the Board.
Chief Financial Officer's report	Tracking delivery of the Group's financial performance against the Business Plan and prior year performance and other key performance indicators. Key insights on the Group's capital and liquidity position are also provided alongside Investor Relations updates.
Chief Risk Officer's report	Providing a second line view on the key risks in our business and the effectiveness of management's efforts to mitigate those risks. The Chief Risk Officer, the Chairman and other executives regularly brief the Board on key communications with the Group's regulators.
Chief Operating Officer's report	Briefing the Board on updates on the developments in our Technology and Operations areas and the Optimisation of our business.
Customer reports	Providing valuable insights into how the Quilter Brand is perceived, the quality of the outcomes achieved for our customers and identifying opportunities to drive improvements that will create value for our customers.
Investment performance reports	Ensuring the Board have clear line of sight to how well Quilter Investors and Quilter Cheviot have delivered strong investment returns, in line with our customers' views on risk tolerance.
People reports	Ensuring that the culture and values of the Group are well aligned to the achievement of its purpose and strategy and that we have engaged and committed people.
Updates on the Platform Transformation Programme	Assessing the progress on delivering this critical programme which will benefit our customers and the advisers who utilise our investment platform.
Reports from the Chairs of our Board Committees	Ensuring that the wider Board are fully briefed on the detailed work conducted by the Board Committees.

Leadership and oversight continued

Building Quilter to deliver long-term success for all our stakeholders

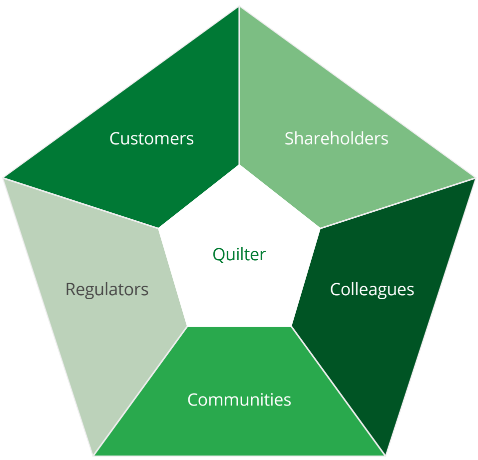
Section 172 (1) statement

The Companies Act 2006 (the Act) and the UK Corporate Governance Code 2018 require the annual report to provide information that enables our stakeholders to assess how the Directors of Quilter have performed their duties under section 172 of the Act. The Act provides that Quilter Directors must act in a way that he or she considers in good faith, would be most likely to promote the success of Quilter for the benefit of shareholders as a whole. In doing so, Quilter Directors must have regard, amongst other things, to the factors set out below:

Stakeholders	Factors considered
Shareholders	**The likely consequences of any decision in the long term** The Board has approved the purpose and strategy of Quilter which are described in our Strategic Report on pages 2 to 35. The Board believes that delivery of that strategy, in line with our overriding purpose, will achieve long-term, sustainable success for all of our stakeholders (see below). All of the Board's decisions are therefore guided by the delivery of the Group's purpose and strategy. On the following page we describe how the delivery of the strategic priorities has been overseen by the Board.
Colleagues	**The interests of Quilter's colleagues** The Board receives regular reports from the Human Resources Director on the culture and engagement of our people. Those reports are supported by detailed analysis of employee surveys conducted across the Group. It has been particularly important to monitor these issues closely during a period of significant change when we have made additional demands on our colleagues. On page 45 we describe how the Board considered the interests of colleagues in the delivery of our strategic priorities in 2019 and on page 47 Cathy Turner, the Non-executive Director appointed to communicate the voice of our employees to the Board, reports on how she has communicated the thoughts and concerns of our people to the Board. The Board Corporate Governance and Nominations Committee has overseen the development of the Group's talent agenda and the training and development of those identified as having the potential to be a future leader of our business.
Communities	**The impact of Quilter's operations on the community and the environment** The Board Corporate Governance and Nominations Committee oversees the Group's responsible business activities and has endorsed the Shared Prosperity Plan that is described on pages 10 to 15. The Directors have been briefed on the fast moving developments in this area. The Board Corporate Governance and Nominations Committee is guiding the Group's response to the various environmental, societal and governance initiatives and the Board Risk Committee is monitoring progress on how these emerging risks are being managed. **The need to foster the Company's business relationships** The Board has been briefed on the progress made in implementing the Group's procurement strategy. The Group is aiming to build mutually beneficial, long-term relationships with a smaller supplier base. The Board believes this to be a more sustainable approach. Further information on this issue is provided in the Responsible Business section on pages 10 to 15. There is further work to do in this area to ensure that a more holistic approach is taken to managing our suppliers.
Shareholders	**The need to act fairly between the members of the Company** Quilter is listed on both the London and Johannesburg Stock Exchanges and the expectations of shareholders holding Quilter shares on those two exchanges on certain governance issues can vary materially. On page 47 we describe how we have engaged with our South African shareholders to fully understand their wishes in relation to certain authorities that are considered routine in a UK context but are viewed with a different lens by some of our South African shareholders.
Customers and regulators	**The desirability of the Company maintaining a reputation for high standards of business conduct** The Board receives regular reports on the outcomes achieved for customers of Quilter and the external perception of the Quilter brand. Over the page, we have set out how the Board has considered the interests of our customers when reviewing the delivery of our strategic priorities and in considering some material transactions conducted during the year. The Chairman, Chief Executive Officer and the Chief Risk Officer report regularly to the Board on the strength of the Group's relationships with its main regulators and the work performed to ensure that the Group meets their expectations.

Our key stakeholders

The Board has identified five key stakeholder groups whose interests and needs the Board must regularly consider. When taking decisions, the Board applies its judgement in how best to balance the sometimes competing interests of these stakeholders to deliver long-term, sustainable success for Quilter from which all stakeholders benefit. The Group has taken steps to embed a deeper understanding of section 172 of the Act at a Quilter plc level and across our management committees and subsidiaries. Presentations have been made by the Quilter Corporate Secretariat team to the business to explain the importance of the considerations referred to in section 172 (1) as part of good decision making, to ensure that proposals coming to the Board contain appropriate information on the potential impact of business decisions on all of Quilter's stakeholders and other relevant matters. Examples of best practice have been provided and rolled out to the business, with further explanation and guidance on directors' duties to ensure that section 172 (1) considerations remain at the heart of the Group's decision making at all levels. The governance in action case studies provide insight into how Quilter has done this and the outputs of these decisions.



Ensuring the delivery of our strategic priorities

1 Delivering on customer outcomes

Our strategy can only be successfully delivered in the long term if Quilter delivers good customer outcomes and strong investment returns while providing a high-quality service to our customers. To achieve this the Board has:

- Supported and guided management in enhancing the reporting on how well our businesses have delivered for our customers. This enhanced reporting is enabling management to be more forensic in identifying how we can not only meet our customers' expectations and our regulatory obligations but also exceed expectations and delight our customers.
- Received regular reports on the continuing re-branding of our business to Quilter and to gain valuable insights into how we are perceived by our customers and those we would like to do business with.
- Monitored the communications with our customers on fees and charges as required by the Markets in Financial Instruments Directive (MiFID) II and encouraged management to ensure that we are consistently clear and transparent with our customers.
- Challenged management to improve the investment processes and short-term investment performance of certain active investment funds of Quilter Investors.

2 Advice and Wealth Management growth

To fulfil the potential of our strategy we must grow our Advice and Wealth Management businesses. To that end the Board has:

- Considered a range of growth opportunities across our advice business, Quilter Financial Planning, and agreed a small number of acquisition opportunities. Further details on how the Board has approached these transactions are set out on page 46.
- Worked collaboratively with the Quilter Financial Planning Board to ensure that a robust process was followed for these acquisitions.
- Monitored the recruitment of Restricted Financial Planners for Quilter Financial Planning against the targets set and how well Quilter Financial Planning is driving greater adviser efficiency and leveraging the Financial Adviser School.
- Monitored the recruitment of Investment Managers for Quilter Cheviot to replace those that departed in 2018 and to ensure that our business model adjusts to build customer loyalty to the Quilter brand.
- Overseen the completion of the build-out of Quilter Investors.

3 Wealth Platforms growth

The Board Technology and Operations Committee has dedicated significant time to the oversight of the programme to deliver the new investment platform. The Board has also received regular reports from the Chair of that Committee and from management on the status of the programme, on corrective actions when necessary and on the implications of the programme for our employees. The first phased adviser migration was successfully completed in February 2020 and has provided valuable insights into how our new investment platform will operate at scale and the additional functionality it provides for advisers.

In addition to monitoring the delivery of the Platform Transformation Programme the Board reviewed early executive plans to launch sales and marketing initiatives to improve asset growth based on the enhanced proposition and platform.

4 Optimisation

Our Chief Executive Officer, Paul Feeney, has made it clear that Quilter is not the finished article and our Optimisation programme is designed to realise synergies across our business and to deliver on its potential. Your Board has therefore:

- Considered regular updates from our Chief Operating Officer on the key programmes that underpin our Optimisation agenda.
- Discussed updates from our Chief Financial Officer on the timely delivery of the financial benefits of Optimisation.
- Received reports from our Human Resource Director on the engagement of our employees, the extent to which we are bringing our staff with us as part of the Optimisation journey and the alignment of the Quilter culture to our strategy. This was supported by a report from Cathy Turner who attends our employee forums and was nominated by the Board to ensure the voice of our employees is heard by the Board.
- Received a report from our Chief Procurement Officer on the strength of Quilter's relationships with suppliers. We were assured that we pay our suppliers on time although there is more we can do in this area. Our aim is to build deeper, mutually beneficial, long-term relationships with a smaller supplier base.

Governance in action

Acquisitions by Quilter Financial Planning

Developing and enhancing our Advice business was identified as key to driving the growth of the Quilter business and delivery of the strategy. Late in 2018 management presented proposals for growing the advice business and driving adviser productivity that were endorsed by the Quilter Board. A key part of that strategy required Quilter Financial Planning to acquire and integrate a number of medium-sized acquisitions in addition to the smaller in-fill acquisitions already being conducted.

Working in collaboration with the Quilter Financial Planning Board, the Quilter Board approved two material acquisitions and set the financial and other criteria that those acquisitions would have to meet to ensure that good financial discipline is maintained and that any transaction would deliver for all stakeholders.

Charles Derby Group is a business that Quilter has had a long-standing relationship with as part of its network of advisers. The Board reviewed the business case for the acquisition and satisfied itself that it was well constructed, that risks and opportunities associated with the acquisition were fully understood, that detailed integration plans were in place and that a carefully considered strategy had been agreed for the business post acquisition. The business now forms part of the newly established National business of Quilter Financial Planning.

Having identified Lighthouse Group plc as being complementary to that of Quilter Financial Planning, the Board set clear parameters for the price it was prepared to pay and considered the results of the due diligence conducted by the business, with the input of third-party experts, and the risks associated with the acquisition, including taking account of the additional sensitivities given that Lighthouse was a publicly listed company. The Board also considered how the acquisition would benefit the customers of Lighthouse who would gain access to the products and services of the wider Quilter Group and the impact on Lighthouse employees of becoming part of the Quilter Group.

In November 2019, having carefully considered the ability of the business to integrate a further acquisition, the Board authorised the acquisition of Prescient Financial Intelligence Limited to form part of Quilter Private Client Advisers. The acquisition completed late in December 2019.

The Quilter Board will be conducting post acquisition reviews of both Charles Derby Group and Lighthouse in 2020 to ensure that the benefits identified in the initial business cases have been delivered.

Sale of Quilter Life Assurance

Following a strategic review at the end of 2018, the Board concluded in the first half of 2019 that the possibility of a sale of Quilter Life Assurance, our 'Heritage' closed life business, should be explored. The Board fully considered how such a sale could release value for shareholders and impact the customers and employees of the Heritage business. Our second line of defence highlighted the risks associated with a potential sale including the management stretch that pursuing such a transaction could create and the need to address the stranded costs resulting from such a sale.

The Board approved the sales process that would be followed by management, agreed the expected valuation range for the business and appointed an ad hoc Board Committee to provide close oversight of the transaction. The sales process was well handled by management and the Board Committee endorsed the shortlist of potential acquirers. The Board Committee reviewed the bids received from potential acquirers and approved those bidders who should proceed to the second round bidding process.

At the completion of the bidding process the Board approved the recommendation to sell the business to ReAssure Limited having:

a) considered carefully whether the price being offered represented good value for Quilter shareholders, based on the independent financial advice received;
b) assessed the buyer's reputation for customer servicing and support. The Board received a report identifying the buyer's strong track record of high customer satisfaction and low levels of customer complaints and its strong focus on customer outcomes;
c) confirmed that a sale to ReAssure would be an attractive outcome for employees. Employees would be joining a growing, market-leading business offering long-term employment and enhanced career prospects; and
d) agreed that a material proportion of the net proceeds of the sale should be distributed to shareholders and that shareholders should be consulted on the method to be adopted for that distribution.

The sale of Quilter Life Assurance to ReAssure completed on 31 December 2019 and the Board has announced its intention to commence a share buyback programme to purchase shares with a value of up to £375 million subject to remaining within certain pre-set parameters. The share buyback programme will be subject to staged regulatory and Board approval.

Engaging with our shareholders

Two resolutions at our 2019 AGM attracted more than 20% of votes against from shareholders. Notably, there was a significant difference in voting between the South African and UK share registers on these two resolutions as set out below. Similar voting patterns are seen at other dual UK/South African listed companies with the position for Quilter exacerbated by the larger proportion of South African shareholders on our share register.

In line with the UK Corporate Governance Code 2018, we have sought to fully understand the views and concerns of South African shareholders on both of these resolutions through a series of meetings undertaken early in July 2019 and February 2020. The steps we have taken to address these matters are set out below.

1) Political donations

What happened? The precautionary resolution to authorise political donations and expenditure only received 75% support. On the UK register, this resolution had 99% support. On the South African share register, this resolution had only 61% support.

How the Board has addressed this matter. From the discussions with shareholders, it is clear that in the current South African governance context, any linkage between business and politics is a concern. Quilter has no intention of making political donations or incurring political expenditure but, in line with other listed UK companies, has sought such authority as a precaution to avoid any inadvertent breaches of UK company law, which is widely drafted. We believe our South African shareholders now have a better understanding of the purpose behind this resolution and we have set out in the Notice of our Annual General Meeting examples of the types of situations that could lead to accidental breaches of the legislation in this area which is the primary reason for seeking this authority.

2) Authority to allot shares

What happened? The resolution to authorise Directors to allot shares was not passed, with only 49.5% of shares voted in favour. On the UK share register, the resolution seeking the authority to allot shares had 97% support. On the South African register, that resolution had only 18% support.

How the Board has addressed this matter. The Board understands that, given historical experience, there is reluctance amongst South African shareholders to delegate authority to company directors to issue shares. The authority to allot shares is a standard enabling resolution for UK listed companies and the authority sought by Quilter at the 2019 AGM was in line with UK Investment Association guidelines and UK market practice. While our capital position is currently strong and we have no plans to raise equity, we were concerned that not having such an authority could, at some point, disadvantage Quilter relative to our UK peers. Having discussed this extensively with shareholders it became clear that the majority of South African shareholders would support the granting of this authority but at a much lower level than is normal for UK listed companies while a minority would not be comfortable granting such an authority at any level. Given these residual concerns and the Group's current very strong capital position, the Board has decided not to seek an authority to allot shares at the 2020 Annual General Meeting.

Shareholder engagement

The Chairman has met regularly with shareholders on a range of topics, including briefing them on Quilter's approach to corporate governance and hearing their views. This has included discussions on how shareholders would wish to engage with the Chairs of the Quilter Board Committees as recommended by the 2018 Corporate Governance Code. These discussions are coordinated with and supplemental to the regular meetings held by the Chief Executive Officer and Chief Financial Officer with shareholders.

Listening to Quilter's people

I was very pleased to be invited to attend the UK Employee Forum in September 2019 on behalf of the Quilter Board. All of the Quilter businesses were represented at the Forum and there was a lively discussion.

Having announced the sale of Quilter Life Assurance to ReAssure in August 2019 the meeting was well timed and I was very pleased to be able to report to the Board that the communication of such a material change for many of our colleagues had been very sensitively handled in collaboration with ReAssure. The key issues discussed at the Forum and reported on to the Board included:

- **Recognition** – positive praise for the Quilter Awards scheme but also a recognition that, in a period of significant change, managers need to provide even more encouragement and support for their teams;
- **Culture** – Quilter is considered to have an open, listening culture with mistakes seen as an opportunity to learn. The regular engagement surveys are seen as a positive enabler of an open culture but it is important that managers demonstrate that the feedback provided is acted upon;
- **Communication** – the language that we use to communicate with our people must be simple and direct to be accessible to all of our people;
- **One Quilter** – our colleagues value feeling part of a wider organisation with a common purpose but need help to understand better the role that each part of the Group plays in delivering for our customers; and
- **Technology** – we do not always provide our people with the right tools and technology to perform at their best and one of the aims of our Optimisation programme is to address this.

Cathy Turner
Non-executive Director

Board Corporate Governance and Nominations Committee report

Dear Shareholder,

The Quilter Board Corporate Governance and Nominations Committee has three key responsibilities:

A nominations role, as set out in the UK Corporate Governance Code 2018, which focuses on the processes for establishing and maintaining a Board that is "fit for purpose" for a public company; ensuring orderly succession planning for Board and senior manager positions; overseeing the development of a diverse pipeline for succession; and promoting the long-term sustainable success of the Company in the interests of all its stakeholders;

A governance role, to establish and maintain a robust corporate governance framework, including standards and practices, both for the Company and its main subsidiaries; and

An oversight role, for the development and delivery of the Quilter responsible business agenda.

The Committee has discharged these functions by:

Nominations

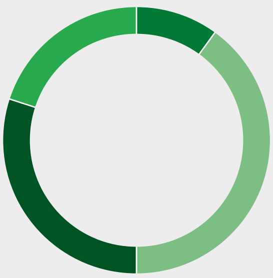
- Evaluating succession planning with a particular focus on the succession planning for senior executive roles. This included an evaluation of the strengths of senior managers, any areas of development and the plans being put in place to address these. The succession planning involved identifying suitable emergency and long-term succession candidates from the executives currently in the business who would be ready to take on an enhanced role, if needed, and whether any training and further development is required.
- Agreeing emergency succession plans for each of the key non-executive positions on the Board, including the Chairman of the Board and the relevant Committee Chairs. Although we are able to identify strong emergency successors, it is still likely that some external recruitment would be required for permanent successors, given that the Board is not of a size to carry a pool of succession candidates for a wide range of Board roles.

Governance

- Reviewing the material votes against the two resolutions at the 2019 AGM relating to the allotment of shares and political donations, which I comment on in further detail on page 47, and agreeing the approach to engaging with our shareholders.
- Reviewing the Board Charter, which sets out the roles and responsibilities of all those on the Board and the exemplar behaviours expected, in order to ensure that it is aligned to the 2018 UK Corporate Governance Code. You can find a copy of our Board Charter on the Quilter website at **quilter.com/corporategovernance.**
- Continuing to develop and approve the Quilter Group Governance Manual that sets out the Quilter corporate governance framework, as appropriate for a standalone listed company. A fuller description of the Group Governance Manual can be found on the Quilter website at **quilter.com/corporategovernance.**
- Continuing to develop and approve the Subsidiary Governance Manual that sets out the minimum standards required of the Quilter subsidiary boards and overseeing the recruitment of independent Non-executive Directors to those Boards. Those appointments were effected using selection processes that were aligned to those used for appointments to the Quilter Board.
- Assessing the Quilter corporate governance framework to confirm that Quilter has been compliant with the 2018 UK Corporate Governance Code during 2019.
- Considering any potential conflicts of interest that have arisen during the year and agreeing the process by which those potential conflicts have been managed and mitigated.
- Considering the results of the Board and Board Committee effectiveness review, facilitated by Professor Rob Goffee. A summary of the process and results of the review are set out in more detail on pages 50 and 51.
- Keeping under review the action plan to ensure that Quilter complies with the 2018 UK Corporate Governance Code. This work ensured that Quilter would be ready to fulfil the new reporting requirements relating to Section 172 Companies Act 2006 on directors' duties as set out in more detail on pages 44 to 47.
- Considering the implications for Board and Board Committee composition of Cathy Turner and Suresh Kana deciding not to stand

Glyn Jones
Chairman

Committee activity



Board evaluation	**10%**
Succession planning	**40%**
Corporate governance	**30%**
Responsible business	**20%**

For detail on Committee attendance, see page 41.

for re-election at the 2020 AGM. Egon Zehnder have been appointed to help us identify their successors. Egon Zehnder provide some advice and support to the Group on executive selection.
- The Committee has approved formal principles governing the approval of new external appointments that a Director wishes to adopt. In accordance with those principles, the Committee has approved one significant appointment during the year for a Non-executive Director, having carefully considered the implications for time commitment, reputational risk and potential conflicts of interest.

Responsible business
- Carefully considering the rapid developments in environmental, social and governance issues for Quilter both as an investee company and as an investment manager.
- Endorsing Quilter's approach to responsible business and approving the responsible business strategy that is primarily delivered by the "Shared Prosperity Plan".
- Reviewing and approving the disclosures on responsible business on pages 10 to 15 in this Annual Report and the separate Responsible Business Report 2019 which is available at **quilter.com**.

Glyn P. Jones

Glyn Jones
Chairman

11 March 2020

Inclusion and diversity
We believe that diversity brings benefits for our customers, our business and our colleagues. The Quilter Board has set a target of having a minimum of 33% female board representation which is in line with the Hampton-Alexander Review recommendations. I am pleased that the current Quilter Board meets and exceeds that target, with a gender split of 36% female and 64% male, as at 31 December 2019, and in particular that four of our five Board Committees are chaired by women and our Senior Independent Director role is also held by a woman. The Board Corporate Governance and Nominations Committee will continue to seek a diverse range of candidates in the recruitment of Directors to the Quilter plc Board and its subsidiary boards.

The Committee acknowledges that there is more to do to increase the number of women in senior leadership roles below Board level and has encouraged management to develop strategies for deepening the pipeline of diverse talent. We believe that all colleagues should have the opportunity to reach their full potential regardless of their age, gender, ethnicity, disability, religion, sexual orientation, educational, social or cultural background.

We have published our Inclusion and Diversity Statement on our website at **quilter.com/careers/inclusion-and-diversity**. Further details of Quilter's gender split can be found on page 11.

Board gender diversity

33%
Target female representation

36%
Actual female representation

Board Corporate Governance and Nominations Committee report continued

Board effectiveness review

Background and approach

As the Chairman explained in our 2018 Annual Report, as a newly formed Board, we felt it was appropriate to commission a detailed, independent and externally facilitated Board effectiveness review to ensure that our Board is as effective as it can be. The effectiveness review was conducted in line with the requirements of the UK Corporate Governance Code 2018. At the time of publishing the 2018 Annual Report, the Board was in the process of undertaking an evaluation covering the 15-month period from 1 January 2018 and I am pleased to be able to report on the process we undertook, the outputs from the review and our approach in 2020.

Process

At the Chairman's request, I led the review as Senior Independent Director. Following a transparent selection process overseen by the Board Corporate Governance and Nominations Committee, Quilter appointed Professor Rob Goffee, Emeritus Professor of Organisational Behaviour at London Business School, to facilitate the review independently. Professor Goffee has no other connection to the Group or any individual Director. The Board Corporate Governance and Nominations Committee agreed the scope of the review and the participants, with a view to examining the performance of the Board, its Committees, individual Directors and the Chairman. The review was carried out by means of a written questionnaire and individual interviews with Professor Goffee. As part of the review, Professor Goffee also interviewed certain key executives, such as the Company Secretary, who routinely interact with the Board.

In addition to analysing the effectiveness of the core processes of the Board and its Committees, Professor Goffee's review also stimulated debates on the depth of the Board's engagement with the business and whether the Board was allocating its time appropriately.

Results and actions

Professor Goffee presented his report to the Quilter Board in May 2019, which facilitated an open and constructive debate by the Board. The key themes emerging from Professor Goffee's report and the Board's debate were used to develop an action plan, which was reviewed and considered by the Board at its meeting in June 2019.

Each Board Committee followed a similar process in dealing with Professor Goffee's report. As Senior Independent Director, I discussed the feedback on our Chairman from the report with the other Non-executive Directors and I met with the Chairman to brief him on the results. The Chairman, in turn, met with each of the Non-executive Directors to provide them with their individual feedback.

We identified some areas of focus for the future which formed the basis of the action plan. The actions agreed have been fully supported by the Board and are in my view being properly followed through.

Ruth Markland
Senior Independent Director

Board effectiveness summary action plan

Focus areas	Actions taken
Challenge management to continue to strengthen management capability	The Board Corporate Governance and Nominations Committee, supported by regular updates from the Chief Executive Officer, the Human Resources Director, and the Directors of Talent and Culture, has scrutinised the talent pipeline and reviewed management's plans for the Executive Committee members and their direct reports, on an emergency basis and in a 1-3 year time period. In so doing, the Committee has challenged the executive to ensure there is appropriate development, succession planning and diversity, including gender diversity, in its work. In order to understand better the strength of future talent in the Group, the Board has also held several breakfast meetings to meet up-and-coming talent from across the Group.
Continue to develop as a Board	As a relatively new Board, the Board identified that there would be benefit from holding more private sessions either with the Chairman and the Non-executive Directors alone or with the Chief Executive Officer to enable them to exchange views and debate issues in more detail together. At the same time, these sessions have enabled the Chairs of the Board Committees to give more in-depth briefings where appropriate, for example on succession planning and remuneration topics. This helps to ensure the whole Board is more directly engaged with the work of all Board Committees. These sessions are also used to provide scrutiny and feedback to management on the quality of papers and to ensure that appropriate time is given to forward-looking strategic direction at meetings.
Ensuring the Board spends its time on forward-looking strategic issues	The Board recognised that, as Quilter matures, it wants to spend more of its time focusing on strategically important issues, such as how it can exceed the expectations of our stakeholders. Amongst other initiatives, this includes: • challenging the executive to enhance the people and culture reporting, to enable the Board to have appropriate insight into these important matters; • enabling appropriate visibility and challenge around IT, operations and risk management processes. As a result, the Board IT Committee's remit has been formally widened to include operations as described on page 61; and • embedding our new corporate governance framework. As described on page 43, the corporate governance framework is underpinned by close collaboration between the Quilter Board and its subsidiaries. The Quilter Board will continue to work closely with the subsidiary company board Chairs, their boards and board committees, to ensure that their crucial roles are well understood and that they have the right tools and information to perform their roles well.

Committee evaluation

The effectiveness of each Board Committee was reviewed in 2019 as part of the Board effectiveness review. The results of the evaluation confirmed that all the Committees are performing effectively overall. Nevertheless, each Committee gave consideration to some proposals for ensuring that they maintain and continue to enhance their effectiveness as the business evolves and formulated an action plan to ensure that this is achieved. The agreed actions include the holding of private sessions without management present as an opportunity for Committee members to reflect on the quality of the materials provided to each Committee and to agree the key areas where the Committee should focus its attention. The delivery of the action plans will be overseen by the Chairs of the Committees and the Company Secretary and regular updates will be provided to each Committee in 2020.

Looking ahead to the 2020 Board effectiveness review

We are currently embedding the agreed actions from the 2019 review and monitoring their effective implementation. The Committee has recommended to the Board that the 2020 review will be internally run and led by me, as Senior Independent Director, with support from the Company Secretary. The 2020 review will be conducted by way of a written questionnaire and engagement with Directors and key management, building on the work done in relation to the 2019 review. I look forward to updating shareholders in our 2020 Annual Report.

The benefits of conducting board effectiveness reviews are not restricted to the senior company board in a Group. The Committee has therefore encouraged the Quilter subsidiary company boards to conduct appropriate reviews of their own effectiveness and the Committee will be overseeing the outputs of those reviews in 2020.

Board Audit Committee report

Dear Shareholder,

As Chair of the Board Audit Committee, I am pleased to present this report of the Committee's activities during 2019. The Committee has continued to focus clearly on its key responsibilities of assisting the Board in monitoring the Group's internal control environment and providing robust governance over the Group's financial reporting. A key component of this is to challenge the judgements made by management and the estimates and assumptions on which they are based, whilst ensuring appropriate disclosures. Ensuring that these essential roles are conducted to a high standard is as much in the best interests of our customers, employees, regulators and the wider community in which we operate as it is to our shareholders. Transparency and confidence in the financial performance and financial position of Quilter is important to all of our stakeholders.

The Financial Reporting Council ("FRC") Corporate Reporting Review team wrote to us in November 2019 to inform us that they had carried out a review of our 2018 Annual Report and Accounts and to request further information on how we had satisfied certain reporting requirements in respect of a small number of our 2018 year end disclosures, including our Alternative Performance Measures ("APMs"). I am pleased to confirm that our response enabled the FRC to close its enquiries efficiently. As a result of the FRC's comments, we have enhanced the relevant disclosures in our 2019 Annual Report and Accounts. The FRC asked us to make clear the inherent limitations of their review, which are set out in the Financial Reporting section of this report on page 54.

An important role for the Committee during the year was applying challenge to the accounting judgements and estimates made in respect of the acquisitions of Charles Derby Group and Lighthouse Group plc and the sale of Quilter Life Assurance, which were key elements in delivering the Group's strategic priorities and reshaping its business. We have also spent time monitoring the optimisation of the Finance function.

In 2019 we put the external audit contract for the Group out to tender and, following a detailed and comprehensive process which was closely overseen by the Audit Tender Sub-Committee, the Board will be recommending the appointment of PwC as statutory auditor for approval by shareholders at the 2020 AGM. The Audit Tender Sub-Committee was appointed by the Board Audit Committee to oversee the audit tender, with Rosie Harris as its Chair. This decision was taken in light of my historical relationship with one of the audit firms participating in the audit tender. I would like to extend my thanks to the KPMG lead audit partner and the wider audit team for the challenge and insight they have provided to the Group during their tenure as our external auditor. Further details on the external audit tender and transition process are set out on pages 56 and 57.

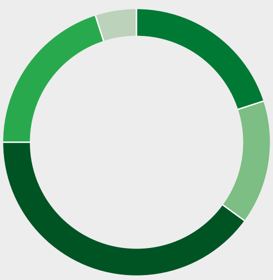
There is further information on how the Committee has discharged its role in the coming pages. Our report to you is structured in four parts:

- governance;
- report on activities for the year;
- internal audit; and
- external audit, including the audit tender.

George Reid
Chair of the Board Audit Committee

George Reid
Chair of the Board
Audit Committee

Committee activity



For detail on Committee attendance, see page 41.

Governance

The Chair of the Committee and other Committee members have recent and relevant financial experience, and the Committee as a whole has competence relevant to the business sectors that Quilter operates within. The Committee holds regular private sessions with the leadership of both the internal and external auditors. The Chair of the Committee also meets separately and regularly with the Chief Financial Officer, Chief Internal Auditor and the KPMG lead audit partner.

Other Non-executive Directors have attended certain meetings of the Committee throughout the year, in the interests of assisting with their own responsibilities and learning about the work of the Board Audit Committee.

The Committee has continued to work collaboratively and effectively with other Board Committees, particularly the Board Risk Committee and the Board Technology and Operations Committee, on matters such as the oversight of the Platform Transformation Programme and the approval of the internal audit plan. The Committee also relies on, and is supported by, the detailed work conducted by the Audit Committees and Governance, Audit and Risk Committees ("GARCs") of Quilter's significant subsidiaries.

Report on activities for the year

The Committee agreed its forward agenda of business for 2019 at the start of the year. That rolling agenda comprises recurring business, cyclical business and other business. As recurring business the Committee reviews and discusses:

Report	Purpose
Financial reports	Briefing the Committee on significant financial reporting matters and accounting policies, significant accounting judgements and estimates that will impact the financial statements, and the status of the internal controls over financial reporting.
Internal audit reports	Providing the third line view on the control environment and the responsiveness of management in resolving audit findings, as well as presenting regular updates and refreshes of the internal audit plan.
External audit reports	Tracking the progress of the work of the external auditors and presenting KPMG's engagement letters, annual audit plans and representation letters for approval.
Reports on non-audit services	Ensuring the Committee has clear line of sight to details of non-audit services requested of the external auditors in accordance with the non-audit services policy.
Reports from the Chairs of the subsidiary Audit Committees and GARCs	Ensuring that the Committee is fully briefed on the detailed work conducted by the Audit Committees and GARCs of Quilter's significant subsidiaries.

Cyclical items reviewed by the Committee include:

Report	Purpose
CASS reports	Assessing compliance with the Financial Conduct Authority CASS rules across the Group.
Whistleblowing reports	Providing assurance around the integrity of the Group's whistleblowing arrangements and details of how any whistleblowing incidents have been resolved.
Actuarial reports	Enabling the Committee to review and challenge the Solvency II and other prudential reporting for Quilter.

Board Audit Committee report continued

Details of work conducted in 2019

Financial reporting

The Group's accounts are prepared in accordance with International Financial Reporting Standards. Certain Alternative Performance Measures ("APMs") are used to add insight for Quilter's shareholders on the performance of the business, aligned with how the business is managed. The use of APMs has been an area of close attention for the Committee, as discussed later in this section.

The Committee has reviewed the Accounting Policies and confirmed that they are appropriate to be used for the 2019 Quilter financial statements. Detailed discussions have been held at Board Audit Committee meetings on the adoption of IFRS 16 *Leases* as well as the preparations for IFRS 17 *Insurance Contracts* and its impact on the Group.

The Committee has also reviewed the basis of accounting, the appropriateness of adopting the going concern basis of preparation of the Group's financial statements, and the Group's viability statement. In doing so, the Committee considered:

- the Group's three-year business plan which includes consideration of the economic, regulatory, competitive and risk environment; and
- the latest Group own risk and solvency statement, and internal capital adequacy assessment process, which cover current and future risk profile and solvency positions based on a series of core assumptions, stress tests and scenario analysis.

The form of the viability statement and period covered by the statement were considered by the Committee. The Committee was satisfied with the content of the viability statement and supported the time period of the statement which aligns with the three-year internal financial planning cycle.

The Committee reviewed and challenged the Interim Results for 2019 and the Annual Report and Accounts for 2019. The Committee's reviews were supported by analysis and discussion provided by the finance and actuarial teams, reports from the second line on the solvency position and the reports of the external auditors. Having considered these inputs and the Committee's own independent judgements, the Committee recommended to the Board the approval of each of these sets of financial statements.

As noted above, certain clarifications have been made to the Group's 2019 disclosures in response to feedback from the FRC following their review of the 2018 Annual Report and Accounts. The FRC requested that it be noted that their letter provides no assurance that the 2018 Annual Report and Accounts are correct in all material respects, and that the FRC's role is not to verify the information provided but to consider compliance with reporting requirements. The FRC noted that their review was based on the 2018 Annual Report and Accounts and did not benefit from detailed knowledge of the Group's business or an understanding of the underlying transactions entered into.

Accounting judgements and estimates

The Board Audit Committee has continued to receive good support from the Quilter finance team which has enabled it to consider in advance of the end of each reporting period the approach that it would wish to take on the key areas of judgement and estimates that impact the financial results.

Key judgements and estimates deliberated by the Committee during review of the 2019 Annual Report and Accounts included the treatment of:

Area of focus	Issue/role of the Committee
Sale of Quilter Life Assurance	The Committee reviewed and challenged the accounting for, and disclosure of, the sale of Quilter Life Assurance including considering the key judgements and estimates of provisions, presentation of ongoing costs and the treatment of costs associated with the sale.
Acquisition accounting	The Committee considered and challenged the treatment and financial impacts of the acquisitions carried out during the year in the Quilter Financial Planning business, including Lighthouse Group plc and Charles Derby Group.
Goodwill and intangibles	Goodwill and intangibles were reviewed in detail to ensure that the amounts recorded in the Group's balance sheet are well supported and based on thorough analysis and testing of the models and assumptions utilised. The Committee considered the sensitivity of the goodwill calculation to various different assumptions, including stress scenarios.
Provisions and contingent liabilities, including voluntary customer redress	The assessment and approval of provisions were regularly considered by the Committee, as work progressed, ensuring compliance with International Accounting Standard 37. This work involved a number of judgements which were carefully tested.
Deferred tax assets	The Committee has reviewed the approach to the recognition of deferred tax assets, challenging management's assumptions and considering compliance with International Accounting Standard 12 on income taxes.
Valuation of level 3 financial investments	The level 3 financial assets disclosed in Quilter's financial statements chiefly relate to policyholder funds where there is a matching investment contract liability. These assets can be difficult to value and the Committee has taken an appropriately sceptical approach in reviewing such valuations, whilst encouraging management's efforts to enhance procedures to minimise the valuation risks.

In addition, the key performance indicators to be included in the Operating and Financial Review were approved by the Committee and the Committee is content that they have been appropriately disclosed. Many of the above key areas of judgement and estimates for the Committee are also commented on by KPMG in their Audit Report on pages 95 to 103. The Committee has carefully reviewed the contents of KPMG's opinion and considers that KPMG's views on these areas are aligned with those of the Committee.

Fair, balanced and understandable

There has been a comprehensive review process to support the Board in reaching its conclusion that the 2019 Annual Report is fair, balanced and understandable and whether it provides the necessary information for shareholders to assess the Group's position, performance, business model and strategy.

The process which enabled the Committee to reach this conclusion included:

- the production of the 2019 Annual Report and Accounts, managed closely by the Chief Financial Officer, with overall governance and co-ordination provided by a cross-functional team of senior management;
- cross-functional support to drafting the 2019 Annual Report and Accounts which included input from Finance, Risk, Investor Relations, Corporate Secretariat, HR and wider business leaders;
- a robust review process of inputs into the 2019 Annual Report and Accounts by all contributors, to ensure disclosures were balanced, accurate and verified, with further comprehensive reviews by senior management;
- a review by the Company Secretary of all Board and Board Committee minutes to ensure all material matters considered at Board level meetings have been disclosed in the 2019 Annual Report and Accounts;
- a specific management paper detailing the 2019 year-end assessment of fair, balanced and understandable;
- a formal review by the Board Audit Committee of the draft 2019 Annual Report and Accounts in advance of final sign-off; and
- a final review by the Quilter Board of Directors.

Having carefully reviewed and considered all relevant information, the Committee is satisfied that, taken as a whole, the 2019 Annual Report and Accounts are fair, balanced and understandable and has confirmed that to the Quilter Board. This process was also undertaken in respect of the Group's 2019 Interim Results to ensure that, taken as a whole, based on the information supplied to it and challenged by the Committee, they were fair, balanced and understandable, and the Committee advised the Board to that effect.

Controls over financial reporting

The 2018 Annual Report and Accounts reported that good progress was being made to enhance the efficiency and overall effectiveness of the internal financial controls and governance framework that underpins the Group's financial reporting. Management has reported on the state of the financial control environment throughout the year and the Committee is content with the level of progress that has been made towards delivering the enhancements required. The Committee has also received regular updates on the optimisation of the Finance function. This involves implementing a new General Ledger which will also further strengthen the Group's control environment and improve the use of data across the business.

As part of the process to review and challenge the 2019 financial statements, the Committee considered the processes and controls in place to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements. The Chair of the Committee has reported to the Board on this area.

Alternative performance measures

The Committee is cognisant that APMs are an area of particular focus in terms of the understanding of the Group's financial statements by shareholders and other stakeholders and enhancements have been made to these disclosures for 2019. Careful consideration has been given to these disclosures and the Committee is satisfied that they provide clear definitions and explanations of the APMs, as well as a reconciliation of the APMs to the nearest IFRS measure which has been cross-referenced to Quilter's KPIs. See pages 212 to 214.

CASS compliance

Monitoring compliance with the CASS rules, and the programmes of work under way in each of the regulated businesses to maintain appropriate CASS controls, is crucial to protecting the interests of Quilter's customers. The Committee performs this role by reviewing CASS Reports produced by the external auditors and by management. This has included overseeing the performance of third party suppliers who manage the CASS arrangements in certain parts of the business and monitoring the progress to deliver the CASS functionality required as part of the Platform Transformation Programme.

Regulatory reporting

During the year, the Committee reviewed, challenged and recommended to the Board for approval the Solvency II reporting for the Quilter businesses for the 2018 year-end and, in doing so, were supported by detailed reports on the disclosures from management, the second line Actuarial function and the external auditors. The Committee also scrutinised and approved the methodology and assumptions to be applied to the 2019 year-end Solvency II reporting and reviewed the 2019 year-end consolidated Capital Requirements Directive IV disclosures for the Group ahead of their publication on Quilter's website.

Whistleblowing

Quilter is committed to ensuring a transparent and open culture that encourages employees to speak up. To support this, it is important that the Group's whistleblowing arrangements are not only effective in practice but are seen by staff and all other stakeholders as being fair, rigorous and effective in resolving concerns. During the year, the Committee has reviewed the whistleblowing processes in place across the Group, assessing their effectiveness and benchmarking the level of whistleblowing against global data from the provider of the Group's confidential whistleblowing reporting line. The Chair of the Board Audit Committee is the Whistleblowing Champion for Quilter.

Board Audit Committee report continued

Internal audit

Quilter's shareholders and customers can take comfort that the Group's internal audit function is mature, appropriately focused and is functioning efficiently and effectively. During the year, the Committee approved the appointment of a new Chief Internal Auditor, Nick Sacre-Hardy, following the appointment of the previous incumbent as Chief Risk Officer. The appointment was concluded following a comprehensive selection process which was overseen by the Chair of the Committee.

In November 2019, the Committee approved a risk-based internal audit plan for 2020 focused on the most critical areas for the Quilter business and supporting the delivery of good customer outcomes. The internal audit plan was formulated to complement the second line's plan for 2020 and was reviewed in conjunction with the Board Risk Committee. The Chief Internal Auditor has confirmed that he has the necessary resources to deliver the 2020 internal audit plan, including having access to third party specialist support when required.

Consistent with industry best practice and relevant standards it is Quilter's intention to commission an external quality assessment ("EQA") of the internal audit function in 2020. The last full EQA was conducted in 2017 and, accordingly, the proposed timeline is in line with typical financial services best practice of obtaining a full EQA every three years. It is anticipated that the EQA will take place during the second quarter of 2020. The review will include stakeholder interviews and industry benchmarking as well as an assessment of the internal audit function's processes, audit files and reporting.

The Chief Internal Auditor attends all meetings of the Committee and has reported in detail on the work conducted by Internal Audit including key statistical analysis on the results of their work, the pace at which management is addressing any issues raised and the extent to which management have self-identified the issues being raised by internal audit. This is an important indicator of the maturity of the Group's control framework and this measure is tracked closely. The Committee has regular meetings with the Chief Internal Auditor without management present, in accordance with best practice.

External audit

It is crucial that Quilter benefits from a robust, high quality external audit conducted by an independent and professional audit firm. To this end, the Committee has received regular and detailed reports from the external auditors throughout the period, covering all aspects of their work. The Committee has also assessed management's response to KPMG's internal control findings. In advance of each Board Audit Committee meeting, the Chair of the Committee meets separately with KPMG's lead audit partner, Jon Mills, to ensure the discussions at Committee meetings are appropriately focused, challenging the conclusions reached by management as well as the audit work performed thereon. Jon Mills has been the audit partner for Quilter plc and its predecessor group, Old Mutual Wealth, since the year ended 31 December 2016. Therefore, 2019 is his fourth year in this role.

In addition to receiving KPMG's regular confirmations of their independence, the Committee has received quarterly reports from management on the level of audit and non-audit fees paid to KPMG. The 2018 Annual Report and Accounts explained that the level of non-audit fees paid to KPMG in 2018 was above the Group's policy guidance of 25% of the audit and audit-related fee as a result of the work KPMG conducted in relation to the Listing of Quilter plc. As anticipated, there was a substantial reduction in the level of non-audit fees paid to KPMG in 2019 (see table below), which were well below the policy guidance.

Auditors' remuneration	2019 £m	2018 £m
Audit fees	3.7	3.2
Audit-related assurance services	1.1	1.2
Non-audit fees	–	2.3
Total Group auditors' remuneration – continuing operations	4.8	6.7
Total Group auditors' remuneration – discontinued operations	0.2	0.2
Total Group auditors' remuneration	5.0	6.9

KPMG partners and staff have attended all of the meetings of the Committee in 2019 withdrawing only when their attendance would be inappropriate, such as when the audit tender was discussed. KPMG have contributed strongly to discussions on Quilter's financial statements, the financial reporting processes and key accounting and reporting judgements. In October 2019 a survey was conducted by the Company Secretary of management's assessment of KPMG across a range of criteria including; independence, objectivity, industry knowledge, efficiency and, crucially, audit quality. The results of that survey, which showed an improving trend on the prior year, and the Committee's own assessment concluded that KPMG are delivering an effective audit. Some improvement areas were highlighted through this review, including a need for enhanced articulation of the scope and expectations of the audit and increased proactivity in respect of the audit review process.

It was announced in 2019 that Quilter would be conducting an external audit tender and that KPMG, who have audited the financial statements of Quilter plc since 2008, would not be part of the tender process due to the length of their tenure as the Group's statutory auditor. This process was overseen by the Audit Tender Sub-Committee, chaired by Rosie Harris, and concluded in a recommendation to the Board that PricewaterhouseCoopers LLP ("PwC") be appointed as the Group's statutory auditor for the 2020 financial year. This recommendation was endorsed by the Board and the appointment of PwC is included in the 2020 Notice of AGM for approval by shareholders. Further detail on the tender process is provided on the next page. The Company has complied with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 for the financial year ended 31 December 2019.

The Board Audit Committee is closely monitoring the statutory auditor transition process and the preparations for PwC's first audit to ensure their effectiveness. The key elements of PwC's transition plan include: confirming their independence; shadowing KPMG on the 2019 year-end process; and planning for the 2020 year-end audit, with a particular focus on the Platform Transformation Programme which is expected to complete during the year.

External audit tender

The audit tender process was conducted in line with the FRC's guidelines 'Audit Tenders – Notes on Best Practice' issued in February 2017 and we engaged with some of our largest shareholders prior to initiating the tender to seek their views on the process.

A number of audit firms were engaged to consider their participation in the audit tender. Due to KPMG's tenure as statutory auditor to Quilter (which includes the years during which Quilter was audited by KPMG as part of the Old Mutual group), the Board and Board Audit Committee concluded that KPMG should not be part of the tender process. Deloitte were unable to participate due to their engagement on the Platform Transformation Programme. We also engaged with firms outside the 'Big 4' auditors, however, of those that expressed a willingness to participate, there were limitations in terms of their actuarial and geographic expertise which could have hindered their ability to deliver a quality audit for Quilter. As a result, it was concluded that two firms, EY and PwC, were sufficiently capable, willing and independent to participate in the tender.

Under the 2018 UK Corporate Governance Code, committee chairs should seek engagement with shareholders on significant matters related to their areas of responsibility. We wrote to our top 20 shareholders to inform them of the tender process, timeline and governance arrangements and invited them to engage with the Chair of the Board Audit Committee as part of the tender process.

In coming to a decision, the Audit Tender Sub-Committee considered a variety of key factors which included: the bidding firms' ability to deliver a high quality audit; their proposed approaches to the transition process; their ability to effectively service all segments of our business, including Quilter International in the Isle of Man; and cultural fit. To inform these discussions, we sought the views of a wide range of key stakeholders representing each of our businesses, including the business CFOs, functional specialists and the Chairs of the subsidiary Audit Committees and GARCs.

Rosie Harris
Chair of the Audit Tender Sub-Committee

External audit tender process timeline

02/19 The Board Audit Committee reviewed management's proposed approach to the tender, the Request for Proposal ("RFP") and the Scorecard to be used for evaluating the bidding firms. The RFP was prepared in line with FRC guidelines and guidance from the 'Big 4' firms. The Scorecard was developed and weighted around a number of identified critical success factors which included: audit quality (40%); competence, experience and industry knowledge (25%); supplier capability and cultural fit (25%); and fees (10%).

04/19 The RFP was issued to the participating firms and they were granted access to documentation and information to build their understanding of the business. Formal onsite meetings commenced between each firm and key Quilter personnel, including the business CFOs, functional specialists and the Chairs of the subsidiary Audit Committees and GARCs. Both firms were supplied with the same documentation and information and had equal opportunity to meet the same Quilter personnel to ensure a transparent and fair process.

05/19 The Board Audit Committee established the Audit Tender Sub-Committee, comprising independent Non-executive Directors, Rosie Harris, Suresh Kana, Ruth Markland and George Reid, to review the pitches from the two candidate firms and to make a recommendation to the Board on the preferred firm to be appointed as statutory auditor. Rosie Harris was appointed to Chair the Audit Tender Sub-Committee due to the fact that George Reid and Suresh Kana have historical professional linkages with EY and PwC, respectively. Both firms submitted written proposals in the response to the RFP.

06/19 The candidate firms presented their pitches to the Audit Tender Sub-Committee and key members of management were invited to share their views on each firm gained throughout the tender process. Prior to the proposed audit fees being shared, the Audit Tender Sub-Committee reviewed and scored the firms on the other critical success factors within the Scorecard, therefore the decision was based on quality rather than the proposed fee. Following consideration of the firms' presentations and the feedback from management, the Audit Tender Sub-Committee reported to the Quilter Board that it was content that either of the two firms could deliver a high quality audit for Quilter and were minded to recommend PwC as the preferred candidate. It was agreed that a final recommendation would be made following publication of the results of the FRC's 2018/19 Audit Quality Review.

07/19 PwC presented to the Audit Tender Sub-Committee to provide assurance regarding the findings of the FRC's 2018/19 Audit Quality Review. The Audit Tender Sub-Committee was satisfied that the proposed PwC Lead Audit Partner for Quilter and the wider PwC financial services practice continued to have a strong track record of delivering quality audits and agreed that there was no reason to revise its preliminary recommendation.

08/19 On the recommendation of the Audit Tender Sub-Committee, the Quilter Board resolved to appoint PwC as the Group's statutory auditors for the reporting period commencing on 1 January 2020.

Board Risk Committee report

Dear Shareholder,
I am pleased to provide an update on the work of the Board Risk Committee in 2019.

The Committee's purpose is to challenge management on the delivery of our strategic ambition, whilst operating within our agreed risk appetite. We examine the risks facing our business and provide guidance, support and challenge to management to identify, manage and mitigate these risks, whilst continuing to keep customers at the centre of what we do and how we do it. The Committee reviews and recommends to the Board the Group's risk appetite and culture and examines the risks associated with strategic projects. I am pleased with the progress management have made in embedding a risk culture in line with the Group's risk appetite – it is strongly established and supported by an appropriate risk framework.

2019 has been a year of change for Quilter both externally and internally. External market conditions have been challenging, with investment flows at historically low levels for the industry, and investor confidence impacted by the headwinds of change in the global political and macroeconomic environment. In the UK we saw economic and political stability challenged by the protracted nature of Brexit. The Committee ensured management remained vigilant to the largely second order risks posed by Brexit to Quilter. We monitored the emerging risks resulting from further legislative and regulatory change and considered how these events could impact the delivery of Quilter's strategy and how best we could respond to them to manage the impact for Quilter, our people and our customers.

As a business, we continued to mature and the Committee spent time reviewing our changing risk profile as Quilter acquired new advice businesses and sold our life assurance business. We are clear about the risks associated with these changes, and the internal execution risks the business must manage as we continue to evolve.

The Committee remained focused on the oversight of the Group's top risks and received a series of presentations from the business leaders around the Group. These focused on the anticipated impact of the Company's top risks for our stakeholders, including our customers and our people. Our meetings were informed by reports from the Group Chief Executive Officer, Paul Feeney, and our risk and compliance teams. We spent time examining the Group's capital and liquidity, reviewing the Group's solvency and capital assessment and the nature and impact of stress events and scenario analysis.

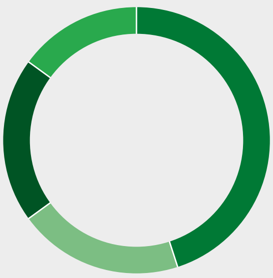
One significant change during the year was the appointment of a new Chief Risk Officer, Matt Burton, previously Chief Internal Auditor, who succeeded Iain Wright. I would like to thank Iain for his unstinting efforts in developing a risk function appropriate for a listed company. Building on these foundations, Matt has led the evolution of the risk function so that we have appropriately experienced risk resource and expertise aligned to our top risks. You can read more about the Group's approach to risk management on pages 30 to 34.

Looking ahead
The Committee has approved a calendar of business for 2020 to enable it to meet its responsibilities and I review meeting agendas with the Chief Risk Officer to ensure that any matters requiring our attention are captured. We will continue to focus on identification and mitigation of new and emerging risks, and changes that impact our businesses and the Group. As our business matures, we remain vigilant to the risks in the external environment and the extent of change within Quilter. We will continue to scrutinise the performance of the business and the risk function and work with the other Board Committees to ensure that we keep Quilter safe. In 2020 we will benchmark the risk function against industry standards and I look forward to sharing my thoughts on how we are doing next year.

Rosie Harris
Chair of the Board Risk Committee

Rosie Harris
Chair of the Board Risk Committee

Committee activity



Top risks	45%
ORSA/ICAAP/capital and liquidity oversight	20%
Business change	20%
Regulatory change/update	15%

For detail on Committee attendance, see page 41.

During 2019, the CEO and CRO reports provided a comprehensive view of the key risks and uncertainties being faced by the Group and allowed the Committee to review and challenge how those risks are managed, including those relating to net client cash flows and investment performance, the delivery of change, liquidity and capital, operational risk, conduct risk and regulatory compliance. These included the following quarterly reports:

Report	Purpose
Chief Executive Officer's report	Providing the Chief Executive Officer's perspective on the Group's top actual and emerging risks. As a result of this we have asked management to provide further updates on specific topics as set out below.
Chief Financial Officer's report	This provides an up to date overview of the Company's capital and liquidity positions against our risk appetite.
Chief Risk Officer's report	Providing the Chief Risk Officer's perspective on Quilter's risk profile. This report includes the following key components: • The Quilter top risks report and business unit snapshots. These reports provide a summary of Quilter's top risks including an analysis of status, cause, mitigating action, and trend analysis. One impact of this report is that it allows the Committee to commission further deep dives from management on areas of focus, such as people risk and third party management risk. • An Emerging Risk Report identifying risks to Quilter as a business from the external environment including an assessment of likelihood and timescale. As a result of this report, the Committee have asked management to update them on issues like Brexit and impacts for our customers of the MiFID II regulations. The Committee further received bi-annual legal risk reports. • A Regulatory Relationship report providing analysis and commentary on the interactions with our regulators globally and a Regulatory Change update which provides horizon scanning and risk rating of likely change and an impact assessment for Quilter. The Committee has monitored closely how management have introduced the new requirements of SMCR including the progress on training for impacted colleagues and the documentation of these requirements. • A Compliance Monitoring report which provides an update on progress on the business compliance monitoring programme. Items of discussion have included how we manage conflicts of interest within our business, and we have challenged management to consider this important issue more holistically. • Conduct Risk Report – a report providing a snapshot into our conduct risk and the impacts for our customers. One impact of this report was for us to ask management to review pricing for our customers. • An update on the risk and compliance plans. The Committee endorsed management's decision to refocus some of their resource on our top risks.

Our Strategic Priorities

The Committee spent time challenging management to safely deliver the Group's strategic initiatives with and on behalf of the Board.

1 Delivering on customer outcomes

- Overseeing the work to embed the risk framework consistently within the Quilter Group.
- Remaining focused on the impact for our customers of both internal and external activity and supported management to provide greater insight into customer reporting, including approving a revised customer strategic risk appetite principle.
- Quilter Investors provided an update on the oversight and successful separation from Merian under the transitional services agreement and an update on the approach to investment oversight.

2 Advice and Wealth Management growth

- Deep dives from Quilter's key businesses on their current and emerging risks. Given the acquisitions during the year, we spent time ensuring management were appropriately focused on managing and mitigating advice risk.

3 Wealth Platform growth

- Working collaboratively with the Board Technology and Operations Committee to ensure our new investment platform is delivered safely.

4 Optimisation

- Hearing the Chief Operating Officer's assessments regarding the opportunities and challenges for management to optimise the business and the Group and how we are managing the execution risk of this change. Given the changes within Quilter we asked for updates on the oversight of change and change risk. We challenged management to identify what was change risk and what was execution risk and how this could be managed and mitigated successfully.

Board Risk Committee report continued

Details of other work conducted in 2019 to support the delivery of our strategy

Reviewing the own risk and solvency assessment (ORSA) and internal capital adequacy assessment process (ICAAP) for the Board, including the input from the Business Boards

- Review of the component parts of the ORSA and ICAAP – including capital allocation, stress and scenario setting and testing. The Committee relies upon the testing and challenge provided by the regulated business boards to support this work. The Committee further reviewed the interim ORSA and ICAAP prepared following the sale of Quilter's Life Assurance business.
- Input by the risk and internal audit functions to challenge the approach taken by management.
- Reviewing the capital and funding plans for the Group and the Group's liquidity risk appetite and risk assessment.
- Review and challenge of the use of models and the associated risks, noting that there is more work to do on this in 2020.

Managing regulatory and political change

- Identification and focus on top risks facing the Group and how the Committee tested management's views and plans to mitigate risks.
- Risk mitigation in planning for the risk of a disorderly Brexit including a detailed impact assessment of operational risk for Quilter.
- Monitoring the political risk of a change in government.
- Regulatory change risk including:
  - close monitoring of the introduction of the senior managers certification regime for certain of our entities;
  - updates from the Group's Data Protection Officer on the impact of new GDPR legislation and how this impacts how we manage customer data;
  - horizon scanning for identifying emerging risks and managing future change, including environmental, social and governance risk and climate change risk which you can read more about in our Responsible Business report on pages 10 to 15. These areas have been subject to detailed oversight by the Board Corporate Governance and Nominations Committee; and
  - a twice-yearly report on financial crime from the Group Money Laundering Reporting Officer.

Keeping our business safe for all our stakeholders

- Making recommendations to the Board Remuneration Committee and the Board in respect of risk adjustment for remuneration.
- Receiving regular reports from the chairs of the subsidiary Risk Committees and GARCs.
- Examining the people top risk through discussion on stretch and working through change. We asked management to review this more forensically and keep focused on targeted solutions.

Working in collaboration

- As part of the Board Effectiveness Review, the Board confirmed that the Board Risk Committee would retain oversight of operational risk and change. The Committee, which benefits from some commonality of membership with both the Board Audit Committee and the Board Technology and Operations Committee, leveraged this shared membership to review and challenge management on technology and operational change. This included the work described on page 63 to support the implementation of the new investment platform. Operational risk arising from technology and oversight of Quilter's most strategically important technology suppliers, who are concentrated in operations and technology, was also performed by the Board Technology and Operations Committee.

Board Technology and Operations Committee report

Dear Shareholder,
I am pleased to present my second report as Chair of this Board Committee. 2019 has been a further year of progress for Quilter's technology and operations. The Committee has remained focused on providing effective oversight and challenge to management on the delivery of our new investment platform. As the new investment platform remains a core strategic objective for the Group, the case study on page 63 provides insight into how we have overseen this programme, including how we have worked with the Board, the Board Audit Committee and the Board Risk Committee to ensure that this critical programme is delivered safely and well for our customers, our employees and our other external stakeholders.

Our technology strategy and a sound technology base will provide the tools to accelerate the delivery of our business strategy for the benefit of all our stakeholders. To this end, the Committee approved a new technology strategy for Quilter that sets clear delivery focus for the next few years. We are mindful and focused on ensuring that our businesses continue to be resilient and that our technology is secure.

Investing in good technology and holding customer data securely underpins our business and enables us to maintain the trust of our advisers and customers. We continue to invest to keep our customers' information safe. We remain alert to the risks posed by the external environment and focused on risk mitigation so that we continue to deserve your trust.

During the year, the Board agreed to expand the Committee's remit to explicitly include operations. This revised scope is one of the actions we took as a result of the Board Effectiveness Review and provides joint oversight and collaboration between technology and operations. It demonstrates the Board's desire to support management to deliver our optimisation programme to make Quilter fit for the future. Led by our Chief Operating Officer, Karin Cook, operations and technology work in collaboration and we continue to support management in the delivery of the strategy to support our continuing business growth. We continue to work closely with the Board Risk Committee on issues such as vendor risk and change programmes, where matters are of mutual interest.

You can read more about the Committee, including a summary of the Committee membership and how our skills and experience support the Board in delivering long-term sustainable value on pages 38 to 41. Our key areas of focus are set out on the following pages and the actions we have taken to address the findings from our Committee evaluation can be found on page 51. You can also read our expanded Terms of Reference at **quilter.com/corporategovernance**.

Looking ahead

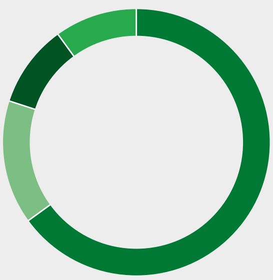
The Committee's priority is to ensure that management deliver the new investment platform safely for our advisers and customers. In addition, there are further technology and operations initiatives that support the delivery of our strategy in our other businesses that we remain alert to and scrutinise on a regular basis in order to manage down our costs and mitigate our risks.

We will also continue to challenge management to ensure that our businesses are operating in a controlled and safe way and to bring technology and operational expertise to our business proposition, enabling us to leverage technology to differentiate our business.

Moira Kilcoyne
Chair of the Board Technology and Operations Committee

Moira Kilcoyne
Chair of the Board Technology and Operations Committee

Committee activity



Platform Transformation Programme and other change programmes	**65%**
Business deep dives	**15%**
IT security and business resilience	**10%**
Technology and operations strategy	**10%**

For detail on Committee attendance, see page 41.

Board Technology and Operations Committee report continued

Areas of focus for the Committee in 2019

During the year the Committee received the following routine reports at its quarterly meetings:

Report	Purpose
Chief Information Officer's report	Providing the Chief Information Officer's perspective on the performance of technology and progress on delivery of the technology strategy.
Chief Information Security Officer's report	Providing the Chief Information Security Officer's perspective on the quality of the delivery of the information security strategy including the control of our data and Quilter's approach to operational resilience.
Risk and control report	Reporting on the risk and control performance of the business.

During the year, the Committee has further spent time on:

Implementation of the technology strategy

- Receiving reports from each business regarding technology and how this is supporting the delivery of the business strategy, including how it supports an enhanced client offering, products and market position.
- By understanding and overseeing how technology is supporting Quilter's increasingly integrated business model and how the businesses are leveraging the strength of the centres of excellence created in technology and operations.
- Providing support to the Board Risk Committee by receiving deep dives on change programmes in technology and operations. The Committee has focused its time on how these changes are managed, what lessons can be learnt and applied pan-Quilter and how these changes will impact our customers and advisers.
- Review of each operational area and potential areas of automation and optimisation.
- Received reports on management's investment in control activity, including IT security, to enhance our customers' data security.

Cyber, security and operational resilience

- We have received a number of updates on Quilter's operational resilience and are mindful of the regulators' focus on this important issue. We have challenged management to do this in a prudent and sensible way to manage our risk profile.
- We have reviewed the development of the Chief Information Officer and Chief Information Security Officer's functions, with a particular focus on strengthening them, so that by resourcing these functions appropriately we can ensure that we better protect Quilter and our clients.
- Monitoring progress made by management on addressing the security and data threats our business face. We have encouraged the use of consistent metrics and reporting to show trends and identify where lessons can be learnt and applied across Quilter.

Governance in action

The introduction of our new investment platform

2019 has been an important year for the introduction of our new investment platform. The Board agreed that delivery of our new investment platform is the most critical strategic priority for the Group and the Committee has been focused on providing guidance, oversight and challenge to management as they work through this complex and challenging project. The new platform enables us to offer our clients and advisers more extensive services, a wider product offering and enhanced capability.

Close collaboration between management and the Board

As the Chairman has explained in his report on the work of the Board, the Board remain closely in touch with progress, with regular updates being shared directly with the Board by senior management and the risk function. The Committee has worked in collaboration with the Board Risk Committee, Board Audit Committee and directors of the Quilter Wealth Solutions UK Platform business to ensure that there is appropriate challenge and scrutiny of management. We have been fortunate to be joined by other members of the Board for certain meetings who bring their experience and expertise to our discussions. We remain committed to being transparent with customers and the market and have ensured that we share any significant milestones with the market when they occur. As part of our work to ensure that there is readiness for the new platform, all members of the Committee have individually been to visit our Southampton office where the majority of the people who are directly supporting our customers are based. We have spent time with the people in our Client Services team, our finance and risk teams and our technology teams, and heard first-hand from those on the front line. Through updates from HR we have monitored the journey for our employees whose roles will change as a result of the introduction of the new platform and the approach and progress of the training programme so that they are ready to support our advisers and customers. We have carefully scrutinised the impacts for advisers and customers and examined the communications programme that will be rolled out to them.

A business partnership model

The introduction of the new platform is being delivered in partnership with FNZ and with support from Deloitte to ensure that the outcome for Quilter, advisers and customers is excellent. As well as receiving reports from our joint Quilter/FNZ Steering Committee, senior leaders from FNZ have been invited to attend part of our meetings to share directly with the Committee their expertise and assessment of the project. We have also challenged management to ensure that Quilter and FNZ are ready to do business using the new platform. There is direct engagement with the FNZ UK Board and management routinely meet with our regulators to keep them well informed about progress.

Lessons learnt from other Platform experiences

We know that our new platform is being rolled out at a time when IT failures often hit the headlines and we have been rigorous in challenging management to learn the lessons from other platform projects and apply the lessons learnt to Quilter. Our Board has been committed to delivering a quality migration experience for our advisers and customers. The soft launch in 2019 and the phased adviser migration which occurred in February 2020 have both enabled valuable lessons to be learnt which have informed the roll out of our new platform.

Extensive model of testing and dress rehearsals

The team have undertaken and continue to undertake extensive testing and dress rehearsals to ensure that the new investment platform is fit for purpose. This includes checking that our customer data is migrated successfully and that the new platform can link to external third parties to enable product functionality, financial and risk controls. Our IT team have been asked to provide regular updates on how Quilter's existing systems will work with the new platform and we remain focused on ensuring our current IT environment is stable. At all times, we have listened to and challenged management to act within risk appetite and to work collaboratively with risk and our internal and external auditors.

Remuneration report

Annual statement from the Chair of the Board Remuneration Committee

Dear Shareholder,

As Chair of the Board Remuneration Committee (the "Committee"), I am pleased to present on behalf of the Board the remuneration report in respect of the year ended 31 December 2019. This statement and the accompanying report aims to ensure high levels of disclosure regarding pay policy and transparency of remuneration decision-making.

Our current Remuneration Policy ("Policy") was approved by shareholders at the 2019 Annual General Meeting ("AGM"). We were pleased to receive strong support from shareholders for the Policy with 97% in favour, and I would like to take this opportunity to thank you for the support received at that time. For information only, we have included a summary of the Policy on pages 68 to 72.

We have made two amendments to the application of the Policy for 2020 and beyond, which I set out below, alongside the performance outcomes in respect of the 2019 financial year and how we intend to continue operating our Policy in 2020.

Key performance highlights

- IFRS profit (pre-tax, excluding amortisation, policyholder tax adjustments and other one-off items) was £141 million for 2019, compared to £131 million in 2018. For remuneration purposes, the profit was £128 million for 2019, compared to £120 million in 2018.
- NCCF of £0.3 billion (excluding Quilter Life Assurance) was disappointing. Despite this, gross flows were reasonably resilient across the business.
- AuMA (excluding Quilter Life Assurance) increased by 13% during the year to close at £110.4 billion, which reflects the in-year rebound in equity markets.
- Expenses closely managed with the Optimisation programme, delivering significant benefits.
- Good progress with strategic priorities, including the acquisitions of Charles Derby Group and Lighthouse plc, the sale of the Quilter Life Assurance business to ReAssure and the completion of the build of Quilter Investors earlier than planned.
- Good progress on the UK Platform Transformation Programme ("PTP"), which is in its final stage of delivery. We extended the timeline and budget to ensure quality of delivery and the safe and secure migration of advisers.
- Continued to develop an effective risk management culture, with risk fully embedded in decision-making and the management of the business. Strong solvency and liquidity position and operating within risk appetite. Our technology and information security capabilities are enhanced.
- Development of Customer Strategic Risk Appetite Principles aligned to the Conduct Risk Framework, to provide greater insights and customer focus, including governance, products and proposition, customer experience, suitability and servicing.

Overall, and with specific reference to key remuneration drivers, 2019 has been a year of good performance relative to key annual financial and non-financial targets.

Remuneration outcomes

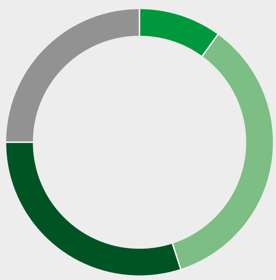
- This robust business performance, combined with the Company's strategic progress and performance of the Executive Directors against personal objectives, resulted in a short-term incentive ("STI") award of 79% of maximum for the Chief Executive Officer, and 83% of maximum for the Chief Financial Officer. 50% of the awards will be deferred into an award of conditional shares under the Quilter Share Reward Plan ("SRP"), and will vest annually in equal tranches over three years.
- These outcomes reflect a balanced view of performance, with the Committee recognising that profit achievement and certain areas of strategic progress were strong, whilst NCCF was disappointing.
- Reward outcomes are aligned with overall Company performance. After adjusting for acquisition costs, no discretion was exercised to override performance or variable pay outcomes.

Changes to the management team

In 2018, we announced that Tim Tookey would be stepping down as Quilter's Chief Financial Officer. Tim stood down from the Board on 13 March 2019, with Mark Satchel succeeding him with immediate effect. Mark's remuneration package as Chief Financial Officer is included in this report. His pension allowance has been set at 10% of base salary, in line with our Policy, to align pension provision and benefits across all UK employees of the Group. Tim Tookey's remuneration outcomes for 2019 are also included in this report.

Cathy Turner
Chair of the Board Remuneration Committee

Committee activity



Group remuneration policy	10%
Specific remuneration arrangements	35%
Remuneration schemes, including all-employee schemes	30%
Governance	25%

For detail on Committee attendance, see page 41.

Considerations for the year ahead

Looking forward, we continue to monitor executive remuneration developments within the industry and the regulatory landscape, and ensure that remuneration supports the alignment of executive and shareholder interests and is consistent with the prudent risk management of the business.

The Committee considered the overall remuneration arrangements for the Executive Directors for 2020 in accordance with the Policy. Key points are as follows:
- there will be no increase to the Executive Directors' salaries at the 1 April 2020 review date;
- the structure, performance metrics and maximum award level of the STI awards in respect of 2020 will remain unchanged. STI for on-target performance is set at 50% of maximum;
- the structure, performance metrics and maximum award opportunity of the long-term incentive ("LTI") grants in 2020, including the maximum level of awards, will also be unchanged. However, the Adjusted Earnings Per Share ("EPS") growth rate required for full vesting of the relevant element of the LTI award will be increased to 15% per annum, compared to 11% for awards granted in 2019, to recognise an increase to the business's long-term earnings growth targets following the sale of Quilter Life Assurance; and
- there will be no increase in fees for the Board Chairman for 2020 and there will also be no increase to Non-executive Directors' fees for 2020.

Corporate Governance Code and shareholder guidelines

When establishing the Directors' Remuneration Policy in 2018, the Committee considered the remuneration changes detailed in the UK Corporate Governance Code ("the Code") and shareholder guidelines on remuneration. The Policy already contains key elements featured in the Code, including:
- a two-year post-vesting holding period, in addition to the three-year vesting period, applies to the LTI;
- malus and clawback provisions apply to STI and LTI plans, including a range of potential 'trigger events'; and
- alignment of pension arrangements to the wider workforce, with pension provisions for Executive Director appointments set at 10% of base salary. Existing Executive Directors' pension allowances were reduced to 10% of salary effective from 1 April 2018.

In 2019, the Committee also developed a post-cessation shareholding policy. Executive Directors will be required to hold shares for at least two years following cessation of employment at the lower of the minimum shareholding requirement (300% of base salary) or the value of shares held at the point of departure (if the Executive Director is still in the shareholding accumulation period following appointment). Further details are provided in the Policy overview on page 72.

We are also harmonising benefits across the UK workforce and a minor change to the Executive Directors' core benefits provision is detailed in the Policy and will take effect from 1 April 2020.

In accordance with the new regulations, the ratio of Chief Executive Officer total pay to the lower quartile, median and upper quartile of UK employees has been included in the Remuneration Report for the first time.

Consideration of shareholders' views

The Committee actively engages with shareholders and investor bodies, and welcomes the opportunity to discuss their views on relevant remuneration issues.

Prior to, and at, the 2019 AGM, shareholders provided feedback and approval for the Director's Remuneration Policy and Remuneration Report. The Committee considered all feedback received from shareholders and has reflected this where appropriate in the 2019 Report. The Committee welcomes engagement in advance of the 2020 AGM.

Inclusion, diversity and the Gender Pay Gap

A key priority for the Company is to continue our commitment to an inclusive culture and the equality and diversity of our workforce. Our culture is central to our success. For 2019 we have reported a median gender pay gap of 32% and a median bonus gap of 34%. The results reflect the under-representation of women in senior roles, which we recognise is a systemic issue facing the wealth management industry and will require ongoing, multi-year efforts to resolve. We remain fully committed to that cause through our membership of the Diversity Project, as a signatory of the HM Treasury Women in Finance Charter and the initiatives and targets we have to increase the number of females across our senior management population. Further details regarding our gender pay gap figures can be found on page 12 of the Responsible Business Report.

Employee voice in the Boardroom

I am delighted to confirm the progress made on conveying the voice of our employees to the Board during the year, which I assumed responsibility for as the designated Non-executive Director. Details on the progress made during the year can be found in the Corporate Governance and Nominations Committee report on page 48. In 2020, we aim to develop this process further by defining measurement metrics and increasing the frequency of communications of the employee voice to the Board.

Finally, I'd like to thank shareholders for their support and engagement over the past few years. This will be my final report and statement before standing down from the Board at the 2020 AGM. It has been an honour to Chair the Committee and serve on the Board over the past 3.5 years, particularly through the Company's demerger from Old Mutual plc and Listing in 2018. I will be handing over my responsibilities as Chair of the Committee to Ruth Markland. Ruth is the Company's Senior Independent Director and has been a member of the Committee since August 2018. She brings extensive experience to the role, having previously served as both the Senior Independent Director and Chair of the Remuneration Committee at Standard Chartered plc and Sage Group plc. I wish Ruth and the Company all the very best.

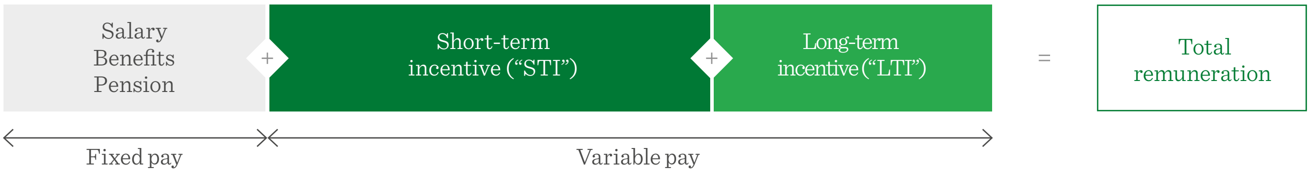
Cathy Turner

Cathy Turner
Chair of the Board Remuneration Committee

Remuneration at a glance

The following pages detail the remuneration paid to our Executive Directors and our Policy. These two pages summarise the key elements.

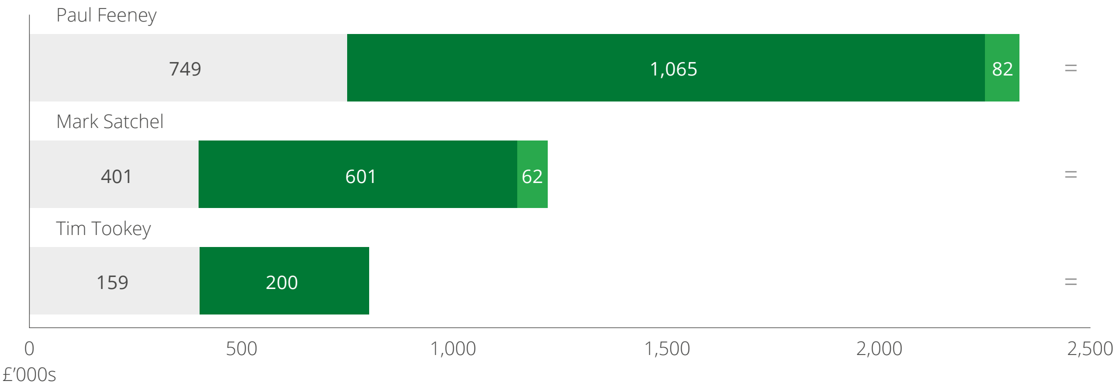
Components of remuneration



How much our Executive Directors earned in 2019

Single total figure of remuneration – Executive Directors

The following chart sets out the aggregate emoluments earned by the Directors, pro-rated for qualifying services, in the year ended 31 December 2019.



Link between remuneration and business strategy

Short-term incentive

	Performance indicators	Metrics in executive remuneration	2019 achievement
Profit	IFRS profit before tax[1]	**60%** of 2019 STI awards	**86%** of max
Non-financial	Risk management	**10%** of 2019 STI awards	**70-75%** of max
	Customer outcomes	**10%** of 2019 STI awards	**60%** of max
	Strategic personal performance[2]	**20%** of 2019 STI awards	**70-90%** of max

Long-term incentive

	Performance indicators	Metrics in executive remuneration	2019 achievement
EPS growth	EPS compound annual growth rate ("CAGR")	**70%** of 2019 PSP awards	Results in 2022
Shareholder value	Total shareholder return (relative)	**30%** of 2019 PSP awards	Results in 2022

[1] IFRS profit before tax (excluding amortisation, policyholder tax adjustments and one-off items).
[2] Includes, but not limited to, key measures of performance such as NCCF.

Shareholding

	Ownership as % 2019 base salary[1]	Minimum Shareholding required (after 5 years)[2]
Paul Feeney	292%	300%
Mark Satchel (appointed 13 March 2019)	275%	300%
Tim Tookey (stepped down 13 March 2019)	305%	300%

[1] Includes personal holdings and the estimated net value of unvested share awards which are not subject to performance conditions as at 31 December 2019.
[2] Executive Directors have five years from the Company's Listing date, or date of appointment, to meet the shareholding requirement.

Summary of the key elements of our Directors' Remuneration Policy

The table below provides a high-level summary of the key remuneration elements under our Policy, which was approved at our 2019 AGM. The key elements of the Policy are set out in pages 68 to 72.

	2020 2021 2022 2023 2024	Implementation for 2020
Base Salary		• Normally reviewed annually with effect from 1 April. – Paul Feeney – £675,000 – Mark Satchel – £450,000
Short-Term Incentive	1/3 1/3 1/3	Total incentive award in respect of Company and individual performance. **Key performance measures and weighting:** • IFRS profit before tax (excluding amortisation, policyholder tax adjustments and one-off items) (60%) • Customer/Risk measures (20%) • Personal objectives (20%) **Paul Feeney** • Maximum opportunity 200% of salary **Mark Satchel** • Maximum opportunity 200% of salary Cash element of incentive outcome (50% of the whole award) is paid in Q1 following the end of the performance year. Deferred element of incentive outcome (50% of the whole award) is granted in shares and vests in three equal tranches in Q1 2021, Q1 2022 and Q1 2023 subject to the plan rules.
Long-Term Incentive		Awards subject to three-year performance period ending 31 Dec 2021. **Key performance measures and weightings:** • EPS CAGR (70%) • Total shareholder return ("TSR") ranking relative to FTSE 250 excluding investment trusts (30%) **Paul Feeney** • Maximum opportunity 200% of salary **Mark Satchel** • Maximum opportunity 200% of salary Award vests in Q1 following end of the performance period and subject to further two-year holding period.

Key
Performance period   Vesting period   Additional hold period

Directors' Remuneration Policy (summary)

Remuneration Policy for Executive Directors

The following table summarises the key components of Executive Director remuneration arrangements, which form part of the Policy. The Policy originally came into effect when the business Listed in 2018 and was supported by shareholders in a vote at the 2019 AGM, details of which are provided on page 85 of this report. The full Policy document is contained in the 2018 Annual Report, which is available on the Company website.

Remuneration element	Base salary
Purpose and link to strategy	Essential to attract and retain Executive Directors with the calibre, personal skills and attributes to develop, lead and deliver the Group's strategy.
Operation	Base salaries are paid in 12 equal monthly instalments during the year and normally are reviewed annually with increases effective 1 April. In reviewing base salaries the Committee takes into account a number of factors, including: • Group and individual performance; • the skills, experience and level of responsibilities of the Executive Director and his/her market value; • the scope, nature and size of the role; • levels of increase across the wider employee population; and • affordability, economic factors, external market data, business and personal performance. The Committee considers the direct and indirect impacts of any base salary increases on total remuneration.
Maximum opportunity	There are no prescribed maximum salary levels, but any salary increases will normally be in line with percentage increases across the wider employee population. In specific circumstances, the Committee may award increases above this level, for example: • where the base salary for a new recruit or promoted Executive Director has been set to allow the individual to progress into the role over time; • to reflect a material increase in the size or scope of an individual's role or responsibilities; • where a change is deemed necessary to reflect changes in the regulatory environment; and • where the size, value or complexity of the Group warrants a higher salary positioning.
Performance metrics	Individual and Company performance will be taken into account in determining any salary increases.

Proposed changes for 2020

No change in approach.

Remuneration element	Benefits
Purpose and link to strategy	Benefits are provided to Executive Directors to attract and retain the best talent for the business and to ensure that the total package is competitive in the market.
Operation	The Committee's policy is to provide Executive Directors with a market competitive level of benefits taking into consideration benefits offered to other senior employees in the UK. Benefits currently provided to Executive Directors include: • private medical insurance; • life assurance; • income protection; and • personal accident insurance. The approach for benefit provisions for Executive Directors is to be consistent and operated in line with the rest of the UK organisation. As such, from April 2020 personal accident insurance will cease to be provided as a core benefit. Specific benefit provisions are subject to regular review in line with market practice and may be subject to change from time to time. In line with other Quilter employees, Executive Directors can access discounted Company products and are eligible to participate in the Company's voluntary benefits which they fund themselves, sometimes through salary sacrifice. Executive Directors are eligible for other benefits that are introduced for the wider workforce on broadly similar terms. They are eligible to participate in the UK all-employee share plans on the same terms as other employees, including the Company's Share Incentive Plan and Sharesave Plan. Where the Committee considers it appropriate, other benefits may be provided on recruitment or relocation for a defined period. Any reasonable business-related expenses (including tax thereon if determined to be a taxable benefit) can be reimbursed.
Maximum opportunity	In line with other UK employees, there is no maximum monetary level for benefits as this is dependent on the individual's circumstances, market practice and the cost to the Company.
Performance metrics	There are no performance conditions.

Proposed changes for 2020

From April 2020, personal accident insurance will cease to be a core benefit funded by the Company.

Remuneration element	Pension
Purpose and link to strategy	To provide a market-competitive contribution towards retirement benefits that helps to attract and retain the best talent for the business.
Operation	Executive Directors are eligible to receive employer contributions to the Company's pension plan (which is a defined contribution plan) or a cash allowance in lieu of pension benefits, or a combination. Contributions and/or a cash alternative are paid monthly.
Maximum opportunity	10% of base salary per annum. This is the same as the pension provision for the wider workforce.
Performance metrics	There are no performance conditions.

Proposed changes for 2020

No change in approach.

Directors' Remuneration Policy continued

Remuneration element	Short-Term Incentives ("STI")
Purpose and link to strategy	The STI plan is designed to align remuneration with performance against financial and strategic business plan targets and personal pre-determined goals, within the Group's risk appetite and taking into consideration the Company's culture and values, on an annual basis. A portion of any award is deferred and delivered in shares to aid retention, encourage long-term shareholding, discourage excessive risk-taking and align the executive and shareholder interests.
Operation	Performance targets and weightings are reviewed and set annually by the Committee taking into account business plans and the Company's risk appetite. STI awards are funded from the overall Group bonus pool, which is approved each year by the Committee. STI pay-out for on-target performance is set at 50% of maximum. Overall pool funding is also subject to risk adjustment after the Committee's consideration of a comprehensive report from the Chief Risk Officer and recommendations from the Board Risk Committee in relation to the nature and incidence of risk events and an overall assessment of risk management relative to the Board's risk appetite. 50% of any STI awarded to an Executive Director is normally deferred in the form of Conditional Awards under the SRP, which vest annually in equal annual instalments over a three-year period subject to the rules of the SRP. Dividend equivalents may accrue on deferred awards during the deferral period and are paid in the form of shares or, exceptionally, cash to the Executive Directors upon vesting. Malus and clawback provisions apply to both cash and deferred portions of the STI awards as described in further detail in 'Risk adjustments, malus and clawback' on page 78.
Maximum opportunity	The maximum STI opportunity for Executive Directors is set at 200% of base salary for stretch performance.
Performance metrics	The STI plan uses a balanced scorecard of Group and individual performance measures, which are aligned with the key strategic priorities of the Group and designed to deliver sustainable shareholder value. Performance is measured based on a mix of financial, strategic and personal targets. The splits between the performance measures and relative weighting of the targets are reviewed by the Committee at the start of each year and set out in the Annual Report on Remuneration. The majority of any annual bonus is subject to challenging financial measures, with at least 50% of the scorecard reflecting financial performance. When determining the outcome of the performance measures, the Committee will seek the advice of the Chief Risk Officer and the Board Risk Committee to ensure all relevant risk factors are identified and the bonus pool and/or individual awards adjusted accordingly. Specific measures, targets and weightings will be set by the Committee annually and disclosed on a retrospective basis.

Proposed changes for 2020
No change in approach.

Remuneration element	Long-Term Incentives ("LTI")
Purpose and link to strategy	To incentivise and reward Executive Directors for achieving superior long-term business performance that creates shareholder value and maximises sustainable shareholder returns.
Operation	LTI awards are made under the Quilter plc Performance Share Plan ("PSP"). Awards are normally granted annually as nil cost options, which are subject to performance conditions. Awards normally vest after three years, subject to the achievement of performance conditions and continued employment. Financial performance targets are set annually by the Committee prior to the beginning of the relevant performance period to provide alignment with the Company's strategic priority of delivering sustainable returns to shareholders over the long term. The targets may be subject to review and possible amendment for future plan cycles. Vested awards: • are subject to a post-vesting holding period of two years during which the net-of-tax number of shares may not normally be exercised or sold; and • must be exercised within ten years of the grant date. Dividend equivalents accrue during the vesting period and are released on the vesting date, or date of exercise of the vested option. These will normally be delivered in the form of shares on an assumed reinvested basis. LTI awards are subject to malus and clawback provisions as described in further detail in 'Risk adjustments, malus and clawback' on page 78.
Maximum opportunity	The maximum annual value of a PSP award for any Executive Director is an award over Company shares with a face value of 200% of base salary at the date of grant. If the Committee deems that there are exceptional circumstances, such as the recruitment of a key individual or a significant strategic initiative, the maximum PSP award may be increased up to 400% of the Executive's base salary.
Performance metrics	Performance measures are selected by the Committee for the relevant plan cycle prior to the beginning of the relevant performance period. Measures are designed to align with the Group's strategic priority of delivering sustainable returns to shareholders over the long term. Performance measures currently include an adjusted EPS CAGR (pre-dividend excluding amortisation and goodwill) and TSR Ranking relative to the FTSE-250 excluding investment trusts. The Committee may introduce or re-weight performance measures so that they are directly aligned with the Company's strategic objectives for the performance period. For each performance metric, a threshold and stretch level of performance is set. At threshold, 25% of the relevant element vests rising on a straight-line basis to 100% for attainment of levels of performance between threshold and maximum targets. When determining the outcome of the performance measures, the Committee will seek the advice of the Chief Risk Officer and the Board Risk Committee to ensure all relevant risk factors are identified and the award outcomes adjusted accordingly. The Committee also has discretion to reduce award outcomes to nil if required, via a risk management assessment based on a report of risk exposures; or to reflect financial underperformance not adequately reflected in the financial measures.

Proposed changes for 2020
No change in approach.

Directors' Remuneration Policy continued

Remuneration element	Shareholding requirement, including post-cessation
Purpose and link to strategy	To align Executive Directors' interests with those of shareholders.
Operation	The Group operates a mandatory shareholding policy under which Executive Directors are required to build up and maintain a shareholding in the Company with a value at least equal to 300% of base salary. Executive Directors are expected to meet the requirement within five years of Admission or, for newly appointed Executive Directors, within five years of appointment if later. At least 50% of any shares vesting under Quilter share plans (on a net-of-tax basis) are expected to be retained until the shareholding requirements are met. In accordance with changes to the Code, the Committee has developed a post-cessation shareholding policy taking into account emerging market practice and shareholder guidelines. Executive Directors will be required to hold shares for at least two years following cessation of their appointment at the lower of the minimum shareholding requirement of 300% of base salary or the value of shares held at the point of departure (if the Executive Director is still in the five-year accumulation period). Any shares purchased by an Executive Director from the open market (i.e. separate to shares originally awarded under a Company share plan) will be excluded from the post-cessation holding requirement. However, only 25% of the value of such purchased shares will count towards the minimum shareholding requirement during employment. This will apply to shares purchased after the date the post-cessation policy came into effect, in January 2020. For any good leaver, unvested share awards that may be permitted to be retained shall vest on their original vesting date(s) and remain subject to post-vesting holding periods post-termination. The Committee has discretion to make adjustments to the shareholding and post-cessation shareholding requirement in exceptional circumstances.

Proposed changes for 2020

The implementation of the post-cessation shareholding policy. No further change in approach.

Annual Report on Remuneration

Audited
Content within an 'Audited' tab indicates that all the information is audited.

Application of the Policy in 2020
Content within a shaded box indicates that the information is planned for implementation in 2020.

The Annual Report sets out how the Policy of the Company has been applied in 2019 and how the Committee intends to apply the Policy going forward. An advisory shareholder resolution to approve this report will be proposed at the AGM.

The table below sets out the single figure of remuneration for full financial year 2019 together with 2018 comparator figures.

Audited

Executive Director	Base salary £'000	Benefits £'000	Pension[2] £'000	STI[3] £'000	LTI[4] £'000	Other[5] £'000	Total £'000
2019							
Paul Feeney	675.0	5.4	67.5	1,065.0	81.6	1.8	1,896.3
Mark Satchel – appointed to the Board 13 March 2019[1]	360.5	3.4	36.0	600.8	61.5	1.4	1,063.7
Tim Tookey – stepped down from the Board 13 March 2019[1]	121.0	1.7	36.3	200.0	–	–	359.0
2018							
Paul Feeney	618.8	5.2	84.4	1,250.0	788.8	31.7	2,778.9
Mark Satchel – stepped down from the Board 19 April 2018[1]	121.8	1.2	12.2	233.8	–	14.1	383.1
Tim Tookey	600.0	6.8	180.0	1,130.0	–	–	1,916.8

1 Mark Satchel's and Tim Tookey's remuneration is pro-rated for the periods served as a Director in 2018 and 2019 respectively.
2 Pension includes contributions made under the Group defined contribution pension scheme plus, where applicable, amounts received as a pension allowance.
3 The total STI awarded to Mark Satchel for the full year was £750,000. Further details of the STI awarded, including amounts received in cash and deferred under the SRP, can be found on pages 75 to 78.
4 LTI includes awards vested for qualifying services during the year under the Joint Share Ownership Plan (see page 79), and remuneration attributable to share price appreciation which is valued at £2,721 for Paul Feeney and £2,051 for Mark Satchel as at 31 December 2019.
5 Other includes dividends on Joint Share Ownership Plan and, in 2018, Old Mutual plc Sharesave Plan early exercise bonus for Paul Feeney and, in 2018, a grandfathered cash benefit allowance for Mark Satchel which ceased on 1 April 2018.

Components of the single figure

Audited

Name	Annual base salary as at 1 April 2019 £'000	Total base salary paid in 2019 for qualifying services £'000	Total base salary effective 1 April 2020 £'000
Paul Feeney	675.0	675.0	675.0
Mark Satchel – appointed to the Board 13 March 2019	450.0	360.5	450.0
Tim Tookey – stepped down from the Board 13 March 2019	–	121.0	–

Annual Report on Remuneration continued

Benefits
Benefits include life assurance, private medical cover, income protection and personal accident insurance.

Audited

Name	Life assurance £'000	Medical £'000	Income protection £'000	Personal accident insurance £'000
2019				
Paul Feeney	2.3	1.3	1.6	0.2
Mark Satchel – appointed to the Board 13 March 2019	1.4	1.1	0.8	0.1
Tim Tookey – stepped down from the Board 13 March 2019	0.9	0.2	0.6	–
2018				
Paul Feeney	2.6	0.9	1.5	0.2
Mark Satchel – stepped down from the Board 19 April 2018	0.5	0.4	0.2	0.1
Tim Tookey	4.3	1.0	1.3	0.2

Benefits for 2020
In order for the benefits for Executive Directors to be consistent with all other employees, personal accident insurance will cease to be a core benefit from April 2020.

Pension
Pension includes contributions made under the Group defined contribution pension scheme and/or amounts received as cash in lieu of pension contributions due to the impact of HMRC limits. The pension provisions of Executive Director appointments are aligned to the pension arrangements of the wider workforce, set at 10% of base salary. Existing Executive Directors' pension allowances were reduced to 10% of salary, effective from 1 April 2018.

Audited

Name	Cash in lieu of pension contribution £'000	Contribution to pension scheme £'000	Total contribution £'000
2019			
Paul Feeney	67.5	–	67.5
Mark Satchel – appointed to the Board 13 March 2019	28.0	8.0	36.0
Tim Tookey – stepped down from the Board 13 March 2019	36.3	–	36.3
2018			
Paul Feeney	84.4	–	84.4
Mark Satchel – stepped down from the Board 19 April 2018	9.2	3.0	12.2
Tim Tookey	180.0	–	180.0

Pension for 2020
No changes to the approach.

2019 Short-Term Incentive ("STI") Awards

This reflects the total STI awards to be paid in 2020 based on performance for the year ended 31 December 2019. The value includes both the cash element and the portion deferred into shares (50% of the award).

For the purpose of determining the 2019 STI outcome, the Committee assessed the performance of the business and the individuals by reference to a balanced scorecard of Financial (60%), Customer/Risk (20%) and Strategic Personal performance objectives (20%) in line with the Directors' Remuneration Policy.

Group financial achievement

Audited

Group financial performance measures	Weighting as % of total STI opportunity	Threshold (25% of max)	Target (50% of max)	Maximum (100%)	Outcome	STI as % of max
IFRS profit before tax (excluding amortisation, policyholder tax adjustments and one-off items)	60%	£90m	£112m	£134m	£128m	86%

IFRS profit reconciliation

In determining the outcome of the Group financial metric shown above, the Committee considered the impact of key programme and acquisition costs on IFRS profit and approved a discretionary downward adjustment to IFRS profit for STI purposes to ensure it reflected a fair and reasonable outcome for the overall performance achieved. The adjustments are detailed in the schedule below, which provides a reconciliation between reported profit, the STI target and STI outcome.

Audited

2019 profit reconciliation	Reported profit	STI target	STI outcome
Adjusted profit before tax (before financing costs)	£235m	£230m	£235m
Debt financing costs	(£10m)	(£10m)	(£10m)
Adjusted profit before tax (after financing costs)	£225m	£220m	£225m
UK Platform Transformation Programme ("PTP")[1]	(£57m)	(£67m)	(£67m)
Optimisation	(£18m)	(£29m)	(£18m)
One-off Managed Separation costs[1]	(£6m)	(£12m)	(£12m)
Quilter Life Assurance restructure	(£3m)	–	(£3m)
Unplanned acquisition costs[2]	–	–	£3m
IFRS profit before tax (excluding amortisation, policyholder tax adjustments and one-off items)	£141m	£112m	£128m

1 The PTP and one-off Managed Separation costs relate to the rebrand of certain entities alongside the PTP programme. Although actual costs for these items were below the plan expectation for the year, some of this underspend relates to the extended timeline of PTP delivery communicated to the market during 2019 and those costs are still expected to be incurred at a later date. As such, the Committee approved an adjustment to these amounts to remove the benefit of below-plan spend in the outcome.

2 These costs relate to the acquisition of Lighthouse plc that were not anticipated in the original plan target. As such, the Committee approved an adjustment to neutralise the impact of these costs on the outcome.

Annual Report on Remuneration continued

Group risk and customer performance achievement

Key Group non-financial objectives represented a maximum of 20% of the total STI opportunity. The risk measure assesses the effectiveness of risk management at an overall corporate level for each of the Executive Directors. For the Customer element of the scorecard, performance was assessed against key risk and performance indicators covering customer strategy and governance, product and proposition, customer experience, advice, suitability and customer on-boarding and post-advice servicing as measured by the Company's Customer Strategic Risk Appetite Principles ("SRAP"), as well as a qualitative assessment of broader customer focus. Performance commentary is given in the table below.

Audited

Customer and Risk Performance measures	Executive Director	Weighting as % of total STI opportunity	Key achievements in the year	Outcome as % of max
Risk Management Framework Effectiveness	Paul Feeney	10%	• Strong risk culture promoted within the business and evidenced in strategic decisions. • Effective risk management framework, processes and governance forums. • Active management of the most significant risks with adequate capital held. • Strategic Risk Appetite Principles ("SRAP") operated within the thresholds throughout 2019. • Senior Managers and Certification Regime ("SMCR") introduced.	70%
Risk Management Framework Effectiveness	Mark Satchel	10%	• Clear risk consideration in key decisions and risk assessments within the business planning process. • Significant progress in financial risk management and developing underlying KPIs. • Strong contribution to risk governance forums, including as Chair of the Capital Management Forum. • SRAPs operated within the thresholds throughout 2019. • Strong regulatory relationships; delivered all commitments to the PRA and FCA.	75%
Risk Management Framework Effectiveness	Tim Tookey	10%	• Prudent management of our first set of Financial Statements and annual results as a Listed company. • Thorough handover to successor, before stepping down from the Board on 13 March 2019.	65%
Customer Outcomes	Paul Feeney, Mark Satchel & Tim Tookey	10%	• Implementation of customer metrics aligned to the Conduct Risk Framework with focus on delivering good customer outcomes. • Medium and long-term investment performance of Quilter Cheviot's discretionary funds continued to outperform relevant ARC benchmarks, with first or second quartile performance over 3 and 5 years, and top quartile over 10 years. • Medium and long-term investment performance of Quilter Investor's multi-asset funds have remained strong, albeit short-term performance has been mixed. New blend and income solutions launched to meet customer needs. • Operational best practice, technology and customer service capability improvements are being implemented in the advice business.	60%

Strategic personal performance – achievement

Personal objectives represented a maximum of 20% of total STI opportunity. A performance commentary is given in the table below.

Audited

Executive Director	Weighting as % of total STI opportunity	Overview	Key achievements in the year	Outcome as % of max
Paul Feeney	20%	Objectives for 2019 were focused on the strategic development to maximise future growth potential, whilst achieving strong core business performance and creating value for shareholders.	• PTP prudently managed and poised for delivery in 2020. • NCCF is an important lead indicator and the Committee determined that performance was weaker than expected. • Optimisation programme with over £20 million in run rate benefit delivered. • Significant activity in acquisitions and disposals. • Raised awareness on the importance of mental wellbeing; Quilter 'Thrive' programme sponsor and a leading figure within the wealth management industry on mental health.	70%
Mark Satchel	20%	Objectives were to transition into the Chief Financial Officer role, deliver strong cost management across the business and support our Optimisation goals, as well as lead the tender for audit services.	• Smooth transition into the Chief Financial Officer role in March 2019, engaging effectively with all stakeholders and delivering a strong first set of financial results. • Instilled strong cost discipline, helping to achieve Optimisation benefits ahead of initial targets. • Led strategically important activity, including significant acquisitions in the advice business and the strategic review and subsequent sale of Quilter Life Assurance. • Led a successful audit tender process.	90%
Tim Tookey	20%	Focus in the first few months of 2019 was to deliver our first annual results as a listed company, whilst ensuring a smooth handover of Chief Financial Officer responsibilities.	• Reported our first public annual results to market, ensuring the Company was set up to meet its commitments as a Listed company. • Facilitated a seamless handover of the Chief Financial Officer role.	50%

Annual Report on Remuneration continued

Risk consideration

As part of the review, the Committee considered whether the overall STI outcomes were appropriate in the context of overall Group performance, business performance and individual strategic/personal objectives, and whether any exceptional risk events occurred which, in the Committee's opinion, may have materially affected the STI outcome. The Committee also considered an annual risk report and the recommendations of the Chief Risk Officer and Board Risk Committee in respect of the incidence and materiality of any risk issues arising during the year and an overall assessment of risk management relative to the Board's risk appetite and risk culture across the business. The Committee decided that no discretionary risk-based adjustment was required at either an overall pool or individual level.

Deferral policy

In line with our Policy, 50% of the Executive Directors' 2019 STI awards will be deferred into a conditional award of Ordinary Shares under the SRP and will vest in equal annual instalments over a three-year period, subject to continued employment and malus and clawback provisions in accordance with the rules of the SRP.

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	Total		Deferred bonus[1]		To be paid in cash	
Executive Director	£'000	% of salary	£'000	% of salary	£'000	% of salary
Paul Feeney	1,065.0	158%	532.5	79%	532.5	79%
Mark Satchel	600.8	167%	300.4	83%	300.4	83%
Tim Tookey	200.0	165%	100.0	83%	100.0	83%

[1] A grant of shares equal in value to the deferred bonus will be awarded to each of the Executive Directors. The awards are expected to be granted in late March 2020 on a date determined by the Company, with the number of shares awarded based on the preceding day's closing share price.

Short-Term Incentive ("STI") for 2020

In line with our Policy for 2019, both Executive Directors are eligible to receive up to 200% of base salary. Performance will be based on a combination of Group financial performance targets as well as strategic (including customer and risk measures) and personal measures. The percentage weightings will be the same as in 2019. Actual targets have not been disclosed due to commercial sensitivity. Group financial targets will be disclosed in the 2020 Annual Report.

2019 Long-Term Incentive ("LTI") Awards

LTI awards vested during the year under the legacy Joint Share Ownership Plan ("JSOP").

Audited

	Quilter Shares	2016 JSOP[1] £'000
Paul Feeney	54,415	81.6
Mark Satchel	41,025	61.5
Tim Tookey	–	–

[1] A tax charge on these awards was triggered on the Managed Separation and Listing of the Company and sufficient shares to satisfy that liability were released at that point, as described under Legacy Arrangements below. The remaining shares were subject to continued vesting under the rules of the JSOP and vested to participants on 22 July 2019; the amount shown above represents the closing value on that date. 50% of the vested shares are subject to a 12-month holding period from the date of vesting.

Legacy arrangements

As disclosed in our 2018 Remuneration Report, the JSOP was implemented for certain key employees of Quilter in 2013, with the final grant of awards in 2016. The plan was designed to reward participants for the achievement of strategic objectives, value creation and other profitability metrics over a three-year period. It provided participants with an interest in the capital growth of the Company by granting joint ownership of shares in Old Mutual Wealth Management Limited (now Quilter plc) with an employee benefit trust ("EBT"), whereby the trust owned the principal value of the shares and the participants owned any growth in value during the vesting period. On the Managed Separation 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 the Company. Some of the shares under the plan vested at this point, some in December 2018 and the remainder of the shares vested in July 2019 subject to the rules of the JSOP. The JSOP has now fully vested.

Long-Term Incentive ("LTI") Awards granted in 2019

Executive Directors are eligible to participate in the Performance Share Plan ("PSP"), which is a LTI plan. The awards granted in 2019 are subject to the following performance conditions:

Audited

Performance condition	Weighting	Threshold[1] (25% vesting)	Maximum[1] (100% vesting)
Adjusted EPS CAGR (2018-21)[2]	70%	5%	11%
Relative TSR[3]	30%	Median	Upper quartile

1 Straight line interpolation between points.
2 Pre-dividend excluding amortisation and goodwill.
3 Ranking relative to the constituents of the FTSE 250 excluding Investment Trusts.

At the end of the three-year performance period, the Committee will critically assess whether the formulaic vesting outcome produced by the criteria is justified. To do this, the Committee will look at a number of factors, including whether the result is reflective of underlying performance and has been achieved within the Company's agreed risk appetite. If such considerations mean that the formulaic outcome of the vesting schedule is not felt to be justified, then the Committee can exercise downward discretion.

The Committee also wishes to note that it intends to consider the impact of the following events on the 2018, 2019 and 2020 (noted below) LTI awards at the respective vesting dates and may consider any adjustments to ensure that performance can be appropriately assessed on a fair and consistent basis under the performance conditions:
- the sale of the Quilter Life Assurance business, which completed on 31 December 2019;
- the distribution of proceeds from the sale of the Quilter Life Assurance business to shareholders; and
- the impact of effective tax rate movements on earnings per share growth.

The Committee will seek independent advice to reach decisions regarding any adjustments to the outcome of vesting. Any adjustment approved by the Committee will be fully disclosed and explained in the relevant Remuneration Report.

Vested LTI awards (excluding sales to settle tax on vesting) are subject to a further holding period of two years, such that the minimum period between the date of grant and release is five years.

The following PSP awards were granted in respect of the 2019 performance year:

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Executive Director	Form of award	Date of award	Basis of award (% of salary)	Share price at the date of grant	Nil cost options awarded	Face value of award[1]	% vesting at threshold	Performance period
Paul Feeney	Nil-cost options	25/03/2019	200%	141.58p	953,524	£1,350,000	25%	2019–2021
Mark Satchel	Nil-cost options	25/03/2019	200%	141.58p	635,683	£900,000	25%	2019–2021

1 The face value of the award figure is calculated by multiplying the number of shares awarded by the share price of 141.58 pence.

Annual Report on Remuneration continued

Performance Share Plan ("PSP") 2020
The Committee intends to grant Executive awards over nil cost options with a face value of 200% of base salary. There is no change proposed to the metrics or their respective weightings. However, the stretch performance requirement in respect of Adjusted EPS CAGR has been increased to reflect the change in long-term earnings growth targets of the Company following the sale of Quilter Life Assurance. Threshold performance will remain at a CAGR rate of 5% but the maximum performance target will increase from 11% to 15%. There is no change to the threshold and maximum outcome performance targets for the TSR component.

For 2020, the following performance conditions will be used:

Performance condition	Weighting	Threshold[1] (25% vesting)	Maximum[1] (100% vesting)
Adjusted EPS CAGR (2019-22)[2]	70%	5%	15%
Relative TSR[3]	30%	Median	Upper quartile

1 Straight line interpolation between points.
2 Pre-dividend excluding amortisation and goodwill.
3 Ranking relative to the FTSE 250 excluding Investment Trusts.

All-employee share plans
In 2019, the Company initiated a Save As You Earn ("SAYE") scheme. The scheme invited all employees, including Executive Directors, to save up to £500 on a monthly basis for either a three- or five-year term. At the end of the savings period, employees have the option to purchase Company shares at a discounted option price, which was set at the beginning of the scheme. The scheme commenced on 1 July 2019 with an option price of 125p.

Paul Feeney entered into a five-year savings contract at a monthly savings amount of £500, providing an option at maturity over 24,000 Quilter shares. Mark Satchel entered into a three-year savings contract at a monthly savings amount of £500, providing an option at maturity over 14,400 Quilter shares.

The Company also operates a UK tax-advantaged all-employee Share Incentive Plan ("SIP"). The SIP was used in 2018 to make an award of free shares to the value of £2,000 to all UK employees (including Executive Directors) shortly following Admission.

Non-executive Director total remuneration
The total remuneration for the Non-executive Directors is set out in the table below. Non-executive Directors are not entitled to any benefits, pension or pension equivalents, or awards under any of the equity plans. For 2019, the regular fees were paid at the following rate:

Annual fees (Quilter plc Board)	Current fee
Chairman	£375,000
Basic annual fee	£65,000
Additional fees:	
Senior Independent Director	£20,000
Chairs of Board Audit, Risk, Remuneration and Technology and Operations Committee	£25,000
Members of the above Committees	£10,500
Members of the Board Corporate Governance and Nominations Committee	£5,500
Fees (Subsidiary Boards):	
Chairman of Subsidiary Boards[1]	£80,000
Board Member of Quilter Financial Planning ("QFP"), Quilter Investors ("QI"), Quilter Cheviot ("QC")	£45,000
Board Member of Quilter International ("International")	£35,000
Members of the Subsidiary Board Committees[2]	£5,000

1 Chairman of the Quilter Wealth Solutions ("QWS") and Quilter Life Assurance ("QLA") and Chairman of Quilter Investors – reduced from £100,000 for the first year to £80,000 from 2019 onwards.
2 Governance, Audit and Risk Committee ("GARC").

Audited

Non-executive Director	Board & Committee membership	Subsidiary Board & Committee membership	Fees for 2019 £'000	Subsidiary Board fees £'000	Total for 2019 £'000	Fees for 2018[1] £'000	Subsidiary Board fees £'000	Total for 2018 £'000
Glyn Jones	Chairman, Chair CGN, R		375.0	–	375.0	399	–	399.0
Rosie Harris	INED, Chair Ri, BTOC, A	QC Board and GARC member	111.0	50.0	161.0	132.8	50.0	182.8
Moira Kilcoyne	INED, Chair BTOC, Ri		100.5	–	100.5	122.3	–	122.3
Jon Little[2]	INED, R	QI Chairman	75.5	82.4	157.9	85.2	101.1	186.3
George Reid	INED, Chair A, BTOC, Ri	Chair QWS and QLA Board, GARC member	111.8	85.0	196.8	132.8	97.8	230.6
Ruth Markland[3]	SID, CGN, A, R	International Board member	111.5	35.0	146.5	57.6	–	57.6
Cathy Turner	INED, Chair R, CGN	QI Board member	95.5	45.0	140.5	117.3	39.5	156.8
Suresh Kana	INED, A, CGN		81.0	–	81.0	32.2	–	32.2
Paul Matthews[3]	INED, Ri	QFP Board and GARC member	75.5	45.4	120.9	30.0	17.9	47.9

Committee Key:

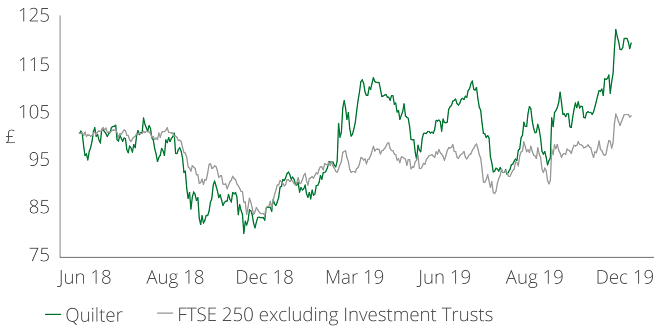
INED = Independent Non-executive Director
A = Board Audit
R = Board Remuneration
Ri = Board Risk
SID = Senior Independent Non-executive Director
BTOC = Board Technology and Operations Committee
CGN = Board Corporate Governance and Nominations

1 To recognise the additional workload associated with preparation for Listing in 2018, the Non-executive Directors received an additional fee in the lead up to the Managed Separation and Listing of Quilter plc. This additional fee was £100,000 per annum for the Chairman, £50,000 per annum for the Committee Chairs and £25,000 per annum for the other Non-executive Directors. The additional fee ceased at Admission.

2 Jon Little was also a Board member of Old Mutual Global Investors (UK) Limited during 2018 and resigned 9 February 2018. Annual fees payable were the same as per the Quilter Investors Subsidiary Board member fees disclosed in the table above.

3 Ruth Markland was appointed as a Board member of Quilter International on 1 January 2019 and Paul Matthews was appointed as a GARC member of Quilter Financial Planning on 1 December 2019.

TSR performance graphic over the period since Admission



The graph on the left shows the Company's TSR performance versus the FTSE 250 excluding Investment Trusts over the period ending 31 December 2019. The FTSE 250 has been chosen as the Company is a member of that index.

Group Chief Executive Officer pay

As the Company listed during 2018, there is no disclosure of remuneration relating to prior years.

Financial year	Name	Total remuneration £'000	Annual bonus as % of maximum
2019	Paul Feeney	1,896.3	79%
2018	Paul Feeney	2,778.9	93%

Annual Report on Remuneration continued

Percentage change in Chief Executive Officer remuneration compared to the average employee

The table below sets out the percentage change in salary and STI between the Chief Executive Officer and average employee from 2018 to 2019. The annual change in salary is based on the salary of UK employees as at 31 December 2018 and 31 December 2019, and the annual change in STI excludes employees that are not eligible for bonus. As Executive Directors benefits have been aligned to other UK employees, the analysis of movement between the Chief Executive Officer and average employee benefits was not considered practical or meaningful and therefore not included in the below comparison. Further detail of Executive Directors' benefits can be found on page 74 of this Remuneration Report.

Remuneration element	Chief Executive Officer	Average employee
Salary	0%	1%
STI	(15%)	(4%)

Chief Executive Officer pay ratio

In accordance with the new regulatory requirements published by the Government in 2018, the table below sets out the ratio between the Chief Executive Officer's total remuneration and the median, 25th and 75th percentile of the total remuneration of full-time equivalent UK employees.

Total remuneration

		Pay ratio			All employees £		
Year	Method	75th percentile	Median	25th percentile	75th percentile	Median	25th percentile
2019	Option B	27:1	39:1	62:1	69,114	48,486	30,478

Salary

		Pay ratio			All employees £		
Year	Method	75th percentile	Median	25th percentile	75th percentile	Median	25th percentile
2019	Option B	14:1	18:1	28:1	48,667	37,001	24,333

Total remuneration includes salary, benefits, pension, short-term incentives and any value vested from long-term incentives during the year. From the three options disclosed in the regulations, the method adopted to calculate the pay ratio for this report is Option B, which is based on the Gender Pay Gap reporting methodology in identifying the employees at median, 25th and 75th percentiles, as at 31 December 2019, for comparison between those and the Chief Executive. As some 2019 STI amounts are subject to change until after the publication of this report, the total remuneration may not be exact. However, any STI changes are expected to be minimal and it is unlikely the pay ratios will change significantly once the STI amounts are determined. Our Chief Executive Officer has a higher proportion of variable pay in total remuneration, which is the main factor driving the difference in the ratios between salary and total remuneration.

We recognise that the most precise method, and therefore often referred to as the preferred method, out of the three options disclosed in the regulations is Option A, which calculates the single figure for each UK employee and determines the employees at 25th, median and 75th percentiles from this data set. We intend to adapt our methodology in order to report under Option A in future years.

Gender Pay Gap

The Company reported a median gender pay gap of 32% and a median bonus gap of 34% for 2019. The results reflect the under-representation of women in senior roles, which we recognise is a systemic issue facing the wealth management industry and will require ongoing, multi-year efforts to resolve. Further details regarding our gender pay gap figures can be found on page 12 of the Responsible Business Report.

Relative importance of spend on pay

The following table sets out the profit, dividends and overall spend on pay in the year ending 31 December 2019:

	2019	2018	% Change
Adjusted profit before tax[1] (£m)	235	233	1%
Dividends[2] (£m)			
Including the special dividend	96	282	(66%)
Excluding the special dividend	96	61	57%
Employee remuneration costs[3] (£m)	316	311	2%

1 Excludes adjusted profit from the Single Strategy business of £26 million in 2018, including Single Strategy, 2018 adjusted profit would be £259 million.
2 In 2018, the Company paid a special dividend of 12.0 pence per share from the proceeds of the sale of the Single Strategy business, equivalent to a £221 million return of capital to shareholders, and a final dividend of 3.3 pence. For the 2019 financial year, the Company paid an interim dividend of 1.7 pence and recommend a final dividend of 3.5 pence.
3 Employee remuneration costs represent the underlying employee cost for the Group, excluding the impact of one-off items.

Executive Directors' shareholding and interests in Quilter Share Schemes

The table below shows the Executive Directors' interests in Group share schemes which will vest in future years subject to performance and/or continued service at 31 December 2019 together with any additional interests in shares held beneficially by the Executive Directors outside of Group share schemes. The share price at 31 December 2019 was £1.6105.

During the period 31 December 2019 to 11 March 2020 there was one transaction by Paul Feeney, which was the sale of 45,045 shares at £1.60612 each in order to fulfil a personal financial commitment forming part of a divorce settlement and in compliance with a court order. The proceeds were transferred in full to his former spouse. This related to the end of a holding period in respect of his 2015 (2) JSOP award. There were no other exercises or other dealings in the Company's share awards by the Directors.

Audited

	Scheme interests at 31 December 2019				
	Legally owned (shares)	Subject to SIP (shares)	Subject to SAYE (options)	Deferred STI and other awards not subject to performance conditions[1] (shares)	Subject to performance conditions under the LTIP (shares)
Paul Feeney	580,544	1,478	24,000	1,209,839	2,035,445
Mark Satchel – appointed 13 March 2019	377,576	1,478	14,400	734,775	995,922
Tim Tookey – stepped down 13 March 2019	65,500	1,428	–	2,020,111	–

1 Includes the legacy award granted to Mark Satchel in 2017 in lieu of an LTI grant that year in recognition of the Company intending to list in 2018, and a one-off LTI award granted to Tim Tookey linked to the preparation of the business and the execution of listing in 2018.

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Directors' personal holding and beneficial share interests

In line with the Remuneration Policy, each Executive Director is required to acquire and maintain a shareholding equivalent to 300% of base salary (including shares beneficially held by the individual or his/her spouse, the net of tax value of unvested share interests within Company share plans which are not subject to performance conditions and 25% of the value of beneficially held shares purchased by the individual or his/her spouse since the post-cessation shareholding policy came into effect).

As of 31 December 2019, neither of the current Executive Directors had satisfied the minimum shareholding requirement but they have five years from the date of Admission, or appointment, if later, to achieve the minimum. As Tim Tookey stood down from the Board in Q1 2019, less than one year from Admission, he is no longer subject to the shareholding policy. He also stood down prior to the Company finalising its post-cessation shareholding policy. Nevertheless, Tim has a material number of unvested share awards that are subject to continued vesting post-cessation over the period 2020-22, a significant portion of which are subject to a further two-year post-vesting holding period.

Audited

Name	Value[1] £'000	Multiple of base salary
Paul Feeney	1,970.0	292%
Mark Satchel – appointed 13 March 2019	1,237.6	275%
Tim Tookey – stepped down 13 March 2019	1,832.1	305%

1 Includes the estimated net value of unvested share awards which are not subject to performance conditions. The calculation is based on the share price on 31 December 2019, being £1.61050 per share, except for Tim Tookey where his shares are valued on the day he stood down as an Executive Director, 13 March 2019, when the share price was £1.39000.

Shareholding guidelines – Executive and Non-executive Directors

As of 31 December 2018 and 31 December 2019, the Executive and Non-executive Directors held the following legal and beneficial interests in Ordinary Shares:

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Name	31 December 2019	31 December 2018
Paul Feeney	580,544	618,356
Mark Satchel	377,576	309,086
Glyn Jones	800,000	800,000
Cathy Turner	68,965	68,965
Rosie Harris	17,241	17,241
Moira Kilcoyne	34,482	34,482
Jon Little	20,689	20,689
George Reid	20,689	20,689
Ruth Markland	20,689	20,689
Suresh Kana	–	–
Paul Matthews	30,000	30,000
Tim Tookey[1]	65,500	65,500

1 Tim Tookey's 2019 shareholding is as at the date he stood down as an Executive Director, 13 March 2019.

During the period 31 December 2019 to 11 March 2020, Paul Feeney's legal and beneficial interest in Ordinary Shares reduced from 580,544 to 535,499 following the sale of 45,045 shares to comply with the terms of his divorce settlement as detailed on page 83. There were no other changes to the interests in shares held by the Directors as set out in the table above.

Payments within the year to past Directors

Tim Tookey, who stepped down from the Board in March 2019 on a 'good leaver' arrangement, was eligible for a pro-rated STI award in relation to the proportion of 2019 that he worked (until mid-March 2019 when preliminary results were announced). The STI outcome as detailed above was determined based on the standard metrics for Executive Directors, and will be paid, subject to the Deferral policy, in March 2020. As a good leaver on termination, Tim's outstanding deferred share awards will be retained, subject to pro-rating for time served in the case of his long-term incentive award. This award and Tim's outstanding deferred STI awards will continue to vest on their normal vesting timetable. Post-vesting, the long-term incentive award shares are subject to an additional two-year holding period. This represents a substantial level of ongoing post-cessation shareholding. There were no other payments made to past Directors during the year.

External directorships

The table below sets out external directorships held by the Executive Directors.

Name	External directorships held	Fees received and retained
Executive Directors		
Paul Feeney	None	–
Mark Satchel	None	–
Tim Tookey	Non-executive Director, Nationwide Building Society	£25,841

[1] Represents the proportion of fees due to Tim Tookey while he was an Executive Director, from the beginning of the year until 13 March 2019.

External advisers

Since 1 November 2018, Aon has been the Committee's independent remuneration adviser. Aon has provided advice covering annual remuneration report and policy disclosures, market practice and incentive design during 2019 and going forward may provide other services to Quilter plc such as remuneration benchmarking data and insurance broking if required. These additional services do not provide a conflict with the advice received by the Committee, which is provided by Aon's specialist Executive Remuneration practice. This practice is not involved in the marketing of other Aon services and is obliged to abide by the Remuneration Consultant's Code of Conduct. Apart from the above, Aon has no other connection with the Company.

The Committee is satisfied that the advice received from Aon is objective and independent, and the firm is a member of the Remuneration Consultants Group, whose voluntary code of conduct is designed to ensure objective and independent advice is given to committees.

The total fees paid in respect of remuneration advice during 2019 are as follows:

Firm	Key areas of advice received	Total fees 2019
Aon	Annual remuneration report and policy disclosure, market practice, incentive design	£69,547

Statement of shareholder voting

During the Company's first AGM in May 2019, a resolution of the following was made and the votes from shareholders were as follows:
- in respect of the resolution to approve the Directors' Remuneration Report, the percentage of votes cast for was 97%, and 3% against;
- in respect of the resolution to approve the Directors' Remuneration Policy, the percentage of votes cast for was 97%, and 3% against; and
- the Company did not receive a significant percentage of votes against either resolution.

Our approach to governance

UK Corporate Governance Code 2018 (the "Code")
Quilter is subject to the Code and complied with all of its provisions during the year. Details of our corporate governance framework are available on our website at **quilter.com/corporategovernance**. The Code is publicly available at **www.frc.org.uk**.

Disclosure Guidance and Transparency Rules ("DTRs")
By virtue of the information included in this Governance section of the Annual Report and our Directors' Report on pages 88 to 91 we comply with the corporate governance requirements of the FCA's DTRs. Certain additional information that is required to be disclosed pursuant to DTR 7.2.6 can be found in the Directors' Report on pages 88 to 91.

Johannesburg Stock Exchange (the "JSE")
Quilter has a secondary listing on the Johannesburg Stock Exchange and is permitted by the JSE Listings Requirements to follow the corporate governance practices of its primary Listing market. Quilter is, however, mindful of the provisions of the King IV Governance principles and the expectations of our South African shareholders.

1. Board leadership and Company purpose
The Chairman's introduction on corporate governance on pages 42 to 47 sets out how the Board has met its leadership and oversight responsibilities under the Code during the year, including its role in promoting the success of the Company, monitoring culture across the business and understanding the views of our shareholders and other stakeholders. The actions taken in response to more than 20% of votes being cast against two of the resolutions proposed at our 2019 AGM and details of our approach to workforce engagement and the types of issues that were raised by employees and reported to the Board during the year are set out on page 47.

Responsibility for monitoring the Group's whistleblowing arrangements which provide a means for our workforce to raise concerns in confidence or anonymously, has been delegated to the Board Audit Committee. Details of how this responsibility has been discharged during the year can be found in the Board Audit Committee Chair's report on page 55. Further information on the Group's whistleblowing arrangements can be found in the Responsible Business report on page 14.

In accordance with the Companies Act 2006 and the Company's Articles of Association, the Board may authorise conflicts of interest. Directors are required to declare any potential or actual conflicts of interest that could interfere with their ability to act in the best interests of Quilter. The Company Secretary maintains a conflicts register which is reviewed by the Board and the Board Corporate Governance and Nominations Committee. In accordance with the Code, the Board Corporate Governance and Nominations Committee is required to pre-approve, on behalf of the Board, any new external appointments that a Director wishes to adopt. Further information on the approval of new external appointments for Directors can be found in the Board Corporate Governance and Nominations Committee Report on page 49.

2. Division of responsibilities
The Board is made up of a majority of independent Non-executive Directors and comprises the Chairman, who was independent on appointment, two Executive Directors and eight independent Non-executive Directors, including the Senior Independent Director. The independence of each Non-executive Director is assessed on an annual basis against the criteria set out in the Code.

It is a principle of UK company law that Executive and Non-executive Directors all have the same duties and are subject to the same constraints. However, in line with the requirements of the Code, there is a clear division of responsibilities at the head of Quilter between the running of the Board and executive responsibility for managing Quilter's business. Our Chairman is responsible for the leadership of the Board and managing the business of the Board through setting its agenda and taking full account of the issues and concerns of Board members. Our Chief Executive Officer is responsible for the day-to-day management of our business and the leadership of the Quilter Executive Committee. Further information on the Quilter Executive Committee can be found on page 40.

The accountabilities, competencies and expectations required of each role on the Board, including those required by the Code, have been documented in our Board Charter. This includes the responsibilities of the Directors as a whole, including their responsibilities under section 172(1) of the Companies Act 2006, and the role profiles of the Chairman, the Senior Independent Director, Committee Chairs, Non-executive Directors and Executive Directors. Performance against these expectations was assessed in the 2019 Board Effectiveness Review, detailed on pages 50 and 51 of the Board Corporate Governance and Nominations Committee Chair's report, and it was confirmed that all Directors were discharging their roles effectively. The time commitment expected of the Non-executive Directors is set out in the Board Charter and their letters of appointment. The Board Corporate Governance and Nominations Committee reviews the Board Charter annually to ensure it remains relevant and up to date. The Board Charter is published on our website at **quilter.com/corporategovernance** to ensure complete transparency of the standards we set for ourselves.

The Chairman is responsible, as set out in the Board Charter, for ensuring that the Board receives accurate, timely and high quality supporting information. This covers the Company's performance to enable the Board to take sound decisions, monitor effectively and provide advice to promote the success of the Company. Working in collaboration with the Chairman, the Company Secretary is responsible for ensuring good governance and consults with Directors to ensure that good information flows exist and that the Board receives the information it requires to be effective.

The Board is the decision-making body for all matters of such importance as to be of significance to Quilter as a whole because of their strategic, financial or reputational implications or consequences. A summary of the matters that are reserved for the Board's decision, which includes Board appointments, Quilter's strategy, financial statements, capital expenditure and any major acquisitions, mergers or disposals, and the appointment and removal of the Company Secretary, can be found at **quilter.com/corporategovernance**.

3. Composition, succession and evaluation
The Board Corporate Governance and Nominations Committee is responsible for overseeing the composition of the Board and its Committees and ensuring that it is an appropriate size and that there is an appropriate balance of diversity in skills, experience, independence and knowledge. It is also responsible for reviewing and making recommendations to the Board on succession planning

for the Board and key leadership positions within Quilter. Details of the composition of the Board Corporate Governance and Nominations Committee can be found on page 41 and information on how it has discharged its duties during the year and the 2019 Board Effectiveness Review, including the resulting action plan, can be found in the Board Corporate Governance and Nominations Committee Chair's report on pages 48 to 51.

The Chairman and all the Non-executive Directors have served on the Board for less than four years. All the Directors are subject to annual re-election by shareholders and the specific reasons why each Director's contribution is, and continues to be, important to the Company's long-term sustainable success are set out in their biographies on pages 38 and 39.

4. Audit, risk and internal control

Risk management and internal control

The Directors are responsible for ensuring that management maintains an effective system of risk management and internal control and for assessing its effectiveness. Such a system is designed to identify, evaluate and manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Quilter is committed to operating within a strong system of internal control that enables business to be transacted and risk taken without exposing itself to unacceptable potential losses or reputational damage. The Quilter Group Governance Manual sets out the Group's approach to internal governance and establishes the mechanisms and processes by which management implements the strategy set by the Board to direct the organisation, through setting the tone and expectations from the top, delegating its authority and assessing compliance.

Quilter's principles of internal control (covering financial, operational and compliance areas) are to maintain:
- clearly defined delegated authorities;
- clearly defined lines of responsibility;
- robust recording and reporting of transactions to support the financial statements;
- financial reporting controls procedures and systems which are regularly reviewed;
- protection of assets; and
- financial crime prevention and detection.

The Enterprise Risk Management Framework is overseen by the Board Risk Committeee and aims to align strategy, capital, processes, people, technology and knowledge in order to evaluate and manage business opportunities and threats in a structured, disciplined manner. The Group's principal risks and uncertainties are set out on pages 32 and 33.

The Board Audit Committee regularly reviews the system of internal control on behalf of the Board and receives regular reports from management, Internal Audit and the Finance function covering, in particular, financial controls, compliance and other operational controls. Throughout the year ended 31 December 2019 and to date, the Group has operated a system of internal control that provides reasonable assurance of effective operations covering all controls, including financial and operational controls and compliance with laws and regulations. Processes are in place for identifying, evaluating and managing the principal risks facing the Group in accordance with the 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' published by the Financial Reporting Council.

Internal control over financial reporting

Management is also responsible for establishing and maintaining adequate internal control over financial reporting. This is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and issued by the International Accounting Standards Board ("IASB"). Internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail:
- accurately and fairly reflect transactions and dispositions of assets;
- provide reasonable assurances that transactions are recorded as necessary to permit the preparation of financial statements in accordance with IFRS and that receipts and expenditures are being made only in accordance with authorisations of management and the respective Directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of assets that could have a material effect on the financial statements.

Assurance that these controls are adequate and operating effectively is obtained through monthly control self assessments and regular independent assurance activity undertaken by first line management and Internal Audit, respectively. Conclusions are reported to the Board Audit Committee which examines these and provides further challenge. Finally, the Board scrutinises and approves results announcements and the Annual Report and ensures that appropriate disclosures have been made. This governance process ensures that both management and the Board are given sufficient opportunity to debate and challenge the Group's financial statements and other significant disclosures before they are made public.

Management have assessed the internal controls over financial reporting as of 31 December 2019 and concluded that, based on their assessment, they were effective. The Board Audit Committee has reviewed this assessment as part of its review of the internal controls over financial reporting. The Chair of the Board Audit Committee reports on the review of controls over financial reporting and how the Board Audit Committee has monitored the independence and effectiveness of the internal and external auditors on pages 52 to 56. The composition of the Board Audit Committee and the Board Risk Committee is set out on page 41.

5. Remuneration

The Board has delegated responsibility to the Board Remuneration Committee for the consideration and approval of the remuneration arrangements for the Chairman, Executive Directors and other senior executives. Fees paid to the Non-executive Directors are considered regularly by the Board as a whole, with Non-executive Directors not participating. The Board Remuneration Committee is also responsible for setting and recommending to the Board for approval, the over-arching objectives, principles and parameters of remuneration policy across the Group, ensuring that Quilter is adopting a coherent approach to remuneration in respect of all employees. Information on the activities of the Board Remuneration Committee in 2019 can be found in the Remuneration Report on pages 64 to 85. The composition of the Board Remuneration Committee is set out on page 41.

Directors' Report

The Directors present their report for the financial year ended 31 December 2019.

Cautionary statement

This Annual Report has been prepared for, and only for, the members of the Company, as a body, and no other persons. The Company, its Directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. By their nature, the statements concerning the risks and uncertainties facing the Group in this Annual Report involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report should be construed as a profit forecast.

Corporate governance statement

The information that fulfils the requirements of the corporate governance statement for the purposes of the FCA's Disclosure Guidance and Transparency Rules ("DTRs") can be found in the Governance Section of the Annual Report on pages 38 to 87 (all of which forms part of this Directors' Report) and in this Directors' Report.

Information included in the Strategic Report

The Company's Strategic Report is on pages 2 to 35 and includes the following information that would otherwise be required to be disclosed in this Directors' Report:

Subject matter	Page reference
Important events since the financial year end	29
Likely future developments in the business	9
Engagement with employees	14 and 47
Engagement with suppliers, customers and others	15 and 44 to 46
Disclosures concerning greenhouse gas emissions	13

Information to be disclosed under Listing Rule 9.8.4R

Subject matter	Page reference
Details of long-term incentive schemes	83
Shareholder waivers of dividends	88
Shareholder waivers of future dividends	88

Financial instruments

The information relating to financial instruments that fulfils the reporting requirements of Schedule 7 of The Large and Medium sized Companies and Group (Accounts and Reports) Regulations 2008 can be found on page 153.

Registered office change

In September 2020, Quilter's registered office will be moving to Senator House, 85 Queen Victoria Street, London EC4V 4AB.

Branch and representative offices

During 2019, the Group has operated branches or representative offices in Hong Kong, Ireland, Jersey, Singapore and the United Arab Emirates.

Profit and dividends

Statutory profit after tax for 2019 was £146 million (2018: £488 million).

Subject to shareholder approval, the Directors have recommended a final dividend for the financial year ended 31 December 2019 of 3.5 pence per Ordinary Share which will be paid out of distributable reserves. Further information regarding the dividend, including key dates, can be found at **quilter.com/dividends**. On 5 August 2019 the Board declared an interim dividend of 1.7 pence per Ordinary Share. The interim dividend was paid on 20 September 2019 to shareholders on the UK and South African share registers on 30 August 2019.

Shares are held in the Quilter employee benefit trust ("EBT") and the Equiniti Share Plans Trust ("ESPT") in connection with the operation of the Company's share plans. Dividend waivers are in place for those shares that have not been allocated to employees.

Directors

The names of the current Directors of the Company, along with their biographical details, are set out on pages 38 and 39 and are incorporated into this report by reference. Changes to Directors during the year are set out below:

Name	Role	Effective date of appointment/resignation
Tim Tookey	Chief Financial Officer	Resigned 13 March 2019
Mark Satchel	Chief Financial Officer	Appointed 13 March 2019

Details of the Directors' interests in the share capital of the Company are set out in the Annual Report on Remuneration on page 84.

The powers given to the Directors are contained in the Company's Articles of Association and are subject to relevant legislation and, in certain circumstances, including in relation to the issuing or buying back by the Company of its shares, subject to authority being given to the Directors by shareholders in general meeting. The Articles of Association also govern the appointment and replacement of Directors. The Board has the power to appoint additional Directors or to fill a casual vacancy amongst Directors. Any such Director only holds office until the next Annual General Meeting ("AGM") and may offer himself/herself for election. The UK Corporate Governance Code recommends that all directors should be subject to annual re-election and all Directors, with the exception of Cathy Turner and Suresh Kana, will stand for re-election at the 2020 AGM.

Articles of Association

The Articles of Association may be amended in accordance with the provisions of the Companies Act 2006 by way of a special resolution of the Company's shareholders. The Company adopted a new Article during the year to enable the Company to carry out an Odd-lot Offer. The information below sets out the provisions in the Articles of Association in force as at the date of this report.

Share capital and control

The Company has Ordinary Shares in issue, representing 100% of the total issued share capital as at 31 December 2019 and as at 3 March 2020 (the latest practicable date for inclusion in this report). There was no movement in the Company's share capital during the year (see note 24 on page 164). The rights attaching to the shares are set out in the Articles of Association and are summarised below.

Voting rights of members

On a show of hands, every member or authorised corporate representative present has one vote and every proxy present has one vote except if the proxy has been duly appointed by more than one member and has been instructed by (or exercises his discretion given by) one or more of those members to vote for the resolution and has been instructed by (or exercises his discretion given by) one or more other of those members to vote against it, in which case a proxy has one vote for and one vote against the resolution. On a poll, every member present in person or by proxy has one vote for every share of which he is a holder. In the case of joint holders, the vote of the person whose name stands first in the register of members and who tenders a vote is accepted to the exclusion of any votes tendered by any other joint holders.

Unless the Board decides otherwise, a member shall not be entitled to vote, either in person or by proxy, at any general meeting of the Company in respect of any share held by him unless all calls and other sums presently payable by him in respect of that share have been paid.

Transfers

Save as described below, the Ordinary Shares are freely transferable.

A member may transfer all or any of his shares in any manner which is permitted by any applicable statutory provision and is from time to time approved by the Board. The Company shall maintain a record of uncertificated shares in accordance with the relevant statutory provisions.

A member may transfer all or any of his certificated shares by an instrument of transfer in any usual form, or in such other form as the Board may approve. The instrument of transfer shall be signed by or on behalf of the transferor and, except in the case of a fully paid share, by or on behalf of the transferee. The Board may, in its absolute discretion, refuse to register any instrument of transfer of any certificated share which is not fully paid up (but not so as to prevent dealings in listed shares from taking place on an open and proper basis) or on which the Company has a lien. The Board may also refuse to register any instrument of transfer of a certificated share unless it is left at the registered office, or such other place as the Board may decide, for registration, accompanied by the certificate for the shares to be transferred and such other evidence (if any) as the Board may reasonably require to prove title of the intending transferor or his right to transfer shares; and it is in respect of only one class of shares. If the Board refuses to register a transfer of a certificated share it shall, as soon as practicable and in any event within two months after the date on which the instrument was lodged, give to the transferee notice of the refusal together with its reasons for refusal. The Board must provide the transferee with such further information about the reasons for the refusal as the transferee may reasonably request. Unless otherwise agreed by the Board in any particular case, the maximum number of persons who may be entered on the register as joint holders of a share is four.

Variation of rights

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution of the holders of the shares of that class.

Exercisability of rights under an employee share scheme

An EBT operates in connection with certain of the Group's employee share plans ("Plans"). The trustees of the EBT may exercise all rights attaching to the shares in accordance with their fiduciary duties other than as specifically restricted in the relevant Plan governing documents. The trustee of the EBT has informed the Company that their normal policy is to abstain from voting in respect of the Quilter shares held in trust. The trustee of the Quilter Share Incentive Plan ("SIP") will vote in respect of the allocated shares but the trustee will not otherwise vote in respect of the unallocated shares held in the SIP Trust.

Purchase of own shares

At the AGM held on 16 May 2019, shareholders passed resolutions to authorise the Company to purchase a maximum of 190,225,109 Ordinary Shares, representing 10% of the Company's issued Ordinary Share capital. As at 3 March 2020, the latest practicable date for inclusion in this Report, no shares have been purchased under these authorities. In accordance with institutional guidelines, the Directors are seeking renewal of these authorities at the 2020 AGM.

In accordance with the resolutions passed by shareholders at the AGM on 16 May 2019, the Directors are launching an Odd-lot Offer on 11 March 2020. The Odd-lot Offer will enable the Company to purchase, at a 5% premium to the market price, the Ordinary Shares held by those shareholders who hold fewer than 100 Ordinary Shares in the Company, and who do not choose to retain their shareholding. For more information on the Odd-lot Offer please refer to **quilter.com/olo**.

Following the completion of the sale of Quilter Life Assurance to Reassure Group plc, the Directors will be commencing a share buyback programme to purchase shares with a value of up to £375 million subject to remaining within certain pre-set parameters. The share buyback programme will be subject to staged regulatory and Board approval.

Significant agreements (change of control)

All the Company's Plans contain provisions relating to a change of control. In the event of a change of control, outstanding awards and options may be lapsed and replaced with equivalent awards over shares in the new company, subject to the Board Remuneration Committee's discretion. Alternatively, outstanding awards and options may vest and become exercisable on a change of control subject, where appropriate, to the assessment of performance at that time and pro-rating of awards.

Short term incentive ("STI") awards may continue to be paid in respect of the full financial year pre and post change of control, or a pro-rated STI award may be paid in respect of the portion of the year that has elapsed at the point of change of control. Exceptionally, the Board Remuneration Committee may exercise its discretion to waive pro-rating.

Directors' indemnities

Qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the course of the financial year ended 31 December 2019 for the benefit of the then Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers and office. In addition, the Company maintains Directors' and Officers' Liability Insurance which gives appropriate cover for legal action brought against its Directors.

Directors' Report continued

Major shareholders

Major shareholders do not have different voting rights from those of other shareholders. As at 31 December 2019, the Company had been notified, in accordance with Rule 5 of the FCA's DTRs, of the following holdings of voting rights in its Ordinary Share capital:

Name of shareholder	Number of voting rights attaching to Quilter shares	% interest in voting rights attaching to Quilter shares[1]	Nature of holding notified
Allan Gray Unit Trust Management (RF) Proprietary Limited	68,880,114	3.62	Direct
Coronation Asset Management (Pty) Ltd	247,622,893	13.02	Direct
Equiniti Trust (Jersey) Limited[2]	63,153,255	3.32	Direct
Norges Bank	75,840,737	3.99	Direct
Prudential Portfolio Managers (South Africa) (PTY) Ltd	91,942,798	4.83	Indirect
Public Investment Corporation of the Republic of South Africa	180,012,608	9.46	Direct

1 The percentage of voting rights detailed above was calculated at the time of the relevant disclosures made in accordance with Rule 5 of the FCA's DTRs.
2 These shares are held by Equiniti Trust (Jersey) Limited in its capacity as trustee of the Quilter Employee Benefit Trust.

As at 3 March 2020, the latest practicable date for inclusion in this report, the following voting rights had been notified, in accordance with Rule 5 of the FCA's DTRs:

Name of shareholder	Number of voting rights attaching to Quilter shares	% interest in voting rights attaching to Quilter shares[1]	Nature of holding notified
Allan Gray Unit Trust Management (RF) Proprietary Limited	68,880,114	3.62	Direct
Bank of America Corporation	58,206,888	3.06	Indirect
Coronation Asset Management (Pty) Ltd	268,624,985	14.12	Direct
Equiniti Trust (Jersey) Limited[2]	63,153,255	3.32	Direct
Norges Bank	75,228,940	3.95	Direct and indirect
Prudential Portfolio Managers (South Africa) (PTY) Ltd	91,942,798	4.83	Indirect
Public Investment Corporation of the Republic of South Africa	180,012,608	9.46	Direct
York Capital Management Global Advisors, LLC	75,455,999	3.97	Indirect

1 The percentage of voting rights detailed above was calculated at the time of the relevant disclosures made in accordance with Rule 5 of the FCA's DTRs.
2 These shares are held by Equiniti Trust (Jersey) Limited in its capacity as trustee of the Quilter Employee Benefit Trust.

Information provided to the Company by major shareholders pursuant to the FCA's DTRs is published via a Regulatory Information Service and is available at **quilter.com/investor-relations**.

Political donations

Quilter does not make monetary donations or gifts in kind to political parties, elected officials or election candidates. Accordingly, no such political donations were made in 2019. However, the Directors are seeking to renew the Company's and its subsidiaries' authority to make political donations not exceeding £50,000 in aggregate at the 2020 AGM. This is for the purposes of ensuring that neither the Company nor its subsidiaries inadvertently breach Part 14 of the Companies Act 2006 by virtue of the relevant definitions being widely drafted. Further information is available in the 2020 Notice of AGM.

Employment of disabled persons

Providing an environment where employees are safe and there is equality of opportunity is a key element in enabling our people to succeed and deliver the business strategy. Using our diversity and our relationships to learn from one another enables us to create one business that provides better opportunities for our people and better outcomes for our customers. We are committed to creating an inclusive culture which embraces diversity. We therefore promote equal opportunities and ensure that no applicant or colleague is subject to less favourable treatment on the grounds of gender, marital status, nationality, ethnicity, age, sexual orientation, responsibilities for dependents, or physical or mental disability. We are committed to continuing the employment of, and for arranging training for, employees who have become disabled while employed by Quilter. We select candidates for interview based on their skills, qualifications, experience and potential.

Directors' responsibility statements

The Directors are responsible for preparing the Annual Report and the Parent Company and consolidated financial statements in accordance with applicable law and regulations.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's and the Group's position and performance, business model and strategy.

Each of the Directors in office as at the date of this report, whose names are listed on pages 38 and 39, confirms that, to the best of his or her knowledge:

a) the consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the Group; and
b) the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties that they face.

For further information on the comprehensive process followed by the Board in order to reach these conclusions please refer to the Board Audit Committee report on pages 52 to 56.

Disclosure of information to Auditor

Each person who is a Director of the Company as at the date of approval of this report confirms that:

a) so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
b) the Director has taken all the steps that he or she ought to have taken as a Director in order to make him/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Auditors

Following a rigorous audit tender process carried out in 2019, the Directors are recommending the appointment of PricewaterhouseCoopers LLP as the Company's statutory auditor at the 2020 AGM. For more information on the audit tender process, please refer to the Board Audit Committee report on pages 52 to 57.

AGM

The 2020 AGM of Quilter plc will be held in the Presentation Suite, Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ on Thursday 14 May 2020 at 11:00am (UK time). Details of the business to be transacted at the 2020 AGM are included in the Quilter plc 2020 Notice of AGM which can be found at **quilter.com/agm**. We will continue to review the arrangements for holding the AGM in the light of the developing situation as the meeting date approaches. We will provide up to date information for shareholders on our AGM Hub at **quilter.com/agm**.

On behalf of the Board
Patrick Gonsalves
Company Secretary
11 March 2020

Financial statements

Financial statements
Detailed financial information provided within our financial statements and notes.

Statement of Directors' responsibilities

in respect of the Annual Report and Accounts and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs as adopted by the EU") and applicable law and have elected to prepare the parent Company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:
- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Signed on behalf of the Board.

Paul Feeney
Chief Executive Officer

Mark Satchel
Chief Financial Officer

11 March 2020

KPMG

Independent auditor's report

to the members of Quilter plc

1. Our opinion is unmodified

We have audited the financial statements of Quilter plc ("the Company") for the year ended 31 December 2019 which comprise the consolidated income statement, consolidated statement of comprehensive income, reconciliation of adjusted profit to profit after tax, consolidated statement of changes in equity, consolidated statement of financial position and consolidated statement of cash flows, Company statements of financial position, cash flows and changes in equity, and the related notes, including the accounting policies in note 4.

In our opinion:

— the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
— the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
— the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
— the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the Directors in advance of our first audit for the year ended 31 December 2018 prior to the Company becoming a public interest entity. The period of total uninterrupted engagement is for the two financial years ended 31 December 2019 as a public-interest entity and 12 years in total. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: Group financial statements as a whole	£13.9m (2018: £11.0m) 4% (2018: 4%) of normalised profit before tax attributable to equityholders	
Coverage	95% (2018: 90%) of Group Profit before tax	
Key audit matters		**vs 2018**
	New: Accounting for QLA disposal	
Recurring risks	Valuation of goodwill	◄►
	Parent Company risk: Valuation of investments in Group subsidiaries	◄►

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in arriving at our audit opinion above, together with our key audit procedures to address those matters and our findings from those procedures in order that the Company's members as a body may better understand the process by which we arrived at our audit opinion. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Accounting for Quilter Life Assurance ("QLA") disposal Refer to page 52 (Audit Committee Report), page 113 (accounting policy) and page 129 (financial disclosures).	Accounting for QLA disposal comprises the following risk areas: **Subjective judgement in the presentation of costs associated with continuing and discontinued operations:** When operations are discontinued, accounting standards require consideration of the allocation of expenses between continuing and discontinued. Only those costs that cease to be incurred by Quilter Group, following the completion of the sale of QLA, can be included in the results of discontinued operations. Due to some of the costs arising across the Group, significant judgement is required by the Directors in identifying the costs in relation to discontinued operations. **Subjective estimation involved in determining gain on disposal:** The book value of the net assets of QLA as at the date of disposal is a significant input into the calculation of the gain on disposal in particular the value of long term insurance policyholder liabilities disposed of. The valuation of long term insurance policyholder liabilities was determined by Quilter's actuaries and represents an area of subjective estimation requiring the selection of appropriate assumptions on maintenance expenses, persistency, mortality, and discount rates. **Judgement involved in determining gain on disposal** In addition, certain expenses were incurred during the disposal of QLA. Significant judgement was required to determine whether those expenses met the definition of transaction costs in accordance with accounting standards and appropriately included when calculating the gain on disposal. Further, for certain transaction costs associated with the disposal of QLA, significant judgement was required to determine whether these transaction costs met the criteria to recognise a restructuring provision.	**Our procedures included:** **Procedures in relation to presentation of costs associated with continuing and discontinued operations:** - **Assessing principles:** We assessed the Director's rationale on cost allocation between discontinued and continuing operations against the criteria set out in accounting standards. - **Test of details:** For costs associated with discontinued operations, we assessed the nature of the cost by reviewing the underlying supporting documentation. **Procedures in relation to gain on disposal:** - **Our sector experience:** With regards to the long term insurance policyholder liabilities, we considered the Group's approach of setting assumptions and assessed whether it is consistent with the industry practice and the Group's documented approval process. - **Benchmarking:** With regards to the long term insurance policyholder liabilities, we utilised our own actuarial specialists to assist us in assessing and challenging certain assumptions used in the actuarial models and the process for setting and updating these assumptions. This included assessing the data used in the Group's analysis to set assumptions in the context of our own industry knowledge, external data and our views of experience to date. - **Assessing principles:** We critically assessed and challenged management with regards expenses included as transaction costs against criteria in the accounting standards. - **Assessing principles:** We assessed the restructuring provisions and challenged the directors' assessment as to whether these expected costs meet the recognition criteria per the accounting standards. - **Test of details:** We tested a sample of expenses, representing 90% of the transaction costs to assess the appropriate classification of transaction costs associated with the disposal of QLA by reference to supporting documentation. **Our findings** We found the Group's judgement in allocating expenses between continued and discontinuing operations to be balanced. We found the estimate in valuation of long term insurance policyholder liabilities to be balanced. In determining whether expenses met the definition of transaction costs, we found the Group's judgement was balanced. In determining the requirement for the recognition of restructuring provisions we found the Group's judgement gave too much weight to the argument favouring the recognition of a provision and we have recorded an audit difference.

	The risk	Our response
Valuation of goodwill (£350 million; 2018: £314m) Refer to page 52 (Audit Committee Report), page 113 (accounting policy) and page 149 (financial disclosures).	**Forecast-based valuation** Goodwill is significant and the determination of the recoverable amount of each reportable segment is complex and involves a high level of judgement. The significant estimates arise over the discount rate, growth rate and cash flow forecasts which are key inputs in the valuation of goodwill. The effect of these matters is that, as part of our risk assessment, we determined that the value in use that is used in the consideration of the valuation of goodwill has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements note 13 disclose the sensitivity estimated by the Group.	**Our procedures included:** — **Our sector experience and benchmarking assumptions:** We challenged the cash flow forecasts, including the consistency of forecasts applied across the Group. We utilised our own corporate finance specialists to assist us in challenging the key assumptions and methodologies applied by the Group in the determination of discount rates, with reference to our own independent expectations, which were based on our industry knowledge and experience. We assessed the recoverable value against the market capitalisation of the Group. — **Comparing valuations and historical assumptions:** We compared forecasts to approved business plans and also previous forecasts to actual results to assess the performance of the business and the accuracy of forecasting. We also considered the appropriateness of the scenarios used in the context of our wider business understanding; — **Sensitivity analysis:** We performed sensitivity analyses on the key assumptions in the Advice and Wealth Management and Wealth Platforms cash generating units; and — **Assessing transparency:** We assessed that the adequacy of the disclosures in relation to goodwill appropriately reflect the associated risks and the disclosures in relation to the sensitivity of the goodwill balance to changes in key assumptions. **Our findings** We found the resulting estimate of the recoverable amount of goodwill was balanced (2018: balanced) with proportionate (2018: proportionate) disclosures of the related assumptions and sensitivities.

	The risk	Our response
Parent Company risk: **Valuation of investments in Group subsidiaries** (£2,235 million; 2018: £2,663m) Page 113 (accounting policy) and page 203 (financial disclosures).	**Low risk, high value** The carrying amount of the Parent Company's investments in subsidiaries represents 67% (2018:79%) of the Parent Company's total assets. Significant estimates arise over the discount rate, growth rate and cash flow forecasts which are key inputs in the valuation of investments in subsidiaries. Further, the materiality of the investments in the context of the Parent Company financial statements is significant.	**Our procedures included:** — **Tests of detail:** We compared the carrying amount of the total investment balance for all investments (2018: 97%) with the relevant subsidiaries' draft balance sheets to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount. — For all investments (2018: 97%), we assessed the recoverable value of the total investment balance using cash flow forecasts and assessed the recoverable value of investments against the carrying amount of the total investment balance. — Procedures performed over cash flow forecasts and the related assumptions are described in the section on valuation of goodwill above; and — **Assessing subsidiary audits:** As Group auditors, we assessed the work performed by the subsidiary audit teams on that sample of those subsidiaries and considered the results of that work, on those subsidiaries' profits and net assets. **Our finding** We found the valuation of investments in Group subsidiaries to be balanced (2018: balanced).

Following the sale of QLA on 31 December 2019, the Group no longer holds long term insurance policyholder liabilities and customer remediation provisions on its consolidated statement of financial position at the year end. We therefore removed the "Valuation of long term insurance policyholder liabilities" and "Valuation of the voluntary customer remediation provision" as key audit matters from the current year report.

We continue to perform procedures over Level 3 investments and securities. However, following a revised assessment of the valuation uncertainty included within this balance, we have not assessed this as one of the significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

We also previously reported a key audit matter in respect of the impact of uncertainties due to the UK exiting the European Union. As a result of developments since the prior year report, including the Group's own preparation, the relative significance of this matter on our audit work has reduced. Accordingly, we no longer consider this a key audit matter.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £13.9 million, determined with reference to a benchmark of Group profit before tax attributable to equity holders. We set the benchmark to include both continuing operations and QLA given that QLA was part of the Group before the disposal on 31 December 2019. The benchmark was also normalised by £163 million to exclude tax attributable to policyholder returns, profit on the disposal of QLA, business transformation costs, managed separation costs and impact of acquisition accounting as disclosed in note 7. Our materiality represents 4% (2018: 4%) of the normalised profit before tax.

Materiality for the parent company financial statements as a whole was set at £6 million (2018: £9 million), determined with reference to a benchmark of total assets.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.69 million, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 7 (2018: 9) reporting components, we subjected 6 (2018: 8) to full scope audits for Group purposes and 1 (2018: 1) to an audit of specific account balances.

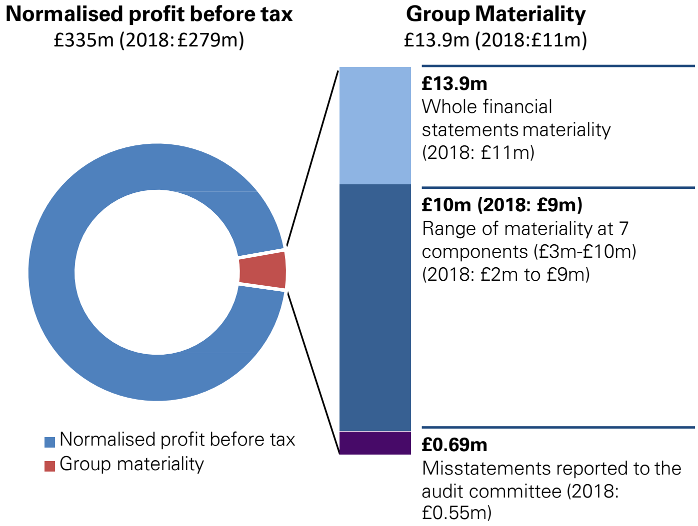
The components within the scope of our work accounted for the percentages illustrated opposite.

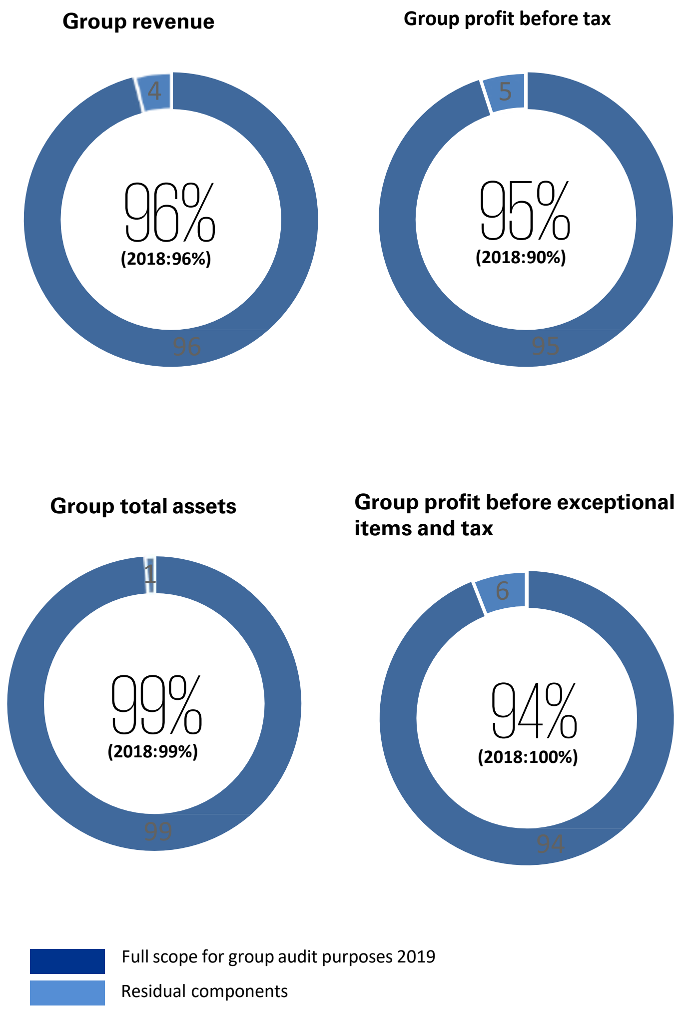
The remaining 4% of total Group revenue, 5% of Group profit before tax and 1% of total Group assets is represented by non-reporting components, none of which individually represented more than 5% of any of total Group revenue or Group profit before tax. For these residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the components' materiality, which ranged from £3 million to £10 million, having regard to the mix of size and risk profile of the Group across the components. The work on 6 of the 7 components (2018: 8 of the 9 components) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team. The Group team performed procedures on the items excluded from normalised Group profit before tax.

In addition, we applied materiality of £556 million to the classification of unit-linked assets and liabilities and reinsured balances in the consolidated statement of financial position, consolidated income statement and related notes, determined with reference to a benchmark of total assets, of which it represents 0.75%. This materiality was applied solely for our work on matters for which a misstatement is likely only to lead to a reclassification between line items, in accordance with FRC Practice Note 20 The audit of Insurers in the United Kingdom.

We agreed to report to the Audit Committee any corrected or uncorrected classification misstatements in unit-linked assets and liabilities exceeding £27.8 million for the related accounts.





4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model, and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant to require us to perform additional audit procedures.

Based on this work, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the Directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 88 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the Group's viability statement on page 35 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in the Group's viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Group's viability statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

— we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or

— the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

— adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or

— the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

— certain disclosures of Directors' remuneration specified by law are not made; or

— we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 94, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, pension legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly the Group is subject to many other laws and regulations where the consequences of non- compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's licence to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, regulatory capital and liquidity, conduct including suitability of advice and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures, we became aware of actual or suspected non-compliance and considered the effect as part of our procedures on the related financial statement items. The identified actual or suspected non-compliance was not sufficiently significant to our audit to result in our response being identified as a key audit matter.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8. The purpose of our auditwork and to whom weowe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the terms of our engagement by the company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report, and the further matters we are required to state to them in accordance with the terms agreed with the company, 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 and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Jonathan Mills
(Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

11 March 2020

Consolidated income statement

For the year ended 31 December 2019

	Notes	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Revenue			
Fee income and other income from service activities	8(a)	936	954
Investment return	8(b)	6,866	(2,712)
Other income		22	35
Total revenue		**7,824**	**(1,723)**
Expenses			
Insurance contract claims and changes in liabilities		(1)	(1)
Change in investment contract liabilities	26(c)	(5,810)	2,499
Fee and commission expenses, and other acquisition costs	9(a)	(294)	(398)
Change in third party interest in consolidated funds		(917)	369
Other operating and administrative expenses	9(b)	(740)	(750)
Finance costs[1]	9(e)	(17)	(16)
Total expenses		**(7,779)**	**1,703**
Profit/(loss) before tax from continuing operations		**45**	**(20)**
Tax (expense)/credit attributable to policyholder returns	10(a)	(98)	61
(Loss)/profit before tax attributable to equity holders from continuing operations		**(53)**	**41**
Income tax (expense)/credit	10(a)	(66)	86
Less: tax expense/(credit) attributable to policyholder returns		98	(61)
Tax credit attributable to equity holders		32	25
(Loss)/profit after tax from continuing operations		**(21)**	**66**
Profit after tax from discontinued operations	5(c)	167	422
Profit after tax		**146**	**488**
Attributable to:			
Equity holders of Quilter plc		**146**	**488**
Earnings per ordinary share on profit attributable to ordinary shareholders of Quilter plc			
Basic			
From continuing operations (pence)	11(b)	(1.1)	3.5
From discontinued operations (pence)	5(c)	9.1	23.1
Basic earnings per ordinary share (pence)	11(b)	**8.0**	**26.6**
Diluted			
From continuing operations (pence)	11(b)	(1.1)	3.5
From discontinued operations (pence)	5(c)	8.9	23.0
Diluted earnings per ordinary share (pence)	11(b)	**7.8**	**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 110 to 197 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2019

	Notes	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Profit after tax		146	488
Exchange losses on translation of foreign operations		(1)	–
Items that may be reclassified subsequently to income statement		(1)	–
Measurement movements on defined benefit plans	32	(7)	–
Tax on amounts related to defined benefit pension plans		1	–
Items that will not be reclassified subsequently to income statement		(6)	–
Total other comprehensive expense, net of tax		(7)	–
Total comprehensive income		**139**	**488**
Attributable to:			
Continuing operations		(28)	66
Discontinued operations	5(d)	167	422
Equity holders of Quilter plc		**139**	**488**

The attached notes on pages 110 to 197 form an integral part of these consolidated financial statements.

Reconciliation of adjusted profit to profit after tax

For the year ended 31 December 2019

		Year ended 31 December 2019			Year ended 31 December 2018		
	Notes	Continuing operations £m	Discontinued operations[1] £m	Total £m	Continuing operations £m	Discontinued operations[1] £m	Total £m
Advice and Wealth Management		103	–	103	102	26	128
Wealth Platforms		112	53	165	105	57	162
Head Office		(33)	–	(33)	(31)	–	(31)
Adjusted profit before tax before reallocation		**182**	**53**	**235**	**176**	**83**	**259**
Reallocation of QLA costs[2]		(26)	26	–	(28)	28	–
Adjusted profit before tax	6(b)	**156**	**79**	**235**	**148**	**111**	**259**
Adjusted for the following:							
Goodwill impairment and impact of acquisition accounting	7(a)(i)	(54)	–	(54)	(50)	–	(50)
Profit on business disposals	5(b)	–	103	103	–	290	290
Business transformation costs	7(a)(ii)	(77)	–	(77)	(84)	–	(84)
Managed Separation costs	7(a)(iii)	(6)	–	(6)	(24)	–	(24)
Finance costs	7(a)(iv)	(10)	–	(10)	(13)	–	(13)
Policyholder tax adjustments	7(a)(v)	(62)	(12)	(74)	64	37	101
Voluntary customer remediation provision	7(a)(vi)	–	10	10	–	–	–
Total adjusting items before tax		**(209)**	**101**	**(108)**	**(107)**	**327**	**220**
(Loss)/profit before tax attributable to equity holders		**(53)**	**180**	**127**	**41**	**438**	**479**
Tax attributable to policyholder returns	10(a)	98	76	174	(61)	(97)	(158)
Income tax (expense)/credit	10(a),(b)	(66)	(89)	(155)	86	81	167
(Loss)/profit after tax		**(21)**	**167**	**146**	**66**	**422**	**488**

Adjusted earnings per share

		Year ended 31 December 2019			Year ended 31 December 2018		
	Notes	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Adjusted profit before tax before reallocation		**182**	**53**	**235**	**176**	**83**	**259**
Shareholder tax on adjusted profit before reallocation	10(c)	(22)	(3)	(25)	(13)	2	(11)
Adjusted profit after tax before reallocation	11(b)	**160**	**50**	**210**	**163**	**85**	**248**
Basic weighted average number of ordinary shares (millions)	11(a)			1,835			1,832
Adjusted basic earnings per share (pence)	11(b)	**8.7**	**2.7**	**11.4**	**8.9**	**4.6**	**13.5**
Diluted weighted average number of ordinary shares (millions)	11(a)			1,863			1,839
Adjusted diluted earnings per share (pence)	11(b)	**8.6**	**2.7**	**11.3**	**8.9**	**4.6**	**13.5**

[1]Discontinued operations includes the results of the Quilter Life Assurance ("QLA") business. In 2018, it also includes the Single Strategy business up to the date of its disposal in June 2018. For further details of the Group's segmentation, see note 6.
[2]Adjusted profit from continuing operations includes £26 million of costs (2018: £28 million) previously reported as part of the QLA business which has been reclassified from discontinued to continuing operations as these costs do not transfer to ReAssure on disposal at 31 December 2019. See note 5(c) for further information.

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 specified items as detailed in note 7(a).

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 finance costs on external borrowings. Adjusted profit also treats policyholder tax (adjusted to remove the impact of non-operating tax items) as a pre-tax charge (to offset against the related income collected from policyholders). Full details of the Group's adjusting items are described in note 7(a).

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 Group seeks to minimise such changes in order to maintain consistency over time. The Committee assesses refinements to the policy on a case-by-case basis.

The attached notes on pages 110 to 197 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2019

31 December 2019	Notes	Share capital £m	Share premium £m	Merger reserve £m	Share-based payments reserve £m	Other reserves £m	Retained earnings £m	Total share-holders' equity £m
Shareholders' equity at beginning of the year		**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**
Profit for the year		–	–	–	–	–	146	146
Other comprehensive expense		–	–	–	–	–	(7)	(7)
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**139**	**139**
Dividends	12	–	–	–	–	–	(92)	(92)
Release of merger reserve	24(b)	–	–	(439)	–	–	439	–
Movement in own shares		–	–	–	–	–	(2)	(2)
Equity share–based payment transactions[2]	25(e)	–	–	–	11	–	15	26
Total transactions with the owners of the Company		**–**	**–**	**(439)**	**11**	**–**	**360**	**(68)**
Balance at 31 December 2019		**133**	**58**	**149**	**45**	**1**	**1,685**	**2,071**

31 December 2018	Notes	Share capital £m	Share premium £m	Merger reserve £m	Share-based payments reserve £m	Other reserves £m	Retained earnings £m	Total share-holders' equity £m
Balance at 1 January 2018		**130**	**58**	**–**	**38**	**1**	**872**	**1,099**
Profit for the year		–	–	–	–	–	488	488
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**488**	**488**
Dividends	12	–	–	–	–	–	(221)	(221)
Acquisition of entities due to Managed Separation restructure	24(b)	–	–	591	–	–	–	591
Issue of share capital	24(a)	3	–	(3)	–	–	–	–
Movement in own shares		–	–	–	–	–	5	5
Equity share–based payment transactions[2]	25(e)	–	–	–	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 of £26 million (December 2018: £42 million) consists of IFRS 2 costs of £26 million (December 2018: £27 million). In the year ended 31 December 2019, £15 million has transferred from share-based payments reserve to retained earnings representing share–based payment schemes that have fully vested (December 2018: £35 million). The year ended 31 December 2018 also included a transfer of £15 million previously recognised within liabilities to the share-based payment reserve, including cash awards that were converted to equity–settled awards.

The attached notes on pages 110 to 197 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

At 31 December 2019

	Notes	At 31 December 2019[1] £m	At 31 December 2018 £m
Assets			
Goodwill and intangible assets	13	592	550
Property, plant and equipment[2]	14	143	17
Investments in associated undertakings		1	2
Deferred acquisition costs	22	–	11
Contract costs	22	455	551
Loans and advances	15	217	222
Financial investments	16	59,345	59,219
Reinsurers' share of policyholder liabilities	26	–	2,162
Deferred tax assets	28(a)	43	38
Current tax receivable	28(c)	13	47
Trade, other receivables and other assets[3]	21	424	530
Derivative assets	17	32	46
Cash and cash equivalents	23(a)	2,473	2,395
Total assets		**63,738**	**65,790**
Equity and liabilities			
Equity			
Ordinary Share capital	24(a)	133	133
Ordinary Share premium reserve	24(a)	58	58
Merger reserve	24(b)	149	588
Share-based payments reserve		45	34
Other reserves		1	1
Retained earnings		1,685	1,191
Total equity		**2,071**	**2,005**
Liabilities			
Insurance contract liabilities	26	–	602
Investment contract liabilities	26	52,455	56,450
Third-party interests in consolidated funds		7,675	5,116
Provisions	27	64	94
Deferred tax liabilities	28(b)	88	59
Current tax payable	28(c)	6	5
Borrowings and lease liabilities[2]	29	335	197
Trade, other payables and other liabilities	30	836	999
Contract liabilities and deferred revenue	31	191	226
Derivative liabilities	17	17	37
Total liabilities		**61,667**	**63,785**
Total equity and liabilities		**63,738**	**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.
[3]The Group's contract assets are now included within Trade, other receivables and other assets, having previously been shown separately on the statement of financial position.

Approved by the Board on 11 March 2020.

Paul Feeney
Chief Executive Officer

Mark Satchel
Chief Financial Officer

The attached notes on pages 110 to 197 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 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 includes flows from both policyholder and shareholder activities. All cash and cash equivalents are available for use by the Group except for cash and cash equivalents in consolidated funds.

	Notes	Year ended 31 December 2019[1] £m	Year ended 31 December 2018 £m
Cash flows from operating activities			
Profit/(loss) before tax from continuing operations		45	(20)
Profit before tax from discontinued operations	5(c)	256	341
Non-cash movements in profit before tax		(2,268)	584
Net changes in working capital[2]		(39)	(662)
Taxation paid		(37)	(92)
Total net cash (used in)/from operating activities	23(b)	**(2,043)**	**151**
Cash flows from investing activities			
Net disposals/(acquisitions) of financial investments		2,260	(366)
Acquisition of property, plant and equipment		(8)	(7)
Acquisition of intangible assets		(5)	(4)
Acquisition of interests in subsidiaries[2,3]		(87)	13
Net proceeds from the disposal of interests in subsidiaries		78	350
Total net cash from/(used in) investing activities		**2,238**	**(14)**
Cash flows from financing activities			
Dividends paid to ordinary equity holders of the Company		(92)	(221)
Finance costs on external borrowings		(10)	(8)
Payment of interest on lease liabilities		(3)	–
Payment of principal lease liabilities		(13)	–
Proceeds from issue of subordinated and other debt		–	497
Subordinated and other debt repaid		–	(516)
Total net cash used in financing activities	23(c)	**(118)**	**(248)**
Net increase in cash and cash equivalents		77	(111)
Cash and cash equivalents at the beginning of the year		2,395	2,507
Effects of exchange rate changes on cash and cash equivalents		1	(1)
Cash and cash equivalents at end of the year	23(a)	**2,473**	**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]There has been a £7 million reallocation between net changes in working capital and acquisitions of interests in subsidiaries in respect of the comparative figures to conform with the current year presentation of contingent consideration payments (see note 5(a)).
[3]The acquisition of interests in subsidiaries balance also includes £21 million paid in the year in respect of contingent consideration payments relating to historical acquisitions.

The attached notes on pages 110 to 197 form an integral part of these consolidated financial statements.

Basis of preparation and significant accounting policies

For the year ended 31 December 2019

General information

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

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

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

1: Basis of preparation

The consolidated financial statements of Quilter plc for the year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union ("EU"), and those parts of the Companies Act 2006 applicable to those reporting under IFRS.

These consolidated financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial instruments, and are presented in pounds sterling, which is the currency of the primary economic environment in which the Group operates.

The separate financial statements of the Company are on pages 188 to 196. The Company financial statements are prepared in accordance with the Group's accounting policies, other than for investments in subsidiaries, which are stated at cost less impairments in accordance with IAS 27 *Separate Financial Statements*.

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 the mitigating strategies which are or will be applied. As a result, the Directors believe that the Group is well placed to manage its business risks in the context of the current economic outlook and have sufficient financial resources to continue in business for a period of at least 12 months from the date of approval of these consolidated financial statements, and continue to adopt the going concern basis in preparing the consolidated financial statements.

Basis of consolidation

The Group's consolidated financial statements incorporate the assets, liabilities and the results of the Company and its subsidiaries. Subsidiaries are those entities, including investment funds, controlled by the Group. More information on how the Group assesses whether it has control over an entity is provided in accounting policy 4(a). Subsidiaries are consolidated from the date the Group obtains control and are excluded from consolidation from the date the Group loses control.

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

During the current year, the Group has disposed of the Quilter Life Assurance ("QLA") business. Details of the disposal, together with all acquisitions and disposals in the periods, are included within note 5. QLA, and the related profit on disposal, are presented within the Group's consolidated income statement as a discontinued operation for the current and prior year.

Liquidity analysis of the statement of financial position

The Group's statement of financial position is in order of liquidity as is permitted by IAS 1 *Presentation of Financial Statements.* For each asset and liability line item, those amounts expected to be recovered or settled after more than twelve months after the reporting date are disclosed separately in the notes to the consolidated financial statements.

Critical accounting estimates and judgements

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

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

1: Basis of preparation continued
Critical accounting estimates and judgements continued

Area	Critical accounting judgements	Related notes
Consolidation of investment funds	The Group's interest in investment funds can fluctuate according to the Group's participation in them as clients' underlying investment choices change. The Group exercises judgement in assessing its level of power, exposure to variable returns and its ability to use such power to affect those returns relative to the power of other investors in those funds, when evaluating the need to consolidate those funds. In particular, management uses its judgement when assessing rights held by other parties including substantive removal ("kick-out" rights).	4(a)
Recognition of provisions and contingent liabilities in respect of Lighthouse complaints	Complaints were received after the reporting date in relation to advice provided by Lighthouse before its acquisition by the Group. Judgement is required to determine whether a provision can be reasonably estimated in relation to the complaints and whether redress is probable, and therefore whether a provision can be recognised. Judgement is also required to determine the treatment for advice where no complaint has been received and there is no present obligation, and these cases have been treated as a contingent liability.	5(a), 27, 34, 39
Discontinued operations	Management judgement was applied in the classification of the QLA business (disposed in December 2019) as a discontinued operation. Management concluded that QLA represented a separate major line of business, being the Group's closed book of legacy business and as such, met the discontinued operations criteria, restating prior year comparatives accordingly. Judgement has also been applied in the reallocation of specific on-going costs to the Group's continuing operations that will remain in the business after the disposal of QLA.	5(c)
Apportionment of Goodwill to business disposals	Judgement was applied in the allocation of goodwill in relation to the QLA business, impacting the profit on disposal of that business. The allocation was based on QLA's fair value relative to the other businesses within the Wealth Platforms cash generating unit ("CGU").	13(c)
Recognition of provisions following the disposal of QLA	The Group has exercised significant judgement in determining the accounting treatment for a number of provisions in respect of the disposal of QLA. The disposal of QLA has led to a series of business activities related to the sale of the business resulting in costs to separate the business from the Group, including its separation from a significant number of shared IT systems. Provisions have been established where costs are either contractual within the disposal agreement or represent a constructive liability in respect of ancillary work to separate the businesses. Significant judgement was required to assess whether the costs were directly attributable and incremental to the sale and whether a legal or constructive obligation existed in order to recognise certain provisions.	27
Uncertain tax position	Due to the complexity of tax law, the tax treatment of specific transactions may be uncertain. In assessing uncertain tax positions, the Group considers the likelihood that the tax authority may take a different view to that reached by management. In that regard, the Group has exercised judgement in assessing the accounting tax position in relation to transactions undertaken as part of the demerger from Old Mutual plc in 2018.	28

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

Area	Critical accounting estimates	Related notes
Consolidation of investment funds	Where the Group consolidates investment funds, estimation is required in some circumstances when sourcing the up-to-date financial information, aligned to the Group's reporting date. In instances where financial information is unavailable for the Group's reporting dates, the Group sources the most recently available financial information for those funds, as the best reliable estimate.	4(a)
Provision for cost of Lighthouse complaints	An estimation of the provision required for the complaints received was determined based upon a sample of cases which was deemed representative of the broader population to form a reasonable estimate. The estimation per case is based upon FCA guidelines and modelling performed, based upon factors including pension transfer value, discount rate, and retail price indexation. The sample was then extrapolated to the entire population of complaint cases.	27
Goodwill and intangible assets	The valuation of goodwill and intangible assets that are recognised as the result of a business combination involves the use of valuation models. During the current year, these assets have arisen on the acquisition of the Charles Derby Group, Lighthouse Group and various smaller adviser businesses. In relation to goodwill impairment, the determination of a CGU's recoverable value is based on the discounted value of the expected future profits of each business. Significant estimates include forecast cash flows, new business growth and discount rates. Estimation was also used in the valuation of goodwill attributable to the disposal of the QLA business.	13
Valuation of investments	Where quoted market prices are not available, valuation techniques are used to measure financial investments. When valuation techniques use significant unobservable inputs they are subject to estimation uncertainty and are categorised as level 3 in the fair value hierarchy. Matching liabilities are similarly categorised as level 3.	19
Insurance contracts measurement and the impact upon profit on disposal of QLA	Measurement of insurance contracts involves significant use of assumptions including mortality, morbidity, persistency, expense valuation and interest rates. This measurement impacted upon the closing net asset value of QLA, and therefore the profit recognised by the Group on the disposal of QLA.	5(b) 26
Measurement of deferred tax	The estimation of future taxable profits is performed as part of the annual business planning process, and is based on estimated levels of assets under management, which are subject to a large number of factors including worldwide stock market movements, related movements in foreign exchange rates and net client cash flow, together with estimates of expenses and other charges. The business plan, adjusted for known and estimated tax sensitivities, is used to determine the extent to which deferred tax assets are recognised. In general the Group assesses recoverability based on estimated taxable profits over a 3 year planning horizon. Where credible longer term profit forecasts are available (e.g. for the life insurance companies) the specific entity may assess recoverability over a longer period, subject to a higher level of sensitivity testing.	28

Basis of preparation and significant accounting policies continued
For the year ended 31 December 2019

1: Basis of preparation continued
Critical accounting estimates and judgements continued
During the year, the Group reassessed its critical accounting estimates and judgements and no longer considers the judgements and estimates relating to the classification and measurement of insurance contracts to be critical to the Group, following the sale of the QLA business (see note 5(b) for further details of the sale). In addition, the estimates and judgements involved in the recognition and measurement of the voluntary customer remediation provision is no longer relevant to the Group as the provision was part of the QLA net assets sold.

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 has not restated comparative amounts for the period prior to initial adoption. The impact of adopting this new standard is outlined in note 4(s).

The Group has also adopted IFRIC 23 *Uncertainty over Income Tax Treatments* during the year ended 31 December 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. In applying IFRIC 23, the Group has made judgements on whether tax authorities will accept the Group's tax filing position and estimated the likely impact on the Group's tax assets and liabilities. The adoption of this interpretation during 2019 has had no material impact on the Group's consolidated financial statements other than a reduction in unrecognised deferred tax assets (see note 28).

Other standards:
In addition to IFRS 16 and IFRIC 23, the following amendments to the accounting standards, issued by the International Accounting Standards Board ("IASB") and endorsed by the EU, have been adopted by the Group from 1 January 2019 with no material impact on the Group's consolidated results, financial position or disclosures:
- Amendments to IFRS 9 *Financial Instruments* – Prepayment features with negative compensation.
- Amendments to IAS 28 *Investments in Associates* – Long-term interests in associates and joint ventures.
- Amendments to IAS 19 *Employee Benefits* – Plan amendments, curtailments or settlements.
- Annual improvements to IFRSs 2015-2017 Cycle – Amendments to IFRS 3 *Business Combinations*, IFRS 11 *Joint Arrangements*, IAS 12 *Income Taxes* and IAS 23 *Borrowing Costs*.

3: Future standards, amendments to standards, and interpretations not early-adopted in these financial statements
Certain new standards, interpretations and amendments to existing standards have been published by the IASB that are mandatory for the Group's annual accounting periods beginning on or after 1 January 2020. The Group has not early adopted these standards, interpretations and amendments, nor does the Group expect these to have a material impact on the Group's consolidated financial statements.

- **IFRS 17 *Insurance contracts***

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

  The Group completed the sale of QLA to ReAssure on 31 December 2019. Following the sale, the impact of IFRS 17 is significantly reduced for the Group with only a small number of insurance contracts remaining in the Quilter International business.

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

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

Effective date
The IASB published an exposure draft Amendments to IFRS 17 in June 2019 proposing that the effective date of IFRS 17 be deferred by one year, such that it would apply to entities with annual reporting periods beginning on or after 1 January 2022. The standard is yet to be endorsed by the EU.

4: Significant accounting policies

The Group's significant accounting policies are described below. Any changes to the Group's significant accounting policies as a result of changes in accounting standards during the year are detailed in note 4(s).

4(a): Group accounting

Subsidiaries

Subsidiary undertakings are those entities (investees) controlled by the Group. The Group controls an investee if, and only if, the Group has all of the following three elements of control:
- power over the investee;
- exposure or rights to variable returns from its involvement with the investee; and
- the ability to affect those returns through its power over the investee.

For operating entities this usually arises with a shareholding in the entity of 50% or more. The Group also consolidates certain of its interests in open-ended investment companies ("OEICs"), unit trusts, mutual funds and similar investment vehicles (collectively "investment funds"). Where, as is often the case with investment funds, voting or similar rights are not the dominant factor in deciding who controls the investee, other factors are considered in the control assessment. These are described in more detail below.

The Group continually assesses any changes to facts and circumstances to determine, in the context of the three elements of control listed above, whether it still controls investees and is required to consolidate them.

Investment funds

The Group invests in a wide range of investment funds such as OEICs and unit trusts generally in respect of its unit-linked investment contracts where investments are made to match clients' investment choices. For some of these funds it also acts as fund manager. These funds invest predominantly in equities, bonds, cash and cash equivalents. The Group holds interests in these investment funds mainly through the receipt of fund management fees, in the case where the Group acts as fund manager, which provide a variable return based on the value of the funds under management and other criteria, and in the case of third-party funds where fund performance has an impact on fund-based fees within unit-linked investment contracts and other similar client investment products. Where the Group acts as fund manager it may also hold investments in the underlying funds, through acquiring units or shares. Where these investments are held in unit-linked funds, the Group has a secondary exposure to variable returns through the management fees that it deducts from unit-linked policyholders' account balances. The Group's percentage ownership can fluctuate from day to day according to the Group's participation in them as clients' underlying investment choices change.

When assessing control of investment funds, the Group considers the purpose and design of the fund, scope of its decision-making authority, including its ability to direct relevant activities and to govern the operations of a fund so as to obtain variable returns from that fund and its ability to use its power to affect these returns, both from the perspective of an investor and an asset manager. In addition, the Group assesses rights held by other parties including substantive removal ("kick-out" rights) that may affect the Group's ability to direct relevant activities.

On consolidation, the interests of parties other than the Group are classified as a liability in the Group's statement of financial position and are described as "Third-party interests in consolidated funds". Such interests are not recorded as non-controlling interests ("NCIs") as they meet the liability classification requirement set out in IAS 32 *Financial Instruments: Presentation*. These liabilities are regarded as current, as they are repayable on demand, although it is not expected that they will be settled in a short time period.

Business combinations

The Group is required to use the acquisition method of accounting for business combinations. Business combinations are accounted for at the date that control is achieved (the acquisition date). The cost of a business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* are recognised at their fair value at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts. Where provisional amounts are reported these are adjusted during the measurement period which extends up to a maximum of 12 months from the acquisition date. Additional assets or liabilities may also be recognised during this period, to reflect any new information obtained about the facts and circumstances that existed as of the date of acquisition date that, if known, would have affected the amounts recognised as on that date.

Basis of preparation and significant accounting policies continued
For the year ended 31 December 2019

4: Significant accounting policies continued

4(a): Group accounting continued

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired entity at the date of acquisition. Acquisition related costs are expensed as incurred.

Upon disposal, the Group derecognises a subsidiary or disposal group on the date on which control passes. The consolidated income statement includes the results of a subsidiary or disposal group up to the date of disposal. The difference between the proceeds from the disposal of a subsidiary undertaking and its carrying amount as at the date of disposal, including the cumulative amount of any related exchange differences that are recognised in the foreign currency translation reserve equity, is recognised in the consolidated income statement as the gain or loss on disposal of the subsidiary undertaking.

Common control combinations

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

4(b): Fair value measurement

The Group uses fair value to measure the majority of its assets and liabilities. Fair value is a market based measure and is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For a financial instrument, the best evidence of fair value at initial recognition is normally the transaction price, which represents the fair value of the consideration given or received.

Where observable market prices in an active market, such as bid or offer (ask) prices are unavailable, fair value is measured using valuation techniques based on the assumptions that market participants would use when pricing the asset or liability. If an asset or a liability measured at fair value has a bid or an offer price, the price within the bid-offer spread that is most representative of fair value is used as the basis of the fair value measurement.

The quality of the fair value measurement for financial instruments is disclosed by way of the fair value hierarchy, whereby Level 1 represents a quoted market price for identical financial assets and liabilities, Level 2 financial assets and liabilities are valued using inputs other than quoted prices in active markets included in Level 1, either directly or indirectly and Level 3 whereby financial assets and liabilities are valued using valuation techniques where one or more significant inputs are unobservable.

Classifying financial instruments into the three levels outlined above provides an indication about the reliability of inputs used in determining fair value. More information is provided in note 19.

4(c): Product classification

The Group's life assurance contracts included in the Wealth Platforms segment are categorised as either insurance contracts or investment contracts, in accordance with the classification criteria set out in the paragraphs below.

Insurance contracts

The Group's insurance contracts include traditional life and health insurance contracts including for the latter stand-alone critical illness and long-term care policies (all within the disposed QLA business), as well as the unbundled insurance component of unit-linked contracts (described in more detail below in the "hybrid insurance and investment contracts – unbundling" section). Life assurance contracts are categorised as insurance contracts at the inception of the contract only if the contract transfers significant insurance risk. Insurance risk is significant if, and only if, an insured event could cause the Group to make significant additional payments in any scenario, excluding scenarios that lack commercial substance. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire. It is possible to reclassify contracts as insurance contracts after inception if insurance risk becomes significant.

IFRS accounting for insurance contracts in UK companies was "grandfathered" at the date of transition to IFRS and determined in accordance with the Statement of Recommended Practice on Accounting for Insurance Business (issued by the Association of British Insurers and subsequently withdrawn from 1 January 2015), which adjusted solvency I balances to remove certain regulatory reserves and margins in assumptions.

Investment contracts

Investment contracts do not meet the definition of an insurance contract as they do not transfer significant insurance risk from the policyholder to the insurer. Unit-linked investment contracts are separated into two components being an investment management services component and a financial liability. The financial liability component is mandatorily at fair value through profit or loss ("FVTPL") as it is managed on a fair value basis, and its value is directly linked to the market value of the underlying portfolio of assets. The Group does not directly benefit economically from returns from the assets held to match policyholder liabilities, apart from secondary exposure to future annual management fees that the Group expects to receive over the life of the policy.

4: Significant accounting policies continued

4(c): Product classification continued

"Hybrid" insurance and investment contracts – unbundling

Generally, life and pensions contracts allow for a single classification at product class level. For those contracts containing both an insurance component and an investment component, the Group has elected to unbundle these contracts and account for each component separately. This approach has been applied to a number of the Group's unit-linked assurance business contract types where a significant component of insurance risk exists.

4(d): Fee income and other income from service activities

Fee income and other income from service activities represent the fair value of services provided, net of value-added tax. Within Quilter, all businesses act as a principal with the only exception to this being in Quilter Investors where the management of certain funds is outsourced to external fund managers.

Premium based fees

This relates to non-refundable fees taken on receipt of clients' investments and recognised on receipt over the life of the contract, in line with the performance obligation associated with the contract in respect of the administration of the underlying client records and client benefits. Where fees are received, either at inception or over an initial period for services not yet provided, the income is deferred and recognised as contract liabilities on the statement of financial position and released to the income statement as services are provided over the lifetime of the contract (see note 31 for further information).

In addition this also includes fees in respect of advice provided to clients, when the advice has been provided to the client and the financial adviser's performance obligation has been fully delivered. Accordingly, fee income is recognised at the inception of the financial product sold.

Fund based fees

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

Fixed fees

This is periodic fee income which is fixed in value according to underlying contract terms and relates to the provision of services and transactional dealing fees. It is recognised on provision of the transaction or service.

Surrender fees

Surrender fee income relates to client charges received on the surrender of an investment contract or insurance contract, which is based on the value of the policy and recognised on surrender of the policy.

Other fee and commission income

This includes charges taken from unit-linked funds to meet future policyholder tax liabilities. Depending on the nature of the tax liability, the charges are either recognised at the point a transaction occurs on the unit-linked fund, or annually. This also includes fee and commission income within consolidated funds' income statements.

4(e): Investment return

Investment return comprises two elements (a) investment income and (b) realised and unrealised gains and losses on investments held at FVTPL.

Investment income

Investment income includes dividends on equity securities which are recorded as revenue on the ex-dividend date and interest income which is recognised using the effective interest rate method which allocates interest and other finance costs at a constant rate over the expected life of the financial instrument.

Realised and unrealised gains and losses

A gain or loss on a financial investment is only realised on disposal or transfer and represents the difference between the proceeds received, net of transaction costs, and its original cost (or amortised cost). Unrealised gains or losses, arising on investments which have not been disposed or transferred, represent the difference between carrying value at the year end and the carrying value at the previous year end or purchase value (if this occurs during the year), less the reversal of previously recognised unrealised gains or losses in respect of disposals made during the year.

Gains and losses resulting from changes in both market value and foreign exchange on investments classified at FVTPL are recognised in the consolidated income statement in the period in which they occur.

Basis of preparation and significant accounting policies continued
For the year ended 31 December 2019

4: Significant accounting policies continued
4(f): Premiums
Premiums receivable under insurance contracts are shown in the income statement gross of commission and exclude sales-based taxes and levies. For regular (and recurring) premium contracts, receivables are recognised when payments are due. Premiums in respect of other insurance contracts are recognised in the income statement when receivable, apart from premiums received in respect of unit-linked insurance contracts (see below). Where policies lapse due to non-receipt of premiums, then all the related premium income accrued but not received from the date they are deemed to have lapsed is offset against premiums.

Premiums received in respect of unit-linked insurance contracts are recognised when the corresponding liability to the policyholder is established. For single premium business, this is the date from which the policy is effective.

4(g): Deferred acquisition costs and contract costs
Investment contracts
Incremental costs, including fee and commission expenses, that are directly attributable to securing either unit-linked investment contracts or other asset management services are deferred and recognised as contract costs. Contract costs are linked to the contractual right to benefit from providing investment management services; they are therefore amortised through the income statement consistent with the transfer to the customer of the services to which the contract relates.

Insurance contracts
Incremental costs directly attributable to securing an insurance contract, such as initial commission and the costs of obtaining and processing such business are deferred and a deferred acquisition cost ("DAC") asset recognised, to the extent that they are expected to be recovered out of future margins.

Insurance DAC is amortised as an expense on a straight line basis, adjusted for expected persistency, over the expected life of the contract, as the services are provided (equal service provision assumed) but subject to a restriction whereby it is no longer than the period in which such costs are expected to be recoverable out of future margins.

At the end of each reporting period, contract costs and DAC are reviewed for recoverability, by category of business, against future margins from the related contracts. They are impaired in the income statement when they are no longer considered to be recoverable.

4(h): Investment contract liabilities
The majority of the Group's investment contracts are unit-linked contracts. At inception, investment contract liabilities for unit-linked business are classified as financial liabilities and measured at FVTPL. For these contracts, the fair value liability is equal to the total value of units allocated to the policyholders, based on the bid price of the underlying assets in the fund. The FVTPL classification reflects the fact that the matching investment portfolio, that backs the unit-linked liabilities, is managed, and its performance evaluated, on a fair value basis.

Contributions received on investment contracts are treated as policyholder deposits and credited directly to investment contract liabilities on the statement of financial position, as opposed to being reported as revenue in the consolidated income statement. This practice is known as deposit accounting. Withdrawals paid out to policyholders on investment contracts are treated as a reduction to policyholder deposits, reducing the investment contract liabilities on the statement of financial position, as opposed to being recognised as expenses in the consolidated income statement.

4(i): Insurance contract liabilities
Following the disposal of the Group's QLA business (see note 5(b) for further details), insurance contract liabilities within the Group are £nil at year ended 31 December 2019.

Claims
Insurance business claims reflect the cost of all claims arising during the year and include payments for maturities, annuities, surrender, death and disability claims, as well as claims handling costs, incurred in connection with the negotiation and settlement of claims. They are recognised as expenses in the income statement. Maturity and annuity claims are recorded as they fall due for payment. Death and disability claims and surrenders are accounted for when notified. Reinsurance recoveries, in respect of these claims, are accounted for in the same period as the related claim.

Insurance contract liabilities
The Group calculates its long-term insurance contract liabilities, based on local regulatory requirements and actuarial principles consistent with those applied in the local market. Liabilities are calculated using the gross premium valuation method, which is based on the amount of contractual premiums receivable and includes explicit assumptions for interest and discount rates, as well as for mortality, morbidity, persistency and future expenses. These assumptions are based on market data, internal experience data and also external data where either no internal experience data exists or where internal data is too sparse to give credible estimates of the true expectation of experience. Anticipated future trends have been allowed for in deriving mortality and morbidity assumptions. The liability for contractual benefits that are expected to be paid in the future is determined as the discounted value of the excess of future expected outgoings over future expected income. Future expected outgoings include claim costs, direct expenses and commissions. Future expected income includes premiums payable by policyholders. For anticipated future claims that have been incurred but not yet paid, the Group establishes a provision for outstanding claims.

4: Significant accounting policies continued

4(i): Insurance contract liabilities continued

The method used to determine these liabilities makes allowance for the level of risk and uncertainty inherent in the business by the use of margins for caution within the assumptions used to project future income and outgoings. The portion of premiums received that relates to unexpired risks as at the reporting period end is reported within the long-term insurance liabilities. The change in insurance contract liabilities, comprising the full movement in the corresponding liabilities during the period, is recognised in the income statement.

Liability adequacy test

At each reporting date, the Group assesses whether the recognised insurance contract liabilities are adequate in light of current estimates of future cash flows. This liability adequacy test is performed by comparing the carrying value of the insurance contract liabilities and the discounted projections of future cash flows. If the carrying value is less than the future expected cash flows, the deficiency is initially recognised by writing down the DAC asset. The recoverability of the DAC asset is tested against present value of in-force ("PVIF") business, determined on a best estimate basis, with any deficit written off the DAC asset immediately. Any required write down in excess of the value of the DAC asset is recognised in the income statement with a corresponding additional provision in the statement of financial position.

4(j): Reinsurance

Insurance contracts

The Group cedes reinsurance in the normal course of business for the purpose of limiting its claims costs. Ceded reinsurance contracts include arrangements where regular risk premiums are paid by the Group to the reinsurer and an agreed share of claims are paid by the reinsurer to the Group. These arrangements are in respect of underlying policies that are classified as insurance contracts. Accordingly, contracts with reinsurers are assessed to establish whether they contain significant insurance risk to justify such a classification. Only rights under contracts that give rise to a transfer of significant insurance risk are accounted for as reinsurers' share of policyholder liabilities.

Reinsurance premiums for ceded reinsurance are recognised as an expense on a basis that is consistent with the recognition basis for the premiums on the related insurance contracts. Reinsurance recoveries are recognised in the income statement in the same period as the related claim.

Reinsurance recoveries due from reinsurers and reinsurance premiums due to reinsurers under reinsurance contracts that are contractually due at the reporting date are separately recognised in other receivables and other payables respectively unless a right of offset exists, in which case the net amount is reported on the consolidated statement of financial position. Assets, liabilities, income and expenses arising from ceded reinsurance contracts are presented separately from the related assets, liabilities, income and expenses from the underlying insurance contracts because the reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

The value of the benefits that the Group is entitled to under the ceded reinsurance arrangements are reported as "reinsurers' share of policyholder liabilities" in the statement of financial position. This is calculated as the difference between the insurance contract liability assuming no reinsurance arrangement exists (the gross basis) and the liability with explicit allowance for all cash flows relating to the reinsurance arrangement (the net basis). Insurance contract liabilities are calculated quarterly on the gross and net bases taking into account all relevant experience effects. The reinsurers' share of insurance provisions is updated consistently with these calculations. Any resulting movement in the reinsurers' share of insurance provisions is recognised in the income statement.

Reinsurance assets are assessed for impairment at each reporting date. A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due to it under the terms of the contract and that the event has an impact that can be measured reliably in respect of amounts expected to be received from the reinsurer. The reinsurers' share of policyholder liabilities is updated for any impairment. Any resulting movement in the reinsurers' share of policyholder liabilities is recognised in the income statement.

Investment contracts

Investments held on behalf of policyholders recognised by the Group that are fully managed by a third-party reinsurer are shown on the statement of financial position within reinsurers' share of investment contract liabilities, with the corresponding liability to the policyholder included within liabilities for linked investment contracts.

Basis of preparation and significant accounting policies continued
For the year ended 31 December 2019

4: Significant accounting policies continued
4(k): Financial instruments (other than derivatives)
Financial instruments cover a wide range of financial assets, including financial investments, trade receivables and cash and cash equivalents and certain financial liabilities, including investment contract liabilities, trade payables, and borrowings. Derivatives, which are also financial instruments, are covered by accounting policy 4(m). Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes party to the contractual provisions of the instrument. The Group derecognises a financial asset when the contractual rights to receive cash flows have expired or been forfeited by the Group. A financial liability is derecognised when the liability is extinguished.

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

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

Subsequent measurement
The classification of financial assets depends on (i) the purpose for which they were acquired, (ii) the business model in which a financial asset is managed, and (iii) its contractual cash flow characteristics. The standard has four categories, of which two are applicable within the Group: FVTPL and amortised cost. This classification determines the subsequent measurement basis. The following accounting policies apply to the subsequent measurement of financial assets.

Measurement basis	Accounting policies
Financial assets at FVTPL	These financial assets are subsequently measured at fair value. Net gains and losses, including interest and dividend income, are recognised in profit or loss.
Amortised cost	These financial assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

Amortised cost
A financial asset is measured at amortised cost if it meets both of the following conditions and unless designated as FVTPL on initial recognition applying the Fair Value Option (see below):

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

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

Financial investments
All other financial assets that are not measured at amortised cost are classified and measured at FVTPL. This includes any derivative financial assets (the majority of which are as a result of the consolidated of funds, as described in note 4(a)). In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost, at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise (the Fair Value Option).

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

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

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

4: Significant accounting policies continued

4(k): Financial instruments (other than derivatives) continued

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits, money market collective investment funds and other short-term deposits with an original maturity of three months or less.

Cash and cash equivalents held within money market collective investment funds are classified as FVTPL. All other cash and cash equivalents are classified as amortised cost which means they are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method and are subject to the impairment requirements outlined below. The carrying amount of cash and cash equivalents, other than money market collective investment funds which are measured at fair value, approximates to their fair value.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. At inception, investment contract liabilities for unit-linked business are designated as financial liabilities and measured at FVTPL. Other financial liabilities, including the Group's borrowings and trade payables, are measured at amortised cost using the effective interest method.

Trade payables and receivables

Trade payables and receivables are classified at amortised cost. Due to their short-term nature, their carrying amount is considered to be the same as their fair value.

Investments in subsidiaries

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

Impairment of financial assets

The expected loss accounting model for credit losses applies to financial assets measured at amortised cost, but not to financial assets at FVTPL. Financial assets at amortised cost include trade receivables, cash and cash equivalents (excluding money market collective investment funds which are measured at fair value) and loans and advances.

Credit loss allowances are measured on each reporting date according to a three stage expected credit loss ("ECL") impairment model:

Performing financial assets:

Stage 1

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

Stage 2

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

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

Impaired financial assets:

Stage 3

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

Application of the impairment model

The Group applies the ECL model to two main types of financial assets that are measured at amortised cost:

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

Basis of preparation and significant accounting policies continued
For the year ended 31 December 2019

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

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

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes events such as significant financial difficulty of the borrower or issuer, a breach of contract such as a default or past due event or the restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider. The assumption that the credit risk for balances over 30 days significantly increases has been rebutted on the basis that some balances will exceed 30 days in the normal course of the settlement cycle, and therefore, there is no increase in the credit risk.

Presentation of impairment
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

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

4(l): Contract assets
Contract assets are classified as non-financial. Due to their short-term nature, their carrying amount is considered to be the same as their fair value.

The expected loss accounting model for credit losses applies to contract assets. The Group applies the ECL model to contract assets, which are measured at amortised cost. The simplified approach prescribed by IFRS 9 is applied to contract assets. This approach requires the recognition of a Lifetime ECL allowance on day one and thereafter.

4(m): Derivatives
The Group uses derivative financial instruments to manage well-defined foreign exchange risks arising out of the normal course of business in its International operations and uses forward foreign exchange contracts to reduce the currency risk on certain US Dollar, Euro and Swedish Krona denominated future revenues and accounts receivables balances. Management determines the classification of derivatives at initial recognition and classifies derivatives as mandatorily at FVTPL. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

The only other derivatives recognised in the Group's statement of financial position are as a result of the consolidation of funds (described in note 4(a)).

4(n): Employee benefits
Pension obligations
The Group operates two types of pension plans which have been established for eligible employees of the Group:
- Defined contribution schemes where the Group makes contributions to members' pension plans but has no further payment obligations once the contributions have been paid.
- Defined benefit plans which provide pension payments upon retirement to members as defined by the plan rules. The Group has funded these liabilities by ring-fencing assets in trustee-administered funds.

Defined contribution pension obligation
Under a defined contribution plan, the Group's legal or constructive obligation is limited to the amount it agrees to contribute to a pension fund and there is no obligation to pay further contributions if the fund does not hold sufficient assets to pay benefits. Contributions in respect of defined contribution schemes for current service are expensed in the income statement as staff costs and other employee-related costs when incurred.

4: Significant accounting policies continued

4(n): Employee benefits continued

Defined benefit pension obligation

A defined benefit pension plan typically defines the amount of pension benefit that an employee will receive on retirement. For these plans, the Group's defined benefit obligation is calculated by independent actuaries using the projected unit credit method, which measures the pension obligation as the present value of estimated future cash outflows. The discount rate used is determined based on the yields for investment grade corporate bonds that have maturity dates approximating to the terms of the Group's obligations. Plan assets are measured at their fair value at the reporting date. The net surplus or deficit of the defined benefit plan is recognised as an asset or liability in the statement of financial position and represents the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets.

An asset is recognised only where there is an unconditional right to future benefits.

The current and past service cost curtailments and settlements are charged to other expenses in the income statement.

Remeasurements, which comprise gains and losses as a result of experience adjustments and changes in actuarial assumptions, the actual return on plan assets (excluding interest) and the effect of the asset ceiling, are recognised immediately in other comprehensive income in the period in which they occur. Remeasurements are not reclassified to the income statement in subsequent periods. Administration costs (other than the costs of managing plan assets) are recognised in the income statement when the service is provided.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in the income statement when the plan amendment or curtailment occurs.

Employee share-based payments

The Group operates a number of share incentive plans for its employees. These generally involve an award of shares or options in the Group (equity-settled share-based payments), but may also take the form of a cash award based on the share price of the Group (cash-settled share-based payments).

The Group's incentive plans have conditions attached before the employee becomes entitled to the award. These can be performance and/or service conditions (vesting conditions) or conditions that are often wholly within the control of the employee, for example where the employee has to provide funding during the vesting period, which is then used to exercise share options (non-vesting condition).

Performance conditions may be market based or non-market based. Market performance conditions are those related to an entity's equity, such as achieving a specified share price or target based on a comparison of the entity's share price with an index of share prices. Non-market performance conditions are those related to an entity's profit or revenue targets, an example of which would be Earnings per Share ("EPS"). Market based performance conditions and non-vesting conditions are taken into account when estimating the fair value of the share or option awards at the measurement date. The fair value of the share awards or options is not adjusted to take into account non-market performance features. These are taken into consideration by adjusting the number of equity instruments in the share-based payment measurement and this adjustment is made each period until the equity instruments vest.

The fair value of share-based payment awards granted is recognised as an expense in the income statement over the vesting period which accords with the period for which related services are provided by the employee. A corresponding increase in equity is recognised for equity settled plans and a corresponding financial liability for cash settled plans.

For equity-settled plans, the fair value is determined at grant date and not subsequently re-measured. For cash settled plans, the fair value is re-measured at each reporting date and the date of settlement, with any changes in fair value recognised in the profit or loss for the period and the liability adjusted accordingly.

At each period end the Group reassesses the number of equity instruments expected to vest and recognises any difference between the revised and original estimate in the income statement with a corresponding adjustment to the share-based payments reserve in equity.

At the time the equity instruments vest, the amount recognised in the share-based payments reserve in respect of those equity instruments is transferred to retained earnings.

Basis of preparation and significant accounting policies continued
For the year ended 31 December 2019

4: Significant accounting policies continued
4(o): Tax
Current tax
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to income tax payable in respect of previous years. Current tax is charged or credited to the income statement, except when it relates to items recognised directly in equity or in other comprehensive income.

Deferred tax
Deferred taxes are calculated according to the statement of financial position method, based on temporary differences between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax is charged or credited to the income statement, except when it relates to items recognised directly in equity or in other comprehensive income. In certain circumstances, as permitted by accounting guidance, deferred tax balances are not recognised. In particular, where the liability relates to the initial recognition of goodwill, or transactions that are not a business combination and at the time of their occurrence affect neither accounting nor taxable profit. Note 28(b) includes further detail of circumstances in which the Group does not recognise temporary differences.

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

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' profits.

4(p): Goodwill and intangible assets
The recognition of goodwill arises on the acquisition of a business and represents the premium paid over the fair value of the Group's share of the identifiable assets and liabilities acquired at the date of acquisition. Intangible assets include intangible assets initially recognised as part of a business combination, purchased assets and internally generated assets, such as software development costs related to amounts recognised for in-house systems development.

Goodwill and goodwill impairment
Goodwill arising on the Group's investments in subsidiaries is shown as a separate asset, while that on associates, where it arises, is included within the carrying value of those investments. Goodwill is recognised as an asset at cost at the date when control is achieved (the acquisition date) and is subsequently measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to annual impairment reviews.

Goodwill is allocated to one or more cash-generating units ("CGUs") expected to benefit from the synergies of the combination, where the CGU represents the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Goodwill is reviewed for impairment at least once annually, as a matter of course even if there is no indication of impairment, and whenever an event or change in circumstances occurs which indicates a potential impairment. For impairment testing, the carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment loss is recognised immediately in profit or loss and is not subsequently reversed.

On disposal of an operation within a group of CGUs to which goodwill has been allocated, the goodwill associated with that operation is included in the carrying amount of the operation when determining the gain or loss on disposal. It is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

4: Significant accounting policies continued

4(p): Goodwill and intangible assets continued

Intangible assets acquired as part of a business combination

Intangible assets acquired as part of a business combination are recognised where they are separately identifiable and can be measured reliably. Acquired intangible assets consist primarily of contractual relationships such as customer relationships and distribution channels. Such items are capitalised at their fair value, represented by the estimated net present value of the future cash flows from the relevant relationships acquired at the date of acquisition. Brands and similar items acquired as part of a business combination are capitalised at their fair value based on a 'relief from royalty' valuation methodology.

Subsequent to initial recognition, acquired intangible assets are measured at cost less amortisation and any recognised impairment losses. Amortisation is recognised at rates calculated to write off the cost or valuation less estimated residual value, using a straight-line method over their estimated useful lives as set out below:

• Distribution channels	8 years
• Customer relationships	10 years
• Brands	5 years

The economic lives are determined by considering relevant factors such as usage of the asset, product life cycles, potential obsolescence, competitive position and stability of the industry. The amortisation period is re-evaluated at the end of each financial year end.

Internally developed software

There are a number of factors taken into account when considering whether internally developed software meets the recognition criteria in IAS 38 *Intangible Assets*. Where, for example, a third-party provider retains ownership of the software, this will not meet the control criterion in the standard (i.e. the power to obtain benefits from the asset) and the costs will be expensed as incurred.

Where it is capitalised, internally developed software is held at cost less accumulated amortisation and impairment losses. Such software is recognised in the statement of financial position if, and only if, it is probable that the relevant future economic benefits attributable to the software will flow to the Group and its cost can be measured reliably.

Costs incurred in the research phase are expensed, whereas costs incurred in the development phase are capitalised, subject to meeting specific criteria, as set out in the relevant accounting guidance, the main one being that future economic benefits can be identified as a result of the development expenditure. Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of the relevant software, which range between three and five years, depending on the nature and use of the software.

Subsequent expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Impairment testing for intangible assets

For intangible assets with finite lives, impairment charges are recognised where evidence of impairment is observed. Indicators of impairment can be based on external factors, such as significant adverse changes to the asset as part of the overall business environment and internal factors, such as worse than expected performance reflected in the Group's three-year Business Plan. If an indication of impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is calculated as the higher of fair value less costs to sell and value in use. If the recoverable amount of an intangible asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense in the income statement immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an intangible asset is not yet available for use it is subject to an annual impairment test by comparing the carrying value with the recoverable amount. The recoverable amount is estimated by considering the ability of the asset to generate sufficient future economic benefits to recover the carrying value.

Basis of preparation and significant accounting policies continued
For the year ended 31 December 2019

4: Significant accounting policies continued
4(q): Assets and liabilities held for sale and discontinued operations
Assets (and disposal groups) are classified as held for sale if their carrying amount is expected to be recovered through a sales transaction rather than through continuing use. This condition is regarded as having been met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year of the date of classification. Assets and liabilities held for sale are presented separately in the consolidated statement of financial position.

Assets and liabilities (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and their fair value less costs to sell. No depreciation or amortisation is charged on a non-current asset while classified as held for sale or while part of a disposal group once it has been classified as held for sale.

The Group classifies areas of the business as discontinued operations where they have been disposed of, or are classified as held for sale at the year end, which either represent a separate major line of business or geographical area, or are part of a plan to dispose of one, or are subsidiaries acquired exclusively with a view to resale.

When an asset (or disposal group) ceases to be classified as held for sale, the individual assets and liabilities cease to be shown separately in the statement of financial position at the end of the year in which the classification changes. Comparatives are not restated. If the line of business was previously presented as a discontinued operation and subsequently ceases to be classified as held for sale, profit and loss and cash flows of the comparative period are restated to show that line of business as a continuing operation.

Further information can be found in note 5.

4(r): Provisions and contingent liabilities
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more probable than not that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date. Where the effect of the time value of money is material, provisions are discounted and represent the present value of the expected expenditure. Provisions are not recognised for future operating costs or losses.

The Group recognises specific provisions where they arise for the situations outlined below:
- Client compensation and related costs, when the Group has decided to compensate clients in the context of providing fair customer outcomes.
- Onerous contracts, when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting the obligations under the contract.
- Corporate restructuring, only if the Group has approved a detailed formal plan and raised a valid expectation among those parties directly affected, that the plan will be carried out either by having commenced implementation or by publicly announcing the plan's main features. Such provisions include the direct expenditure arising from the restructuring, such as employee termination payments but not those costs associated with the ongoing activities of the Group.
- Legal uncertainties and the settlement of other claims.

Contingent liabilities are possible obligations of the Group of which the timing and amount are subject to significant uncertainty. Contingent liabilities are not recognised in the consolidated statement of financial position, unless they are assumed by the Group as part of a business combination. They are however disclosed, unless they are considered to be remote. If a contingent liability becomes probable and the amount can be reliably measured it is no longer treated as contingent and recognised as a liability.

Contingent assets which are possible benefits to the Group are only disclosed if it is probable that the Group will receive the benefit. If such a benefit becomes virtually certain, it is no longer considered contingent and is recognised on the consolidated statement of financial position as an asset.

4(s): Changes in accounting policies
IFRS 16 *Leases*
As outlined in note 2 above, the Group has adopted IFRS 16 *Leases* from 1 January 2019.
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.

4: Significant accounting policies continued

4(s): Changes in accounting policies continued

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 asset specific incremental borrowing rates.

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.

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 the asset specific incremental borrowing rates at 1 January 2019 which ranged from 1.6% to 3.7%, with a weighted average of 2.9%. 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 asset specific 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.

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.

Details of the right-of-use assets and the finance charges on lease liabilities can be found in notes 14 and 29.

Notes to the consolidated financial statements

For the year ended 31 December 2019

5: Acquisitions, disposals and discontinued operations

This note provides details of the Group's acquisitions and disposals of subsidiaries during the financial periods covered by these financial statements.

5(a): Business acquisitions

Business acquisitions completed during the year ended 31 December 2019

Charles Derby Group Limited acquisition:

On 14 February 2019, the Group acquired the Charles Derby Group ("CDG") of companies (recently rebranded "Quilter Financial Advisers"). CDG is a financial planning business based in the UK. 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:

	Acquiree's carrying amount £m	Fair value £m
Assets		
Intangible assets	1	15
Loans and advances	1	1
Cash and cash equivalents	1	1
Trade, other receivables and other assets	2	2
Total assets	**5**	**19**
Liabilities		
Deferred tax liabilities	–	(2)
Trade, other payables and other liabilities	(9)	(9)
Total liabilities	**(9)**	**(11)**
Total net (liabilities)/assets acquired	**(4)**	**8**
Total consideration		**31**
Goodwill recognised		**23**

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 the fair value of assets acquired and liabilities at the date of acquisition determined in accordance to IFRS 3 *Business Combinations*. The allocation required significant use of assumptions regarding cash flows, profit margin and discount, attrition and growth rates.

Based on the purchase price of £31 million and the fair value of net liabilities acquired of £5 million (excluding acquired intangible assets of £1 million), the value of goodwill and intangible assets is £36 million. Intangible assets representing the value of customer advice contracts have been valued at £15 million, less an associated deferred tax liability of £(2) million, with an estimated useful life of 8 years over which the intangible assets and the associated tax provision will be amortised on a straight line basis. The balance of £23 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; and
- ability to generate growth in Restricted 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.

5: Acquisitions, disposals and discontinued operations continued

5(a): Business acquisitions continued

As part of the acquisition of CDG, a Long Term Incentive Plan scheme was set up with a maximum value up to £10 million worth of Quilter plc 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 and administrative expenses in the Group's consolidated income statement. These costs are not included within adjusted profit.

No contingent liabilities have been acquired.

The post-acquisition results from the business, excluding integration costs of £2 million, have been consolidated since the date of acquisition, contributing £6 million of revenue (£ 3 million, net of cost of sales) and a loss of £6 million to the Group's consolidated profit 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.

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 liabilities acquired of £8 million (excluding acquired intangible assets of £5 million), the value of goodwill and intangible assets is £54 million. Intangible assets representing the value of customer advice contracts have been valued at £21 million (£24 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 £33 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; and
- cost saving synergies arising through de-listing the business and integrating with Quilter Financial Planning.

Transaction costs of £2 million relating to the acquisition have been recognised within other operating expenses in the Group's consolidated income statement, but not included within adjusted profit.

No contingent liabilities have been recognised in the fair value statement of financial position.

Notes to the consolidated financial statements continued
For the year ended 31 December 2019

5: Acquisitions, disposals and discontinued operations continued
5(a): Business acquisitions continued
The table below sets out the consolidated assets and liabilities acquired:

	Acquiree's carrying amount £m	Fair value £m
Assets		
Intangible assets	5	24
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**	**41**
Liabilities		
Deferred tax liabilities	–	(3)
Trade, other payables and other liabilities	(13)	(13)
Provision in respect of British Steel pension scheme members complaints	(12)	(12)
Total liabilities	**(25)**	**(28)**
Total net (liabilities)/assets acquired	**(3)**	**13**
Total consideration		**46**
Goodwill recognised		**33**

The post-acquisition results from the business, excluding integration costs of £3 million, have been consolidated since the date of acquisition, contributing £9 million of revenue and a profit of £1 million to the Group's consolidated profit after tax.

As disclosed in notes 27, 34 and 39, the Group was advised after the reporting date of a number of complaints received in respect of pension transfer advice provided to certain Lighthouse clients between 2016 and 2018, prior to the Group's acquisition of Lighthouse in June 2019. As the advice was provided before the Group's acquisition of Lighthouse, any redress costs will be recognised as a pre-acquisition liability within the fair value of the net assets acquired, with a corresponding increase in goodwill. A provision of £12 million has been calculated for the potential redress of the complaints received to date together with related legal and professional costs, which is reflected in the acquisition balance sheet above, along with the corresponding increase in goodwill. Any additional liability in respect of any other cases remains uncertain, as explained further in note 34. If further information is received by June 2020, the 12-month point post-acquisition, further adjustments will be made to the acquisition balance sheet as appropriate.

Acquisition of adviser businesses by Quilter Financial Planning ("QFP")
During the year, the Group continued the expansion of the Quilter Private Client Advisers ("QPCA") business, with the acquisition of a further seven adviser businesses, including the acquisition of Prescient Financial Intelligence Limited on 20 December 2019. 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 £22 million, of which £14 million was cash consideration and up to £8 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. Tangible net assets of £1 million were acquired in these purchases. Total intangible assets of £9 million (£10 million gross, less an associated deferred tax liability of £(1) million) in respect of customer relationships and goodwill of £12 million have been recognised as a result of the acquisitions.

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

Impact of acquisitions on Group revenue and profit
If all of the above acquisitions had occurred on 1 January 2019, management estimates that the Group's consolidated revenues would have been £10 million higher at £7,774 million, and consolidated profit after tax for the year would have been £5 million lower at £141 million.

5: Acquisitions, disposals and discontinued operations continued

5(a): Business acquisitions continued

Business acquisitions completed during year ended 31 December 2018

Acquisition of Skandia UK Limited from Old Mutual plc

The Group acquired the Skandia UK Limited group of entities from Old Mutual plc on 31 January 2018, comprising 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 was a £566 million receivable which had a corresponding equivalent payable within the Group's statement of financial position. The net effect of this transaction for the Group was to replace a payable due to Old Mutual plc with equity.

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.

Contingent consideration arising from business combinations

The table below details the movements in the contingent consideration balance (see note 30) during the current and prior year arising from the business acquisitions detailed above and in earlier years.

	31 December 2019 £m	31 December 2018 £m
Opening balance at 1 January	37	35
Acquisitions during the year	22	7
Payments	(21)	(7)
Financing interest charge	3	2
Other movements	(2)	–
Closing balance at 31 December	**39**	**37**

Contingent consideration represents management's best estimate of the amount payable in relation to each acquisition discounted to net present value. The basis of each acquisition varies but includes payments based upon a percentage of the level of assets under administration, funds under management and levels of on-going fee income at future dates. Management estimate a provision sensitivity of +/- 5% (£2 million).

5(b): Business disposals

Year ended 31 December 2019

On 31 December 2019, the Group completed the sale of the Quilter Life Assurance ("QLA") business (consisting two of the Group's subsidiary undertakings: Old Mutual Wealth Life Assurance Limited and Old Mutual Wealth Pensions Trustee Limited) to ReAssure Group for total consideration of £446 million. The Group has recognised a profit on the disposal of QLA of £103 million. Provisions established in respect of this disposal are shown in note 27.

Year ended 31 December 2018

On 29 June 2018, the Group completed the sale of its Single Strategy Asset Management business ("Single Strategy business") 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, 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"). The contingent consideration was 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.

Notes to the consolidated financial statements continued
For the year ended 31 December 2019

5: Acquisitions, disposals and discontinued operations continued
5(b): Business disposals continued
Profit on sale of operations

	Year ended 31 December 2019	Year ended 31 December 2018
	Quilter Life Assurance £m	Single Strategy business and Old Mutual Wealth Italy adjustment £m
Consideration received[1]	446	546
Less: transaction and separation costs[2]	(19)	(20)
Plus: release of accrued expenses in relation to OMW Italy S.p.A disposal	–	2
Net proceeds from sale	427	528
Carrying value of net assets disposed	(294)	(155)
Goodwill allocated and disposed	(30)	(83)
Profit on sale of operations before tax	103	290
Tax on disposals	–	4
Profit on sale of operations after tax	**103**	**294**

[1]Consideration received in 2018 in respect of the Single Strategy business comprises £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.
[2]Of the £19 million transaction and separation costs relating to the sale of the QLA business in year ended 31 December 2019, £7 million has been expensed, with £12 million of accruals and provisions remaining at 31 December 2019.

Carrying value of net assets disposed

	Year ended 31 December 2019	Year ended 31 December 2018
	Quilter Life Assurance £m	Single Strategy business £m
Assets		
Deferred acquisition costs	8	–
Contract costs	39	5
Financial investments	8,646	–
Reinsurers' share of policyholder liabilities	1,341	–
Deferred tax assets	–	5
Current tax receivable	14	–
Trade, other receivables and other assets	45	74
Cash and cash equivalents	361	170
Total assets	**10,454**	**254**
Liabilities		
Long-term business insurance policyholder liabilities	736	–
Investment contract liabilities	9,183	–
Provisions	12	3
Deferred tax liabilities	70	–
Current tax payable	7	3
Trade, other payables and other liabilities	129	93
Contract liabilities	23	–
Total liabilities	**10,160**	**99**
Carrying value of net assets disposed	**294**	**155**

5: Acquisitions, disposals and discontinued operations continued

5(c): Discontinued operations – income statement

During 2019, the Group's discontinued operations consisted solely of the QLA business up to its disposal date of 31 December 2019 and the associated profit on sale of that business. For 2018, in addition to QLA's profit after tax, the Group's discontinued operations also included the profit after tax of the Single Strategy business up to the date of disposal on 29 June 2018 and the related profit on sale of that business.

	Note	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Revenue			
Gross earned premiums		145	147
Premiums ceded to reinsurers		(86)	(87)
Net earned premiums		59	60
Fee income and other income from service activities[1]	8(a)	164	206
Investment return[1,2]	8(b)	1,386	(770)
Other income		–	2
Total revenue		**1,609**	**(502)**
Expenses			
Claims and benefits paid		(98)	(86)
Reinsurance recoveries		72	60
Net insurance claims and benefits incurred		(26)	(26)
Change in reinsurance assets and liabilities		121	103
Change in insurance contract liabilities		(134)	(109)
Change in investment contract liabilities[2]	26(c)	(1,364)	772
Fee and commission expenses, and other acquisition costs	9(a)	(45)	(84)
Other operating and administrative expenses	9(b)	(8)	(102)
Finance costs	9(e)	–	(1)
Total expenses		**(1,456)**	**553**
Profit on sale of operations before tax	5(b)	103	290
Profit before tax from discontinued operations		**256**	**341**
Tax (expense)/credit attributable to policyholder returns	10(a)	(76)	97
Profit before tax from discontinued operations attributable to equity holders		**180**	**438**
Income tax (expense)/credit	10(a)	(89)	81
Less: tax expense/(credit) attributable to policyholder returns		76	(97)
Tax expense attributable to equity holders		(13)	(16)
Profit after tax from discontinued operations		**167**	**422**
Attributable to:			
Equity holders of Quilter plc		**167**	**422**

Earnings per ordinary share on profit attributable to ordinary shareholders of Quilter plc

	Note	2019	2018
Basic – from discontinued operations (pence)	11(b)	9.1	23.1
Diluted – from discontinued operations (pence)	11(b)	8.9	23.0

[1]In the year ended 31 December 2018, the Group has reclassified £36 million from Fee income and other income from service activities to Investment return to conform with current year presentation.
[2]In the year ended 31 December 2018, the Group has reclassified £35 million from Investment return to Change in investment contract liabilities to conform with current year presentation.

Operating and administration expenses shown within discontinued operations for the current and prior year have been amended in order to reallocate costs historically charged to QLA from Group service entities (31 December 2019: £26 million and 31 December 2018: £28 million) back to the Group's continuing operations. This principally reflects those costs previously recharged from Group central support functions to QLA that the Group will continue to incur after the disposal of QLA but will no longer be recharged to that business subsequent to its disposal. For more information on these costs and related revenues in 2020 (as part of the Transitional Service Arrangement ("TSA") with ReAssure ("The Acquirer", in respect of QLA)) see the Financial Review.

Notes to the consolidated financial statements continued
For the year ended 31 December 2019

5: Acquisitions, disposals and discontinued operations continued
5(d): Discontinued operations – Statement of comprehensive income

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Profit after tax	167	422
Total comprehensive income for the year from discontinued operations	**167**	**422**

5(e): Discontinued operations – Net cash flows

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Total net cash used in operating activities	(3,789)	(2,437)
Total net cash from investing activities	3,765	2,529
Total net cash used in financing activities	(130)	(46)
Net (decrease)/increase in cash and cash equivalents	**(154)**	**46**

6: Segmental information
6(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.

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

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 8.

Continuing operations:
Advice and Wealth Management
This segment comprises Quilter Investors, Quilter Cheviot and Quilter Financial Planning.

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 predominantly 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 operations in the Channel Islands and the Republic of Ireland.

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

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 the UK, in Asia, the Middle East, Europe and Latin America.

6: Segmental information continued

6(a): Segmental presentation continued

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:

The disposal of Quilter Life Assurance ("QLA") on 31 December 2019, previously part of the Wealth Platforms operating segment, has resulted in its classification as a discontinued operation. For the year ended 31 December 2018, the Single Strategy Asset Management business (disposed of on 29 June 2018) is also included as a discontinued operation. The results of these two businesses, along with the profits on disposal, have been presented as discontinued operations. See note 5(b) and note 5(c) for further information.

6(b)(i): Adjusted profit statement – segmental information for the year ended 31 December 2019

This reconciliation presents the Group's operating segments' IFRS income statements and reconcile to pre-tax adjusted profit and to the Group's consolidated income statement, including the 'Profit/(loss) before tax attributable to equity holders' (for continuing operations only).

Continuing operations	Notes	Operating segments: Advice and Wealth Management £m	Operating segments: Wealth Platforms £m	Head Office £m	Reallocation of QLA costs[1] £m	Consolidation adjustments[2] £m	Consolidated income statement £m
Revenue							
Fee income and other income from service activities	8(a)	486	438	–	–	12	**936**
Investment return	8(b)	10	5,823	3	–	1,030	**6,866**
Other income		1	160	6	–	(145)	**22**
Segmental revenue		**497**	**6,421**	**9**	**–**	**897**	**7,824**
Expenses							
Insurance contract claims and changes in liabilities		–	(1)	–	–	–	**(1)**
Change in investment contract liabilities	26(c)	–	(5,810)	–	–	–	**(5,810)**
Fee and commission expenses, and other acquisition costs	9(a)	(73)	(110)	–	–	(111)	**(294)**
Change in third-party interest in consolidated funds		–	–	–	–	(917)	**(917)**
Other operating and administrative expenses	9(b)	(368)	(409)	(68)	(26)	131	**(740)**
Finance costs	9(e)	(4)	(3)	(10)	–	–	**(17)**
Segmental expenses		**(445)**	**(6,333)**	**(78)**	**(26)**	**(897)**	**(7,779)**
Profit/(loss) before tax from continuing operations		**52**	**88**	**(69)**	**(26)**	**–**	**45**
Tax attributable to policyholder returns		–	(98)	–	–	–	**(98)**
Profit/(loss) before tax attributable to equity holders from continuing operations		**52**	**(10)**	**(69)**	**(26)**	**–**	**(53)**
Adjusted for non-operating items:							
Goodwill impairment and impact of acquisition accounting	7(a)(i)	52	1	1	–	–	**54**
Business transformation costs	7(a)(ii)	(1)	58	20	–	–	**77**
Managed Separation costs	7(a)(iii)	–	1	5	–	–	**6**
Finance costs	7(a)(iv)	–	–	10	–	–	**10**
Policyholder tax adjustments	7(a)(v)	–	62	–	–	–	**62**
Adjusting items before tax		51	122	36	–	–	**209**
Adjusted profit/(loss) before tax – continuing operations		**103**	**112**	**(33)**	**(26)**	**–**	**156**
Adjusted profit before tax – discontinued operations		**–**	**53**	**–**	**26**	**–**	**79**
Total adjusted profit/(loss) before tax		**103**	**165**	**(33)**	**–**	**–**	**235**

[1]Reallocation of QLA costs includes £26 million of costs previously reported as part of the QLA business which has been reallocated from discontinued to continuing operations as these costs do not transfer to ReAssure on disposal at 31 December 2019. See note 5(c) for further information.
[2]Consolidation adjustments comprise the elimination of inter-segment transactions and the consolidation of investment funds.

Notes to the consolidated financial statements continued
For the year ended 31 December 2019

6: Segmental information continued
6(b)(ii): Adjusted profit statement – segmental information for the year ended 31 December 2018

Continuing operations	Notes	Operating segments: Advice and Wealth Management £m	Operating segments: Wealth Platforms £m	Head Office £m	Reallocation of QLA costs[1] £m	Consolidation adjustments[2] £m	Consolidated income statement £m
Revenue							
Fee income and other income from service activities	8(a)	547	402	–	–	5	954
Investment return	8(b)	9	(2,478)	3	–	(246)	(2,712)
Other income		2	101	6	–	(74)	35
Segmental revenue		**558**	**(1,975)**	**9**	**–**	**(315)**	**(1,723)**
Expenses							
Insurance contract claims and changes in liabilities		–	(1)	–	–	–	(1)
Change in investment contract liabilities	26(c)	–	2,499	–	–	–	2,499
Fee and commission expenses, and other acquisition costs	9(a)	(163)	(117)	–	–	(118)	(398)
Change in third-party interest in consolidated funds		–	–	–	–	369	369
Other operating and administrative expenses	9(b)	(358)	(360)	(68)	(28)	64	(750)
Finance costs	9(e)	(3)	–	(13)	–	–	(16)
Segmental expenses		**(524)**	**2,021**	**(81)**	**(28)**	**315**	**1,703**
Profit/(loss) before tax from continuing operations		**34**	**46**	**(72)**	**(28)**	**–**	**(20)**
Tax attributable to policyholder returns		–	61	–	–	–	61
Profit/(loss) before tax attributable to equity holders from continuing operations		**34**	**107**	**(72)**	**(28)**	**–**	**41**
Adjusted for non-operating items:							
Goodwill impairment and impact of acquisition accounting	7(a)(i)	49	1	–	–	–	50
Business transformation costs	7(a)(ii)	19	58	7	–	–	84
Managed Separation costs	7(a)(iii)	–	1	23	–	–	24
Finance costs	7(a)(iv)	–	–	13	–	–	13
Policyholder tax adjustments	7(a)(v)	–	(64)	–	–	–	(64)
Reallocation of central costs[3]		–	2	(2)	–	–	–
Adjusting items before tax		68	(2)	41	–	–	107
Adjusted profit/(loss) before tax – continuing operations		**102**	**105**	**(31)**	**(28)**	**–**	**148**
Adjusted profit before tax – discontinued operations		26	57	–	28	–	111
Total adjusted profit/(loss) before tax		**128**	**162**	**(31)**	**–**	**–**	**259**

[1]Reallocation of QLA costs includes £28 million of costs previously reported as part of the QLA business which has been reallocated from discontinued to continuing operations as these costs do not transfer to ReAssure on disposal at 31 December 2019. See note 5(c) for further information.
[2]Consolidation adjustments comprise the elimination of inter-segment transactions and the consolidation of investment funds.
[3]Reallocation of central costs reverses management reallocations included within adjusted profit to reconcile back to IFRS profit.

6: Segmental information continued

6(c)(i): Statement of financial position – segmental information at 31 December 2019

	Notes	Advice & Wealth Management £m	Wealth Platforms £m	Head Office £m	Discontinued Operations £m	Consolidation Adjustments[1] £m	Total £m
Assets							
Goodwill and intangible assets	13	458	134	–	–	–	**592**
Property, plant and equipment	14	30	111	2	–	–	**143**
Investments in associated undertakings		–	–	1	–	–	**1**
Contract costs	22	–	455	–	–	–	**455**
Loans and advances	15	31	180	6	–	–	**217**
Financial investments	16	1	52,249	–	–	7,095	**59,345**
Deferred tax assets	28(a)	11	22	10	–	–	**43**
Current tax receivable	28(c)	–	–	13	–	–	**13**
Trade, other receivables and other assets	21	207	177	3	–	37	**424**
Derivative assets	17	–	–	–	–	32	**32**
Cash and cash equivalents	23(a)	383	725	838	–	527	**2,473**
Inter-segment funding – assets		–	12	–	–	(12)	**–**
Total assets		**1,121**	**54,065**	**873**	**–**	**7,679**	**63,738**
Liabilities							
Investment contract liabilities	26	–	52,455	–	–	–	**52,455**
Third-party interests in consolidated funds		–	–	–	–	7,675	**7,675**
Provisions	27	28	26	10	–	–	**64**
Deferred tax liabilities	28(b)	38	50	–	–	–	**88**
Current tax payable/(receivable)[2]	28(c)	1	(7)	12	–	–	**6**
Borrowings and lease liabilities[3]	29	26	108	201	–	–	**335**
Trade, other payables and other liabilities	30	322	477	37	–	–	**836**
Contract liabilities and deferred revenue	31	1	190	–	–	–	**191**
Derivative liabilities	17	–	–	–	–	17	**17**
Inter-segment funding – liabilities		–	–	12	–	(12)	**–**
Total liabilities		**416**	**53,299**	**272**	**–**	**7,680**	**61,667**
Total equity							**2,071**
Total equity and liabilities							**63,738**

[1]Consolidation adjustments comprise the elimination of inter-segment transactions and the consolidation of investment funds.
[2]Current tax payable/(receivable) includes Group relief payable and receivable that net to £nil on a consolidated basis but may appear as a receivable within individual segments.
[3]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 consolidated financial statements continued
For the year ended 31 December 2019

6: Segmental information continued
6(c)(ii): Statement of financial position – segmental information at 31 December 2018

	Notes	Advice & Wealth Management £m	Wealth Platforms £m	Head Office £m	Discontinued Operations £m	Consolidation Adjustments[1] £m	Total £m
Assets							
Goodwill and intangible assets	13	386	164	–	–	–	**550**
Property, plant and equipment	14	10	7	–	–	–	**17**
Investments in associated undertakings		–	–	2	–	–	**2**
Deferred acquisition costs	22	–	–	–	11	–	**11**
Contract costs	22	–	498	–	53	–	**551**
Loans and advances	15	27	188	7	–	–	**222**
Financial investments	16	3	44,950	2	9,686	4,578	**59,219**
Reinsurers' share of policyholder liabilities	26	–	–	–	2,162	–	**2,162**
Deferred tax assets	28(a)	7	22	9	–	–	**38**
Current tax receivable	28(c)	–	23	1	23	–	**47**
Trade, other receivables and other assets[2]	21	241	151	8	30	100	**530**
Derivative assets	17	–	–	–	–	46	**46**
Cash and cash equivalents	23(a)	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							
Insurance contract liabilities	26	–	–	–	602	–	**602**
Investment contract liabilities	26	–	45,211	–	11,239	–	**56,450**
Third-party interests in consolidated funds		–	–	–	–	5,116	**5,116**
Provisions	27	26	20	9	39	–	**94**
Deferred tax liabilities	28(b)	40	–	–	19	–	**59**
Current tax payable/(receivable)[3]	28(c)	9	5	(18)	9	–	**5**
Borrowings	29	–	–	197	–	–	**197**
Trade, other payables and other liabilities	30	340	425	20	158	56	**999**
Contract liabilities and deferred revenue	31	1	194	–	31	–	**226**
Derivative liabilities	17	–	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.
[2]The Group's contract assets are now included within Trade, other receivables and other assets, having previously been shown separately on the statement of financial position.
[3]Current tax payable/(receivable) includes Group relief payable and receivable that net to £nil on a consolidated basis but may appear as a receivable within individual segments.

7: Alternative performance measures ("APMs")

7(a): 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. These are detailed below.

7(a)(i): 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 assets and liabilities acquired at the date of acquisition (as recognised under IFRS 3 *Business Combinations*). The Group excludes any impairment of goodwill from adjusted profit as well as the amortisation and impairment of acquired 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.

	Note	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Amortisation of other acquired intangible assets	13(a)	45	41
Acquisition costs[1]		6	5
Impairment of other intangible assets		–	1
Unwinding of discount on contingent consideration		3	3
Total goodwill impairment and impact of acquisition accounting		**54**	**50**

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

7(a)(ii): Business transformation costs

Business transformation costs include four 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, restructuring costs incurred as a result of the sale of Quilter Life Assurance, and the Optimisation Programme costs. All items are within the Group's continuing operations and are described in detail below. For the year ended 31 December 2019, these costs totalled £77 million (31 December 2018: £84 million) in aggregate.

UK Platform Transformation Programme – 31 December 2019: £57 million, 31 December 2018: £58 million

The Group embarked on a significant programme to develop new platform capabilities and to outsource UK business administration. This involved replacing many aspects of the existing UK Platform, and on completion certain elements of service provision will be migrated to FNZ under a long-term outsourcing agreement. The costs of developing the new technology do not meet the criteria for capitalisation and have therefore been expensed. These direct costs and the costs of decommissioning existing technology and migrating of services to FNZ are excluded from adjusted profit.

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 during 2020.

Quilter Investors' build out costs – 31 December 2019: £(1) million, 31 December 2018: £19 million

In March 2016, the Group's former parent company, Old Mutual plc, announced its Managed Separation strategy that sought to unlock and create significant long-term value for Old Mutual plc 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. During 2019, the build has been substantially completed resulting in the release of £1 million of the provision established to complete the build.

Optimisation Programme costs – 31 December 2019: £18 million, 31 December 2018: £7 million

The Group initiated a phased, multi-year Optimisation Programme in March 2019 targeting a 4 percentage point uplift in the Group's operating margin by 2021. Phase 1 is aiming to unify and simplify the Group through a number of efficiency initiatives that will deliver improvements in operational performance.

A number of quick win tactical efficiencies have been delivered, which included targeted staff restructuring, third-party contract renegotiation and termination, and property and facilities savings. Some more complex initiatives, such as the insourcing of certain technology capabilities as well as the simplification of certain Group support functions, have also been delivered. All the planned programmes that will transform our business through technology enablement, such as the consolidation and modernisation of our general ledgers and other associated finance, HR and procurement modules, have been initiated. The use of robotics to automate manual operational processes in our International business as well as streamlining and automating some of the processes used in our advice business, are also under-way.

Notes to the consolidated financial statements continued
For the year ended 31 December 2019

7: Alternative performance measures ("APMs") continued

7(a): Adjusted profit and adjusting items continued

Restructuring costs following disposal of Quilter Life Assurance – 31 December 2019: £3 million, 31 December 2018: £nil

As a result of the disposal of QLA on the 31 December 2019, the Group has recognised £3 million as an adjusting item principally in respect of redundancy costs incurred during the year. The Group expects to incur further restructuring costs during the following two years, including the cost of decommissioning IT systems as the TSA runs off and the remaining business is restructured following the disposal.

7(a)(iii): Managed Separation costs

One-off costs related to the Managed Separation from Old Mutual plc, 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. For the year ended 31 December 2019 these costs were £6 million (31 December 2018: £24 million). In 2019 these costs primarily relate to post-listing rebranding. These costs are not expected to persist in the long term as they relate to a fundamental restructuring of the Group.

7(a)(iv): Finance costs

The nature of much of the Group's operations means that, for management's decision-making and internal performance management, the effects of interest costs on external borrowings are removed when calculating adjusted profit. For the year ended 31 December 2019 finance costs were £10 million (31 December 2018: £13 million).

7(a)(v): Policyholder tax adjustments

For the year ended 31 December 2019 the total of policyholder tax adjustments to adjusted profit is £74 million (31 December 2018: £(101) million) relating to both continuing and discontinued operations, as shown in note 7(c). 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 10(a). Adjustments are also made to remove policyholder tax distortions from other non-operating adjusting items.

7(a)(vi): Voluntary customer remediation

Within QLA, the voluntary customer remediation provision was established in 2017 following product reviews consistent with recommendations from the Financial Conduct Authority's ("FCA") thematic review and the FCA's guidance FG16/8 Fair treatment of long-standing customers in the life assurance sector. During 2019 the components of the remaining provision have been reviewed and £10 million of the provision released (as detailed in note 27), wholly relating to discontinued operations and hence the remaining provision is not included in the Group's statement of financial position as at 31 December 2019.

7(b): IFRS profit before tax (excluding amortisation, policyholder tax adjustments and other one-off items)

For remuneration purposes, the Group uses IFRS profit before tax adjusted to exclude agreed non-operating, one-off items as shown below. For further details please refer to the remuneration report (page 64) and KPIs (page 21).

	Notes	Year ended 31 December 2019 £m	Year ended 31 December 2018[1] £m
(Loss)/profit before tax attributable to equity holders – continuing operations		**(53)**	41
Profit before tax attributable to equity holders – discontinued operations	5(c)	**180**	438
Adjusted for the following:			
Profit on business disposals	5(b)	(103)	(290)
Goodwill impairment and impact of acquisition accounting	7(a)(i)	54	50
Policyholder tax adjustments	7(a)(v)	74	(101)
Voluntary customer remediation provision	7(a)(vi)	(10)	–
Quilter Investors' build out costs	7(a)(ii)	(1)	19
2018 Single Strategy business profit before tax		–	(26)
IFRS profit before tax (excluding amortisation, policyholder tax adjustments and other one-off items)		**141**	**131**

[1]The 2018 comparative has been restated from £112 million to £131 million to include the adjustment for the Quilter Investors' build out costs of £19 million (as shown in the table above).

7: Alternative performance measures ("APMs") continued

7(c): Reconciliation of IFRS revenue and expenses to adjusted profit total fee revenue and expenses

This reconciliation shows how each line of the Group's consolidated IFRS income statement is allocated to the Group's APMs: Net management fee, Total net fee revenue and Expenses as part of the Group's adjusted profit. Allocations are determined by management and aim to show the sources of profit (net of relevant directly attributable expenses). These allocations remain consistent from period to period to ensure comparability.

Year ended 31 December 2019	Net mgmt fees[1] £m	Other revenue[2] £m	Total net fee revenue[3] £m	Expenses £m	Adjusted profit incl. QLA £m	Consol. of funds[4] £m	Deduct QLA (incl. interco elims)[5] £m	IFRS income statement[6] £m
Revenue								
Net earned premiums	–	59	59	–	59	–	(59)	–
Fee income and other income from service activities	871	203	1,074	–	1,074	17	(155)	936
Investment return	–	7,384	7,384	–	7,384	1,031	(1,549)	6,866
Other income	–	1	1	–	1	21	–	22
Total revenue	**871**	**7,647**	**8,518**	**–**	**8,518**	**1,069**	**(1,763)**	**7,824**
Expenses								
Insurance contract claims and changes in liabilities	–	(40)	(40)	–	(40)	–	39	(1)
Change in investment contract liabilities	–	(7,339)	(7,339)	–	(7,339)	–	1,529	(5,810)
Fee and commission expenses, and other acquisition costs	(108)	(103)	(211)	–	(211)	(117)	34	(294)
Change in third party interest in consolidated funds	–	–	–	–	–	(917)	–	(917)
Other operating and administrative expenses	(14)	(2)	(16)	(697)	(713)	(35)	8	(740)
Finance costs	–	(4)	(4)	(13)	(17)	–	–	(17)
Total expenses	**(122)**	**(7,488)**	**(7,610)**	**(710)**	**(8,320)**	**(1,069)**	**1,610**	**(7,779)**
Tax (expense)/credit attributable to policyholder returns	(174)	–	(174)	–	(174)	–	76	(98)
Total before adjusting items	**575**	**159**	**734**	**(710)**	**24**	**–**	**(77)**	**(53)**
Adjusting items:								
Goodwill impairment and impact of acquisition accounting	–	–	–	54	54			
Business transformation costs	–	–	–	77	77			
Managed Separation costs	–	–	–	6	6			
Finance costs	–	–	–	10	10			
Policyholder tax adjustments	74	–	74	–	74			
Voluntary customer remediation provision	–	–	–	(10)	(10)			
Adjusting items	**74**	**–**	**74**	**137**	**211**			
Adjusted profit before tax – continuing operations and QLA	**649**	**159**	**808**	**(573)**	**235**			

Notes to the consolidated financial statements continued
For the year ended 31 December 2019

7: Alternative performance measures ("APMs") continued
7(c): Reconciliation of IFRS revenue and expenses to adjusted profit total fee revenue and expenses continued

Year ended 31 December 2018	Net mgmt fees[1] £m	Other revenue[2] £m	Total net fee revenue[3] £m	Expenses £m	Adjusted profit incl. QLA £m	Consol. of funds[4] £m	Deduct QLA (incl. interco elims)[5] £m	IFRS income statement[6] £m
Revenue								
Net earned premiums	–	60	60	–	60	–	(60)	–
Fee income and other income from service activities[8]	801	195	996	–	996	14	(56)	954
Investment return[8,9]	10	(3,245)	(3,235)	–	(3,235)	(246)	769	(2,712)
Other income	–	6	6	–	6	29	–	35
Total revenue	811	(2,984)	(2,173)	–	(2,173)	(203)	653	(1,723)
Expenses								
Insurance contract claims and changes in liabilities	–	(33)	(33)	–	(33)	–	32	(1)
Change in investment contract liabilities[9]	–	3,271	3,271	–	3,271	–	(772)	2,499
Fee and commission expenses, and other acquisition costs	(199)	(112)	(311)	–	(311)	(126)	39	(398)
Change in third party interest in consolidated funds	–	–	–	–	–	369	–	369
Other operating and administrative expenses	(22)	–	(22)	(710)	(732)	(40)	22	(750)
Finance costs	–	(1)	(1)	(16)	(17)	–	1	(16)
Total expenses	(221)	3,125	2,904	(726)	2,178	203	(678)	1,703
Tax credit/(expense)attributable to policyholder returns	158	–	158	–	158	–	(97)	61
Total before adjusting items	748	141	889	(726)	163	–	(122)	41
Adjusting items:								
Goodwill impairment and impact of acquisition accounting	–	–	–	50	50			
Business transformation costs	–	–	–	84	84			
Managed Separation costs	–	–	–	24	24			
Finance costs	–	–	–	13	13			
Policyholder tax adjustments	(101)	–	(101)	–	(101)			
Adjusting items	(101)	–	(101)	171	70			
Adjusted profit before tax – continuing operations and QLA[7]	647	141	788	(555)	233			

[1]Net Management Fees are commented on within the Financial Review and explained in the Alternative Performance Measures on page 212.
[2]Other revenue is commented on within the Financial Review and explained in the Alternative Performance Measures on page 212.
[3]Total net fee revenue is commented on within the Financial Review and explained in the Alternative Performance Measures on page 212.
[4]Consol of funds shows the grossing up impact to the Group's consolidated income statement as a result of the consolidation of funds, as described in note 4(a). This grossing up is excluded from the Group's adjusted profit.
[5]The results of QLA are deducted in order to reconcile to the Group's consolidated income statement. QLA is presented as a discontinued operation. This includes intercompany eliminations that are required when the Group's results are split between continuing and discontinued operations.
[6]The IFRS income statement column in the table above, down to Total before adjusting items, reconciles to each line of the Group's consolidated income statement down to (Loss)/profit before tax attributable to equity holders.
[7] Adjusted profit before tax – continuing operations and QLA of £233 million for year ended 31 December 2018 represents the Group's total adjusted profit before tax of £259 million (see "Reconciliation of adjusted profit to profit after tax" statement), less £26 million of adjusted profit before tax attributable to the Single Strategy business.
[8]In the year ended 31 December 2018, the Group has reclassified £36 million from Fee income and other income from service activities to Investment return to conform with current year presentation.
[9]In the year ended 31 December 2018, the Group has reclassified £35 million from Investment return to Change in investment contract liabilities to conform with current year presentation.

8: Details of revenue

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

8(a): Geographic segmental information

This analyses the Group's total revenue, split by geographic location of our businesses (UK and International) and further analyses the Group's fee income and other income from service activities, based on the type of fees earned. The Group also earns an immaterial amount of revenue through operations based in the Republic of Ireland and the Channel Islands.

	UK			International			UK
Year ended 31 December 2019	Advice and Wealth Management £m	Wealth Platforms £m	Head Office £m	Wealth Platforms £m	Consolidation adjustments £m	Total continuing operations £m	Discontinued operations £m
Gross earned premiums	–	–	–	1	–	1	145
Premiums ceded to reinsurers	–	–	–	(1)	–	(1)	(86)
Net earned premiums	**–**	**–**	**–**	**–**	**–**	**–**	**59**
Premium based fees	103	–	–	72	–	175	11
Fund based fees[1]	383	175	–	101	–	659	65
Retrocessions received, intragroup	–	2	–	2	(4)	–	10
Fixed fees	–	3	–	28	–	31	2
Surrender charges	–	–	–	16	–	16	1
Other fee and commission income	–	39	–	–	16	55	75
Fee income and other income from service activities	**486**	**219**	**–**	**219**	**12**	**936**	**164**
Investment return	10	3,825	3	1,998	1,030	6,866	1,386
Other income	1	161	6	(1)	(145)	22	–
Total revenue	**497**	**4,205**	**9**	**2,216**	**897**	**7,824**	**1,609**

	UK			International			UK
Year ended 31 December 2018	Advice and Wealth Management £m	Wealth Platforms £m	Head Office £m	Wealth Platforms £m	Consolidation adjustments £m	Total continuing operations £m	Discontinued operations £m
Gross earned premiums	–	–	–	1	–	1	147
Premiums ceded to reinsurers	–	–	–	(1)	–	(1)	(87)
Net earned premiums	**–**	**–**	**–**	**–**	**–**	**–**	**60**
Premium based fees	87	–	–	77	–	164	15
Fund based fees[1]	460	169	–	102	–	731	210
Retrocessions received, intragroup	–	4	–	4	(8)	–	14
Fixed fees	–	2	–	28	–	30	2
Surrender charges	–	–	–	16	–	16	1
Other fee and commission income	–	–	–	–	13	13	(36)
Fee income and other income from service activities[2]	**547**	**175**	**–**	**227**	**5**	**954**	**206**
Investment return[2,3]	9	(1,562)	3	(916)	(246)	(2,712)	(770)
Other income	2	98	6	3	(74)	35	2
Total revenue	**558**	**(1,289)**	**9**	**(686)**	**(315)**	**(1,723)**	**(502)**

[1]Income from fiduciary activities is included within fund based fees.
[2]In the year ended 31 December 2018, within discontinued operations, the Group has reclassified £36 million from Fee income and other income from service activities to Investment return to conform with current year presentation.
[3]In the year ended 31 December 2018, within discontinued operations, the Group has reclassified £35 million from Investment return to Change in investment contract liabilities to conform with current year presentation.

Consolidation adjustments include £(4) million (2018: £(7) million) retrocessions eliminations relating to intragroup income and £(166) million (2018: £(103) million) other income eliminations relating to business services intragroup recharges. All other consolidation adjustments relate to consolidation of funds.

Notes to the consolidated financial statements continued
For the year ended 31 December 2019

8: Details of revenue continued
8(b): Investment return
This note analyses the investment return from the Group's investing activities.

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Investments and securities	54	53
Cash and cash equivalents[1]	23	19
Total interest and similar income	**77**	**72**
Dividend income	116	99
Foreign currency gains and losses	(1)	1
Total gains on financial instruments at fair value through profit and loss	6,674	(2,884)
Mandatorily at fair value through profit and loss	6,674	(2,883)
Designated at fair value through profit and loss	–	(1)
Net investment income – continuing operations	**6,866**	**(2,712)**
Net investment income – discontinued operations[2,3]	**1,386**	**(770)**
Total net investment income	**8,252**	**(3,482)**

[1]Included within cash and cash equivalents is £2 million of interest arising from assets held at amortised cost (2018: £2 million). The remainder is from assets at FVTPL.
[2]In the year ended 31 December 2018, the Group has reclassified £36 million from Fee income and other income from service activities to Investment return to conform with current year presentation.
[3]In the year ended 31 December 2018, the Group has reclassified £35 million from Investment return to Change in investment contract liabilities to conform with current year presentation.

9: Details of expenses
This note provides further details in respect of the items appearing in the expenses section of the consolidated income statement.

9(a): Fee and commission expenses, and other acquisition costs
This note analyses the fee and commission expenses and other acquisition costs.

	Note	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Fee and commission expense		128	241
Acquisition commission costs – investment contracts		36	52
Renewal commission – investment contracts		71	50
Retrocessions paid		19	27
Changes in contract costs	22	40	28
Fee and commission expenses, and other acquisition costs – continuing operations		**294**	**398**
Fee and commission expenses, and other acquisition costs – discontinued operations		**45**	**84**
Total fee and commission expenses, and other acquisition costs		**339**	**482**

9: Details of expenses continued

9(b): Other operating and administrative expenses

This note provides further details in respect of the items included within other operating and administrative expenses section of the consolidated income statement.

	Note	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Staff costs	9(c)(i)	399	375
Depreciation charge on right-of-use assets		13	–
Depreciation on other plant and equipment		6	8
Operating lease payments		–	16
Amortisation of purchased software		2	5
Amortisation of other acquired intangibles		45	41
Administration and other expenses		275	305
Other operating and administrative expenses – continuing operations		**740**	**750**
Other operating and administrative expenses – discontinued operations		**8**	**102**
Total other operating and administrative expenses		**748**	**852**

In prior years, operating lease payments principally represented rentals payable by the Group for the rental of buildings and equipment. At 1 January 2019 the Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in retained earnings at the time of initial application. Current year depreciation of the right-of-use asset is charged to the income statement on a straight line basis.

Administration and other expenses include business transformation costs for the year ended 31 December 2019 of £57 million (2018: £58 million) in relation to the UK Platform Transformation Programme as well as general operating expenses such as IT related costs, premises and marketing.

Discontinued operations includes £10 million provision release for the year ended 31 December 2019 in relation to the voluntary customer remediation provision (2018: £nil).

9(c): Staff costs and other employee-related costs

9(c)(i): Staff costs

	Note	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Wages and salaries		250	221
Bonus and incentive remuneration		57	62
Social security costs		29	26
Retirement obligations			
Defined contribution plans		14	12
Share-based payments			
Cash settled	25(e)	–	3
Equity settled	25(e)	25	24
Other		24	27
Staff costs – continuing operations		**399**	**375**
Staff costs – discontinued operations		**13**	**75**
Total staff costs		**412**	**450**

Notes to the consolidated financial statements continued
For the year ended 31 December 2019

9: Details of expenses continued
9(c)(ii): Employee numbers

	Year ended 31 December 2019 Number	Year ended 31 December 2018 Number
The average number of persons employed by the Group was:		
Advice and Wealth Management	1,516	1,324
Wealth Platforms	2,476	2,369
Head office	79	52
Continuing operations	**4,071**	**3,745**
Discontinued operations	**299**	**421**
Total average number of employees during the year	**4,370**	**4,166**

The average number of persons employed by the Group is based on permanent employees and fixed term contractors.

9(d): Auditor's remuneration
Included in other operating and administrative expenses are fees paid to the Group's auditors. These can be categorised as follows:

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Group and Parent Company	1.0	1.1
Subsidiaries	2.7	2.1
Total fees for audit services	3.7	3.2
Fees for audit-related assurance services	1.1	1.2
Total fees for audit and audit-related assurance services	4.8	4.4
Fees for non-audit services	–	2.3
Total Group auditor's remuneration – continuing operations	**4.8**	**6.7**
Total Group auditor's remuneration – discontinued operations	**0.2**	**0.2**
Total Group auditor's remuneration	**5.0**	**6.9**

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

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Term loans and other external debt	1	2
Subordinated debt securities (Tier 2 bond)	9	8
Loans from Old Mutual plc	–	3
Interest payable on borrowed funds	**10**	**13**
Interest expense on lease liabilities[1]	3	–
Other	4	3
Total finance costs – continuing operations	**17**	**16**
Total finance costs – discontinued operations	**–**	**1**
Total finance costs – total business	**17**	**17**

[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.

Finance costs represent the cost of interest and finance charges on the Group's borrowings from a number of relationship banks and, in the prior year, Old Mutual plc. The Group has had no borrowings from Old Mutual plc since 28 February 2018. More details regarding borrowed funds, including the interest rates payable, are shown in note 29. These costs are excluded from adjusted profit within the "Finance costs" adjusting item.

Within other finance costs above is £3 million (2018: £3 million) relating to the impact of unwinding the discount rate on contingent consideration payable as a result of various acquisitions. These costs are excluded from adjusted profit within the "Goodwill impairment and impact of acquisition accounting" adjusting item as shown in note 7(a)(i).

10: Tax
10(a): Tax charged to the income statement

	Note	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Current tax			
United Kingdom		33	(10)
International		5	3
Adjustments to current tax in respect of prior periods		(11)	(11)
Total current tax		**27**	**(18)**
Deferred tax			
Origination and reversal of temporary differences		40	(61)
Effect on deferred tax of changes in tax rates		2	–
Adjustments to deferred tax in respect of prior periods		(3)	(7)
Total deferred tax		**39**	**(68)**
Total tax charged/(credited) to income statement – continuing operations		**66**	**(86)**
Total tax charged/(credited) to income statement – discontinued operations	5(c)	**89**	**(81)**
Total tax charged/(credited) to income statement		**155**	**(167)**
Attributable to policyholder returns – continuing operations		98	(61)
Attributable to equity holders – continuing operations		(32)	(25)
Total tax charged/(credited) to income statement – continuing operations		**66**	**(86)**
Attributable to policyholder returns – discontinued operations		76	(97)
Attributable to equity holders – discontinued operations		13	16
Total tax charged/(credited) to income statement – discontinued operations		**89**	**(81)**
Total tax charged/(credited) to income statement		**155**	**(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 operations was £66 million for the year ended 31 December 2019, compared to a credit of £(86) 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 profit before tax attributable to equity holders. An adjustment is made to adjusted profit to remove these distortions, as explained further in note 7(a)(v).

Significant market volatility during the year ended 31 December 2018 led to large investment losses that have reversed in 2019, resulting in investment gains of £833 million on products subject to policyholder tax. The gain is a component of the total "investment return" gain of £6,866 million shown in the income statement and £1,386 million shown in the discontinued operations income statement. The impact of the £833 million investment return gain is the primary reason for the £174 million tax charge attributable to policyholder returns in respect of both continuing (£98 million) and discontinued (£76 million) operations for the year ended 31 December 2019 (31 December 2018: £(61) million credit in respect of continuing operations and £(97) million in respect of discontinued operations).

First time recognition of deferred tax asset on accelerated depreciation
Within the £39 million total deferred tax charge and the £(32) million tax credit attributable to equity holders (continuing operations) above, the Group has recognised a £7 million deferred tax credit for the first time in the current year. This is in respect of a change in recognition of deferred tax assets where the Group now recognises the future reversal of temporary differences in respect of capital allowances against matching temporary differences in respect of amortisation of acquired intangible assets. Had this been in place in the prior year, the equivalent adjustment in 2018 would have been a £9 million deferred tax credit, with a corresponding £2 million charge in the current year. Further detail is shown in note 28(a).

Notes to the consolidated financial statements continued
For the year ended 31 December 2019

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

	Note	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Profit before tax from continuing operations		**45**	**(20)**
Tax at UK standard rate of 19% (2018: 19%)		9	(4)
Different tax rate or basis on overseas operations		(6)	(5)
Untaxed and low taxed income		1	(8)
Disallowable expenses		3	6
Adjustments to current tax in respect of prior years		(11)	(11)
Net movement on deferred tax assets not recognised		(11)	(11)
Effect on deferred tax of changes in tax rates		2	–
Adjustments to deferred tax in respect of prior years		(3)	(7)
Income tax attributable to policyholder returns		82	(46)
Total tax charged/(credited) to income statement – continuing operations		**66**	**(86)**
Total tax charged/(credited) to income statement – discontinued operations	5(c)	**89**	**(81)**
Total tax charged/(credited) to income statement		**155**	**(167)**

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

	Notes	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Income tax expense/(credit) on continuing operations[1]		**66**	**(86)**
Tax on adjusting items			
Goodwill impairment and impact of acquisition accounting		8	8
Business transformation costs		14	16
Managed Separation costs		1	2
Finance costs		2	2
Tax adjusting items			
Policyholder tax adjustments	7(a)(v)	(62)	64
Other shareholder tax adjustments[2]		24	5
Tax on adjusting items – continuing operations		(13)	97
Less: Tax attributable to policyholder returns within adjusted profit – continuing operations[3]		(36)	(3)
Tax charged on adjusted profit – continuing operations		**17**	**8**
Reversal of income tax expense on the reallocation of QLA costs		5	5
Tax charged on adjusted profit – continuing operations before the reallocation of QLA costs		**22**	**13**
Income tax expense/(credit) on discontinued operations[1]	5(c)	**89**	**(81)**
Tax on adjusting items			
Profit on business disposals		–	4
Voluntary customer remediation provision		(2)	–
Tax adjusting items			
Policyholder tax adjustments	7(a)(v)	(12)	37
Other shareholder tax adjustments[2]		(3)	(17)
Tax on adjusting items – discontinued operations		(17)	24
Less: Tax attributable to policyholder returns within adjusted profit – discontinued operations[3]		(64)	60
Tax charged on adjusted profit – discontinued operations		**8**	**3**
Reversal of income tax credit on the reallocation of QLA costs		(5)	(5)
Tax charged/(charged) on adjusted profit – discontinued operations before the reallocation of QLA costs		**3**	**(2)**
Tax charged on total adjusted profit		**25**	**11**

[1] Includes both tax attributable to policyholders and shareholders, in compliance with IFRS reporting.
[2] Other shareholder tax adjustments comprise the reallocation of adjustments from policyholder tax as explained in note 7(a)(v) together with other adjustments made to deferred tax to remove distortions arising from timing differences in respect of acquisition accounting. As such, the £7 million deferred tax credit in respect of a change of deferred tax asset recognition described in note 10(a) has been removed from the tax charge on adjusted profit.
[3] Adjusted profit treats policyholder tax as a pre-tax charge (this includes policyholder tax under IFRS and the policyholder tax adjustments) and is therefore removed from tax charge on adjusted profit.

11: 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 before and after the reallocation of QLA costs, and Headline EPS is a requirement of the Johannesburg Stock Exchange. The Group's EPS (in aggregate, including both continuing and discontinued operations) on these different bases are summarised below.

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

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

	Source of guidance	Notes	Year ended 31 December 2019 Pence	Year ended 31 December 2018 Pence
Basic earnings per share	IFRS	11(b)	8.0	26.6
Diluted basic earnings per share	IFRS	11(b)	7.8	26.5
Adjusted basic earnings per share	Group policy	11(b)	11.4	13.5
Adjusted diluted earnings per share	Group policy	11(b)	11.3	13.5
Headline basic earnings per share (net of tax)	JSE Listing Requirements	11(c)	2.3	10.6
Headline diluted earnings per share (net of tax)	JSE Listing Requirements	11(c)	2.3	10.5

11(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):

	Year ended 31 December 2019 Millions	Year ended 31 December 2018 Millions
Weighted average number of Ordinary Shares	1,902	1,902
Own shares including those held in EBTs	(67)	(70)
Basic weighted average number of Ordinary Shares	**1,835**	**1,832**
Adjustment for dilutive share awards and options	28	7
Diluted weighted average number of Ordinary Shares	**1,863**	**1,839**

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

The table below shows the profit measures used in the EPS calculations.

		Year ended 31 December 2019			Year ended 31 December 2018		
	Note	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
(Loss)/profit after tax		(21)	167	146	66	422	488
Total adjusting items before tax		209	(101)	108	107	(327)	(220)
Tax on adjusting items	10(c)	13	17	30	(97)	(24)	(121)
Less: Policyholder tax adjustments	10(c)	(62)	(12)	(74)	64	37	101
Adjusted profit after tax		**139**	**71**	**210**	**140**	**108**	**248**
Reversal of:							
Reallocation of QLA costs[1]		26	(26)	–	28	(28)	–
Income tax on reallocation of QLA costs	10(c)	(5)	5	–	(5)	5	–
Adjusted profit after tax before reallocation		**160**	**50**	**210**	**163**	**85**	**248**

[1]Adjusted profit from continuing operations includes £26 million of costs (2018: £28 million) previously reported as part of the QLA business which has been reallocated from discontinued to continuing operations as these costs do not transfer to ReAssure on disposal at 31 December 2019. See note 5(b) for further information.

Notes to the consolidated financial statements continued
For the year ended 31 December 2019

11: Earnings per share continued
11(b): Basic and diluted EPS (IFRS and adjusted profit) continued

		Year ended 31 December 2019			Year ended 31 December 2018		
	Post-tax profit measure used	Continuing operations Pence	Discontinued operations Pence	Total Pence	Continuing operations Pence	Discontinued operations Pence	Total Pence
Basic EPS	IFRS profit	(1.1)	9.1	8.0	3.5	23.1	26.6
Diluted EPS	IFRS profit	(1.1)	8.9	7.8	3.5	23.0	26.5
Adjusted basic EPS	Adjusted profit	7.5	3.9	11.4	7.6	5.9	13.5
Adjusted diluted EPS	Adjusted profit	7.5	3.8	11.3	7.6	5.9	13.5
Adjusted basic EPS before reallocation	Adjusted profit before reallocation	8.7	2.7	11.4	8.9	4.6	13.5
Adjusted diluted EPS before reallocation	Adjusted profit before reallocation	8.6	2.7	11.3	8.9	4.6	13.5

11(c): Headline earnings per share

	Year ended 31 December 2019		Year ended 31 December 2018	
	Gross £m	Net of tax £m	Gross £m	Net of tax £m
Profit attributable to ordinary equity holders		**146**		**488**
Adjusting items:				
Less: profit on business disposals	(103)	(103)	(290)	(294)
Headline earnings	**(103)**	**43**	**(290)**	**194**
Headline basic EPS (pence)		**2.3**		**10.6**
Headline diluted EPS (pence)		**2.3**		**10.5**

12: Dividends

	Payment date	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
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	–
2019 Interim dividend paid – 1.7p per ordinary share	20 September 2019	31	–
Dividends paid to ordinary shareholders		**92**	**221**

Subsequent to year ended 31 December 2019, the Directors proposed a final dividend for 2019 of 3.5 pence per Ordinary Share amounting to £65 million in total. Subject to approval by shareholders at the AGM, the dividend will be paid on 18 May 2020. In compliance with the rules issued by the Prudential Regulation Authority ("PRA") in relation to the implementation of the Solvency II regime and other regulatory requirements to which the Group is subject, the dividend is required to remain cancellable at any point prior to it becoming due and payable on 18 May 2020 and to be cancelled if, prior to payment, the Group ceases to hold capital resources equal to or in excess of its Solvency Capital Requirement, or if that would be the case if the dividend was paid. The Directors have no intention of exercising this cancellation right, other than where required to do so by the PRA or for regulatory capital purposes. Final and interim dividends paid to ordinary shareholders are calculated using the number of shares in issue at the record date less own shares held in Employee Benefit Trusts.

13: Goodwill and intangible assets

13(a): Analysis of goodwill and intangible assets

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

	Goodwill £m	Software development costs £m	Other intangible assets £m	Total £m
Gross amount				
1 January 2018	306	97	371	774
Acquisitions through business combinations	5	–	9	14
Additions	–	4	–	4
Transfer to non-current assets held for sale	(1)	–	–	(1)
Other movements[1]	4	(1)	–	3
31 December 2018	314	100	380	794
Acquisitions through business combinations	68	–	49	117
Additions	–	5	–	5
Disposals	(30)	(4)	(4)	(38)
Other movements[2]	(2)	–	3	1
31 December 2019	**350**	**101**	**428**	**879**
Amortisation and impairment losses				
1 January 2018	–	(92)	(108)	(200)
Amortisation charge for the year	–	(4)	(41)	(45)
Impairment of other acquired intangibles	–	–	(1)	(1)
Other movements	–	1	1	2
31 December 2018	–	(95)	(149)	(244)
Amortisation charge for the year	–	(2)	(45)	(47)
Disposals	–	4	4	8
Other movements[2]	–	–	(4)	(4)
31 December 2019	**–**	**(93)**	**(194)**	**(287)**
Carrying amount				
31 December 2018	314	5	231	550
31 December 2019	**350**	**8**	**234**	**592**

[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.
[2]During the year, there has been a gross up of fully amortised intangible assets in the Quilter Financial Planning and Quilter Cheviot businesses arising from previous business combinations.

Notes to the consolidated financial statements continued
For the year ended 31 December 2019

13: Goodwill and intangible assets continued
13(b): Analysis of other intangible assets

	31 December 2019 £m	31 December 2018 £m	Average estimated useful life	Average period remaining
Net carrying value				
Distribution channels	22	28	8 years	4 years
Customer relationships	211	199	10 years	6 years
Brand	1	4	5 years	1 year
Total other intangible assets	**234**	**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, of which Lighthouse plc is still a provisional calculation and therefore the apportionment between goodwill and other intangibles for this acquisition is subject to change. The brand asset is in relation to the Quilter Cheviot business.

13(c): Allocation of goodwill to cash generating units ("CGUs") and impairment testing
The Group's CGUs are based on the Advice and Wealth Management and Wealth Platforms operating segments, as defined in note 6(a). Goodwill is allocated to these CGUs as follows:

	31 December 2019 £m	31 December 2018 £m
Goodwill (net carrying amount)		
Advice and Wealth Management	219	153
Wealth Platforms	131	161
Total goodwill	**350**	**314**

Annual impairment review
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 NCCF, significant falls in profit and an increase in the discount rate.

The annual impairment test performed in November 2019 continued to show that there was significant headroom in the recoverable amount over the carrying value of the CGUs. The goodwill model is subject to stress tests, including the impact of a 20% and 40% decrease in profitability and the impact of an increase in discount rates. None of the stress test scenarios have resulted in any indication of impairment.

The impact on expected future profits resulting from muted flows and the IFRS loss after tax for continuing operations of £21 million in the year has been partially offset by the effect of a 0.8% decrease in the Group's cost of capital rate, used as part of the value-in-use calculation, from 10.8% in 2018 to 10.0% in 2019. The significant headroom in the recoverable amount over the carrying value for both CGUs also means the impact of the lower NCCF and IFRS loss from continuing operations in the current year are not considered sufficiently material to be indicators of impairment.

Following the sale of the QLA business in the year, there has been a £30 million disposal of associated goodwill. This represented the share of 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. The annual impairment assessment performed in November 2019 excluded the impact of QLA in the Wealth Platforms CGU. This resulted in a small decrease in headroom in the Wealth Platforms CGU, as the value-in-use of QLA was only slightly higher than its carrying value.

Value-in-use methodology
The value-in-use calculations for life assurance operations are determined as the sum of net tangible assets, the expected future profits arising from the in-force business, together with the expected profits from future new business derived from the business plans. Future profit elements allow for the cost of capital needed to support the business.

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

13: Goodwill and intangible assets continued

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

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

The cash flows that have been used to determine the value-in-use of the cash generating units are based on three year business plans. These cash flows grow at different rates because of the different strategies of the CGUs. In cases where the CGUs have made significant acquisitions in the recent past, the profits are forecast to grow faster than the more mature businesses. Post the three year business plan, the growth rate used to determine the terminal value of the CGUs in the annual assessment approximates to the UK long-term growth rate of 1.7% (2018: 2.1%). Market share and market growth information are also used to inform the expected volumes of future new business.

The Group uses a single cost of capital of 10.0% (2018: 10.8%) to discount future expected business plan cash flows across its two CGUs because they are perceived to present a similar level of risk and are integrated. Capital is provided to the Group predominantly by shareholders with only a small amount of debt. The cost of capital is the weighted average of the cost of equity (return required by shareholders) and the cost of debt (return required by bond holders). When assessing the systematic risk (i.e. beta value) within the calculation of the cost of equity, a triangulation approach is used that combines beta values obtained from historical data, a forward looking view on the progression of beta values and the external views of investors.

14: Property, plant and equipment

	Right-of-use assets £m	Leasehold improvements £m	Plant and equipment £m	Total £m
Gross amount				
1 January 2018	–	13	75	88
Additions	–	2	5	7
Disposals	–	–	(1)	(1)
Foreign exchange and other movements	–	(2)	–	(2)
31 December 2018	–	13	79	92
Implementation of IFRS 16[1]	143	(3)	–	140
Acquisitions through business combinations	1	1	1	3
Additions[2]	60	–	8	68
31 December 2019	**204**	**11**	**88**	**303**
Amortisation and impairment losses				
1 January 2018	–	(7)	(63)	(70)
Depreciation charge for the year	–	(1)	(7)	(8)
Disposals	–	–	2	2
Other movements	–	–	1	1
31 December 2018	–	(8)	(67)	(75)
Implementation of IFRS 16[1]	(67)	2	–	(65)
Acquisitions through business combinations	–	–	(1)	(1)
Depreciation charge for the year	(13)	(1)	(5)	(19)
31 December 2019	**(80)**	**(7)**	**(73)**	**(160)**
Carrying amount				
31 December 2018	–	5	12	17
31 December 2019	**124**	**4**	**15**	**143**

[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]The majority of additions during the year relate to the lease for Senator House, the Group's new London property.

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

	31 December 2019 £m	31 December 2018 £m
Loans to policyholders	180	189
Loans to brokers, advisers and other loans to clients	31	27
Other loans	6	7
Gross loans and advances	**217**	**223**
Provision for impairments	–	(1)
Total net loans and advances	**217**	**222**
To be recovered within 12 months	190	199
To be recovered after 12 months	27	23
Total net loans and advances	**217**	**222**

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

Policyholder loans are amounts taken from an individual policyholder's unit-linked accounts and loaned to the same policyholder. Policyholder loans are non-interest bearing and are considered to be risk free from a shareholder perspective as the policyholder retains all associated risks. Policyholder loans are considered to be recoverable within 12 months as they have no repayment schedule.

Loans to advisers are made on commercial terms.

Other loans represent a loan to TA Associates in respect of the deferred consideration receivable arising from the sale of the Single Strategy Asset Management business. The loan is repayable no later than June 2022.

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

	Notes	31 December 2019 £m	31 December 2018 £m
Government and government-guaranteed securities		1,018	1,175
Other debt securities, preference shares and debentures	16(a)	2,160	2,095
Equity securities	16(b)	12,051	10,006
Pooled investments		44,101	45,931
Short-term funds and securities treated as investments		15	12
Total financial investments		**59,345**	**59,219**
Recoverable within 12 months		59,344	59,044
Recoverable after 12 months		1	175
Total financial investments		**59,345**	**59,219**

The financial investments recoverability profile is based on the intention with which the financial assets are held. These assets, together with the reinsurers' share of investment contract liabilities, are held to cover the liabilities for linked investment contracts (net of reinsurance), all of which can be withdrawn by policyholders on demand.

16(a): Other debt securities, preference shares and debentures
Debt securities, preference shares and debentures are neither past due nor impaired. These debt instruments and similar securities are classified according to their local credit rating (Standard & Poor's or an equivalent), by investment grade.

16(b): Equity securities
Equity securities are held to cover the liabilities for linked investment contracts. The majority of the listed securities are traded on the London Stock Exchange. The majority of the Group's holdings of unlisted equity securities arise principally from private equity investments, held exclusively on behalf of policyholders.

17: Derivative financial instruments – assets and liabilities

The Group has limited involvement with derivative instruments and does not use them for speculation purposes. Derivative instruments are used to manage well-defined foreign exchange risks arising out of the normal course of business. The Group enters into forward foreign exchange contracts to reduce currency risk on accounts receivable and future revenues denominated in United States dollars. The Group does not anticipate any material adverse effect on its financial position resulting from its involvement in these types of contracts, nor does it anticipate non-performance by counterparties. The Group only deals with highly rated counterparties.

The majority of derivatives included within the statement of financial position relate to instruments included as a consequence of the consolidation of investment funds. These can be seen within the segmented statement of financial position (note 6(c)).

18: Categories of financial instruments

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

For information about the methods and assumptions used in determining fair value please refer to note 19. The Group's exposure to various risks associated with financial instruments is discussed in note 36(b).

31 December 2019 – Measurement basis	Fair value: Mandatorily at FVTPL £m	Fair value: Designated at FVTPL £m	Amortised cost £m	Non-financial assets and liabilities £m	Total £m
Assets					
Investments in associated undertakings[1]	–	–	–	1	1
Loans and advances	180	–	37	–	217
Financial investments	59,343	2	–	–	59,345
Trade, other receivables and other assets	–	–	373	51	424
Derivative assets	32	–	–	–	32
Cash and cash equivalents	1,159	–	1,314	–	2,473
Total assets that include financial instruments	60,714	2	1,724	52	62,492
Total other non-financial assets	–	–	–	1,246	1,246
Total assets	**60,714**	**2**	**1,724**	**1,298**	**63,738**
Liabilities					
Investment contract liabilities	52,455	–	–	–	52,455
Third-party interests in consolidation of funds	7,675	–	–	–	7,675
Borrowings and lease liabilities[2]	–	–	335	–	335
Trade, other payables and other liabilities	–	–	730	106	836
Derivative liabilities	17	–	–	–	17
Total liabilities that include financial instruments	60,147	–	1,065	106	61,318
Total other non-financial liabilities	–	–	–	349	349
Total liabilities	**60,147**	**–**	**1,065**	**455**	**61,667**

[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.

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18: Categories of financial instruments continued

31 December 2018 – Measurement basis	Fair value Mandatorily at FVTPL £m	Fair value Designated at FVTPL £m	Amortised cost £m	Non-financial assets and liabilities £m	Total £m
Assets					
Investments in associated undertakings[1]	–	–	–	2	2
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[2]	–	–	486	44	530
Derivative assets	46	–	–	–	46
Cash and cash equivalents	1,361	–	1,034	–	2,395
Total assets that include financial instruments	62,319	167	1,553	537	64,576
Total other non-financial assets	–	–	–	1,214	1,214
Total assets	**62,319**	**167**	**1,553**	**1,751**	**65,790**
Liabilities					
Insurance contract liabilities	–	–	–	602	602
Investment contract liabilities	56,450	–	–	–	56,450
Third-party interests in consolidation of funds	5,116	–	–	–	5,116
Borrowings	–	–	197	–	197
Trade, other payables and other liabilities	–	–	840	159	999
Derivative liabilities	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.
[2]The Group's contract assets are now included within Trade, other receivables and other assets, having previously been shown separately on the statement of financial position.

19: 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 19(b)), prescribed under IFRS, provides an indication about the reliability of inputs used in determining fair value.

19(a): Determination of fair value

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

- for units in unit trusts and shares in open-ended investment companies, fair value is determined by reference to published quoted prices representing exit values in an active market;
- for equity and debt securities not actively traded in organised markets and where the price cannot be retrieved, the fair value is determined by reference to similar instruments for which market observable prices exist;
- for assets that have been suspended from trading on an active market, the last published price is used. Many suspended assets are still regularly priced. At the reporting date all suspended assets are assessed for impairment; and
- where the assets are private company shares or within consolidated investment funds the valuation is based on the latest available set of audited financial statements where available, or if more recent, 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. Where assets are valued by the Group, 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.

19: Fair value methodology continued

19(a): Determination of fair value continued

Loans and advances

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

Financial investments

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

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

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

Derivatives

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

Investment contract liabilities

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

Third-party interest in consolidated funds

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

Borrowings and lease liabilities

Borrowings and lease liabilities are stated at amortised cost.

19(b): Fair value hierarchy

Fair values are determined according to the following hierarchy:

Description of hierarchy	Types of instruments classified in the respective levels
Level 1 – quoted market prices: financial assets and liabilities with quoted prices for identical instruments in active markets.	Listed equity securities, government securities and other listed debt securities and similar instruments that are actively traded, actively traded pooled investments, certain quoted derivative assets and liabilities, reinsurers' share of investment contract liabilities and investment contract liabilities directly linked to other Level 1 financial assets.
Level 2 – valuation techniques using observable inputs: financial assets and liabilities with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial assets and liabilities valued using models where all significant inputs are observable.	Unlisted equity and debt securities where the valuation is based on models involving no significant unobservable data. Over the counter ("OTC") derivatives, certain privately placed debt instruments and third-party interests in consolidated funds.
Level 3 – valuation techniques using significant unobservable inputs: financial assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable.	Unlisted equity and securities with significant unobservable inputs, securities where the market is not considered sufficiently active, including certain inactive pooled investments.

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

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

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

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19: Fair value methodology continued

19(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 £139 million from Level 1 to Level 2 during the year (31 December 2018: £13 million). There were transfers of financial investments of £76 million from Level 2 to Level 1 during the year (31 December 2018: £107 million). These movements are matched exactly by transfers of investment contract liabilities. See note 19(e) for the reconciliation of Level 3 financial instruments.

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

The majority of the Group's financial assets are measured using quoted market prices for identical instruments in active markets (Level 1) and there have been no significant changes during the year.

The linked assets, 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.

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

The table below presents a summary of the Group's financial assets and liabilities that are measured at fair value in the consolidated statement of financial position according to their IFRS 9 classification (see note 18 for full details).

	31 December 2019		31 December 2018	
	£m	%	£m	%
Financial assets measured at fair value				
Level 1	46,904	77.3%	52,060	83.4%
Level 2	12,095	19.9%	9,272	14.8%
Level 3	1,717	2.8%	1,154	1.8%
Total	**60,716**	**100.0%**	**62,486**	**100.0%**
Financial liabilities measured at fair value				
Level 1	50,315	83.6%	54,944	89.2%
Level 2	8,115	13.5%	5,508	8.9%
Level 3	1,717	2.9%	1,151	1.9%
Total	**60,147**	**100.0%**	**61,603**	**100.0%**

19: Fair value methodology continued

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

The tables below further analyse the Group's financial assets and liabilities measured at fair value by the fair value hierarchy described in note 19(b):

31 December 2019	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets measured at fair value				
Mandatorily (fair value through profit or loss)	46,902	12,095	1,717	60,714
Loans and advances	180	–	–	180
Financial investments	45,563	12,063	1,717	59,343
Cash and cash equivalents	1,159	–	–	1,159
Derivative assets	–	32	–	32
Designated (fair value through profit or loss)	2	–	–	2
Financial investments	2	–	–	2
Total assets measured at fair value	**46,904**	**12,095**	**1,717**	**60,716**
Financial liabilities measured at fair value				
Mandatorily (fair value through profit or loss)	50,315	8,115	1,717	60,147
Investment contract liabilities	50,315	423	1,717	52,455
Third-party interests in consolidated funds	–	7,675	–	7,675
Derivative liabilities	–	17	–	17
Total liabilities measured at fair value	**50,315**	**8,115**	**1,717**	**60,147**

31 December 2018	Level 1 £m	Level 2 £m	Level 3 £m	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 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 liabilities	–	37	–	37
Total liabilities measured at fair value	**54,944**	**5,508**	**1,151**	**61,603**

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19: Fair value methodology continued
19(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 the prior year, included within the assets classified as Level 3 was a shareholder investment in an unlisted equity (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 year, 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.

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

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
At beginning of the year	1,154	1,169
Total net fair value gains recognised in:		
– profit or loss	(20)	54
Purchases	314	38
Sales	(24)	(25)
Transfers in	369	69
Transfers out	(71)	(151)
Foreign exchange and other	(5)	–
Total Level 3 financial assets	**1,717**	**1,154**
Unrealised fair value gains/(losses) relating to assets held at the year end recognised in:		
– profit or loss	**(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 in the current year total £369 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. Suspended funds are valued based on external valuation reports received from fund managers. Transfers out of Level 3 assets in the current year comprise £71 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:

	31 December 2019 £m	31 December 2018 £m
Pooled investments	361	86
Unlisted and stale price pooled investments	133	82
Suspended funds	228	4
Private equity investments	1,356	1,068
Total Level 3 financial assets	**1,717**	**1,154**

19: Fair value methodology continued

19(e): Level 3 fair value hierarchy disclosure continued

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

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

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
At beginning of the year	1,151	1,167
Total net fair value gains recognised in:		
– profit or loss	(20)	53
Purchases	314	38
Sales	(24)	(25)
Transfers in	369	69
Transfers out	(71)	(151)
Foreign exchange and other	(2)	–
Total Level 3 financial liabilities	**1,717**	**1,151**
Unrealised fair value gains/(losses) relating to liabilities held at the year end recognised in:		
– profit or loss	**(20)**	**53**

19(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 19(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 performs a sensitivity test of an aggregate 10% change in the value of the financial asset or liability (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 £172 million to the reported fair value of Level 3 assets, both favourable and unfavourable (31 December 2018: £115 million). As described in note 19(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.

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

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

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

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

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

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

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

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20: Structured entities

20(a): Group's involvement in structured entities

Some investment vehicles are classified as structured entities because they have a narrow and well defined purpose. In structured entities, voting rights are not the predominant factor in deciding who controls the entity but rather it is the Group's exposure to the variability of returns from these entities.

The Group invests in collective investment vehicles, including OEICs and unit trusts, in order to match unit-linked investment contract liabilities. Shareholder funds are also invested in collective investment vehicles, principally in respect of money market funds as an alternative to bank deposits. These structured entities are not consolidated where the Group determines that it does not have control.

The Group's holdings in collective investment vehicles are subject to the terms and conditions of the respective investment vehicle's offering documentation and are susceptible to market price risk arising from uncertainties about future values of those investment vehicles. All of the investment vehicles in the investment portfolios are managed by portfolio managers who are compensated by the respective investment vehicles for their services. Such compensation generally consists of an asset-based fee and a performance based incentive fee, and is reflected in the valuation of the investment vehicles.

20(b): Interests in unconsolidated structured entities

The Group invests in unconsolidated structured entities as part of its normal investment and trading activities. The Group's total interest in unconsolidated structured entities is classified as investments and securities held at fair value through profit or loss. The table below provides a summary of the carrying value of the Group's interests in unconsolidated structured entities:

	31 December 2019 £m	31 December 2018 £m
Financial investments	38,264	40,815
Cash and cash equivalents	1,159	1,361
Total Group interest in unconsolidated structured entities	**39,423**	**42,176**

The Group's maximum exposure to loss with regard to the interests presented above is the carrying amount of the Group's investments. Once the Group has disposed of its shares or units in a fund, it ceases to be exposed to any risk from that fund. The Group's holdings in the above unconsolidated structured entities are mostly less than 50% and as such the net asset value of these structured entities is likely to be significantly higher than their carrying value.

20(c): Consolidation considerations for structured entities managed by the Group

The Group acts as fund manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of decision-making rights as fund manager, the investor's rights to remove the fund manager and the aggregate economic interests of the Group in the fund in the form of interest held and exposure to variable returns.

In most instances the Group's decision-making authority, in its capacity as fund manager, with regard to these funds is regarded to be well-defined. Discretion is exercised when decisions regarding the relevant activities of these funds are being made. For funds managed by the Group where the investors have the right to remove the Group as fund manager without cause, the fees earned by the Group are considered to be market related. These agreements include only terms, conditions or amounts that are customarily present in arrangements for similar services and level of skills negotiated on an arm's length basis. The Group has concluded that it acts as agent on behalf of the investors in all instances.

The Group is considered to be acting as principal where the Group is the fund manager and is able to make the investment decisions on behalf of the unit holders and earn a variable fee, and there are no kick out rights that would remove the Group as fund manager.

There have been no changes in facts or circumstances which have changed the Group's conclusion on the consolidation of funds.

The Group has not provided any non-contractual support to any consolidated or unconsolidated structured entities.

20(d): Other interests in unconsolidated structured entities

There are no investments at the current or prior reporting date managed by the Group in which it has no holding. In the prior year, there was £1 million of fees recorded in the income statement in relation to previously managed investments, which are no longer part of the Group following the sale of the Single Strategy business in 2018.

21: Trade, other receivables and other assets

The note analyses total trade, other receivables and other assets.

	31 December 2019 £m	31 December 2018 £m
Debtors arising from reinsurance business	–	5
Outstanding settlements	245	327
Other receivables	78	94
Accrued interest	2	2
Accrued income[1]	34	29
Other accruals and prepayments	30	34
Contract assets[1]	19	15
Management fees	16	23
Other assets	–	1
Total trade, other receivables and other assets	**424**	**530**
To be settled within 12 months	424	530
To be settled after 12 months	–	–
Total trade, other receivables and other assets	**424**	**530**

[1]Following refinement of the Group's interpretation of IFRS 15 post adoption at 1 January 2018 and to conform with current year presentation, in the year ended 31 December 2018 £29 million of assets have been reclassified from contract assets to accrued income.

Other receivables mainly relate to trade debtors, tax debtors and other debtors.

There have been no non-performing receivables or material impairments in the financial year that require disclosure. Information about the Group's impairment losses on trade receivables is included in note 36(b). None of the receivables reflected above have been subject to the renegotiation of terms.

All amounts are current, short-term and interest free with the carrying amount approximating to fair value.

22: Deferred acquisition costs and contract costs

Deferred acquisition costs (on insurance contracts) and contract costs (on investment contracts and asset management contracts) relate to costs that the Group incur to obtain new business. These acquisition costs are capitalised in the statement of financial position and are amortised in profit or loss over the life of the contracts. The table below analyses the movements in these balances relating to insurance, investment and asset management contracts.

	Deferred acquisition costs			Contract costs		
	Investment contracts £m	Insurance contracts £m	Asset management £m	Investment contracts £m	Asset management £m	Total £m
1 January 2018	592	14	5	–	–	611
Reclassification to contract costs[1]	(592)	–	(5)	592	5	–
New business	–	–	–	50	1	51
Amortisation	–	–	–	(79)	(2)	(81)
Other movements	–	–	–	2	–	2
Continuing operations movement	–	–	–	(27)	(1)	(28)
Discontinued operations movement	–	(3)	–	(18)	–	(21)
31 December 2018	–	11	–	547	4	562
New business	–	–	–	36	–	36
Amortisation	–	–	–	(75)	(1)	(76)
Continuing operations movement	–	–	–	(39)	(1)	(40)
Foreign exchange	–	–	–	(3)	–	(3)
Discontinued operations movement	–	(3)	–	(14)	–	(17)
Disposal of subsidiaries	–	(8)	–	(39)	–	(47)
31 December 2019	**–**	**–**	**–**	**452**	**3**	**455**

[1]Reclassified from deferred acquisition costs to contract costs at 1 January 2018, as a result of IFRS 15.

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23: Cash and cash equivalents
23(a): Analysis of cash and cash equivalents

	31 December 2019 £m	31 December 2018 £m
Cash at bank	787	550
Money market funds	1,159	1,361
Cash and cash equivalents in consolidated funds	527	484
Total cash and cash equivalents	**2,473**	**2,395**

Except for cash and cash equivalents subject to consolidation of funds of £527 million (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.

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

	31 December 2019 £m	31 December 2018 £m
Cash flows from operating activities		
Profit before tax	301	321
Adjustments for non-cash movements in net profit for the year		
Depreciation of property, plant and equipment[1]	19	8
Movement on deferred acquisition and contract costs	57	49
Movement on deferred fee income and contract liabilities	(13)	(14)
Amortisation and impairment of intangibles	48	46
Fair value and other movements in financial assets	(7,650)	3,473
Fair value movements in investment contract liabilities	6,518	(4,119)
Other change in investment contract liabilities	(1,209)	1,412
Profit on sale of subsidiaries	(103)	(290)
Other movements[1]	65	19
	(2,268)	584
Net changes in working capital		
Increase in derivatives[2]	(6)	(353)
Decrease/(increase) in loans and advances	5	(23)
(Decrease)/increase in provisions	(28)	(6)
Movement in other assets/liabilities[3,4]	(10)	(280)
	(39)	(662)
Taxation paid	(37)	(92)
Net cash flows (used in)/ from operating activities	**(2,043)**	**151**

[1]In the year ended 31 December 2018, £2 million has been reclassified from Other movements to Depreciation of property, plant and equipment to conform with current year presentation.
[2]The movement in derivatives primarily relates to consolidated funds as explained in note 20.
[3]Working capital changes in respect of other assets and liabilities primarily relate to consolidated funds.
[4]In the year ended 31 December 2018, £7 million has been reclassified between net changes in working capital and acquisitions of interests in subsidiaries to conform with the current year presentation of contingent consideration payments (see note 5(a)).

23: Cash and cash equivalents continued

23(c): Cash flows from financing activities is further analysed below

31 December 2019	Liabilities: Borrowings and lease liabilities £m	Liabilities: Deposits from reinsurers £m	Equity[1]: Changes in equity £m	Total £m
	Note 29	Note 30		
Opening balance at 1 January 2019	**197**	**16**	**2,005**	**2,218**
Cash flows from financing activities				
Liability related:				
Finance costs on external borrowings	(9)	(1)	–	(10)
Equity related:				
Dividends paid to ordinary equity holders of the Company	–	–	(92)	(92)
Payment of lease liabilities	(16)	–	–	(16)
Cash flows from financing activities	**(25)**	**(1)**	**(92)**	**(118)**
Other changes				
External debt interest accrual	4	–	–	4
Changes in lease liabilities	64	–	–	64
Other changes in liabilities	6	1	–	7
Liability related	74	1	–	75
Equity related	89	–	158	247
31 December 2019	**335**	**16**	**2,071**	**2,422**

31 December 2018	Liabilities: Borrowings and lease liabilities £m	Liabilities: Deposits from reinsurers £m	Equity[1]: Changes in equity £m	Total £m
	Note 29	Note 30		
Opening balance at 1 January 2018	782	16	1,099	1,897
Cash flows from financing activities				
Liability related:				
Finance costs	(7)	(1)	–	(8)
Proceeds from issue of subordinated and other debt	497	–	–	497
Subordinated and other debt repaid	(516)	–	–	(516)
Equity related:				
Dividends paid to ordinary equity holders of the Company	–	–	(221)	(221)
Cash flows from financing activities	(26)	(1)	(221)	(248)
Other changes				
Other changes in liabilities[2]	(559)	1	–	(558)
Liability related	(559)	1	–	(558)
Equity related	–	–	1,127	1,127
31 December 2018	197	16	2,005	2,218

[1]Full details of changes in equity are shown in the consolidated statement of changes in equity.
[2]Other changes in liabilities in the year ended 31 December 2018 includes the £566 million receivable transferred into the Group as part of the acquisition of the Skandia UK Group Limited, which offsets with the corresponding payable already within the Group, as explained in note 5(a).

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24: Ordinary Share capital and merger reserve
24(a): Ordinary Share capital
Financial instruments issued are classified as equity when there is no contractual obligation to transfer cash, other financial assets or issue a variable number of own equity instruments. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax. The Parent Company's equity capital currently comprises 1,902,251,098 Ordinary Shares of 7p each with an aggregated nominal value of £133,157,577 (31 December 2018: 1,902,251,098 Ordinary Shares of 7p each with an aggregated nominal value of £133,157,577).

This note gives details of the Company's Ordinary Share capital and shows the movements during the period:

	Number of shares	Nominal value £m	Share premium £m
At 1 January 2018	130,000,257	130	58
Issue of share capital[1]	1	–	–
	130,000,258	130	58
Sub-division of Ordinary Shares of 100p each to 1p each[2]	12,870,025,542	–	–
	13,000,025,800	130	58
Bonus shares issued to ordinary shareholders of 1p each[3]	315,731,886	3	–
	13,315,757,686	133	58
Conversion of Ordinary Shares of 1p each to 7p each[4]	(11,413,506,588)	–	–
At 31 December 2018	1,902,251,098	133	58
At 1 January 2019	1,902,251,098	133	58
At 31 December 2019	1,902,251,098	133	58

[1]On 31 January 2018, the Company allotted and issued 1 Ordinary Share of £1. On 6 June 2018, the Board approved a reorganisation of its share capital to enable the implementation of the Managed Separation and to ensure that existing shareholders of Old Mutual plc received one Ordinary Share for every three Ordinary Shares they hold in Old Mutual plc, as described in the prospectus document. The share capital reorganisation consisted of the following steps:
[2]Each of the Company's existing 130,000,258 Ordinary Shares of £1.00 each was sub-divided into 100 Ordinary Shares of £0.01 each, following which the Company's share capital consisted of 13,000,025,800 Ordinary Shares of £0.01 each, with an aggregate nominal value of £130,000,258;
[3]The Company allotted 315,731,886 bonus Ordinary Shares of £0.01 each to the existing shareholders of the Company (with any fractional entitlements arising to be aggregated and allotted to Old Mutual plc), following which the Company's share capital consisted of 13,315,757,686 Ordinary Shares of £0.01 each, with an aggregate nominal value of £133,157,577; and
[4]The Company's 13,315,757,686 Ordinary Shares of £0.01 each were consolidated into Ordinary Shares of £0.07 each (with any fractional entitlements arising to be aggregated and allotted to Old Mutual plc), following which the Company's share capital consists of 1,902,251,098 Ordinary Shares of £0.07 each, with an aggregate nominal value of £133,157,577.

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

Following the acquisition the Company allotted 315,731,886 bonus ordinary shares of £0.01 each to the existing shareholders of the Company (with any fractional entitlements arising to be aggregated and allotted to Old Mutual plc), with a total nominal value of £3 million. This had the effect of reducing the merger reserve by £3 million to £588 million at 31 December 2018.

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

During the year ended 31 December 2019, there was a partial repayment of the receivable and a subsequent dividend paid by Skandia UK Limited up to its parent Quilter plc. The resulting decrease in Skandia UK Limited's net asset value gave rise to a £439 million impairment of Quilter plc's investment in Skandia UK Limited and an associated release of the merger reserve.

25: Share-based payments

During the year ended 31 December 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.

25(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	–	–	✓	–	✓	Up to 10	3	AP EPS CAGR[2] and Relative Total Shareholder Return
Quilter plc Performance Share Plan	–	✓	–	–	✓	Not less than 3	3	Conduct, Risk & Compliance Underpins
Quilter plc Share Reward Plan	–	✓	–	–	✓	Typically 3	3	–
Quilter plc Share Incentive Plan	✓	–	–	–	✓	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[4]	✓	–	–	✓	✓	3	3	–
Old Mutual Wealth Phantom Share Reward Plan[5]	–	✓	–	–	✓	Typically 3	3	–
Old Mutual plc Managed Separation Incentive Plan	–	–	✓	–	✓	Up to 10	–	Targets in respect of Managed Separation completion
Charles Derby Group Performance Share Plan	–	–	✓	–	✓	Up to 10	5	AP EPS CAGR

[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.

Notes to the consolidated financial statements continued
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25: Share-based payments continued
25(b): Reconciliation of movements in options
The movement in options outstanding under the Performance Share Plans and Sharesave Plan arrangements during the year is detailed below:

Options over Shares (London Stock Exchange)	Full year 2019 Number of options	Full year 2019 Weighted average exercise price	Full year 2018 Number of options	Full year 2018 Weighted average exercise price
Outstanding at beginning of the year	2,468,964	£0.00	7,622,956	£1.60
Granted during the year	23,632,437	£0.73	2,824,136	£0.00
Forfeited during the year	(624,694)	£0.30	(2,252,333)	£1.60
Exercised during the year	(175,789)	£0.00	(5,578,539)	£1.60
Expired during the year	(39,120)	£1.25	(5,967)	£1.60
Cancelled during the year	(554,064)	£1.25	(141,289)	£1.60
Outstanding at end of the year	**24,707,734**	**£0.65**	**2,468,964**	**£0.00**
Exercisable at end of the year	–	–	–	–

The weighted average fair value of options at the measurement date, for options granted during the year ended 31 December 2019 is £0.73, and for the year ended 31 December 2018 was £1.24.

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

25(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%	2.75	0.6%	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%
Charles Derby Group Performance share plan – Share Options (Nil cost options)	1.39	0.00	29.3%	3.75	0.7%	0.0%	4%

25: Share-based payments continued

25(d): Share grants

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

Instruments granted during the year	Full year 2019 Number granted	Full year 2019 Weighted average fair value	Full year 2018 Number granted	Full year 2018 Weighted average fair value
Quilter plc Performance Share Plan – Conditional Shares	4,048,663	£1.39	5,928,616	£1.41
Quilter plc Share Reward Plan – Conditional Shares	10,314,569	£1.39	–	–
Quilter plc Share Incentive Plan – Restricted Shares	–	£0.00	5,202,140	£1.53
Old Mutual Wealth Phantom Share Reward Plan – Conditional Shares	–	£0.00	6,474,853	£1.52

25(e): Financial impact

The total expense recognised in the year arising from equity compensation plans was as follows:

	Full year 2019 £m	Full year 2018 £m
Expense arising from equity-settled share and share option plans – continuing operations	25	24
Expense arising from equity-settled share and share option plans – discontinued operations	1	3
Total expense arising from equity-settled share and share option plans	26	27
Expense arising from cash-settled share and share option plans – continuing operations	–	3
Total expense arising from share and share option plans	26	30

26: Insurance and investment contract liabilities

The following table provides a summary of the Group's insurance and investment contract liabilities and related reinsurance assets. Following the sale of QLA (see note 5) the Group has no pure insurance contracts (unbundled elements of linked investment contracts are included within "unit linked investment contracts and similar contracts") and as a result the Group no longer has any insurance liabilities or related reinsurance assets.

	Notes	31 December 2019 Gross £m	31 December 2019 Reinsurance £m	31 December 2019 Net £m	31 December 2018 Gross £m	31 December 2018 Reinsurance £m	31 December 2018 Net £m
Insurance contract liabilities							
Life assurance policyholder liabilities	26(a)	–	–	–	588	(478)	110
Outstanding claims		–	–	–	14	(13)	1
Insurance contract liabilities		**–**	**–**	**–**	**602**	**(491)**	**111**
Investment contract liabilities	26(c)	**52,455**	**–**	**52,455**	**56,450**	**(1,671)**	**54,779**
Total life assurance policyholder liabilities		**52,455**	**–**	**52,455**	**57,052**	**(2,162)**	**54,890**

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26: Insurance and investment contract liabilities continued
26(a): Insurance contract liabilities
Movements in the amounts outstanding in respect of life assurance policyholder liabilities, other than outstanding claims, are set out below:

		31 December 2019			31 December 2018		
	Note	Gross £m	Reinsurance £m	Net £m	Gross £m	Reinsurance £m	Net £m
Carrying amount at 1 January		**588**	**(478)**	**110**	**480**	**(375)**	**105**
Impact of new business		4	(11)	(7)	2	(10)	(8)
Impact of experience effects[1]		36	(24)	12	38	(26)	12
Impact of assumption changes		91	(86)	5	69	(68)	1
Other movements		–	–	–	(1)	1	–
Movement shown in discontinued operations income statement[2]	5(c)	131	(121)	10	108	(103)	5
Disposal of subsidiaries		(719)	599	(120)	–	–	–
Life assurance policyholder liabilities		**–**	**–**	**–**	**588**	**(478)**	**110**

[1]Impact of experience effects includes the difference between the assumptions made and the actual experience during the period.
[2]The movement in gross insurance contract liabilities for 2019 of £131 million is a £134 million change in insurance contract liabilities and a £(3) million claim reported within gross premiums in the discontinued operations income statement.

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

The liabilities for non-linked contracts have been calculated using a gross premium discounted cash flow approach on a policy by policy basis, using the following assumptions. The Continuous Mortality Investigation ("CMI"), supported by the Institute and Faculty of Actuaries ("IFoA"), provides mortality and sickness rate tables for UK life insurers and pension funds. The interest rate assumption is set with reference to a matching portfolio of gilts.

	Mortality/morbidity		Interest rates	
Class of business	2019	2018	2019	2018
Non-linked protection business (pre 1 January 2013)[1] excluding stand-alone critical illness policies	Based on relevant CMI tables		0.993%	1.378%
Non-linked protection business (post 31 December 2012)[1] and all stand-alone critical illness policies	Based on relevant CMI tables		1.242%	1.724%
Pension annuity payment	100% PA92 (C2030) ult. projected using the long-term cohort basis[2]		1.050%	1.420%

[1]On 1 January 2013, the discount rate was impacted by the Finance Act 2012 amendments to the life tax rules.
[2]PA92 (C2030) ult. is the CMI reference for the relevant Pension Annuity table.

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

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

26: Insurance and investment contract liabilities continued

26(b): Assumptions – life assurance continued

Impact of assumption changes

Assumptions are reviewed annually and updated as appropriate. The impact of the assumption changes on the Group's annual IFRS profit before tax are as follows:

2019	Impact on IFRS profit before tax (before reinsurance) £m	Impact of reinsurance £m	Impact on IFRS profit before tax (after reinsurance) £m
Assumption			
Mortality/morbidity rates	5	(5)	–
Maintenance expense inflation	1	–	1
Interest rates	(104)	90	(14)
Methodology changes	8	–	8
Persistency rates	(1)	1	–
Total	**(91)**	**86**	**(5)**

2018	Impact on IFRS profit before tax (before reinsurance) £m	Impact of reinsurance £m	Impact on IFRS profit before tax (after reinsurance) £m
Assumption			
Mortality/morbidity rates	(86)	81	(5)
Maintenance expense	2	–	2
Interest rates	21	(18)	3
Persistency rates	(6)	5	(1)
Total	**(69)**	**68**	**(1)**

The sensitivity of IFRS profit before tax to variations in key assumptions are shown below. The values for 2018 have been determined by varying the relevant assumption as at the reporting date and considering the consequential impact assuming other assumptions remain unchanged. Sensitivities have not been included for 2019 due to the disposal of QLA.

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

Notes to the consolidated financial statements continued
For the year ended 31 December 2019

26: Insurance and investment contract liabilities continued
26(c): Investment contract liabilities
Movements in the amounts outstanding in respect of unit-linked and other investment contracts are set out below:

	31 December 2019			31 December 2018		
	Gross £m	Reinsurance £m	Net £m	Gross £m	Reinsurance £m	Net £m
Carrying amount at 1 January	56,450	(1,671)	54,779	59,139	(2,525)	56,614
From continuing operations						
Fair value movements	5,091	–	5,091	(3,109)	–	(3,109)
Investment income	719	–	719	610	–	610
Movements arising from investment return	5,810	–	5,810	(2,499)	–	(2,499)
From discontinued operations						
Fair value movements	1,427	(205)	1,222	(1,010)	78	(932)
Investment income[1]	142	–	142	160	–	160
Movements arising from investment return	1,569	(205)	1,364	(850)	78	(772)
Contributions received[1]	5,718	1,148	6,866	7,152	774	7,926
Maturities	(166)	–	(166)	(183)	–	(183)
Withdrawals and surrenders	(7,419)	–	(7,419)	(6,091)	–	(6,091)
Claims and benefits	(205)	–	(205)	(234)	–	(234)
Other movements	2	(1)	1	(2)	2	–
Change in liability	5,309	942	6,251	(2,707)	854	(1,853)
Currency translation (gain)/loss	(121)	–	(121)	18	–	18
Disposal of subsidiaries	(9,183)	729	(8,454)	–	–	–
Investment contract liabilities	**52,455**	**–**	**52,455**	**56,450**	**(1,671)**	**54,779**

[1]In the year ended 31 December 2018, within discontinued operations, the Group has reclassified £35 million from Investment income to Contributions received to conform with current year presentation.

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

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

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

The reinsurers' share of policyholder liabilities relating to investment contract liabilities has reduced to £nil (2018: £1,671 million) due to the disposal of QLA. Reinsurance contributions received of £1,148 million are disclosed net of withdrawals, reflecting the total of payments made to and settlements received from the reinsurer. The underlying movements in the investment funds to which the reinsurance arrangements relate indicate contributions received of £(219) million (2018: £(202) million) and withdrawals of £1,367 million (2018: £976 million). In the prior year the reinsurers' share of policyholder liabilities were rated according to the credit ratings in note 36.

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

27: Provisions

31 December 2019	Sale of QLA £m	Compensation provisions £m	Sale of Single Strategy business £m	Other £m	Total £m
Balance at beginning of the year	–	54	20	20	94
Adjustment on initial application of IFRS 16	–	–	–	(5)	(5)
Additions from business combinations	–	14	–	1	15
Charge to income statement[1]	6	9	1	7	23
Utilised during the year	–	(19)	(11)	(1)	(31)
Unused amounts reversed	–	(13)	–	(4)	(17)
Reclassification within Statement of Financial Position	–	(3)	–	–	(3)
Disposals	–	(11)	–	(1)	(12)
Balance at 31 December 2019	**6**	**31**	**10**	**17**	**64**

31 December 2018	Compensation provisions £m	Sale of Single Strategy business £m	Other £m	Total £m
Balance at beginning of the year	82	–	22	104
Additions from business combinations	–	–	1	1
Charge to income statement[1]	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**

[1]Part of the charge to income statement in both 2019 and 2018 is included within the discontinued operations income statement.

Provisions arising on the disposal of Quilter Life Assurance

The QLA business was sold on 31 December 2019 (see note 5), resulting in a number of provisions totalling £6 million being established in respect of the costs of disposing the business and the related costs of business separation.

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

The most significant element of the provision is the cost of migration of IT systems and data to the acquirer. Work will take place during 2020 and 2021. Calculation of the provision is based on management's best estimate of the work required, the time it is expected to take, the number and skills of the staff required and their cost, and the cost of related external IT services to support the work. In reaching these judgements and estimates, management have made use of their past experience of previous IT migrations following business disposals. Management estimate a provision sensitivity of +/-25% (£1.5 million).

Of the total £6 million provision, £2 million is estimated to be payable after one year.

Compensation provisions

Compensation provisions total £31 million (31 December 2018: £54 million), and are comprised of the following:

QLA Voluntary client remediation provision of £nil (31 December 2018: £38 million)

This provision was established within the QLA business and has therefore formed part of the Group's discontinued operations, which were subsequently disposed of on 31 December 2019.

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 with 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. In addition £4 million was reclassified to "investment contract liabilities", 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.

27: Provisions continued

During 2019, the components of the remaining provision were reviewed as refinements in supporting data emerged together with improvements in estimation methodology and modelling, resulting in a £10 million release. A further £14 million (31 December 2018: £27 million) was utilised during the year, with £3 million reclassified as "Trade, other payables and other liabilities". The remaining £11 million provision prior to the sale of QLA was transferred to the acquirer on 31 December 2019.

Lighthouse pension transfer advice complaints of £12 million (31 December 2018: £nil)

A provision was established within the fair value of the Lighthouse assets and liabilities acquired. The provision relates to approximately 30 complaints received on advice provided by Lighthouse in respect of pension transfers for British Steel pension scheme members, prior to the Group's acquisition of Lighthouse in June 2019. All the complaints received relate to transfers before that date.

The Group has performed a detailed case file review of a sample of 5 of the complaints, as a sample representative of the overall population. The loss per client as a proportion of the transfer value of the pension was determined and extrapolated to the overall complaint population. The methodology employed to assess the probable redress payable uses assumptions and estimation techniques which are consistent with principles under the FCA's FG17/9 *"Guidance for firms on how to calculate redress for unsuitable defined benefit pension transfers"*. A provision of £9 million has been calculated for the potential redress of all complaints received to date. The final costs of redress for complaints upheld will depend on specific calculations on a case-by-case basis and therefore may vary from the currently provided amounts. Further details are provided in note 34.

An additional provision for £3 million has been established in respect of the cost of legal and professional fees related to the complaints and redress process, which includes the anticipated costs to review advice provided of a similar nature in relation to cases that management believe may have similar characteristics.

No reduction in the provision has been recognised at the reporting date in relation to recoverability of any redress or other costs under Lighthouse's professional indemnity insurance policy.

Compensation provisions (other) of £19 million (31 December 2018: £16 million)

Other compensation provisions of £19 million are all held within the Group's continuing operations and 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. Management estimate a provision sensitivity of +/-25% (£5 million).

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. In 2019, a further £11 million of the restructuring provision was utilised and therefore £3 million of the provision remains at year end 31 December 2019. Management estimate a provision sensitivity of +/-20% (£0.6 million).

Additional provisions totalling £6 million were also made in the year ended 31 December 2018 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. A further £1 million was added to the provision during 2019, bringing the closing balance to £7 million at 31 December 2019.

The provision takes into account sensitivities including potential scenarios which would result in a reduction in Group assets under management held in Merian (Single Strategy Asset Management business) funds, leading to a reduction in the management fees paid to Merian. The maximum potential exposure is £29 million, arising between 2020 and 2022.

Of the total £10 million provision outstanding, £3 million (2018: £6 million) is estimated to be payable after one year.

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 (up to the end of 31 December 2018) 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*. Management estimate a provision sensitivity of +/-20% (£3 million).

The total £17 million provision outstanding is all estimated to be payable within one year (2018: £6 million).

28: Tax assets and liabilities

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

Deferred tax summary

	31 December 2019 £m	31 December 2018 £m
Deferred tax assets	43	38
Deferred tax liabilities	88	59
Net deferred tax liability	**45**	**21**

28(a): Deferred tax assets

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

The movement on recognised deferred tax assets is as follows:

Year ended 31 December 2019	At beginning of the year £m	Income statement (charge)/ credit[1] £m	Charged to equity £m	Acquisition/ disposal of subsidiaries £m	At end of the year £m
Tax losses carried forward	19	(1)	–	1	19
Accelerated depreciation	13	6	–	–	19
Other temporary differences	4	(3)	2	–	3
Share-based payments	4	4	–	–	8
Contract liabilities	2	(1)	–	(1)	–
Deferred expenses	35	(15)	–	(13)	7
Netted against liabilities	(39)	12	–	14	(13)
Deferred tax assets at 31 December 2019	**38**	**2**	**2**	**1**	**43**

The credit to the income statement of £6 million in 2019 in respect of accelerated depreciation includes a credit of £7 million relating to a change in deferred tax asset recognition, as explained in note 10(a). Had this been in place in the prior year, the equivalent adjustment in 2018 would have been a £9 million deferred tax credit, with a corresponding £2 million charge in the current year. Further detail is shown in note 10(a).

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

[1]The income statement credit of £2 million in year ended 31 December 2019 (2018: £16 million) relates to continuing operations only.

The recognition of deferred tax assets is subject to the estimation of future taxable profits, which is based on the annual business planning process and in particular on estimated levels of assets under management, which are subject to a large number of factors including worldwide stock market movements and related movements in foreign exchange rates, together with estimates of net client cash flow, expenses and other charges.

The business plan, adjusted for known and estimated tax sensitivities, is used to determine the extent to which deferred tax assets are recognised. In general the Group assesses recoverability based on estimated taxable profits over a three-year planning horizon. Where credible longer-term profit forecasts are available (e.g. for the life insurance companies) the specific entity may assess recoverability over a longer period, subject to a higher level of sensitivity testing.

Notes to the consolidated financial statements continued
For the year ended 31 December 2019

28: Tax assets and liabilities continued

28(a): Deferred tax assets continued

Sensitivity analysis demonstrates significant headroom in the recoverable amount of the deferred tax asset over the taxable profits contained within the three-year planning horizon. The impact of a 20% decrease in profitability over that period has been assessed and would not result in any impact over recoverability of deferred tax assets.

Unrecognised deferred tax assets

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

	31 December 2019		31 December 2018	
	Gross amount £m	Tax £m	Gross amount £m	Tax £m
Expiring in less than a year	–	–	–	–
Expiring between one and five years	–	–	–	–
Expiring after five years	472	80	663	112
Unrelieved tax losses	**472**	**80**	**663**	**112**
Accelerated depreciation	28	5	93	16
Other timing differences	7	2	285	49
Total unrecognised deferred tax assets	**507**	**87**	**1,041**	**177**

Movements in unrecognised deferred tax assets

The value of unrecognised deferred tax assets decreased by £90 million during the year mainly as a result of the sale of QLA and the adoption of IFRIC 23, in respect of uncertain tax positions, from 1 January 2019.

28(b): Deferred tax liabilities

The movement on deferred tax liabilities is as follows:

Year ended 31 December 2019	At beginning of the year £m	Income statement (credit)/ charge[1] £m	Acquisition/ disposal of subsidiaries £m	At end of the year £m
Deferred acquisition costs	11	(3)	(8)	–
Other acquired intangibles	40	(8)	7	39
Other temporary differences	1	(1)	–	–
Investment gains	46	92	(76)	62
Netted against assets	(39)	12	14	(13)
Deferred tax liabilities at 31 December 2019	**59**	**92**	**(63)**	**88**

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

[1] In the year ended 31 December 2019, of the £92 million income statement charge, £41 million relates to continuing operations and £51 million to discontinued operations. In the year ended 2018, of the £(138) million income statement credit, £(52) million relates to continuing operations and £(86) million relates to discontinued operations.

28(c): Current tax receivables and payables

Current tax receivables and current tax payables at 31 December 2019 were £13 million (2018: £47 million) and £6 million (2018: £5 million), respectively.

29: Borrowings and lease liabilities

The following table analyses the Group's borrowings and lease liabilities:

	31 December 2019 £m	31 December 2018 £m
Subordinated debt: fixed rate loan at 4.478%	198	197
Lease liabilities	137	–
Total borrowings and lease liabilities	**335**	**197**

29(a): Borrowings

Borrowed funds are repayable on demand and categorised in terms of IFRS 9 *Financial Instruments* as "Financial liabilities at amortised cost". The carrying value of the Group's borrowings is considered to be materially inline with the fair value. All amounts outstanding at 31 December 2019 are payable to a number of relationship banks.

On 28 February 2018, the Group issued a £200 million subordinated debt security in the form of a 10-year Tier 2 bond with a one-time issuer call option after five years to J.P. Morgan Securities plc, paying a semi-annual coupon of 4.478% (the "Tier 2 Bond"). The bond was remarketed and sold to the secondary market in full on 13 April 2018. It is now listed and regulated under the terms of the London Stock Exchange. The loan matures in 2028 with the option to redeem in 2023.

In addition, the Group entered into a £125 million revolving credit facility which remains undrawn and is being held for contingent funding purposes.

29(b): Lease liabilities

The Group adopted IFRS 16 *Leases* for the first time in 2019 and this replaces IAS 17 *Leases* and IFRIC 4 *Determining whether an Arrangement Contains a Lease*. Further information on IFRS 16 can be found in notes 2 and 4.

The Group has entered into commercial non-cancellable leases on certain property, plant and equipment where it is not in the best interest of the Group to purchase these assets. Such leases have varying terms, escalation clauses and renewal rights.

Lease liabilities represent the obligation to pay lease rentals as required by IFRS 16, and are categorised as financial liabilities at amortised cost.

	31 December 2019 £m
Opening balance at 1 January	–
Implementation of IFRS 16	89
Acquisitions through business combinations	1
Additions[1]	60
Interest charge for the year	3
Payment for interest portion of lease liability	(3)
Payment for principal portion of lease liability	(13)
Closing balance at 31 December	**137**
To be settled within 12 months	13
To be settled after 12 months	124
Total lease liabilities	**137**
Maturity analysis[2]	
Within one year	15
One to five years	50
More than five years	99
Total lease liabilities – undiscounted	**164**

[1]The majority of additions during the year relate to the lease for Senator House, the Group's new London property.
[2]The maturity analysis of lease liabilities is on an undiscounted basis.

Notes to the consolidated financial statements continued
For the year ended 31 December 2019

29: Borrowings and lease liabilities continued
29(b): Lease liabilities continued
Operating lease commitments prior to the implementation of IFRS 16
Prior to 1 January 2019, all Group leases were classified as operating leases, being leases where the lessor retains substantially all the risks and rewards of the ownership of the leased asset.

The future aggregate minimum lease payments under non-cancellable operating leases prior to the implementation of IFRS 16 were:

	31 December 2018 £m
Within one year	15
One to five years	40
More than five years	43
Total outstanding commitments under non-cancellable operating leases	**98**

30: Trade, other payables and other liabilities

	31 December 2019 £m	31 December 2018 £m
Claims outstanding	182	226
Amounts owed to intermediaries	11	22
Amounts payable on direct insurance business	193	248
Deposits received from reinsurers	16	16
Accounts payable on reinsurance business	1	8
Outstanding settlements	270	386
Accruals and deferred income	160	147
Trade creditors	41	33
Contingent consideration	39	37
Other liabilities	116	124
Total trade, other payables and other liabilities	**836**	**999**
To be settled within 12 months	832	981
To be settled after 12 months	4	18
Total trade, other payables and other liabilities	**836**	**999**

31: Contract liabilities and deferred revenue

Prior to the implementation of IFRS 15 *Revenues from Contracts with Customers* on 1 January 2018, contract liabilities were classified as deferred revenue. Contract liabilities relate to non-refundable front-end fee income, comprising fees received at inception or receivable over an initial period for services not yet provided, and is deferred through the creation of a contract liability on the statement of financial position and released to income as the services are provided. Equal service provision is assumed over the lifetime of the contract and, as such, the contract liability is amortised on a linear basis over the expected life of the contract, adjusted for expected persistency. The contract liability principally comprises fee income already received in cash. The table below analyses the movements in contract liabilities.

	Life and Savings		Asset Management		
	Deferred Revenue £m	Contract Liabilities £m	Deferred Revenue £m	Contract Liabilities £m	Total £m
1 January 2018	242	–	2	–	244
Reclassification to contract liabilities[1]	(242)	242	(2)	2	–
Fees and commission income deferred	–	10	–	–	10
Amortisation	–	(12)	–	(1)	(13)
Foreign exchange	–	(4)	–	–	(4)
Continuing operations movements	–	(6)	–	(1)	(7)
Discontinued operations movements	–	(11)	–	–	(11)
31 December 2018	–	225	–	1	226
Fees and commission income deferred	–	8	–	–	8
Amortisation	–	(12)	–	(1)	(13)
Foreign exchange	–	1	–	–	1
Continuing operations movement	–	(3)	–	(1)	(4)
Discontinued operations movement	–	(8)	–	–	(8)
Disposal of subsidiaries	–	(23)	–	–	(23)
31 December 2019	**–**	**191**	**–**	**–**	**191**

[1]Reclassified as a result of IFRS 15 at 1 January 2018.

The Group expects to recognise the above contract liability balances as revenue in the following years:	31 December 2019 £m	31 December 2018 £m
Within one year	25	27
One to five years	68	78
More than five years	98	121
Total contract liabilities	**191**	**226**

Notes to the consolidated financial statements continued
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32: Post-employment benefits
The Group operates a number of defined contribution and defined benefit pension schemes in the UK, the Channel Islands and Ireland.

Defined contribution pension schemes
The Group operates a number of defined contribution schemes. The schemes require contributions to be made to funds held in trust, separate from the assets of the Group. Participants receive either a monthly pension supplement to their salaries or contributions to personal pension plans. For the defined contribution schemes, the Group pays contributions to separately administered pension schemes. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised in current service cost in the consolidated income statement as staff costs and other employee-related costs when they are due.

Defined benefit schemes
The Group operates two defined benefit schemes: The Quilter Cheviot Limited Retirement Benefits Scheme and the Quilter Cheviot Channel Islands Retirement Benefits Scheme which are both closed to new members. The assets of these schemes are held in separate trustee administered funds. Pension costs and contributions relating to defined benefit schemes are assessed in accordance with the advice of qualified actuaries. Actuarial advice confirms that the current level of contributions payable to each pension scheme, together with existing assets, are adequate to secure members' benefits over the remaining service lives of participating employees. The Group's policy is to fund at least the amounts sufficient to meet minimum funding requirements under applicable employee benefit and tax regulations. The schemes are reviewed at least on a triennial basis or in accordance with local practice and regulations. In the intervening years the actuary reviews the continuing appropriateness of the assumptions applied.

The Trustees of the Quilter Cheviot Limited Retirement Benefits scheme purchased a bulk annuity from Aviva in July 2019 to de-risk the defined benefit pension scheme obligation. This investment strategy intends to equally match the assets and liabilities of the scheme. This covers all remaining insured scheme benefits following previous bulk annuity transactions in 2013, 2014 and 2015. The Group agreed to inject a capital contribution of £7 million to effect this transaction.

The Group took the decision to fund the buy-in based on the following considerations:
- a buy-in will remove volatility of the scheme from the balance sheet of the Group, and no further contributions would be expected. The Group has made discretionary contributions each of the last four years to the Scheme, which total £2 million since December 2015;
- the buy-in will transfer the pension risks associated with the scheme to a third-party insurer. The only remaining risk will be the counterparty risk of insurer;
- there will be a substantially reduced requirement for the Group to hold capital in respect of pensions risk; and
- there will be a reduction in the required management time and running costs in respect of the scheme.

At the time of the bulk annuity purchase in July 2019, the difference between the annuity purchase price and the defined benefit obligation covered by the policy was accounted for in other comprehensive income. The accounting treatment is based on the following considerations made by the Group:
- the employer is not relieved of primary responsibility for the obligation. The policy simply covers the benefit payments that continue to be payable by the Scheme;
- the contract is effectively an investment of the Scheme; and
- the contract provides the option to convert the bulk annuity into individual policies which would transfer the obligation to the insurer (known as a "buy-out"). Whilst this course of action may be considered in future, this is not a requirement and a separate decision will be required before any buy-out proceeds. There are currently no plans either by management or Trustees to convert the buy-in contract to individual policies.

The Group has considered the requirements of IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, including whether the Group has an 'unconditional right' to a refund of any surplus that may exist at the conclusion of the schemes. This includes a scenario where the schemes' liabilities are gradually settled over time until all members have left the schemes (i.e. on the death of the last beneficiary), along with all other potential outcomes for the schemes. The Group has concluded that it does not have an unconditional right to a refund of any surplus that may exist under these circumstances, and in accordance with IFRIC 14 has not recognised the current surplus as an asset within the statement of financial position. In addition, the Group has concluded that there are no minimum funding requirements of the schemes and, as such, no liability has been recognised.

IAS 19 *Employee Benefits* disclosures
This note gives full IAS 19 *Employee Benefits* disclosures for the above schemes.

32: Post-employment benefits continued

32(a): Liability for defined benefit obligations

The IAS 19 value of the assets and the scheme obligations are as follows:

	31 December 2019 £m	31 December 2018 £m
Changes in retirement benefit obligations		
Total IAS 19 retirement benefit obligation at 1 January	(44)	(48)
Interest cost on benefit obligation	(1)	(1)
Effect of changes in actuarial assumptions	(2)	1
Actuarial (losses)/gains	(6)	1
Benefits paid	15	3
Total IAS 19 retirement benefit obligations at year end	**(38)**	**(44)**
Change in plan assets		
Total IAS 19 fair value of scheme assets at 1 January	56	61
Actual return on plan assets	(8)	(3)
Company contributions	6	1
Benefits paid	(15)	(3)
Total IAS 19 fair value of scheme assets at year end	**39**	**56**
Net IAS 19 asset recognised in statement of financial position		
Funded status of plan	1	12
Unrecognised assets	(1)	(12)
Net IAS 19 amount recognised in statement of financial position	**–**	**–**

Contributions for the year to the defined benefit schemes totalled £6 million (2018: £1 million), and £1 million was accrued at 31 December 2019. The Group expects to contribute £1 million in the next financial year, based upon the current funded status and the expected return assumption for the next financial year.

	31 December 2019 £m	31 December 2018 £m
Changes in the asset ceiling		
Opening unrecognised asset due to asset ceiling	12	13
Changes in asset ceiling	(11)	(1)
Closing unrecognised asset due to the asset ceiling	**1**	**12**

32(b): Income/expense recognised in the income statement

The total pension charge to staff costs for all of the Group's defined benefit schemes for the year ended 2019 was £nil (2018: £nil).

Actuarial gains and losses and the effect of the limit to the pension asset under IAS 19 Employee Benefits paragraph 58 have been reported in other comprehensive income.

The cumulative amount of actuarial losses recognised in other comprehensive income is £33 million (2018: £26 million).

Assumptions

The expected long-term rate of return on assets represents the Group's best estimate of the long-term return on the scheme assets and generally was estimated by computing a weighted average return of the underlying long-term expected returns on the different asset classes, based on the target asset allocations. The expected long-term return on assets is a long-term assumption that generally is expected to remain the same from one year to the next unless there is a significant change in the target asset allocation, the fees and expenses paid by the plan or market conditions.

The Group, in consultation with its independent investment consultants and actuaries, determined the asset allocation targets based on its assessment of business and financial conditions, demographic and actuarial data, funding characteristics and related risk factors. Other relevant factors, including industry practices, long-term historical and prospective capital market returns, were also considered.

The scheme return objectives provide long-term measures for monitoring the investment performance against growth in the pension obligations. The overall allocation is expected to help protect the plan's funded status while generating sufficiently stable real returns (net of inflation) to help cover current and future benefit payments.

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32: Post-employment benefits continued

32(b): Income/expense recognised in the income statement continued

Both the equity and fixed income portions of the asset allocation use a combination of active and passive investment strategies and different investment styles. The fixed income asset allocation consists of longer duration fixed income securities in order to help reduce plan exposure to interest rate variation and to better correlate assets with obligations. The longer duration fixed income allocation is expected to help stabilise plan contributions over the long run.

The weighted average duration of the defined benefit obligation is 19 years, based upon actual cash flows.

The following table presents the principal actuarial assumptions at the end of the reporting year:

	2019 %	2018 %
Discount rate	2.1	2.9
Rate of increase in defined benefit funds	3.5	3.6
Inflation	2.8	3.3

The mortality assumptions used give the following life expectancy at 65:

		Life expectancy at 65 for male member currently		Life expectancy at 65 for female member currently	
	Mortality table	Aged 65	Aged 45	Aged 65	Aged 45
31 December 2019	S2PA Light	23.40	25.40	24.40	26.70
31 December 2018	S2PA Light	23.30	24.90	24.30	26.10

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, inflation rate and rate of mortality.

The sensitivities regarding the principal assumptions used to measure the defined benefit obligations are described below. Reasonably possible changes at the reporting date to one of the principal actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation as follows:

	At 31 December 2019		At 31 December 2018	
	Increase £m	Decrease £m	Increase £m	Decrease £m
Discount rate (0.1% movement)	(0.7)	0.7	(0.8)	0.8
Inflation rate (0.1% movement)	0.3	(0.3)	0.4	(0.4)
Rate of mortality (increase by 1 year)	1.6	–	1.5	–

32(c): Scheme assets allocation

Scheme assets are stated at their fair values. Total scheme assets are comprised as follows:

	At 31 December 2019 %	At 31 December 2018 %	At 31 December 2019 £m	At 31 December 2018 £m
Equity securities	4	21	2	12
Debt securities	94	77	36	43
Cash and other assets	2	2	1	1
Total IAS 19 fair value of scheme assets	100	100	39	56

Equity instruments, debt instruments and investment fund assets have a quoted market price. All other assets, including the value of the bulk annuity policy, do not have a quoted market price. The bulk annuity policy, where assets are matched to the value of liabilities, is included at values provided by the insurer in accordance with relevant guidelines.

33: Master netting or similar agreements

The Group offsets financial assets and liabilities in the statement of financial position when it has a legal enforceable right to do so and intends to settle on a net basis simultaneously. Currently, the only such offsetting within the Group relates to the pooling of bank accounts and, in some circumstances a bank account may be overdrawn and therefore offset. The following tables present information on the potential effect of netting offset arrangements after taking into consideration these types of agreements.

31 December 2019	Gross amounts £m	Amounts offset in the statement of financial position £m	Net amounts reported in the statement of financial position £m
Financial assets			
Cash and cash equivalents	2,551	(78)	2,473
Financial liabilities			
Trade, other payables and other liabilities	78	(78)	–

31 December 2018	Gross amounts £m	Amounts offset in the statement of financial position £m	Net amounts reported in the statement of financial position £m
Financial assets			
Cash and cash equivalents	2,419	(24)	2,395
Financial liabilities			
Trade, other payables and other liabilities	24	(24)	–

34: 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 27). 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 assesses contingent liabilities arising from matters such as litigation, warranties and indemnities relating to past acquisitions and disposals.

Prior to the Group's acquisition of Lighthouse in June 2019, Lighthouse provided pension transfer advice to around 300 British Steel pension scheme members between 2016 and 2018. The Group was advised after the reporting date of a number of complaints on the advice given by Lighthouse. The Group has initiated a review of all cases advised by Lighthouse, prior to its acquisition by Quilter in June 2019, to assess the standard of advice given to British Steel pension scheme members.

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For the year ended 31 December 2019

34: Contingent liabilities continued
For the cases where a complaint has been received on the advice given by Lighthouse, the likelihood of redress is probable. An estimate of the amount of redress payable has been made and is included within Provisions in note 27. For the remaining cases, it is possible that further costs of redress may be incurred following the outcome of the reviews. Of the pension transfers Lighthouse advised on between 2016 and 2018, approximately 80 cases were undertaken prior to mid-2017 after which the British Steel pension scheme was restructured and transfer values were enhanced considerably.

As the advice was provided before the Group's acquisition of Lighthouse, any further redress costs will be recognised as a pre-acquisition liability within the fair value of the net assets acquired (as disclosed in note 5), with a corresponding increase in the goodwill recognised. Any adjustments to the acquisition balance sheet must be finalised within 12 months after the acquisition, in June 2020.

35: Commitments
The Group has contractual commitments in respect of funding arrangements which will be payable in future periods. These commitments are not recognised in the Group's statement of financial position.

Prior to the adoption of IFRS 16 *Leases* on 1 January 2019, lease commitments were not recognised on the Group's statement of financial position. Since adoption, lease liabilities represent the obligation to pay lease rentals as required by IFRS 16, and are categorised as financial liabilities in the statement of financial position (see note 29(b)).

36: Capital and financial risk management
36(a): Capital management
The Group manages its capital with a focus on capital efficiency and effective risk management. The capital objectives are to maintain the Group's ability to continue as a going concern while supporting the optimisation of return relative to the risks. The Group ensures that it can meet its expected capital and financing needs at all times having regard to the Group's business plans, forecasts and strategic initiatives and regulatory requirements in all businesses in the Group. The Group's overall capital risk appetite is set with reference to the requirements of the relevant stakeholders and seeks to:
- maintain sufficient, but not excessive, financial strength to support stakeholder requirements;
- optimise debt to equity structure to enhance shareholder returns; and
- retain financial flexibility by maintaining liquidity including unutilised committed credit lines.

The primary sources of capital used by the Group are equity shareholders' funds of £2,071 million (31 December 2018: £2,005 million) and subordinated debt which was issued at £200 million in February 2018. Alternative resources are utilised where appropriate. Risk appetite has been defined for the level of capital, liquidity and debt within the Group. The risk appetite includes long-term targets, early warning thresholds and risk appetite limits. The dividend policy sets out the target dividend level in relation to profits.

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

36(a)(i): Regulatory capital (unaudited)
The Group is subject to Solvency II group supervision by the PRA. The Group is required to measure and monitor its capital resources under the Solvency II regulatory regime.

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

The Group's Solvency II surplus is £1,168 million at 31 December 2019 (2018: £1,059 million), representing a Solvency II ratio of 221% (2018: 190%) calculated under the standard formula. The Solvency II regulatory position for the year ended 31 December 2019 allows for the impact of the recommended final dividend payment of £65 million (2018: £61 million). The disclosure does not include the impact of any future distribution of the net surplus proceeds from the QLA sale to shareholders or the impact of the odd-lot offer.

The Solvency II estimated results for year ended 31 December 2019 (unaudited) and 31 December 2018 were as follows:

	Year ended 31 December 2019[1] £m	Year ended 31 December 2018[2] £m
Own funds	2,132	2,237
Solvency capital requirement (SCR)	964	1,178
Solvency II surplus	1,168	1,059
Solvency II coverage ratio	**221%**	**190%**

[1]Based on preliminary estimates. Formal annual filing due to the PRA by 19 May 2020.
[2]As represented within the Quilter plc Group Solvency and Financial Condition report for the year ended 31 December 2018.

36: Capital and financial risk management continued

36(a): Capital management continued

36(a)(i): Regulatory capital (unaudited) continued

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	31 December 2019 £m	31 December 2018 £m
Tier 1[1]	1,925	2,036
Tier 2[2]	207	201
Total Group Solvency II own funds	**2,132**	**2,237**

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

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

The solvency and the capital requirements for the Group and each of its regulated subsidiaries are reported and monitored through monthly Capital Management Forum meetings. Throughout 2019, the Group and each of its regulated subsidiaries have complied with the applicable regulatory capital requirements.

36(a)(ii): Loan covenants

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

	Note	31 December 2019 £m	31 December 2018 £m
Total external borrowings of the Company	29	198	197
Less: cash and cash equivalents of the Company		(559)	(281)
Total net external borrowings of the Company		(361)	(84)
Total shareholders' equity of the Group		2,071	2,005
Tier 2 bond	29	198	197
Total Group equity (including Tier 2 bond)		2,269	2,202
Ratio of Company net external borrowings to Group equity		**-0.159**	**-0.038**

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements continued
For the year ended 31 December 2019

36: Capital and financial risk management continued

36(b): Credit risk

Overall exposure to credit risk

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

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

The credit risk arising from all exposures is mitigated through ensuring the Group only enters into relationships with appropriately robust counterparties, adhering to the Group Credit Risk Policy. For each asset, consideration is given as to:
- the credit rating of the counterparty, which is used to derive the probability of default;
- the loss given default;
- the potential recovery which may be made in the event of default;
- the extent of any collateral that the firm has in respect of the exposures; and
- any second order risks that may arise where the firm has collateral against the credit risk exposure.

The credit risk exposures of the Group are monitored regularly to ensure that counterparties remain creditworthy, to ensure there is appropriate diversification of counterparties and to ensure that exposures are within approved limits. At 31 December 2019, the Group's material credit exposures were to financial institutions (primarily through the investment of shareholder funds), corporate entities (including external fund managers and reinsurers) and individuals (primarily through fund management trade settlement activities).

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

Reinsurance arrangements

The Group has reinsurance arrangements in place to mitigate the risk of excessive claims on unit-linked and, prior to the sale of QLA, non-linked protection contracts. Also specific to QLA before its disposal, reinsurance arrangements were used in respect of unit linked institutional business to access specific funds not available through direct fund links and to provide liquidity.

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

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

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

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

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

Investment of shareholder funds

The risk of counterparty default in respect of the investment of shareholder funds is managed through:
- setting minimum credit rating requirements for counterparties;
- setting limits and key risk indicators for individual counterparties and counterparty concentrations;
- monitoring exposures regularly against approved limits; and
- on-going monitoring of counterparties and associated limits.

36: Capital and financial risk management continued

36(b): Credit risk continued

Other credit risks

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

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

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

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

Impact of credit risk on fair value

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

Maximum exposure to credit risk

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

Loans and advances subject to 12 month expected credit losses ("12 month ECL") are £37 million (2018: £33 million) and other receivables subject to lifetime expected credit losses ("lifetime ECL") are £246 million (2018: £335 million). These balances are not rated; they represent the pool of counterparties that do not require a rating. These counterparties individually generate no material credit exposure and this pool is highly diversified, monitored and subject to limits.

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

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

	Credit rating relating to financial assets that are neither past due nor impaired						
31 December 2019	AAA £m	AA £m	A £m	BBB £m	<BBB £m	Not rated[1] £m	Carrying value £m
Cash at amortised cost, subject to 12 month ECL	–	272	511	2	2	527	1,314
Money market funds at FVTPL	1,156	–	–	3	–	–	1,159
Total cash and cash equivalents	**1,156**	**272**	**511**	**5**	**2**	**527**	**2,473**

	Credit rating relating to financial assets that are neither past due nor impaired						
31 December 2018	AAA £m	AA £m	A £m	BBB £m	<BBB £m	Not rated[1] £m	Carrying value £m
Cash at amortised cost, subject to 12 month ECL	–	60	451	1	3	519	1,034
Money market funds at FVTPL	1,358	–	–	–	3	–	1,361
Total cash and cash equivalents	**1,358**	**60**	**451**	**1**	**6**	**519**	**2,395**

[1]Cash included in the consolidation of funds is not rated (see note 23(a)).

Notes to the consolidated financial statements continued
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36: Capital and financial risk management continued
36(b): Credit risk continued
Impairment allowance
Assets that are measured and classified as amortised costs are monitored for any expected credit loss ("ECL") on either a 12 month or lifetime ECL model. The majority of such assets within the Group are measured on the lifetime ECL model, with the exception of some specific loans that are on the 12 month ECL model.

Impairment allowance	£m
2018 Opening impairment allowance under IAS 39	(0.3)
Impact upon adoption of IFRS 9	(0.2)
Additions due to increased broker loans	(0.4)
31 December 2018	(0.9)
Additions due to increased broker loans	(0.3)
31 December 2019	**(1.2)**

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

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

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

36(c)(i): Equity and property price risk
In accordance with the market risk policy, the Group does not invest shareholder assets in equity or property, or related collective investments, except where the exposure arises due to:
- mismatches between unitised fund assets and liabilities. These mismatches are permitted, subject to maximum limits, to avoid excessive dealing costs; and
- seed capital investments. Seed capital is invested within new unit-linked funds at the time when these funds are launched. The seed capital is then withdrawn from the funds as policyholders invest in the funds.

The above exposures are not material to the Group.

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

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

	Impact on profit after tax and shareholder's equity	
	31 December 2019 £m	31 December 2018 £m
Impact of 10% increase in equity and property prices	32	36
Impact of 10% decrease in equity and property prices	(32)	(36)

36(c)(ii): Interest rate risk
Interest rate risk arises primarily from bank balances held with financial institutions. A small amount of the Group's assets are held in fixed interest UK government bonds, which are exposed to fluctuations in interest rates. Fixed interest UK government bonds are mainly held to match liabilities by durations and so the exposure to interest rate risk is not material.

36: Capital and financial risk management continued
36(c): Market risk continued
36(c)(ii): Interest rate risk continued

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

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

Interest rate sensitivity testing

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

	Impact on profit after tax and shareholder's equity	
	31 December 2019 £m	31 December 2018 £m
Impact of 1% increase in interest rates	16	19
Impact of 1% decrease in interest rates	(12)	(12)

36(c)(iii): Currency translation risk

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

36(d): Liquidity risk

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

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

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

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

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

Information on the nature of the investments and securities held is given in note 16.

The Group has a £125 million 5 year Revolving Credit Facility with a 5 bank club that represents a form of contingency liquidity for the Group. No drawdown on this facility has been made since inception. The Group has the option to extend the facility for a further 2 year period.

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

Further details, together with information on the Group's borrowed funds, are given in note 29.

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

Notes to the consolidated financial statements continued
For the year ended 31 December 2019

36: Capital and financial risk management continued

36(e): Insurance Risk

36(e)(i): Overview

The Group assumes insurance risk by providing life assurance cover to customers within insurance policies, under which the Group agrees to compensate the policyholder or other beneficiary in the event that a specified uncertain future event (the insured event) affecting the policyholder occurs. The Group offers life assurance and, within QLA prior to its disposal, offered critical illness protection business. The Group does not offer general insurance business and therefore does not take on other forms of insurance risk such as motor and property insurance risks. The QLA business was part of the Group until it was sold on 31 December 2019. Therefore, the insurance risks associated with this business were managed by the Group throughout the year and so are described below.

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

The Group has implemented an insurance risk policy which sets out the Group requirements for the management, measurement, monitoring and reporting of insurance risks. The Group has implemented three standards to support the insurance risk policy, as follows:
- Underwriting and Claims Standard;
- Reinsurance Standard; and
- Technical Provisions Standard.

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

The Group manages its insurance risks through the following mechanisms:
- management of expense levels relative to approved budgets;
- pricing of insurance contracts utilising analysis of mortality and morbidity, persistency and expense experience;
- underwriting of mortality risks;
- reinsurance, which is used to limit the Group's exposure to large single claims and catastrophes through transfer of mortality and morbidity risk exposures; and
- the Group does not offer group insurance business in order to avoid risk concentrations of insurance risk.

Mortality and morbidity

Mortality and morbidity risk is the risk that death, critical illness and disability claims experience is higher than the rates assumed when pricing contracts.

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

Persistency

Persistency risk is the risk that the level of surrenders or withdrawals on insurance policies occur at levels that are different to the levels assumed in the pricing process and relative to the levels assumed in determination of technical provisions. Persistency statistics are monitored monthly and a detailed persistency analysis at a product group level is carried out on an annual basis. Management actions may be triggered if persistency statistics indicate significant adverse movement or emerging trends in experience.

Expenses

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

36(e)(ii): Sensitivity analysis

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

Sensitivity analysis has been performed by applying the following parameters to the statement of financial position and income statement as at 31 December 2019 and 31 December 2018. Interest rate and equity and property price sensitivities are included within the Group market sensitivities above.

Expenses

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

An increase in expenses of 10% would have decreased profit by £13 million after tax (2018: £15 million).

36: Capital and financial risk management continued
36(e): Insurance Risk continued
36(e)(ii): Sensitivity analysis continued
Mortality
Mortality risk is not material as the Group does not provide material mortality insurance on its products and mortality benefits are reinsured.

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

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

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

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

36(g): Contractual maturity analysis
The following table provides a maturity analysis of liability cash flows based on the contractual maturity dates for investment contract liabilities and expected claim dates for insurance contracts. Investment contract policyholders have the option to terminate or transfer their contracts at any time and to receive the surrender or transfer value of their policies, and these liabilities are therefore classified as less than three months maturity. Although these liabilities are payable on demand, the Group does not expect that all liabilities will be settled within this period. Following the sale of QLA (see note 5) the Group has no pure insurance contracts (unbundled elements of linked investment contracts are included within "Investment contracts and similar contracts").

		Undiscounted cash flows				
31 December 2019	Carrying amount £m	Up to three months £m	Three months to one year £m	Between one and five years £m	More than five years £m	Total £m
Investment contracts						
Investment contracts and similar contracts	52,455	52,455	–	–	–	52,455
Total policyholder liabilities	**52,455**	**52,455**	**–**	**–**	**–**	**52,455**

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

Notes to the consolidated financial statements continued
For the year ended 31 December 2019

37: Fiduciary activities
The Group provides custody, trustee, corporate administration and investment management and advisory services to third parties that involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. Some of these arrangements involve the Group accepting targets for benchmark levels of returns for the assets under the Group's care. These services give rise to the risk that the Group may be accused of misadministration or under-performance.

38: Related party transactions
In the normal course of business, the Group enters into transactions with related parties. Loans to related parties are conducted on an arm's length basis and are not material to the Group's results. There were no transactions with related parties during the current and prior year which had a material effect on the results or financial position of the Group except for the repayment of intercompany indebtedness with Old Mutual plc in 2018. The nature of the related party transactions of the Group has not changed over the course of the year.

The Group's interests in subsidiaries and related undertakings are set out in Appendix B.

38(a): Transactions with previous Parent company, Old Mutual plc
In 2018 the Group incurred £3 million of interest expense in relation to intercompany indebtedness with Old Mutual plc prior to separation in June 2018.

38(b): Transactions with key management personnel, remuneration and other compensation
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group. Details of the compensation paid to the Board of Directors as well as their shareholdings in the Company are disclosed in the Remuneration Report.

The summary of compensation of key management personnel is as follows:

38(c): Key management personnel compensation

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Salaries and other short-term employee benefits	10,230	13,037
Post-employment benefits	131	100
Share-based payments	7,005	6,876
Termination benefits	2	346
Total compensation of key management personnel	**17,368**	**20,359**

38(d): Key management personnel transactions
Key management personnel and members of their close family have undertaken transactions with the Group in the normal course of business. The Group's products are available to all employees of the Group on preferential staff terms. The impact of this on the financial statements is immaterial. During the year ended 31 December 2019, key management personnel and their close family members contributed £2 million (2018: £3 million) to Group pensions, investments (in both internal and external funds) and life insurance products. The total value of investments in Group pensions and investment products by key management personnel serving at any point during the year was £16 million (2018: £19 million) at the end of the year.

38(e): Associates
In the current and prior year, IT services were provided by 360 Dot Net Limited, an associate company. The impact on the financial statements of the Group is immaterial.

38(f): Other related parties
Details of the Group's staff pension schemes are provided in note 32. Transactions made between the Group and the Group's staff pension schemes are made in the normal course of business.

The Group used the consulting services of Manchester Square Partners LLP, a company which is jointly controlled by one of the Group's non-executive directors. The transactions amounted to £359,000 in 2019 (2018: £108,000). Amounts were billed based on market rates for such services and were due and payable under normal payment terms. The outstanding balance with Manchester Square Partners LLP was £18,000 at 31 December 2019 (2018: £18,000).

39: Events after the reporting date

Complaints provision and contingent liability

The Group was advised after the reporting date of a number of complaints received in respect of pensions transfer advice given to clients of Lighthouse, for advice provided between 2016 and 2018, prior to the Group's acquisition of Lighthouse in June 2019. Further details are provided in notes 5(a), 27 and 34.

Coronavirus

In early 2020, the existence of a new coronavirus ("COVID-19") was confirmed which has since spread across a significant number of countries, leading to disruption to businesses and economic activity which has been reflected in recent fluctuations in global stock markets. The Group considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. Given the inherent uncertainties, it is not practicable at this time to determine the impact of COVID-19 on the Group or to provide a quantitative estimate of this impact.

Share buyback programme

Following the sale of QLA to ReAssure, on 2 January 2020 the Group announced that it intends to return the £375 million net surplus proceeds of the sale to shareholders via a share buyback programme. This will be conducted concurrently on the London and Johannesburg stock exchanges. The buyback is dependent on regulatory and Board approval and the renewal of share repurchase authorities at the Group's 2020 Annual General Meeting ("AGM"), and will be subject to periodic Board review to ensure that this remains the most effective and timely method of returning capital to shareholders. Given the size of the capital return relative to the current trading liquidity in Quilter shares, the Group currently expect the buyback programme to complete by the time of the 2021 AGM.

Appendices

For the year ended 31 December 2019

Appendix A: Other accounting policies

Investments in associates

An associate is an entity over which the Group has significant influence, but not control or joint control, through its participation in the entity's financial and operating policy decisions. Significant influence is generally demonstrated by the Group holding between 20% and 50%, of the voting rights. Where voting rights are irrelevant, all other factors, contractual or otherwise, are assessed in determining whether the Group has the ability to exercise significant influence.

The results, assets and liabilities of associates, other than those that are measured at FVTPL (see below) are incorporated into these consolidated financial statements using the equity method of accounting from the date that significant influence commences until the date it ends. Under this method, the cost of the investment in an associate together with the Group's share of that entity's post-acquisition changes to shareholders' funds is included as an asset in the consolidated statement of financial position. The cost includes goodwill recognised on acquisition. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associate until the date on which significant influence ceases. Where a Group entity transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Unrealised losses are eliminated in the same way but only to the extent that there is no evidence of impairment. Investments in associates that are held with a view to subsequent resale are accounted for as non-current assets held for sale.

Where the Group has an investment in an associate, a portion of which is held by, or is held indirectly through a unit trust or similar entity, including investment-linked insurance funds, that portion of the investment is measured at FVTPL.

Foreign currency translation

The Group's presentation currency is pounds sterling (£). The functional currency of the Group's foreign operations is the currency of the primary economic environment in which these entities operate. The Parent Company functional currency is pounds sterling (£). Income statements and cash flows of foreign entities are translated into the Group's presentation currency at average exchange rates for the year and their statements of financial position are translated at the year-end exchange rates. Exchange rate differences arising from the translation of the net investment in foreign subsidiaries and associates are recognised in other comprehensive income and taken to the currency translation reserve within equity. To the extent that these gains and losses are effectively hedged, the cumulative effect of such gains and losses arising on the hedging instruments are also included in that component of shareholders' equity. On disposal of a foreign entity, exchange differences are transferred out of this reserve to the income statement as part of the gain or loss on sale.

Foreign currency transactions are converted into the relevant functional currency at the exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the relevant functional currency at exchange rates prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the functional currency at foreign exchange rates prevailing at the dates the fair values were determined. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are converted into the functional currency at the rate of exchange ruling at the date of the initial recognition of the asset and liability and are not subsequently retranslated.

Exchange gains and losses on the translation and settlement during the period of foreign currency assets and liabilities are recognised in profit or loss. Exchange differences for non-monetary items are recognised in the statement of other comprehensive income when the changes in the fair value of the non-monetary item are recognised in the statement of other comprehensive income, and in profit or loss if the changes in fair value of the non-monetary item are recognised in profit or loss.

Leases

Under IFRS 16, the Group assesses whether a contract is or contains a lease at inception of the contract. 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.

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 asset specific incremental borrowing rates.

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.

Appendix A: Other accounting policies continued

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.

Property, plant and equipment

Property, plant and equipment consists principally of computer equipment, and fixtures and fittings, and is stated at cost less accumulated depreciation and any recognised impairment losses. Cost includes the original purchase price of the asset and the costs of bringing the asset to its working condition for its intended use. Depreciation is charged to profit or loss on a straight-line basis to write down the cost of the asset to its residual value over its estimated useful life, ranging between 2 and 24 years depending on the length of time the Group expects to derive benefit from the asset.

Management determines useful lives and residual values for assets when they are acquired, based on experience of similar assets and taking into account other relevant factors such as any expected changes in technology. The Group assesses and adjusts (if required) the useful life, residual value and depreciation method for property plant and equipment on an annual basis.

Items of property, plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. Where the carrying amount of an asset is greater than its estimated recoverable amount, which represents the higher of the asset's fair value less costs of disposal and value in use, it is written down immediately to its recoverable amount and an impairment loss is recognised in the income statement. Impaired non-financial assets, except goodwill, are reviewed for possible reversal of the impairment at each reporting date. On de-recognition of an item of equipment, any gain or loss on disposal, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is included in profit or loss in the period of the de-recognition. Items of property and equipment that are not owned by the Group, but are held under lease arrangements are accounted for in accordance with the accounting policy on leases.

Share Capital

Equity instruments

Shares are classified as equity instruments when there is no contractual obligation to deliver cash or other assets to another entity on terms that may be unfavourable. The value of the Company's share capital consists of the number of ordinary shares in issue multiplied by their nominal value. The difference between the proceeds received on issue of the shares and the nominal value of the shares issued is recorded in share premium.

Share issue costs

Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of the issue and disclosed where material.

Dividends

Dividends are distributions of profit to holders of the Group's share capital and as a result are recognised as a deduction in equity. Dividends payable to holders of equity instruments are recognised in the period in which they are authorised or approved. Interim dividends payable to holders of the Group's ordinary share capital are announced with the half year results and authorised by the directors of the Parent Company. The final dividend is announced with the Annual Report and Accounts and typically requires shareholder approval at the Annual General Meeting. For this reason it is not included in the annual consolidated financial statements.

Shares held by trusts

Shares in the Parent Company that are held by the Employee Benefit Trust ("EBT") are treated as "Own shares". The EBT purchases shares in the Parent Company for delivery to employees under employee incentive plans. Purchased shares are recognised as a deduction from equity at the price paid for them.

Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to the ordinary shareholders of the Parent Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by various share trusts of the Group and held as own shares.

Diluted earnings per share is calculated by increasing the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares, notably those related to employee share schemes.

Appendices continued
For the year ended 31 December 2019

Appendix B: Related undertakings

The Companies Act 2006 requires disclosure of certain information about the Group's related undertakings which is set out in this note. Related undertakings comprise subsidiaries, joint ventures, associates and other significant holdings. Significant holdings are where the Group either has a shareholding greater than or equal to 20% of the nominal value of any share class, or a book value greater than 20% of the Group's assets.

The definition of a subsidiary undertaking in accordance with the Companies Act 2006 is different from the definition under IFRS. As a result, the related undertakings included within the list below may not be the same as the undertakings consolidated in the Group IFRS financial statements. Refer to accounting policies note 4(a) Group Accounting for further detail on the principles of consolidation.

The Group's related undertakings along with the country of incorporation, the registered address, the classes of shares held and the effective percentage of equity owned at 31 December 2019 are disclosed below.

Company Name	Share Class	% Held
United Kingdom		
Millennium Bridge House, 2 Lambeth Hill, London, EC4V 4AJ		
Charles Jacques Limited	Ordinary	100
Commsale 2000 Limited	Ordinary	100
Freedom Financial Planning (Manchester) Ltd.	Ordinary[1]	100
Old Mutual Financial Services (UK) Limited	Ordinary	100
OMFS (GGP) Limited	Ordinary	100
OMLA Holdings Limited	Ordinary	100
OMW Business Services Limited*	Ordinary	100
Prescient Financial Intelligence Limited	Ordinary	100
Quilter Cheviot Investment Management Limited*	Ordinary	100
Quilter CoSec Services Limited	Ordinary	100
Quilter Financial Advisers Limited[2]	Ordinary	100
Quilter Group Limited*	Ordinary	100
Quilter Holdings Limited*	Ordinary	100
Quilter International Limited*	Ordinary	100
Quilter Investors Limited	Ordinary	100
Quilter Investors Portfolio Management Limited	Ordinary	100
Quilter Life & Pensions Limited	Ordinary	100
Quilter Life Assurance Limited*[3]	Ordinary	100
Quilter No3 Limited*	Ordinary	100
Quilter Pension Trustees Limited	Ordinary	100
Quilter Private Client Advisers Limited	Ordinary	100
Quilter UK Holdings Limited	Ordinary	100
Quilter Wealth Solutions Limited	Ordinary	100
Skandia UK Limited	Ordinary[4]	100
Old Mutual House, Portland Terrace, Southampton, SO14 7EJ		
IFA Holding Company Limited	Ordinary	100
IFA Services Holdings Company Limited	Ordinary[5]	100
Old Mutual Wealth Holdings Limited	Ordinary[6]	100
Old Mutual Wealth Life & Pensions Limited	Ordinary	100
Old Mutual Wealth Limited	Ordinary	100
Old Mutual Wealth Nominees Limited	Ordinary	100
Quilter Business Services Limited	Ordinary	100
Old Mutual Wealth UK Holding Limited	Ordinary	100
One Kingsway, London, WC2B 6AN		
Cheviot Capital (Nominees) Limited	Ordinary	100
Quilpep Nominees Limited	Ordinary	100
Quilter Cheviot Holdings Limited	Ordinary	100
Quilter Cheviot Limited	Ordinary	100
Quilter Nominees Limited	Ordinary	100
Violet No.2 Limited	Ordinary	100

Company Name	Share Class	% Held
Wiltshire Court, Farnsby Street, Swindon, SN1 5AH		
Blueprint Distribution Limited	Ordinary	100
Blueprint Financial Services Limited	Ordinary	100
Blueprint Organisation Limited	Ordinary	100
Caerus Bureau Services Limited	Ordinary	100
Caerus Capital Group Limited	Ordinary[7]	100
Caerus Holdings Limited	Ordinary	100
Caerus Wealth Limited	Ordinary	100
Caerus Wealth Solutions Limited	Ordinary	100
Intrinsic Cirilium Investment Company Limited	Various[8]	100
Intrinsic Financial Solutions Limited	Ordinary	100
Intrinsic Valuation Services Limited	Ordinary	100
Intrinsic Wealth Financial Solutions Limited	Ordinary	100
Quilter Financial Limited	Ordinary[9]	100
Quilter Financial Planning Limited	Ordinary[4]	100
Quilter Financial Services Limited	Ordinary	100
Quilter Mortgage Planning Limited	Ordinary	100
Quilter Wealth Limited	Ordinary	100
26 Throgmorton Street, London, EC2N 2AN		
Falcon Financial Advice Limited	Ordinary	100
Lighthouse Advisory Services Limited	Ordinary	100
Lighthouse Benefits Limited	Ordinary	100
Lighthouse Corporate Services Ltd	Ordinary	100
Lighthouse Direct Limited	Ordinary	100
Lighthouse Financial Advice Limited	Ordinary	100
Lighthouse Financial Adviser Services Limited	Ordinary	100
Lighthouse Financial Advisers Limited	Ordinary	100
Lighthouse Group plc	Ordinary	100
Lighthouse Pensions Help Limited	Ordinary	100
Lighthouse Support Services Limited	Ordinary	100
Lighthouse Wealth Management Limited	Ordinary	100
Lighthouse+ Limited	Ordinary	100
LighthouseCarrwood Limited	Ordinary	100
Lighthouseplus Limited	Ordinary	100
LighthouseTemple Limited	Ordinary	100
LighthouseWealth Limited	Ordinary	100
LighthouseXpress Limited	Ordinary	100
Luceo Asset Management Limited	Ordinary	100
The Falcon Group Limited	Ordinary	100
6 Tollgate Business Park, Tollgate West, Stanway, Colchester, Essex, CO3 8AB		
Charles Derby Group Limited	Ordinary	100
Charles Derby Financial Services Limited[10]	Ordinary	100

Company Name	Share Class	% Held
6 Tollgate Business Park, Tollgate West, Stanway, Colchester, Essex, CO3 8AB		
Charles Derby Private Clients Limited	Ordinary A	100
Charles Derby Wealth Management Limited	Ordinary	100
Forward Thinking Wealth Management Limited	Ordinary	100
Riverside House, The Waterfront, Newcastle upon Tyne, NE15 8NY		
Positive Solutions (Financial Services) Ltd.[11]	Ordinary[12]	100
Think Synergy Limited	Ordinary	100
Hill House, 1 Little New Street, London, EC4A 3TR		
Maestro Financial Services Limited (in Liquidation 11/09/2019)	Ordinary	100
NPL Financial Limited (in Liquidation 11/09/2019)	Ordinary	100
Premier Planning Limited (in liquidation 19/03/2018)	Ordinary	100
No.2 Lochrin Square, 96 Fountainbridge, Edinburgh, EH3 9QA, Scotland		
D G Pryde Limited[13]	Ordinary-A	100
C/O Addleshaw Goddard LLP, 19 Canning Street, Edinburgh, EH3 8EH, Scotland		
Financial Services Advice & Support Limited	Ordinary	100
Ireland		
Hambleden House, 19-26 Lower Pembroke Street, Dublin 2, D02 WV96		
Pembroke Quilter (Ireland) Nominees Limited	Ordinary	100
Old Mutual International Ireland dac[14]	Ordinary	100
Quilter Cheviot Europe Limited	Ordinary	100
Isle of Man		
King Edward Bay House, King Edward Road, Onchan, IM99 1NU		
Old Mutual International Business Services Limited[14]	Ordinary	100
Old Mutual International Holdings Limited[14]	Ordinary	100
Old Mutual International Isle of Man Limited[14]	Ordinary	100
Old Mutual International Trust Company Limited[14]	Ordinary	100
OMF (IOM) LTD	Ordinary	100
Jersey		
3rd Floor, Windward House, La Route de la Liberation, St Helier, JE1 1QJ		
Quilter Cheviot International Limited	Ordinary-A	100
C.I.P.M. Nominees Limited	Ordinary	100
QGCI Nominees Limited	Ordinary	100
Singapore		
138 Market Street, #06-01/02 CapitaGreen, Singapore, 048946		
AAM Advisory PTE Ltd.	Ordinary	100

Company Name	Share Class	% Held
Germany		
Thurn-und-Taxis- Platz 6, 60313, Frankfurt am Main		
Skandia Retail Europe Holding GmbH	Shares	100
Old Mutual Europe GmbH	Shares	100
South Africa		
Mutualpark, Jan Smuts Drive, Pinelands, 7405		
Global Edge Technologies (Pty) Limited	Ordinary	100
United Arab Emirates		
7 & 8 Level 2, Gate Village Building 7, Dubai International Financial Centre, Dubai, 482062		
Old Mutual International Middle East Limited[14]	Ordinary	100
Other		
12-14 Upper Marlborough Road, St Albans, Hertfordshire, AL1 3UR		
360 Dot Net Limited	A Ordinary	17.5

* Formal strike off process initiated.
[1]Ordinary A,B,C,D & E
[2]Name changed to Quilter No1 Limited on 24 January 2020
[3]Quilter Life Assurance Limited is a dormant entity, set up in preparation for the rebrand of Old Mutual Wealth Life Assurance Limited, which is subsequently no longer required following the sale of the QLA business in December 2019
[4]Ordinary £1.00
[5]A Ordinary and B Ordinary
[6]Ordinary and Partly Paid Ordinary £0.20
[7]Ordinary and B Shares
[8]A Ordinary, B Ordinary and Preference shares
[9]Ordinary A and Ordinary-B
[10]Name changed to Quilter Financial Advisers Limited on 24 January 2020
[11]Name changed to Quilter Financial Planning Solutions Limited on 21 February 2020
[12] £0.00016 Ordinary and £0.00026 Ordinary
[13]Members voluntary liquidition process initiated on 28 February 2020
[14]The following Quilter international companies were rebranded from Old Mutual as follows in February 2020:

Previous Name	Current Name and date changed
Old Mutual International Business Services Limited	Quilter International Business Services Limited (14 February 2020)
Old Mutual International Holdings Limited	Quilter International Holdings Limited (14 February 2020)
Old Mutual International Ireland dac	Quilter International Ireland dac (13 February 2020)
Old Mutual International Isle of Man Limited	Quilter International Isle of Man Limited (14 February 2020)
Old Mutual International Middle East Limited	Quilter International Middle East Limited (6 February 2020)
Old Mutual International Trust Company Limited	Quilter International Trust Company Limited (14 February 2020)

Appendices continued
For the year ended 31 December 2019

The International Wealth Platform business purchases shares of privately-held companies on behalf of customers so that those shares can be linked to whole of life assurance bonds for those customers. As the Group legally and beneficially usually owns more than 20% (usually 100%) of the issued share capital of each of the private companies, they are considered to be related undertakings.

Private company shares held on behalf of customers:		
Jersey		
2nd Floor, Gaspe House, 66-72 Esplanade, St Helier, JE1 1GH		
Electrolight Investments Limited	Ordinary	100
Gaspe House, 66-72 Esplanade, St Helier, JE2 3QT		
Tixtan Limited	Ordinary	100
Isle of Man		
Cayman National House, 4-8 Hope Street, Douglas, IM1 1AQ		
Tissington Limited	Ordinary	100
Bahamas		
Amicorp Bahamas Management Limited, Shirley & Charlotte Streets, PO BOX N-4865		
Rosco Bahamas Ltd.	Ordinary	100
Panama		
Calle Aquilino de la Guardia No 8 Edif. IGRA, PO BOX 0823 02435, Panama City		
Narvik Investment, Inc	Ordinary	100
2nd Floor, MMG Building, East 53rd Street, Marbella, Panama City		
Atwood Development S.A.	Ordinary	100
2nd Floor, Humboldt Tower, East 53rd Street, Urb., Marbella, Panama City. PO Box 0819-09132		
Accord Brook S.A.	Ordinary	100
British Virgin Islands		
2nd Floor, O'Neal Marketing Associates Building, PO Box 3174, Wickham's Cay II, Road Town, Tortola, VG1110		
Cannon Capital Investment Corp.	Ordinary	100
Isidro Mayo Corp.	Ordinary	100
Citco BVI Limited, Flemming House, PO Box 662, Wickhams Cay, Road Town, Tortola, VG1110		
Libby Ventures Ltd	Ordinary	100
Level 1, Palm Grove House, Wickham's Cay I, Road Town, Tortola		
Volenda Finance Inc.	Ordinary	100
MMG Trust (BVI) Corp, Morgan and Morgan Building, Pasea Estate, Road Town, Tortola		
Pacific Commercial Services Ltd	Ordinary	100
OMC Chambers, Wickhams Cay 1, Road Town, Tortola, VG1110		
Akito Inc.	Ordinary	100
Palm Chambers, 197 Main Street, PO Box 3174, Road Town, Tortola, VG1110		
Avanna Global Corp.	Ordinary	100
Tortola Pier Park, Building 1, Second Floor, Wickhams Cay 1, Road Town, Tortola		
Elegant Inn Inc	Ordinary	100
Trident Chambers, P.O. Box 146, Road Town, Tortola, VG1110		
South Surrey Investment & Finance S.A.	Ordinary	100
Trinity Chambers, PO Box 4301, Road Town, Tortola		
Seaview Holdings Investment Limited	Ordinary	100
Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110		
Bliss Spring Limited	Ordinary	100
Epoch Vision Ventures Limited	Ordinary	100
Grandeur Valley Limited	Ordinary	100
Sitori Trading Limited	Ordinary	100
Cyprus		
Amathountos, 29 Myria Court, Flat 11 4532, Lemesos		
Michael Churm Holdings Limited	Ordinary	100
Seychelles		
Suite 3, Global Village, Jivans Complex, Mont Fleuri, Mahe		
Reverades Holding Ltd	Ordinary	100
Rubyfield Investments Ltd	Ordinary	100

In addition, the following funds are consolidated and constitute related undertakings, as described in note 4(a). Unless otherwise stated the share class of the undertakings below are comprised of ordinary shares:

Notes
A Accumulation
B Income

Fund Name	Notes	% Held
United Kingdom		
Millennium Bridge House, 2 Lambeth Hill, London, EC4V 4AJ		
Quilter Investors Cirilium Balanced Portfolio	A	49
Quilter Investors Cirilium Balanced Passive Portfolio	A	61
Quilter Investors Cirilium Conservative Portfolio	A	53
Quilter Investors Cirilium Conservative Passive Portfolio	A	56
Quilter Investors Cirilium Dynamic Portfolio	A	38
Quilter Investors Cirilium Dynamic Passive Portfolio	A	50
Quilter Investors Cirilium Moderate Passive Portfolio	A	57
Quilter Investors Cirilium Moderate Portfolio	A	44
Old Mutual Compass Portfolio 2	A	57
Old Mutual Compass Portfolio 3	A	43
Old Mutual Compass Portfolio 4	A	54
Old Mutual Compass Portfolio 5	A	53
Quilter Investors Asia Pacific (ex Japan) Equity Fund	A	97
Quilter Investors UK Equity Large-Cap Income Fund	A&B	85
Quilter Investors UK Equity Opportunities Fund	A	94
Quilter Investors Precious Metals Equity Fund	A	92
Quilter Investors UK Equity Growth Fund	A	85
Quilter Investors Bond 1 Fund	B	85
Quilter Investors Bond 2 Fund	A&B	88
Quilter Investors Bond 3 Fund	B	97
Quilter Investors Equity 1 Fund	A	79
Quilter Investors Equity 2 Fund	A	95
Quilter Investors Creation Balanced Portfolio	A	75
Quilter Investors Creation Moderate Portfolio	A	76
Quilter Investors Creation Dynamic Portfolio	A	73
Quilter Investors US Equity Growth Fund	A	82
Quilter Investors Europe (ex UK) Equity Growth Fund	A	92
Quilter Investors High Yield Bond Fund	A&B	69
Quilter Investors UK Equity Income Fund	A	73
Quilter Investors UK Equity Index Fund	A	58
Quilter Investors Global Dynamic Equity Fund	A	80
Quilter Investors Global Equity Index Fund	A	73
Quilter Investors Europe (ex UK) Equity Income Fund	A	100
Quilter Investors Cirilium Adventurous Portfolio	A	54
Quilter Investors Cirilium Adventurous Blend Portfolio	A	79
Quilter Investors Cirilium Balanced Blend Portfolio	A	72
Quilter Investors Cirilium Conservative Blend Portfolio	A	73
Quilter Investors Cirilium Dynamic Blend Portfolio	A	47
Quilter Investors Cirilium Moderate Blend Portfolio	A	67
Quilter Investors Global Equity Absolute Return Fund	A	100
Quilter Investors Diversified Bond Fund	A	100
Quilter Investors US Equity Income Fund	A	100
Quilter Investors Emerging Markets Equity Income Fund	A	100
Quilter Investors Europe (ex UK) Small/Mid-Cap Equity Fund	A	100
Quilter Investors Emerging Markets Equity Fund	A	100

Fund Name	Notes	% Held
United Kingdom		
Millennium Bridge House, 2 Lambeth Hill, London, EC4V 4AJ		
Quilter Investors Emerging Markets Bond Fund	A	100
Quilter Investors Corporate Bond Fund	A	100
Quilter Investors Asia Pacific Fund	A	100
Quilter Investors UK Equity Fund	A	100
Quilter Investors Absolute Return Bond Fund	A	100
Quilter Investors Cirilium Adventurous Passive Portfolio	A	51
Quilter Investors Sterling Corporate Bond Fund	A&B	57
Quilter Investors Sterling Diversified Bond Fund	A&B	96
Quilter Investors Foundation 3 Fund	A&B	81
Quilter Investors Foundation 5 Fund	A&B	95
Quilter Investors Generation CPI+ 3 Portfolio	A&B	74
Quilter Investors Generation CPI+ 4 Portfolio	A	61
Quilter Investors Generation CPI+ 5 Portfolio	A&B	68
Quilter Investors Gilt Index Fund	A&B	92
Quilter Investors Global Property Securities Fund	A&B	39
Quilter Investors China Equity Fund	A	62
Quilter Investors Europe (ex UK) Equity Fund	A	89
Quilter Investors Asia Pacific (ex Japan) Large-Cap Equity Fund	A&B	92
Quilter Investors Investment Grade Corporate Bond Fund	A&B	78
Quilter Investors Emerging Markets Equity Growth Fund	A&B	95
Quilter Investors Natural Resources Equity Fund	A	81
Quilter Investors Global Equity Value Fund	A&B	92
Quilter Investors North American Equity Fund	A	100
Quilter Investors Japanese Equity Fund	A	91
Quilter Investors US Equity Small/Mid-Cap Fund	A&B	86
Quilter Investors Creation Conservative Portfolio	A	74
Quilter Investors Creation Adventurous Portfolio	A	73
Quilter Investors Monthly Income Portfolio	A&B	91
Quilter Investors Monthly Income and Growth Portfolio	A&B	92
Luxembourg		
4, Rue Jean Monnet L-2180, Grand Duchy of Luxembourg		
Old Mutual Global Portfolios – Balanced Fund	A	100
Old Mutual Global Portfolios – Dynamic Fund	A	100
Old Mutual Global Portfolios – Cautious Fund	A	100
Guernsey		
Ground Floor Dorey Court, Admiral Park, St Peter Port, Guernsey, GY1 2HT		
M&G Offshore Global High Yield Bond Fund	B	71
Ireland		
33 Sir John Rogerson's Quay, Dublin 2, D02 XK09		
Merian Asian Equity Income Fund	A&B	82
Merian Local Currency Emerging Market Debt Fund	A	56
Merian Strategic Absolute Return Bond Fund	A	62
Merian Systematic Positive Skew Fund	A	85
Merian Global Equity Income Fund (IRL)	B	70
Merian Monthly Income Bond Fund	A&B	61

Company statement of financial position

At 31 December 2019

	Note	31 December 2019 £m	31 December 2018 £m
Assets			
Investment in subsidiary undertakings	4	2,235	2,663
Loans and advances	5	495	389
Deferred tax assets	6	4	2
Current tax receivable		9	17
Other receivables and other assets	7	7	5
Cash and cash equivalents	8	559	281
Total assets		**3,309**	**3,357**
Equity and liabilities			
Equity			
Ordinary Share capital		133	133
Ordinary Share premium reserve		58	58
Merger reserve	9	1,811	2,250
Share-based payments reserve		46	35
Retained earnings			
Brought forward retained earnings		644	407
Profit for the year		55	458
Other movements in retained earnings		347	(221)
Total retained earnings		1,046	644
Total equity		**3,094**	**3,120**
Liabilities			
Provisions	10	7	6
Borrowings	11	198	223
Other payables	12	10	8
Total liabilities		**215**	**237**
Total equity and liabilities		**3,309**	**3,357**

Approved by the Board on 11 March 2020.

Paul Feeney
Chief Executive Officer

Mark Satchel
Chief Financial Officer

Company registered number: 06404270

Company statement of cash flows

For the year ended 31 December 2019

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Cash flows from operating activities		
Profit before tax	50	444
Non-cash movements in profit before tax	(89)	(490)
Net changes in working capital	3	(23)
Taxation received	10	5
Total net cash flows used in operating activities	**(26)**	**(64)**
Cash flows from investing activities		
Dividends received from subsidiary undertakings	532	99
Investment in subsidiaries	–	(5)
Net proceeds from the disposal of interests in subsidiaries	–	525
Total net cash from investing activities	**532**	**619**
Cash flows from financing activities		
Dividends paid to ordinary equity holders of the Company	(92)	(221)
Finance costs	(10)	(6)
Proceeds from issue of subordinated and other debt	–	497
Subordinated and other debt repaid	(26)	(408)
Increase in loans to subsidiary undertakings	(100)	(200)
Total net cash used in financing activities	**(228)**	**(338)**
Net increase in cash and cash equivalents	278	217
Cash and cash equivalents at beginning of the year	281	64
Cash and cash equivalents at end of the year	**559**	**281**

Company statement of changes in equity

For the year ended 31 December 2019

For the year ended 31 December 2019	Note	Share capital £m	Share premium £m	Merger reserve[1] £m	Share-based payments reserve £m	Retained earnings £m	Total share-holders' equity £m
Balance at 1 January 2019		**133**	**58**	**2,250**	**35**	**644**	**3,120**
Profit for the period		–	–	–	–	55	55
Total comprehensive income		–	–	–	–	**55**	**55**
Dividends		–	–	–	–	(92)	(92)
Release of merger reserve	9	–	–	(439)	–	439	–
Equity share-based payment transactions		–	–	–	11	–	11
Total transactions with the owners of the Company		**–**	**–**	**(439)**	**11**	**347**	**(81)**
Balance at 31 December 2019		**133**	**58**	**1,811**	**46**	**1,046**	**3,094**

For the year ended 31 December 2018	Note	Share capital £m	Share premium £m	Merger reserve[1] £m	Share-based payments reserve £m	Retained earnings £m	Total share-holders' equity £m
Balance at 1 January 2018		**130**	**58**	**1,662**	**–**	**407**	**2,257**
Profit for the period		–	–	–	–	458	458
Total comprehensive income		**–**	**–**	**–**	**–**	**458**	**458**
Dividends		–	–	–	–	(221)	(221)
Acquisition of entities due to Managed Separation restructure	9	–	–	591	–	–	591
Issue of share capital	9	3	–	(3)	–	–	–
Equity share-based payment transactions		–	–	–	35	–	35
Total transactions with the owners of the Company		**3**	**–**	**588**	**35**	**(221)**	**405**
Balance at 31 December 2018		**133**	**58**	**2,250**	**35**	**644**	**3,120**

[1]Quilter parent entity merger reserve includes £1,662 million relating to Quilter Plc's acquisition of trading entities from Old Mutual Wealth UK Holding Limited in 2008, which eliminates on consolidation and so does not form part of the Group merger reserve.

Notes to the financial statements of the Company

For the year ended 31 December 2019

1: General Information

Quilter plc (the "Company"), a public limited company incorporated and domiciled in the United Kingdom ("UK").

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

2: Basis of preparation

The financial statements of Quilter plc for the year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union ("EU"), and those parts of the Companies Act 2006 applicable to those reporting under IFRS.

The financial statements have been prepared on the historical cost basis, except for common control transactions which are stated at cost less impairments in accordance with IAS 27 *Separate Financial Statements*, and have been prepared in pounds sterling.

The accounting policies adopted are the same as those set out in Note 1 of the Group financial statements, which have been applied consistently apart from the following.

Investments in subsidiaries

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

Critical accounting estimates and judgements

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

The areas where judgements and estimates have the most significant effect on the amounts recognised in these financial statements are summarised below:

Area	Critical accounting judgements	Note
Deferred tax – recognition	Deferred tax assets have been recognised as a result of the anticipated consolidated Quilter group profit arising from the three year business plan, which impacts the group relief tax arrangements between entities within the Quilter group.	6
Provisions – recognition	In assessing whether a provision should be recognised, the Company evaluates the likelihood of a constructive or legal obligation to settle an event that took place in the past and whether a reliable estimate can be made. A significant provision has been made in respect of a revenue warranty associated with the sale of the Single Strategy Asset Management business.	10

Area	Critical accounting estimates	Note
Investment in subsidiaries – measurement	Investments in subsidiaries are initially held at historical cost and tested annually for impairment. Where the values of the subsidiaries are impaired, then investments in subsidiaries are carried at management's estimate of the recoverable value, being the higher of the value-in-use or fair value less costs to sell. The recoverable value of the Company's trading subsidiaries, including companies that have direct or indirect investments in underlying trading subsidiaries, is based on their value-in-use, which incorporates the discounted value of expected future cash flows. This calculation includes significant estimates relating to forecast cash flows, new business growth and discount rates. The recoverable value of the Company's non-trading subsidiaries is based on the fair value less costs to sell, which is not subject to any significant estimates.	4
Provisions – measurement	The amount of provision is calculated based on the Company's estimation of the expenditure required to settle the obligation at the statement of financial position date. The key assumptions in relation to the revenue warranty provision are scenarios which would lead to a reduction in Quilter businesses' assets under management invested in the Single Strategy Asset Management business and therefore a reduction in fees paid by the Group.	10

The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its own income statement in these financial statements.

Going concern

The financial statements have been prepared on a going concern basis. The Board has reviewed the Company's projections for the next 12 months and beyond and as a result has a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approving these statements.

Notes to the financial statements of the Company continued
For the year ended 31 December 2019

3: Capital and financial risk management
The material risks faced by the Company are described below.

3(a): Operational risk
The Company defines operational risk as the risk of failure of people, process, systems or external events which results in financial loss, damage to brand/reputation or adverse regulatory intervention or government or regulatory fine.

Operational risk includes all risks resulting from operational activities which the Company undertakes excluding strategic risks and risks resulting from being part of a wider group of companies.

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

The Company is exposed to credit and counterparty risk primarily arising from the investment of its shareholder funds. Sources of credit risk are managed in line with the requirements of the Credit Risk Policy that ensures cash is placed with highly rated counterparties and is appropriately diversified.

3(c): Market risk
Market risk is defined as the risk that a change in the value of the Company's income from any asset is not matched by an equal change in the value of the related liability. Market risk arises from fluctuations in variables such as equity prices, property prices, interest rates and foreign exchange rates, where assets and liabilities are not precisely matched. The Company is subject to material market risk in the following area:

Interest rate risk

Interest rate risk is defined as the risk of a deviation of the actual interest rates from the expected interest rates, resulting in the potential for a negative impact on earnings or capital and/or reduced solvency.

An exposure exists as a result of three intercompany loans (see note 5) that are linked to an underlying variable interest rate, LIBOR, and so the value of these interest payments will vary if the underlying interest rate changes.

The Company has an external loan receivable to TA Associates (see note 5) which has a fixed interest rate, where the present value of the loan would vary in the event of a change in interest rates.

The Company also has subordinated debt (see note 11) that has a fixed interest rate, where the present value of the loan would vary in the event of a change in interest rates.

The Company monitors the impact of interest rate changes on its financial position, with the risk managed in line with its Market Risk Policy.

3(d): Liquidity risk
Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Company manages liquidity by maintaining adequate liquidity resources and banking facilities, regularly monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities. The Company maintains and manages its local liquidity requirements according to its business needs, within the overall liquidity framework established by the Company.

3(e): Sensitivity tests
Sensitivity analysis has been performed by applying the following parameters to the statement of financial position and income statement as at the reporting date.

Interest rate sensitivity

The impact of an increase and decrease in market interest rate of 1% (e.g. if the current interest rate is 5% the test allows for the effects of an immediate change to 4% and 6%) is assessed.

A decrease in interest rate of 1% would have decreased profit and shareholders equity by £5 million (2018: decrease £3 million) after tax; an equal change in the opposite direction would have increased profit by £7 million (2018: increase £4 million) after tax.

4: Investments in subsidiary undertakings

Investments in subsidiaries are stated at cost, less impairment in value. All shares held are Ordinary Shares.

	31 December 2019 £m	31 December 2018 £m
Balance at the beginning of the year	2,663	2,069
Impairment of subsidiary undertakings	(439)	–
Investment in subsidiary undertakings	–	5
Investment in subsidiary undertakings in relation to share-based payments	11	35
Acquisition of subsidiaries	–	600
Disposal of subsidiaries	–	(46)
Balance at the end of the year	**2,235**	**2,663**

Investment in subsidiary undertakings in relation to share-based payments

Quilter plc grants rights to its equity instruments to employees of its subsidiaries under various share based payment arrangements. In so doing, the subsidiaries receive services from employees that are paid for by Quilter plc, thereby increasing the investment that Quilter plc holds in those subsidiaries. Quilter plc recognises the equity settled share based payment in equity, with a corresponding increase in its investment in the subsidiaries. The amount recognised as an additional investment is based on the grant date fair value of the share options granted, and is recognised by Quilter plc over the vesting period of the respective share schemes.

During 2019 the Company increased its investments in subsidiaries in relation to share-based payments as listed below:

	31 December 2019 £m	31 December 2018 £m
Quilter Business Services Limited (formerly Old Mutual Wealth Business Services Limited)	2	17
Quilter Cheviot Limited	5	12
Quilter Financial Planning Limited (formerly Intrinsic Financial Services Limited)	2	2
Quilter Investors Limited	1	2
Other subsidiaries	1	2
Total investments in subsidiaries	**11**	**35**

2019 impairment to investment in subsidiary undertakings

In accordance with the requirements of IAS 36 *Impairment of Assets*, the investments in subsidiaries are tested annually for impairment by comparing the carrying value of the underlying investments to the recoverable value, being the higher of the 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.

On 31 January 2018, the Company acquired the Skandia UK Limited group of entities, which had a net asset value of £591 million. The most significant assets within these entities was a £566 million receivable. On 31 December 2019, there was a partial repayment of this receivable and subsequent dividend paid by Skandia UK Limited to Quilter plc. The resulting decrease in Skandia UK Limited's net asset value gave rise to a £439 million impairment of Quilter plc's investment in Skandia UK Limited.

Sensitivity of impairment assessment

The recoverable value calculated for the Company's trading subsidiaries, which includes companies that have direct or indirect investments in underlying trading subsidiaries, is based on their value-in-use, which includes the discounted value of expected future profits. This calculation includes significant estimates relating to forecast cash flows, new business growth and discount rates. Due to the level of estimation involved in this calculation, it is subject to sensitivity tests, including the impacts of a 10% change in profitability and a 1% movement in the discount rate.

The sensitivity tests performed on the Company's trading subsidiaries, whose recoverable value is based on their value-in-use, did not indicate any impairment being required, as there is sufficient headroom compared to the underlying carrying value.

Neither of the sensitivity tests performed had an impact on the £439 million impairment of Skandia UK Limited. This is because the recoverable value of Skandia UK Limited, as is the case for the majority of the Company's non-trading subsidiaries, is based on the fair value less costs to sell and is therefore not subject to the sensitivities that impact future profits.

2018 investment in subsidiary undertaking

On 29 June 2018 the Company invested £5 million into Quilter Investors Limited (a direct subsidiary).

Notes to the financial statements of the Company continued
For the year ended 31 December 2019

4: Investments in subsidiaries continued
2018 acquisition of subsidiary undertakings
The Skandia UK Limited group of entities was acquired from Old Mutual plc on 31 January 2018 and comprised seven entities which had a net asset value of £591 million. The transfer was financed by the issue of one £1 share with the balance of the cost represented by a merger reserve. No debt was taken on as a result of this transaction.

On 25 April 2018 the Company received a dividend from the Single Strategy Asset Management business of £9 million and utilised the proceeds to acquire Quilter Investors Limited (formerly Old Mutual Investment Management Limited) from its subsidiary, Old Mutual Global Investors Holdings Limited prior to its sale.

2018 disposal of subsidiary
On 29 June 2018 the Company completed the sale the Single Strategy Asset Management business 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 Quilter plc is released in the business. The remaining proceeds of £36 million were received in cash as a pre completion dividend on 15 June 2018.

The sale proceeds of £540 million less the holding value of the investment of £46 million and costs of £14 million resulted in a profit on sale of £480 million.

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

	Note	31 December 2019 £m	31 December 2018 £m
Loans to subsidiary undertakings	13	489	382
Loan to third party[1]		6	7
Total net loans and advances		**495**	**389**

[1]Loan to third party is a loan to TA Associates in respect of the deferred consideration receivable arising from the sale of the Single Strategy Asset Management business. The loan is repayable no later than June 2022. The carrying amount of loans approximates to fair value which is measured as the principal amounts receivable under the loan agreements.

All loans are held at amortised cost and repayable on demand. The loans to subsidiary undertakings are with Old Mutual Wealth UK Holding Limited and Old Mutual Wealth Holdings Limited and are charged at interest rates of annual LIBOR plus 0.5%, 1-month LIBOR plus 1.304% and 10%. Given the profitability and net assets of these subsidiaries, the credit risk associated with these loans is considered minimal. There have been no non-performing loans, loans subject to renegotiations or material impairments on loans and advances recognised in the financial year.

6: Deferred tax assets
The following are the deferred tax balances recognised by the Company and the movements thereon, during the current and prior reporting period.

Year ended 31 December 2019	Beginning of the year £m	Income statement credit £m	End of the year £m
Tax losses	2	2	4
Deferred tax assets at 31 December 2019	**2**	**2**	**4**

Year ended 31 December 2018	Beginning of the year £m	Income statement credit £m	End of the year £m
Tax losses	–	2	2
Deferred tax assets at 31 December 2018	**–**	**2**	**2**

The main rate of corporation tax is 19%. A further reduction to 17% from 1 April 2020 was enacted in 2016.

A deferred tax asset or liability is recognised to the extent that temporary differences are expected to reverse in the foreseeable future.

The value of the deferred tax assets not recognised as at 31 December 2019 was £3 million (2018: £2 million). This relates to gross carried forward losses of £16 million (2018: £10 million).

7: Other receivables and other assets

The note analyses total other receivables and other assets.

	Note	31 December 2019 £m	31 December 2018 £m
Due from subsidiary undertakings	13	7	5
Total other receivables and other assets		**7**	**5**

All amounts due from Group companies are unsecured and settled on demand. The Directors consider that the carrying amount of other receivables approximate their fair value.

8: Cash and cash equivalents

	31 December 2019 £m	31 December 2018 £m
Cash at bank	336	14
Money market funds	223	267
Total cash and cash equivalents per statement of financial position	**559**	**281**

All cash and cash equivalents are current, and recognised at amortised cost, apart from money market investments which are recognised mandatorily at FVTPL.

Investments in money market OEICs are classified as cash and cash equivalents. Management hold these investment funds for short-term liquidity purposes. The funds are highly liquid, have a strong credit rating and a very low risk of reduction in value.

9: Merger reserve

2018 Merger reserve

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

Following the acquisition, the Company allotted 315,731,886 bonus ordinary shares of £0.01 each to the existing shareholders of the Company (with any fractional entitlements arising aggregated and allotted to Old Mutual plc), with a total nominal value of £3 million. This had the effect of reducing the merger reserve by £3 million to £588 million at 31 December 2018, and increasing share capital by the same amount.

2019 Merger reserve

During the year ended 31 December 2019, there was a partial repayment of the receivable and a subsequent dividend paid by Skandia UK Limited to Quilter plc. The resulting decrease in Skandia UK Limited's net asset value gave rise to a £439 million impairment of Quilter plc's investment in Skandia UK Limited and an associated release of the merger reserve.

These transactions attracted merger relief under section 612 of the Companies Act 2006.

Notes to the financial statements of the Company continued
For the year ended 31 December 2019

10: Provisions

	31 December 2019 £m	31 December 2018 £m
Balance at beginning of the period	6	–
Additions	1	6
Total provisions	**7**	**6**

Revenue warranty in relation to the sale of the Single Strategy Asset Management business
Provisions totalling £6 million were made in 2018 as a consequence of the sale of the Single Strategy Asset Management business. These were made in relation to various sale related future commitments, the outcome of which was uncertain at the time of the sale and the most significant of which was in respect of the guarantee of revenues in future years. Because of the long-term nature of the provision, it was deemed to be a non-current liability.

The provision takes into account sensitivities including potential scenarios which would result in a reduction in Group assets under management held in Merian Global Investors (Single Strategy Asset Management business) funds, leading to a reduction in the management fees paid to Merian Global Investors. The maximum potential exposure is £29 million, arising between 2020 and 2022.

At the end of 2019, the provision was reassessed, leading to a £1 million increase. Of the total provisions recorded above, £3 million is estimated to be payable after more than one year.

11: Borrowings

	31 December 2019 £m	31 December 2018 £m
Subordinated debt		
Subordinated loan at 3-month LIBOR + 4.0503%[1]	198	197
Other borrowings from Group entities		
Floating rate loan at 1-month LIBOR + 0.50%[2]	–	26
Total borrowings	**198**	**223**

[1]Commenced on 28 February 2018 and used for general corporate purposes.
[2]Loan from subsidiary that commenced during 2011 and was used to finance other historical corporate activity. This was settled in full in December 2019.

Amounts borrowed are at amortised cost.

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

On 28 February 2018, the Company issued a £200 million subordinated debt security (held at amortised cost of £198 million) in the form of a 10-year Tier 2 bond with a one-time issuer call option after 5 years to J.P. Morgan Securities plc, paying a semi-annual coupon of 4.478% (the "Tier 2 Bond"). The bond was remarketed and sold to the secondary market in full on 13 April 2018. It is now listed and regulated under the terms of the London Stock Exchange. In addition, the Company entered into a £125 million revolving credit facility which remains undrawn and is being held for contingent funding purposes across the Group.

12: Other payables

	Note	31 December 2019 £m	31 December 2018 £m
Due to subsidiary undertaking	13	7	5
Accruals		3	3
Total other payables		**10**	8

All amounts are current and short term. Amounts due to subsidiary undertakings are unsecured and are settled quarterly.

13: Related party transactions

Transactions with related parties carried out by the Company during the year were as follows:

	Note	31 December 2019 £m	31 December 2018 £m
Management fees paid to subsidiary undertaking		47	49
Dividends received from subsidiary undertakings		532	108
Interest received from subsidiary undertakings		13	11
Amounts due from subsidiary undertakings	7	7	5
Amounts due to subsidiary undertakings	12	7	5
Investment in subsidiary undertaking	4	–	5
Investment in subsidiary undertaking in relation to share-based payments	4	11	35
Loans to subsidiary undertakings	5	489	382
Other borrowings from Group entities	11	–	26

Management services and fixed assets in the current and prior period in the UK are provided by Quilter Business Services Limited, a subsidiary undertaking. Quilter Business Services Limited charges a management fee for costs incurred and services provided. This fee is charged at cost plus a mark-up.

Other information

Other information
Our shareholder information and glossary of useful terms and Alternative Performance Measures.

Shareholder information

Information for all shareholders

2020 Key Dates

The key dates for shareholders are:

31 March 2020	Last day for shares to trade cum dividend in South Africa
1 April 2020	Shares start trading ex-dividend in South Africa
3 April 2020	Final dividend Record Date. Shareholders on the register are eligible for the final dividend
14 May 2020	Annual General Meeting at 11:00am (UK time)
18 May 2020	Final dividend payment date
5 August 2020	Publication of 2020 half year results, including any dividend details

Dates may be subject to change. Please check our website at **quilter.com** for further information.

Dividends

Dividend information

This year the Directors are recommending the payment of a final dividend 3.5 pence per share.

Dividend policy

The Quilter Board target a dividend pay-out ratio of 40% to 60% of post-tax operating profits, taking into account the underlying cash generation, cash resources, capital position, distributable reserves and market conditions at the time.

Attending the Quilter 2020 AGM

Impact of the Coronavirus situation

At this time, there is much uncertainty around the Coronavirus ('COVID-19') situation and the impact it may have. Our number one priority at present is to protect the health of our shareholders, directors and colleagues. For that reason, our current intention is to hold an AGM that meets our legal obligations but no more. We strongly urge shareholders wishing to attend the meeting in person to carefully consider the health implications for themselves and their families, especially if they are in a vulnerable group. We will provide up to date information for shareholders on our AGM Hub at **quilter.com/agm**.

We intend to publish a webcast of the AGM after the meeting at **quilter.com/agm** so that people who are unable to attend can see the meeting.

You can also submit a question to the Board ahead of the meeting by emailing the Company Secretary at **companysecretary@quilter.com** and we will ensure that you receive a full response. We will also publish shareholder questions and answers relating to the business of the meeting on our AGM Hub at **quilter.com/agm**.

Odd-lot Offer

At our Annual General Meeting held in May 2019, shareholders authorised the Quilter plc Board to conduct an Odd-lot Offer.

The Odd-lot Offer is a way of offering shareholders who hold fewer than 100 ordinary shares the opportunity to sell their shares at 5% premium to the market price.

Further information, including documentation for completion, was sent to eligible shareholders in early March 2020.

More information, including the timetable, can be found at **quilter.com/OLO**

Information for UK shareholders

Managing your shares and staying in touch

You do not have to receive paper shareholder documentation. Many shareholders choose to receive their communications electronically. Our Registrar, Equiniti, provide a free, convenient online service, Shareview, where you can access your shareholding quickly and easily. If you have not already done so, you can register for Shareview by visiting **www.shareview.co.uk**. All you need is your Quilter Shareholder Reference Number, which can be found on your share certificate. We will email you a notification when any shareholder statements are available and when we announce our full and half year results. You can also use Shareview to submit a voting instruction for any general meetings and to find out when any dividends are due.

Keeping your personal information up to date

It is important that you keep the personal information we hold up to date. That way correspondence advising you of any changes that might affect your shareholding reaches you and any dividends are paid to you promptly. You can do this online at **www.shareview.co.uk**, via the Quilter Shareholder Helpline or by post. Contact details are opposite.

Duplicate documents

If you have received more than one copy of Quilter shareholder documents you may have duplicate shareholder accounts. Please contact Equiniti who will be able to confirm and if necessary amalgamate any duplicate holdings.

Fraud warning

Shareholders should be wary of any unsolicited calls or documents offering unsolicited investment advice and offers to buy shares at a discounted price. Fraudsters can use persuasive and high-pressure tactics to lure shareholders into scams. You are advised not to give out any personal details or to hand over any money without ensuring that the organisation is authorised by the UK Financial Conduct Authority ('FCA') and doing further research. If you are unsure, or think you may have been targeted, you should report the organisation to the FCA using the share fraud reporting form available at **www.fca.org.uk/scams**. You can also report suspected share fraud through the FCA Helpline on +44 (0)800 111 6768 or through Action Fraud on +44 (0)300 123 2040.

Information for African shareholders

Managing your shares and staying in touch

You can go online to manage your shareholding at **https://investorcentre.linkmarketservices.co.za**. This enables you to view your holding, check your dividend history, and update how you want us to communicate with you.

Quilter would like to send you information about your shares by text message or email. We will text you a notification when your bi-annual shareholder statement is available; when we announce our results; when you can vote at any general meetings; and when any dividends are due. If you have not already done so, you can quickly and easily register your mobile phone and email address with us as follows:

Online
Go to **https://investorcentre.linkmarketservices.co.za/Login** and register for electronic communications by following the instructions on screen. All you need is your post code and Quilter Shareholder Reference Number, which can be found on your share certificate, share account statement or your dividend advice.

By email
Write to **investorenquiries@linkmarketservices.co.za**. Please include your email address and mobile phone number and state that these should be used for all future communications.

By phone
Call your Quilter Shareholder Helpline number provided below and ask for your email and mobile number to be recorded.

Dividends

For your security, Quilter plc will only pay your dividend to the bank account currently registered with our Registrar, Link Market Services. To register your bank details please contact Link Market Services using the contact details below.

Dividend currency
All dividends will be declared in pounds sterling for shareholders on the UK register and rand for shareholders on the South African register. The foreign exchange rate will be determined the day before the Directors declare the dividend.

Did you know?

You do not need to hold a paper share certificate. By holding your shares electronically you can buy and sell shares more easily and protect your holding to help prevent fraud. You can find out more by contacting Link Market Services.

Useful information

Quilter plc share register

Quilter plc listed on the London and Johannesburg Stock Exchanges on 25 June 2018. Quilter plc has a premium listing on the London Stock Exchange and a secondary listing on the Johannesburg Stock Exchange. The shares track under the QLT ticker.

Historical shareholder information

If you had shares in Old Mutual plc and have any questions about your holding or any unclaimed dividends you should contact our Registrar, Equiniti, or Link Market Services using the contact details below. Please have your Shareholder Reference number to hand.

Contact Information

Contact our Registrar, Equiniti

If you have a question about your shareholding, please contact Equiniti.

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

https://help.shareview.co.uk

Tel: 0333 207 5953*
(if calling from the UK)
Or +44 (0)121 415 0113
(if calling from overseas)

* Lines are open Monday to Friday between 08:30 and 17:30 (UK time), excluding public holidays in England and Wales.

Contact our African Registrars

Shareholders on the South Africa Register
Link Market Services South Africa (PTY) Limited
PO Box 10462, Johannesburg, 2000, South Africa

Email: investorenquiries@linkmarketservices.co.za
Tel: 086 140 0110/086 154 6566 (calling from South Africa)
Tel: +27 11 029 0251/+27 11 715 3000 (calling from overseas)

Shareholders in Namibia
Transfer Securities (PTY) Limited
PO Box 2401
Windhoek, Namibia

Email: ts@nsx.com.na
Tel: +264 (0) 227 647

Shareholders in Malawi
National Bank of Malawi
Legal Department
PO Box 945
Blantyre, Malawi

Email: legal@natbankmw.co.za
Tel: +265 182 0622/+265 182 0054

Shareholders in Zimbabwe
Corpserve Registrars (PVT) Ltd
PO Box 2208
Harare, Zimbabwe

Email: corpserve@escrowgroup.org
Tel: +263 242 751 559/+263 242 751 561

Alternative Performance Measures

We assess our financial performance using a variety of measures. Alternative Performance 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 consolidated financial statements, which include the Group's income statement, statement of financial position and statement of cash flows, which are presented on pages 104 to 109.

A number of our metrics exclude Quilter Life Assurance ("QLA"), which was historically excluded due to the closure of the institutional life book of business announced in 2017, and the run-off of the closed legacy book of business. At 31 December 2019, this business was sold to ReAssure, as explained in note 5(b) to the financial statements, and has been classified as a discontinued operation accordingly.

Further details of APMs used by the consolidated Group in its financial review are provided below. The Group's APMs have not changed due to the adoption of new accounting standards in the year, which includes the impact of IFRS 16, as disclosed in note 1 to the consolidated financial statements.

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 106 in the consolidated financial statements. Due to the nature of the Group's businesses, management believe that adjusted profit before tax is an appropriate basis by which to assess the Group's underlying operating results as it enhances comparability and understanding of the financial performance of the Group. In 2019, total adjusted profit before tax is presented for the total Group, as well as adjusted profit before tax for the Group excluding QLA, and adjusted profit before tax for QLA. A continuing and discontinued view of adjusted profit before tax has also been presented, as IFRS accounting standards require £26 million of costs (2018: £28 million) previously reported as part of the QLA business to be reallocated from discontinued to continuing operations, as these costs do not transfer to ReAssure on disposal at 31 December 2019. A detailed reconciliation of the adjusted profit before tax metrics presented, and how these reconcile to IFRS, is provided on page 26. Adjusted profit is referred to throughout the Chief Executive Officer's statement and Financial Review, with comparison to the prior period explained on page 24.
Revenue margin (bps)	Represents net management fees, divided by average AuMA. Management uses this APM as it represents the Group's ability to earn revenue from AuMA. Revenue margin by segment and for the Group is explained on page 25 of the Financial review.
Operating margin	Represents adjusted profit before tax divided by total net fee revenue including policyholder tax contributions and adviser fees. Operating margin excludes financing costs on external debt (as disclosed in note 9(e) to the consolidated financial statements as 'Interest payable on borrowed funds'). Operating margin is presented for the total Group, including QLA, and the Group excluding QLA (before the reallocation of the QLA costs as described in the adjusted profit before tax section above). Management use this APM as this is an efficiency measure that reflects the percentage of total net fee revenues that become adjusted profit before tax. Operating margin is referred to in the Chief Executive Officer's statement and Financial review, with comparison to the prior year explained in the adjusted profit section on page 24.
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 sales are disclosed by business on page 22.
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. Gross sales are disclosed by business on page 22.
Net client cash flows ("NCCF")	The difference between money received from and returned to customers during the relevant period for the Group or for the business indicated. This measure is considered to be a lead indicator of total net fee revenue throughout this document, with a separate section in the Financial review on pages 22 and 23.
Integrated net flows	Total NCCF (excluding QLA), 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. Integrated net flows are explained in the NCCF section of the Financial review on page 23.

APM	Definition
Assets under management and administration ("AuMA")	Represents the total market value of all financial assets managed and administered on behalf of customers. For reporting, Advice & Wealth Management segment disclose Assets under Management and Wealth Platforms disclose Assets under Administration. AuMA is referred to throughout this document, with a separate section in the Financial review on page 24.
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.
Total net fee revenue[1]	Total net fee revenue represents revenue earned from net management fees and other revenue listed below, and is a key input into the Group's operating margin. Further information on total net fee revenue is provided on page 24 and 25 of the Financial review and note 7(c) in the consolidated financial statements.
Net management fees	Consists of revenue generated from AuMA, fixed fee revenues including charges for policyholder tax contributions, less trail commissions payable. Net management fees are presented net of trail commission payable as trail commission is a variable cost directly linked to revenue, which is treatment and presentation commonly used across our industry. Net management fees is a part of total net fee revenue, which is a key input into the Group's operating margin. Further information on net management fees is provided on page 24 and note 7(c) in the consolidated financial statements.
Other revenue	Represents revenue not directly linked to AuMA (e.g. encashment charges, closed book unit-linked policies, non-linked Protect policies, adviser initial fees and adviser fees linked to AuMA in Quilter Financial Planning (recurring fees)). Other revenue is part of total net fee revenue, which is a key input into the Group's operating margin. Further information on other revenue is provided on page 24 and note 7(c) in the consolidated financial statements.
Expenses[1]	Expenses represent the underlying costs for the Group, excluding the impact of one-off items that need to be incurred to earn total net fee revenue. Expenses are included in the calculation of adjusted profit before tax, and impact the Group's operating margin. A reconciliation of expenses to the applicable IFRS line items is included in note 7(c) to the consolidated financial statements, and the adjusting items excluded from expenses are explained in note 7(a). Expenses are explained on page 25 of the Financial review.
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. For 2019, the cash generation has been calculated using the total adjusted profit for the Group (including QLA), as well as for adjusted profit before the reallocation of QLA costs (as explained on page 26). The capital requirements of the business are assessed on each company's solo regulatory solvency basis. Cash generation is explained on page 27 of the Financial review.
Asset retention	The asset retention rate measures our ability to retain assets from delivering good customer outcomes and investment performance. Asset retention reflects the annualised 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). Asset retention is provided for the Group and by segment on page 22.
Productivity	Productivity is a measure of the value created by Integrated NCCF from our advice business, and is an indicator of the success of our integrated business model. Productivity is calculated as average integrated net flow per Restricted Financial Planner. Productivity is provided on page 23.
NCCF/opening AuMA (excluding QLA)	This measure is calculated as total NCCF annualised as described above divided by opening AuMA presented as a percentage. Quilter Life Assurance is excluded from this metric principally due to the closure of the institutional life book of business announced in 2017 and run-off of the legacy book as it is a closed-book business. The completion of the sale of this business took place on 31 December 2019. This metric is provided on page 22.

[1] New APM definition in 2019.

Alternative Performance Measures continued

APM	Definition
Return on Equity ("RoE") (excluding discontinued operations)	This calculates how many pounds of profit the Group generates with each pound of shareholder 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 and, for both 2018 and 2019, sale of the Quilter Life Assurance business.
IFRS profit before tax (excluding amortisation, policyholder tax adjustments and other one-off items)[1]	This profit metric is calculated using the Group's IFRS profit before tax, from continuing and discontinued operations, and is adjusted to exclude amortisation of intangible assets, policyholder tax adjustments, and other one-off items as disclosed in the reconciliation in note 7(b) to the consolidated financial statements. This APM has been relabeled in 2019, to provide a more meaningful title (was previously called IFRS profit before tax (excluding policyholder tax and life tax contributions)). The 2018 comparative has also been restated for comparability with the current year, which is also explained in note 7(b) to the consolidated financial statements. This metric is used as the basis for remuneration, which is explained in the Remuneration Report in the Group's Annual Report.
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 25 and note 11 in the consolidated financial statements. In 2019 adjusted diluted earnings per share is presented for the total Group, as well as adjusted profit before tax for the Group excluding QLA. A continuing and discontinued view of diluted earnings per share has also been presented, as IFRS accounting standards require £26 million of costs (2018: £28 million) previously reported as part of the QLA business to be re-allocated from discontinued to continuing operations, as these costs do not transfer to ReAssure on disposal at 31 December 2019. The calculation of all EPS metrics is included in note 11 to the consolidated financial statements Adjusted diluted earnings per share is referred to throughout this document, with additional details in the EPS section in the Financial review on page 25.
Headline earnings per share[1]	The Group is required to calculate headline earnings per share in accordance with the Johannesburg Stock Exchange Limited Listing Requirements, determined by reference to the South African Institute of Chartered Accountants' circular 02/2015. For details of the calculation, refer to note 11 to the consolidated financial statements.

[1] New APM definition in 2019.

Glossary

Term	Definition
Affluent	Customers with £100,000 to £5 million of investable assets
AuA	Assets under administration, which unless stated otherwise, reflects gross AuA before intra-group eliminations
AuM	Assets under management, which unless stated otherwise, reflects gross AuM before intra-group eliminations
AuMA	Assets under management and administration – for more details see Alternative Performance Measures on page 212
Brexit	The exit of the United Kingdom from the European Union, officially announced on 29 March 2017
CAGR	Compound annual growth rate
Company	Quilter plc
FCA	The UK Financial Conduct Authority
GHG	Greenhouse gas
Group	Quilter plc
High net worth	Customers with over £5 million of investable assets
ICAAP	Internal Capital Adequacy Assessment Process
IFAs	Independent Financial Advisers, meaning advisers who provide advice on an independent basis, based on a comprehensive analysis of the whole market and free from any restriction
IFRS	The International Financial Reporting Standards as adopted by the European Union
Integrated net flows	NCCF that appear in more than one part of the Group's businesses – for more details see Alternative Performance Measures on page 212
Investment managers (IMs)	Individual who provides investment advice and investment management services to private clients of Quilter Cheviot in line with individual circumstances and investment objectives
IPO	Initial Public Offering
ISA	Individual Savings Accounts
JSE	Johannesburg Stock Exchange
LSE	London Stock Exchange
Managed Separation	Refers to the Managed Separation of Quilter plc from the Old Mutual Group
NCCF	Net client cash-flow – for more details see Alternative Performance Measures on page 212
ORSA	Own Risk and Solvency Assessment
Own funds	Capital resources determined on the basis of the Solvency II balance sheet
PCA	Private Client Advisers – refers to Quilter Private Client Advisers
PRA	Prudential Regulation Authority
Productivity	For definition, see Alternative Performance Measures on page 213
PTP	Platform Transformation Programme
Quilter	Quilter plc
Quilter Group	The group of companies that are ultimately owned by Quilter plc
QLA	Quilter Life Assurance – sold to ReAssure on 31 December 2019
Restricted Financial Planners (RFPs)	Advisers who advise on a defined range of products and investment solutions, including investment solutions offered by the Group and by third parties that have been pre-researched by the Group
Scope 1 & 2 GHG emissions	Greenhouse gas emissions are categorised into three groups or 'scopes' by the most widely-used international accounting tool, the Greenhouse Gas (GHG) Protocol. Scope 1 and 2 cover direct emissions sources (e.g., fuel used in company vehicles and purchased electricity), scope 3 emissions cover all indirect emissions due to the activities of an organisation.
Scope 2 – market-based GHG emissions	'Market-based' reflects emissions from the electricity that a company is purchasing, not what is generated locally, and therefore takes into account Quilter's renewable tariffs. Hence, within Quilter's GHG disclosure shown on page 13, 'Scope 2 market-based' emissions show a lower figure than 'Scope 2'.
SCR	Solvency Capital Requirement, the regulatory capital requirement under the Solvency II Directive
Single Strategy business	The Single Strategy asset management business, rebranded 'Merian', sold by the Group to TA Associates on 29 June 2018
SMCR	Senior Managers and Certification Regime
Standard Formula	The regulatory formula used to determine capital requirements for insurance entities under Solvency II. This formula broadly represents the potential loss of own funds calibrated to a 1-in-200 likelihood level.

Glossary continued

Quilter Business Unit names

Since IPO in June 2018, the Group's businesses have progressively re-branded to Quilter. The UK Platform will be the final business to rebrand; this will follow the safe delivery of the new platform technology. For the purposes of this Annual Report, all businesses have been referenced by their new name. The following table details the previous and new business names and the date of change where this has already taken place.

Previous Business Unit name	New Business Unit name	Date of change
Advice & Wealth Management		
Multi-Asset	Quilter Investors	29 June 2018
Quilter Cheviot	No change	n/a
Intrinsic	Quilter Financial Planning	1 July 2019
Old Mutual Wealth Private Client Advisers	Quilter Private Client Advisers	3 September 2018
Wealth Platforms		
UK Platform	Quilter Wealth Solutions	Following completion of PTP
International	Quilter International	17 February 2020
Heritage	Quilter Life Assurance	n/a

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Quilter plc

Millennium Bridge House
2 Lambeth Hill
London EC4V 4AJ
United Kingdom

quilter.com

In September 2020 Quilter's registered office will be moving to:

Senator House
85 Queen Victoria Street
London EC4V 4AB