

News release

8 August 2023

Quilter plc interim results for the period ended 30 June 2023

Quilter delivers 25% increase in adjusted profit and improved operating margin. Further growth and efficiency initiatives underway

Steven Levin, Chief Executive Officer, said:

"We have delivered a strong improvement in first half profitability, pleasing flow outcomes in the Quilter channel and improved our market share of new advised platform flows. Our business model is fully aligned with the principles of the Consumer Duty regime and my focus is on doing more for our customers to improve business momentum in the near-term, and deliver faster growth and higher returns to shareholders in the longer-term. We are targeting an additional £50 million of Simplification savings by 2025 and we expect consensus profit estimates for this year to increase materially."

Highlights

- Assets under Management and Administration ("AuMA") of £101.7 billion at the end of June 2023, increased by 2% on 31 December 2022 (£99.6 billion) principally due to positive market movements of £1.9 billion and:
 - Core business gross inflows of £5.5 billion in the first half which were broadly evenly spread between each quarter. Core net inflows in the first half were £0.7 billion (Q1: £409 million, Q2: £247 million). This reflected a good performance from the Quilter channel in both High Net Worth and Affluent with a more muted performance from our IFA/Direct channels across both segments. Market share of gross platform flows increased in both quarters. Notably, Q2 flows were up 5% year-on-year despite a 9% decline in the overall market over the same period.
 - Non-core net outflows of £0.5 billion (H1 2022: £0.2 billion) which relate to assets we still manage on behalf of businesses we have sold.
- Adjusted profit before tax increased by 25% to £76 million (H1 2022: £61 million). Revenue increased by 3% to £312 million (H1 2022: £303 million) supported by revenue generated on corporate cash balances. This was coupled with strong expense discipline which delivered a third consecutive decline in first half costs, despite inflationary pressures, and supported an increase in the operating margin to 24% (H1 2022: 20%).
- We expect to deliver our target £45 million Simplification cost savings by end 2023, a year earlier than planned. An additional £50 million of Simplification (Phase 2) savings are targeted for delivery by the end of 2025, with initiatives in train to improve each of our businesses.
- Stabilisation in Quilter restricted adviser headcount which increased by nine financial planners on December 2022 levels.
- Adjusted diluted earnings per share increased 34% to 4.3 pence (H1 2022: 3.2 pence) supported by the share count reduction from our capital return programme in 2022.
- IFRS profit after tax attributable to shareholders of £5 million (H1 2022: £151 million) with the period-on-period variance largely due to market valuation changes in the policyholder tax charge. Basic earnings per share of 0.4 pence (H1 2022: 9.8 pence).
- Interim Dividend of 1.5 pence per share versus 1.2 pence per share for 2022, representing an increase of 25%.
- Solvency II ratio of 240% after payment of the Interim Dividend (31 December 2022: 230%).

Key financial highlights

We assess our financial performance using a variety of measures including alternative performance measures ("APMs"), as explained further on pages 19 to 21. In the headings and tables presented, these measures are indicated with an asterisk: *.

| Quilter highlights from continuing operations ¹ | H1 2023 | H1 2022 |
|--|---------|---------|
| Assets and flows – core business | | |
| AuMA* (£bn) | 98.3 | 95.2 |
| Gross flows* (£bn) | 5.5 | 5.8 |
| Net inflows* (£bn) | 0.7 | 1.6 |
| Net inflows/opening AuMA* (annualised) | 1% | 3% |
| Assets and flows – reported | | |
| AuMA* (£bn) | 101.7 | 98.7 |
| Gross flows* (£bn) | 5.5 | 5.9 |
| Net inflows* (£bn) | 0.2 | 1.4 |
| Net inflows/opening AuMA* (annualised) | 0% | 3% |
| Profit and loss | | |
| IFRS profit before tax attributable to equity holders (£m) | 7 | 182 |
| IFRS profit after tax (£m) | 5 | 151 |
| Adjusted profit before tax* (£m) | 76 | 61 |
| Operating margin* | 24% | 20% |
| Revenue margin* (bps) | 48 | 47 |
| Adjusted diluted EPS from continuing operations* (pence) ² | 4.3 | 3.2 |
| Interim dividend per share from continuing operations (pence) | 1.5 | 1.2 |
| Basic earnings per share from continuing operations (pence) ² | 0.4 | 9.9 |

¹Continuing operations represent Quilter plc, excluding the results of discontinued operations relating to the sale of the Single Strategy business in 2018.

²The Financial Reporting Council published a thematic review on earnings per share in September 2022. The EPS figures for H1 2022 have been restated following the publication of this guidance as disclosed in note 8 to the interim financial statements.

Quilter plc results for the period ended 30 June 2023

Investor Relations

| | | |
|---------------------|----|------------------|
| John-Paul Crutchley | UK | +44 77 4138 5251 |
| Keilah Codd | UK | +44 77 7664 9681 |

Media

| | | |
|-------------------|----|------------------|
| Tim Skelton-Smith | UK | +44 78 2414 5076 |
|-------------------|----|------------------|

Camarco

| | | |
|----------------------|----|------------------|
| Geoffrey Pelham-Lane | UK | +44 77 3312 4226 |
|----------------------|----|------------------|

Steven Levin, CEO, and Mark Satchel, CFO, will give a presentation via webcast at 08:30am (BST) today, 8 August 2023. The presentation will be followed by a Q&A session.

The presentation will be available to view live via webcast or can be listened to via a conference call facility. Details to join online or via conference call can be found on our website: [2023 results and presentations | Quilter plc](#)

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

Disclaimer

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

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

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

Chief Executive Officer's statement

At our full year results, I said my focus was on building our distribution, enhancing our propositions, and driving efficiency to deliver better returns and faster growth. We have made good initial progress in this regard as demonstrated by our considerably higher first half profitability and improved operating margin. There is still more to be done which I discuss below under *Business Improvement and Strategic Transformation*.

Business performance

In the first six months of 2023, we have:

1. delivered a strong improvement in profit performance;
2. delivered robust flows in each quarter in the Quilter channel and continued to increase our market share of new Platform flows across both the Quilter and IFA channels, despite lower market activity levels; and
3. been focused on improving our business by accelerating efficiency initiatives, while positioning ourselves to deliver faster growth and higher returns in the longer term.

UK inflation and interest rates are higher than the market was anticipating earlier this year. While this continues to place pressure on the ability of consumers to save, the investment return we generate on shareholder funds has exceeded our prior expectations. This, together with strong cost management, supported an increase in first half adjusted profit of 25% to £76 million (H1 2022: £61 million). We expect UK interest rates to peak later this year, remain stable for an extended period before starting to decline. As a consequence, investment revenue is likely to remain elevated into 2024 before potentially starting to reduce. We view this eventual decline as a positive given that lower interest rates should support improved market performance and consumer confidence. This, in turn, supports higher customer saving, increased flows and provides a stronger long-term foundation to build client prosperity.

Despite inflationary headwinds, I am pleased to report a third successive first half period of lower absolute costs. Having reduced first half 2022 costs by £6 million on the 2021 level, we made similar progress this year, taking the first half cost base to £236 million. As a result, we achieved an improvement in operating margin to 24% (H1 2022: 20%).

Our **High Net Worth** segment delivered a steady income performance with a modest increase in revenue margin, supported by the contribution from interest margin. Operating expenses were held flat at £85 million as cost savings broadly offset planned business investment. The overall segment contribution to adjusted profit before tax was unchanged at £23 million.

Modestly higher revenues in our **Affluent** segment of £195 million (H1 2022: £193 million) reflected broadly stable average AuMA, the planned reduction in revenue margin on managed assets following the Cirilium reprice and a contribution from interest income on shareholder capital that supports the regulatory requirements of the business. Strong cost management combined with a lower FSCS levy led to a 15% increase in adjusted profit to £54 million for the half year (H1 2022: £47 million).

In **Head Office**, the cost of managing the Group declined by £1 million to £10 million. Higher interest rates contributed to an increase of £10 million in investment revenue generated on the cash and capital resources which support our regulatory capital and liquidity requirements.

Adjusted profit before tax of £76 million represents the Group's IFRS profit, adjusted for specific items that management consider to be outside of normal operations or one-off in nature. The Group's IFRS profit after tax from continuing operations was £5 million compared to £151 million in H1 2022. Principal differences between adjusted profit and IFRS profit are due to non-cash amortisation of intangible assets, business transformation expenses and the impact of policyholder tax positions on the Group's results. This latter item was significantly positive in the first half of 2022 reflecting the decline in markets during that period and was negative in the first half of 2023 due to the gain in markets this year. The year-on-year variance in IFRS profit after tax is principally due to the change in policyholder tax as a result of market movements. We expect business transformation expenses to remain elevated until 2025, reflecting spend on anticipated change programmes, but is expected to reduce substantially thereafter.

Total Group adjusted diluted earnings per share were 4.3 pence, an increase of 34% (H1 2022: 3.2 pence) with the greater increase relative to the increase in adjusted profit reflecting the benefit from a lower share count following last year's capital return exercise. On an IFRS basis, we delivered basic EPS from continuing operations of 0.4 pence per share versus 9.9 pence per share for H1 2022 on a comparable basis.

The strong profit performance we delivered for the first half of this year, combined with a constructive outlook for the remainder of the year, supports the increase in the interim dividend of 25% to 1.5 pence per share. While market uncertainty in recent years contributed to the total dividend payment being overly weighted to the second half, the Board's current expectation is that the traditional one third/two thirds split should be anticipated for 2023.

Flows and investment performance

At an aggregate level, net flows in our core business were c.1% of opening balances, with the total Group position (after non-core outflows) broadly flat. While the overall position reflected muted activity across the industry, we experienced varied trends across the business. Notably, both our Quilter channel and our Platform performed well relative to market peers:

- **Quilter channel:** Our High Net Worth segment delivered a 37% increase in gross flows to £266 million (H1 2022: £194 million) and our Affluent segment delivered a 6% increase to £1.8 billion (H1 2022: £1.7 billion). Notably, the Quilter channel delivered a stronger second quarter for new business than the first in High Net Worth and a similar outcome in each quarter in the Affluent segment, despite lower market volumes in the second quarter. Overall, this translated into broadly stable net flows for the half as a result of a modest decline in persistency as some clients withdrew monies to repay debt or maintain living standards. Net flows as a percentage of opening balances were 17% and 11% for the High Net Worth and Affluent segments respectively.

- **IFA channel:** New business volumes in both segments were lower than the prior period reflecting lower market activity. This contributed to a net outflow for the half year in our High Net Worth business – with a small number of larger accounts restructuring their finances heavily influencing this outcome – and a broadly flat contribution from IFA flows to our Platform within the Affluent business. We need to deliver a better performance at the net level and I have made some changes to ensure we deliver on our potential. Both distribution channels within the Affluent segment have now been brought together under common leadership. Delivering stronger net IFA flows will be an important contributor to bridging the gap between our current performance and where we want to be.
- Within **Affluent**, we were pleased with the overall level of new business onto our Platform, given the challenging market. We were the only advised platform to write more than £2 billion of new business in the first quarter and broadly maintained that level of gross flows in the second quarter. Second quarter new business flows onto our Platform increased by 5% period-on-period, despite market volumes being around 9% lower (Source: Fundscape) and our leading peers underperforming this benchmark. I am delighted we remain the number one market platform for new advised flows and we continued to increase our market share of new business in each quarter.
- Finally, our **non-core portfolios**, which largely relate to residual assets we manage on behalf of businesses we sold in previous periods together with some legacy run-off funds, remain in outflow, as expected. An outflow of £457 million in the first half was higher than in the prior period (H1 2022: £164 million). The second quarter outflow was elevated by c.£200 million of sub-scale fund closures. Excluding this, the book is running off at a mid-teens rate and we expect this trend to continue given that these assets are managed on behalf of individuals who are no longer active clients of the Group.

In terms of investment performance, within High Net Worth, our Growth oriented Discretionary Portfolio Service continued to modestly outperform its benchmark over 1, 3 and 5 years while our Balanced Discretionary Portfolio Service was broadly in line with benchmark over 1 year but underperformed its 3 and 5 year benchmark by around a percentage point.

Within Affluent, we continued to deliver an excellent performance from our WealthSelect managed portfolio range. Cirilium Passive and Blend also performed well during the first half of the year. Since the change in manager at Cirilium Active late last year, performance has improved significantly with second quartile performance in the period since that change was implemented. While the weak period of performance over the last two to three years will take time to work through, we are confident that the fund is positioned much better for the longer-term.

Business Improvement and Strategic Transformation

Business Improvement

We are building distribution and enhancing our propositions. We have driven our efficiency agenda by accelerating our Simplification cost reduction programme. We now expect to realise the target savings of £45 million from that initial programme by the end of this year, a year ahead of schedule.

Distribution

In High Net Worth, we are building our advice capability internationally in our Dublin and Jersey offices. We aim to grow our Investment Manager and Financial Planner headcount to around 300 client facing individuals over time. This will be achieved by developing existing staff and external recruitment. Where appropriate, we will look to take advantage of recent market dislocation by making modest bolt-on acquisitions to bolster our advice business or add teams of Investment Managers to accelerate our growth plans.

Within Affluent, our Quilter channel is building distribution on three fronts. We have:

- increased the number of RFPs, where the position has stabilised following recent declines;
- increased productivity, with annualised gross flow per adviser of £2.7 million in the first half (H1 2022: £2.4 million); and
- increased the assets our advisers manage within our propositions through back-book transfers, which totalled £326 million in the first half.

In IFA distribution, we have seen incremental flows in line with expectations from our targeted firms and delivering stronger levels of net IFA flows is an absolute priority for my distribution team.

Proposition

Our Platform and investment solutions are both market leading propositions. My focus is on ensuring both remain competitively positioned and continue to offer value to customers. For example, our Cirilium reprice coupled with improved performance in the Active range has repositioned the product and we continue to see strong appetite for our Blend and Passive offerings.

Similarly, the Platform reprice went live for new customers at the end of the second quarter and is being rolled out to existing customers during the third quarter. This reduced our Platform administration fee to clients meaningfully, with this partially offset through sharing of the interest margin earned on Platform cash between clients and Quilter. This allows us to offer clients a competitive rate of interest across the market, while partially offsetting some of the impact of the lower platform charge. The overall cost to us over an interest rate cycle is expected to be in line with the single basis point of Platform margin attrition that I guided to in March. However, while interest rates remain elevated, the net outcome will be better for clients and broadly neutral for Quilter.

A recent upgrade to our Platform introduced automated tiered adviser charging. This meets a need that advisers have sought for some time and allows them to implement sliding scale advice fees linked to the value of their customers' assets. Most importantly, it supports advisers as they adapt their own businesses to be fully aligned with Consumer Duty principles.

The advent of higher global interest rates means that cash is now seen as an attractive investment alternative for retail clients. To this end, we intend to enhance our support of cash as an asset class and will be introducing a cash hub on our Platform later in 2023. This will allow clients to hold cash and fixed term deposits alongside their other Platform assets and obtain market leading rates.

Quilter's business model is fully aligned with the principles of the Consumer Duty regime. We have always believed that Quilter's unbundled pricing approach to serving clients puts client choice at the heart of our business – they choose the services they wish to take from us and only pay us for what we provide. Moreover, our unique breadth of distribution means that all our products and services are available across the market, to both our financial advisers and to independent financial advisers. That means whether through investment performance or in terms of price/value/service trade-offs, our products and solutions are competitive with third-party alternatives. We have no lock-ins, or hidden fees so the need to both demonstrate and deliver value is axiomatic to our approach.

I am pleased the introduction of Consumer Duty has provided an opportunity to reflect on the clear tangible benefit our propositions deliver for our clients and the way we communicate the value we provide to them. We are delighted with the positive response we have had from advisers and their clients on these initiatives.

Strategic Transformation

Longer term, we are focused on repositioning each of our businesses to deliver faster growth, enhanced client outcomes, improved efficiency, and higher returns. We have change programmes underway in each of our principal distribution franchises; the High Net Worth segment, and, in Affluent, our IFA and Quilter channels. This activity is underpinned at a Group level by the next stage of our Simplification programme. Taking each in turn:

1. High Net Worth Evolution

Over the last few years, we have built a Quilter branded advice business in our High Net Worth segment. This distribution channel has delivered significant incremental flows to our business. However, for historical reasons our advice and investment management businesses operate within different legal entities which complicates integrated client servicing. We plan to bring both teams together in a single legal and regulated structure, where our High Net Worth advice business will become directly authorised by the FCA for advice. That will allow us to manage relationships with clients who want an integrated investment management and advice proposition in a more seamless manner, as well supporting our productivity and efficiency goals. We will implement this change as soon as the necessary regulatory approvals are in place.

2. Affluent: IFA Channel

From an advice perspective, one of Quilter's defining strengths is the breadth of proposition and distribution we support. This breadth of distribution ensures that our Platform and solutions benefit from flows generated across the market and we remain strategically well positioned however the advice market evolves in future.

We manage around £57 billion of assets on our Platform on behalf of IFA firms. Of this, around £10 billion is on behalf of firms who solely use our Platform to access third party funds for their client portfolios. However, the majority of assets on our Platform are with firms who use third party options alongside our investment solutions. We see the highest usage of our solutions on the c.£30 billion of assets we administer for our strategic partner IFA firms. These assets are principally managed through our £11 billion WealthSelect portfolios. Given the strong operational gearing of both our Platform and Investment Solutions businesses, my objective is to first grow the assets on our Platform and then encourage use of our solutions, where it is appropriate to do so. To this end, we continue to implement our plans to grow the number of active firms using our Platform and seek to position ourselves as primary platform with all firms using our Platform. As I noted earlier, we continue to rebuild our IFA market share and, positively, flows from the "target growth firms" that we discussed at our Capital Markets Day continue to build and are higher in the first half of 2023 than they were in the corresponding period of 2022 and 2021, despite lower market volumes.

3. Affluent: Quilter Channel Transformation

We will grow our advice business and make it more efficient. We will drive growth through increasing our numbers of restricted advisers and continuing to ensure greater alignment between them and Quilter. This ensures we capture more of the flow they generate onto our Platform and into our solutions.

In terms of proposition, we have traditionally offered two alternatives to advisers:

- a National business, for advisers who do not want to be burdened with business administration and wish to use our Platform and solutions and focus their time on advising clients; and
- our Network, which services owner-operated advice businesses, who benefit from our support and use our Platform and solutions via a restricted matrix. Generally, c.80% of new flows advised upon by these firms are managed by Quilter.

Recent market consolidation activity reflects a heightened recognition by advisers of the value that can be created through proposition alignment. This creates an opportunity for a new franchise model that complements our existing propositions. We are piloting a new proposition, Quilter Partners, which will combine full alignment with our investment and Platform propositions with the entrepreneurial drive and focus of owner-operated businesses. This work is at an early stage, and we will update further as we refine our work on developing this proposition.

We are also transforming how we work to deliver a more efficient operating model and better client experience. Our advice business was built through acquisition and a historic lack of integration has led to operational complexity and a higher cost of running the business than we would like. To improve overall adviser productivity, reduce support costs, and improve risk management and our control framework, we intend to roll out common systems to all Quilter channel adviser firms over the next few years.

4. Simplification Phase II

Following the sale of Quilter Life Assurance and Quilter International, the first stage of Simplification focused on reducing complexity in our business and rationalising legacy IT systems. Targeted cost saves of approximately £45 million from this programme will be achieved by the end of this year on a run-rate basis.

We are now targeting a further £50 million of cost saves by end 2025 on a run-rate basis with a cost to achieve of approximately £65 million, inclusive of spend on our Advice and High Net Worth initiatives. These savings arise from the simplification of our governance and internal administration processes, including full delivery of our two-segment model, together with IT and Operations efficiencies from our investment in Advice technology. These additional cost savings will support the delivery of our 30% longer-term operating margin target.

Outlook

We have a lot going on, but this is deliberate. It reflects my focus on delivering near-term improvements to business performance as well as fundamentally changing the way we work. My objective is simple – to retain our customer focus while making Quilter more efficient and responsive to the external environment and to drive the faster growth and higher returns our shareholders expect.

While inflation and interest rates are elevated, new business levels are likely to remain subdued. As a result, normalisation of flows may take longer to achieve than we anticipated earlier in the year. Notwithstanding this, we remain confident in the prospects for our business and the potential it offers.

The second half of the year will see the full impact of the repricing of our Platform which was announced at the end of June and the repricing of our Cirilium Active range at the end of the first quarter. We also anticipate a slightly higher second half cost out-turn due to planned spend on change initiatives. While this means second half profit is not expected to match that of the first half, our strong cost discipline and self-help plans means the adjusted profit out-turn for this year is expected to be meaningfully ahead of current market expectations, assuming broadly stable markets.

Longer-term, the fundamental growth characteristic that supports our business – the need to take personal responsibility to save for retirement – remains intact and we are very well positioned to support clients in this. Our plans to build distribution, enhance propositions and drive efficiency will deliver strong outcomes for all our stakeholders in the years ahead.

Finally, I am pleased that in the first half we were able to draw a line under the Lighthouse regulatory review relating to advice that was given by certain Lighthouse advisers prior to our acquisition of the business. While these problems were not caused by us, once they came to light, we dealt with them as swiftly as possible, doing the right thing by customers. We were pleased that the FCA publicly acknowledged these efforts and, in response, chose not to levy a fine on the business because of the actions we took.

We look forward to the future with confidence both in our ability to deliver on our potential and in our ability to continue to deliver good outcomes for all our clients.

Steven Levin

Chief Executive Officer

Financial review

Review of financial performance

Overview

During the first half of 2023, the Group achieved a strong improvement in profit performance. Global market indices experienced a modest recovery in the period, underpinning growth in Assets under Management and Administration (“AuMA”). The European Central Bank and the Bank of England continued to raise interest rates, supporting investment revenue, and management continued to demonstrate strong cost control.

The Group's reported AuMA was £101.7 billion at the end of the period, representing a 2% increase on the opening position, with positive market movements of £1.9 billion and net inflows of £0.2 billion. The average AuMA for the period was £101.8 billion, compared to £105.3 billion in the same period last year, a decrease of 3%. Adjusted profit before tax of £76 million increased 25% on the comparable period (H1 2022: £61 million). This growth reflects effective cost management in an inflationary environment as well as higher investment revenue resulting from interest income earned on cash and capital resources. This offset a decline in net management fee revenue of 2% due to average AuMA being 3% lower during the period.

Alternative Performance Measures (“APMs”)

We assess our financial performance using a variety of measures including APMs, as explained further on pages 19 to 21. In the headings and tables presented, these measures are indicated with an asterisk: *.

Key financial highlights

We have changed our reporting where we share a margin on client cash. This margin is now included in net management fee revenue rather than other income. Comparative figures have been restated. This change brings us into line with peers across the industry. For the first half the benefit of interest margin on client balances was £6 million in High Net Worth and £1 million in Affluent (H1 2022: £2 million in High Net Worth and £nil million in Affluent).

Reporting of assets and flows have been restated to show non-core AuMA outside of core business AuMA reporting. Non-core AuMA and associated gross and net flows represents assets managed on behalf of businesses we have previously sold together with some legacy funds which are in run-off and remain in outflow, with the run-rate of decline included in prior periods. The core business AuMA and movements therein better represents the performance of the Group.

| Quilter highlights from continuing operations ¹ | H1 2023 | H1 2022 |
|---|---------|---------|
| Assets and flows – core business | | |
| AuMA* (£bn) | 98.3 | 95.2 |
| Gross flows* (£bn) | 5.5 | 5.8 |
| Net inflows* (£bn) | 0.7 | 1.6 |
| Net inflows/opening AuMA* (annualised) | 1% | 3% |
| Gross flows per adviser* (£m) ² | 2.7 | 2.4 |
| Asset retention* (annualised) | 90% | 92% |
| Assets and flows – reported | | |
| AuMA* (£bn) | 101.7 | 98.7 |
| Gross flows* (£bn) | 5.5 | 5.9 |
| Net inflows* (£bn) | 0.2 | 1.4 |
| Net inflows/opening AuMA* (annualised) | 0% | 3% |
| Profit and loss | | |
| IFRS profit before tax from continuing operations attributable to equity holders (£m) | 7 | 182 |
| IFRS profit after tax from continuing operations (£m) | 5 | 151 |
| Adjusted profit before tax* (£m) | 76 | 61 |
| Operating margin* | 24% | 20% |
| Revenue margin* (bps) | 48 | 47 |
| Return on equity* (annualised) | 7.5% | 5.9% |
| Adjusted diluted EPS from continuing operations* (pence) ⁴ | 4.3 | 3.2 |
| Interim dividend per share from continuing operations (pence) | 1.5 | 1.2 |
| Basic earnings per share from continuing operations (pence) ⁴ | 0.4 | 9.9 |
| Non-financial | | |
| Total Restricted Financial Planners (“RFPs”) in both segments ³ | 1,511 | 1,567 |
| Discretionary Investment Managers in High Net Worth segment ³ | 178 | 176 |

¹Continuing operations represent Quilter plc, excluding the results of discontinued operations from the sale of the Single Strategy business in 2018.

²Gross flows per adviser is a measure of the value created by our Quilter distribution channel.

³Closing headcount as at 30 June.

⁴The Financial Reporting Council published a thematic review on earnings per share in September 2022. The EPS figures for H1 2022 have been restated following the publication of this guidance as disclosed in note 8 to the interim financial statements.

Detailed analysis on net flows by business segment is shown in the Supplementary Information section of this announcement.

Net inflows for the core business of £0.7 billion for the first half of 2023 were 56% lower than the prior period (H1 2022: £1.6 billion). Gross flows of £5.5 billion declined by 5% on the prior period (H1 2022: £5.8 billion) while outflows of £4.8 billion were 14% higher than the prior period reflecting increased withdrawals from clients that are already in drawdown to offset the impact of higher living costs, and for some clients who chose to repay debt obligations given the higher interest rate environment.

In the **Affluent segment** core business, the Quilter channel delivered steady net flows of £0.9 billion (11% of opening balances) compared to £0.9 billion (10% of opening balances) in the prior period. We have changed our reporting of Quilter channel flows, so this figure represents the net flows onto our Platform from Quilter Financial Planning less the outflow from assets managed by our advisers on other platforms. These balances largely represent back book transfers which totalled £326 million in the first half of 2023. The revised disclosure provides a better representation of performance of the activity within this channel. Gross inflows of £1.8 billion were up 6% on the comparative period (H1 2022: £1.7 billion), despite lower volumes across the total retail advised market demonstrating the continued strength of our integrated channel. Productivity, representing Quilter channel gross flow per adviser, also increased in line with our business objectives. Outflows increased to £0.9 billion (H1 2022: £0.8 billion) due to higher customer drawdown as previously referenced. This was partially offset by a reduction in regretted outflows reflecting lower levels of consolidator activity in this channel during the period.

Despite the subdued level of flows across the industry, IFA channel gross inflows of £2.6 billion (H1 2022: £2.9 billion) held up against the prior period as we continued to improve our market share of new business. Lower net inflows of £17 million (H1 2022: £654 million) reflected increased customer withdrawals and ongoing consolidator activity. This latter item was more than offset by net positive flows to the Quilter Platform from competitor platforms. At a net level, inflows as a percentage of opening AuMA (annualised) for the IFA channel was 0% (H1 2022: 2%).

Fund flows via third-party platforms gave rise to net outflows of £0.2 billion (H1 2022: net outflows of £0.3 billion) predominantly due to planned fund closures and a slowdown in the Compass fund range run-off.

The Quilter Investment Platform continues to maintain the leading market share of gross sales, against our Retail Advised Platform peers, based on the latest available Fundscape data (Q2 2023).

Persistence for the Affluent segment was below the prior period at 89% (H1 2022: 91%) as inflationary and interest rate pressures increased withdrawal activity as already mentioned.

| | AuMA* as at 31 December 2022 (£bn) | Gross flows* (£m) | Net Flows* (£m) | AuMA* as at 30 June 2023 (£bn) |
|---|--|-------------------------|-----------------------|--------------------------------------|
| 2023 YTD | | | | |
| AFFLUENT SEGMENT | | | | |
| Quilter channel | 15.4 | 1,775 | 863 | 15.9 |
| IFA channel on Quilter Investment Platform | 54.1 | 2,557 | 17 | 55.8 |
| Funds via third-party platform | 2.0 | 144 | (190) | 1.6 |
| Total Affluent segment core business | 71.5 | 4,476 | 690 | 73.3 |
| 2022 YTD | | | | |
| AFFLUENT SEGMENT | | | | |
| Quilter channel | 16.6 | 1,713 | 866 | 14.8 |
| IFA channel on Quilter Investment Platform | 60.0 | 2,874 | 654 | 53.7 |
| Funds via third-party platform | 2.5 | 141 | (326) | 2.2 |
| Affluent segment core business | 79.1 | 4,728 | 1,194 | 70.7 |

The **High Net Worth segment** recorded gross inflows of £1.2 billion, 8% lower than the first half of 2022 (£1.3 billion) reflecting lower market activity. Net inflows of £0.1 billion were lower than the prior period (H1 2022: £0.5 billion), with robust gross flows from the Quilter channel offsetting a slowdown in IFA flows and a small number of unrelated larger account losses, notably in the charity and corporate account sector. Lower persistency of 91% (H1 2022: 95%) reflected some clients opting to use existing investments to repay debt obligations given the higher interest rate environment.

The Group's core business AuMA ended the period at £98.3 billion, up 2% from the opening position (FY 2022: £96.2 billion), due to positive market movements of £1.4 billion and net inflows of £0.7 billion. The Affluent segment AuMA increased by 3% to £73.3 billion (FY 2022: £71.5 billion) of which £23.4 billion is managed by Quilter, versus the opening position of £22.7 billion. High Net Worth's AuM was £25.9 billion, up 2% from the opening position of £25.5 billion, with all assets managed by Quilter.

In total, £49.0 billion or 50% of AuMA is managed by Quilter across the Group (FY 2022: £48.0 billion, 50%).

The Group's revenue margin of 48 bps was 1 bp higher than the prior period (H1 2022: 47 bps). The revenue margin on administered assets within the Affluent segment was 1 bp higher than the prior period at 27 bps. The revenue margin on managed assets in the Affluent segment decreased by 4 bps to 43 bps as a result of planned reprice of the Cirilium Active range which occurred early in the second quarter. Within the High Net Worth segment the revenue margin increased by 2 bps to 73 bps, supported by revenues from interest margin generated on client balances.

Adjusted profit before tax increased by 25% to £76 million (H1 2022: £61 million). The decline in net management fees to £242 million of 2% (H1 2022: £247 million) broadly matched the decline in average AuMA period-on-period of 3% (H1 2023: £101.8 billion compared to H1 2022: £105.3 billion). Net management fees include the investment return on client funds of which £7 million was generated in the first half of 2023 (H1 2022: £2 million). Other revenue decreased by 21% to £42 million (H1 2022: £53 million) reflecting lower new business activity in our mortgage and protection business, and lower equity market levels.

Investment revenue increased from £3 million in the first half of 2022 to £28 million in H1 2023, due to the increase in interest income earned on shareholder cash and capital resources. Operating expenses in the first half of 2023 were £236 million, 2% lower than the prior period (H1 2022: £242 million) primarily due to continued cost discipline, lower FSCS levies and Simplification cost initiatives during the period offset by higher inflation. The Group's operating margin improved by 4 percentage points to 24% (H1 2022: 20%).

The Group's IFRS profit after tax from continuing operations was £5 million compared to £151 million for the first half of 2022. The year-on-year decrease in IFRS profit is largely attributable to a variance in policyholder tax outcomes which moved from an expense of £21 million in the period to June 2023 (due to net market gains) to a credit of £145 million (due to market losses) in the period to June 2022.

Adjusted diluted earnings per share for continuing operations increased 34% to 4.3 pence (H1 2022: 3.2 pence). This increased more than adjusted profit due to the share consolidation in May 2022.

Total net revenue*

| Total net revenue from continuing operations H1 2023 (£m) | | | | Continuing operations |
|--|------------|----------------|-------------|-----------------------|
| | Affluent | High Net Worth | Head Office | |
| Net management fee* ¹ | 147 | 95 | - | 242 |
| Other revenue* | 34 | 11 | (3) | 42 |
| Investment revenue* | 14 | 2 | 12 | 28 |
| Total net revenue* | 195 | 108 | 9 | 312 |

| Total net revenue from continuing operations H1 2022 (£m) | | | | Continuing operations |
|--|------------|----------------|-------------|-----------------------|
| | Affluent | High Net Worth | Head Office | |
| Net management fee* ¹ | 151 | 96 | - | 247 |
| Other revenue* | 41 | 12 | - | 53 |
| Investment revenue* | 1 | - | 2 | 3 |
| Total net revenue* | 193 | 108 | 2 | 303 |

¹Net management fee includes the interest earned on client holdings in Quilter Cheviot and Quilter Investment Platform.

Total net revenue for the Affluent segment was £195 million, up 1% on the prior period (H1 2022: £193 million). Net management fees of £147 million were 3% lower than the prior period (H1 2022: £151 million) due to the impact of lower average AuMA which declined by 3% to £76.6 billion in the first half of 2023 (H1 2022: £78.9 billion). Within net management fees, £1 million of interest revenue was generated on client cash holdings following the introduction of a revised platform pricing policy which also reduced the basis points charge paid by customers in respect of platform administration. This became effective mid-May 2023 for new clients (H1 2022: £nil million).

Other revenue predominantly reflects revenue generated from the provision of advice within Quilter Financial Planning. Recurring charges and fixed fees were lower than the prior period due to lower average levels of assets under advice as a consequence of lower equity and bond markets, and the reduced volumes of mortgage new business undertaken.

This decrease was offset by increased investment revenue due to interest income earned on cash balances that support the capital and liquidity requirements of the business.

Total net revenue in the High Net Worth segment was £108 million, in line with that of the prior period. Net management fees, which includes revenues retained by Quilter Cheviot on the interest margin earned on client balances, was at a similar level to that of the prior year period with higher interest income of £6 million (H1 2022: £2 million) offsetting slightly lower fees on AuM aligned to the decrease in the average AuM. Other revenue predominantly reflects the revenue generated from Quilter Private Client Advisers which was at similar levels to those of the first half of 2022.

Operating expenses*

Operating expenses decreased by £6 million to £236 million (H1 2022: £242 million). Our focus on embedding sustainable cost savings through business simplification activities has enabled us to achieve a lower cost base whilst absorbing significant inflationary headwinds.

| Operating expense split (£m) | H1 2023 | | H1 2022 | |
|---|--------------------|-----------------------------|--------------------|-----------------------------|
| | Operating Expenses | As a percentage of revenues | Operating Expenses | As a percentage of revenues |
| Support staff costs | 54 | | 58 | |
| Operations | 8 | | 9 | |
| Technology | 12 | | 14 | |
| Property | 15 | | 16 | |
| Other base costs ¹ | 16 | | 15 | |
| Sub-total base costs | 105 | 34% | 112 | 37% |
| Revenue-generating staff base costs | 51 | 16% | 49 | 16% |
| Variable staff compensation | 38 | 12% | 39 | 13% |
| Other variable costs ² | 28 | 9% | 26 | 9% |
| Sub-total variable costs | 117 | 38% | 114 | 38% |
| Regulatory/professional indemnity costs | 14 | 4% | 16 | 5% |
| Operating expenses* | 236 | 76% | 242 | 80% |

¹Other base costs includes depreciation and amortisation, audit fees, shareholder costs, listed Group costs and governance.

²Other variable costs includes FNZ costs, development spend and corporate functions variable costs.

Support staff costs decreased by 7% to £54 million (H1 2022: £58 million) primarily driven by Simplification activities delivering sustainable benefits offset by higher wage inflation.

Operations costs are broadly stable at £8 million (H1 2022: £9 million) reflecting efficiencies resulting from a more streamlined operating environment following business divestments made in prior years.

Technology costs decreased by 14% to £12 million (H1 2022: £14 million) driven by continued rationalisation of our infrastructure following the sale of Quilter International with further reductions related to ongoing Business Simplification activity.

Property costs remained stable at £15 million (H1 2022: £16 million) with operating cost increases due to continued higher occupancy and higher utility costs being offset by cost reductions associated with further property portfolio consolidation.

Other base costs increased by 7% to £16 million (H1 2022: £15 million) due to the establishment of our Responsible Wealth proposition and investment in Environmental, Social and Governance frameworks.

Aggregate base costs of 34% of revenues were three percentage points lower than the prior year and are the principal contributor to the year-on-year increase of four percentage points in our operating margin.

Revenue-generating staff base costs have increased by 4% to £51 million and remain at a similar proportion of revenues (H1 2022: £49 million) as we continue to invest in our people and commercial proposition across our business segments to drive growth.

Variable staff compensation remains stable as £38 million (H1 2022: £39 million) and is broadly in line with the prior period as a percentage of revenues.

Other variable costs increased by 8% to £28 million (H1 2022: £26 million) but remained steady as a percentage of revenues. This principally reflected increased development expenditure including costs associated with implementing the FCA's Consumer Duty requirements and investment spend supporting proposition enhancement, offset by lower operating expenses associated with the Platform given a lower average AuA period on period.

Regulatory and professional indemnity costs decreased by 13% to £14 million (H1 2022: £16 million) reflecting Quilter's share of overall lower industry costs in the period.

Taxation

The UK corporation tax rate changed from 19% to 25% from 1 April 2023, resulting in a UK blended corporate tax rate of 23.5% for the financial year 2023. The effective tax rate ("ETR") on adjusted profit before tax was 24% (2022: 18%). The Group's ETR is higher than the UK blended corporation tax rate of 23.5% for the period, principally due to non-deductible movements in share-based remuneration. The Group's ETR is dependent on a number of factors, including future changes in the UK corporation tax rate.

The Group's IFRS income tax expense was a charge of £23 million for the period ended 30 June 2023, compared to a credit of £114 million for the prior year period. The income tax expense or credit can vary significantly period-on-period as a result of market volatility and the impact market movements have on policyholder tax. The recognition of the income received from policyholders to fund the policyholder tax liability (which is included within the Group's IFRS revenue) 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 before tax to remove these distortions, as explained further on page 11 and in note 5(b) to the condensed consolidated interim financial statements.

Business Simplification

Quilter's Simplification programme continues to track towards the anticipated £45 million target of annualised run-rate cost savings, announced at the Capital Markets Day in November 2021. This target is expected to be largely achieved by the end of 2023, and £50 million of additional costs saves have been identified to be achieved by the end of 2025. The cost to achieve the new £50 million savings target is estimated to be £65 million, bringing the total costs to deliver £95 million of cost savings to £120 million.

The Simplification programme delivered an incremental £10 million of annualised run-rate cost savings in the first half of 2023 through ongoing rationalisation of our property and technology estates, together with continued cost reduction as we simplify our structures and organisation to support the two segments, Affluent and High Net Worth. To date the programme has delivered £33 million of annualised run-rate cost savings with implementation costs since inception of the programme of £31 million.

Lighthouse Defined Benefit to Defined Contribution (“DB to DC”) pension transfer advice provision

As reported previously, a provision was recognised in relation to DB to DC pension transfer advice provided by Lighthouse advisers prior to Lighthouse transitioning to our systems and controls following our acquisition of Lighthouse.

In 2020 the FCA commenced an enforcement investigation and the FCA required Lighthouse to commission a skilled person review in relation to certain DB to DC pension transfer advice by Lighthouse. The FCA has concluded its enforcement investigation into Lighthouse and, in May 2023, the FCA issued a public Final Notice to Lighthouse setting out its findings. The FCA found that Lighthouse had provided unsuitable DB to DC pension transfer advice but imposed no financial penalty. The skilled person’s review concluded in December 2022.

As at 30 June 2023, a provision of £6 million (31 December 2022: £5 million) remains for the potential redress of British Steel Pension Scheme cases, and other DB to DC pension transfer cases under review as part of the Group-managed past business review.

Reconciliation of adjusted profit before tax* to IFRS profit

Adjusted profit before tax represents the Group’s IFRS profit, adjusted for specific items that management considers to be outside of the Group’s normal operations or one-off in nature, as detailed on page 33 in the condensed consolidated interim financial statements. The exclusion of certain adjusting items may result in adjusted profit before tax being materially higher or lower than the IFRS profit after tax.

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

| Reconciliation of adjusted profit before tax to IFRS profit after tax (£m) | For the six months ended 30 June 2022 | | | |
|--|---------------------------------------|-----------------------|--------------------------------------|------------|
| | Six months ended 30 June 2023 | Continuing Operations | Discontinued Operations ¹ | Total |
| Affluent | 54 | 47 | - | 47 |
| High Net Worth | 23 | 23 | - | 23 |
| Head Office | (1) | (9) | - | (9) |
| Adjusted profit before tax* | 76 | 61 | - | 61 |
| Adjusting items: | | | | |
| Impact of acquisition and disposal-related accounting | (21) | (22) | - | (22) |
| Business transformation costs | (16) | (17) | - | (17) |
| Finance costs | (10) | (5) | - | (5) |
| Customer remediation | (3) | 15 | - | 15 |
| Loss on business disposals | - | - | (1) | (1) |
| Exchange rate movement (ZAR/GBP) | (2) | 4 | - | 4 |
| Policyholder tax adjustments | (18) | 146 | - | 146 |
| Other adjusting items | 1 | - | - | - |
| Total adjusting items before tax | (69) | 121 | (1) | 120 |
| Profit/(loss) before tax attributable to equity holders* | 7 | 182 | (1) | 181 |
| Tax attributable to policyholder returns | 21 | (145) | - | (145) |
| Income tax (expense)/credit | (23) | 114 | - | 114 |
| Profit after tax² | 5 | 151 | (1) | 150 |

¹Discontinued operations relate to changes in the warranty provision on the sale of the Single Strategy business.

²IFRS profit after tax.

The impact of acquisition and disposal-related accounting costs of £21 million (H1 2022: £22 million) include amortisation of acquired intangible assets. These costs remained stable on those of the prior period.

Business transformation costs of £16 million were incurred in H1 2023 (H1 2022: £17 million), including Simplification costs of £14 million (H1 2022: £12 million). The Simplification programme continues to track towards the £45 million target of annualised run-rate cost savings, announced in November 2021. This target will be largely achieved by the end of 2023, and £50 million of additional cost savings are targeted to be achieved by the end of 2025. The aggregate cost to achieve the combined £95 million savings target is estimated to be £120 million. To date, the programme has delivered £33 million of annualised run-rate cost savings with an implementation cost of £31 million.

The customer remediation expense of £3 million in H1 2023 (H1 2022: income of £15 million) reflects £2 million provision increase for the non-British Steel Pension Scheme redress payments as a result from the Group-managed past business review of DB to DC pension transfer advice suitability by an independent expert, which is almost complete. There is an additional £1 million of legal, consulting costs and other costs in H1 2023.

Policyholder tax adjustments were a credit of £18 million for H1 2023 (H1 2022: charge of £146 million) in relation to the removal of timing differences arising from market volatility that can, in turn, lead to volatility in the policyholder tax charge between periods. The recognition of the income received from policyholders (which is included within the Group's IFRS revenue) to fund the policyholder tax liability can vary in timing to the recognition of the corresponding tax expense, creating volatility to the Group's IFRS profit before tax attributable to equity holders.

Exchange rate movements for H1 2023 were £2 million (H1 2022: £4 million) which relate to foreign exchange loss on cash held in South African Rand in preparation for payments to shareholders.

Cash generation*

Cash generation measures the proportion of adjusted profit after tax that is recognised in the form of cash generated from operations. The Group achieved a cash generation rate of 82% of adjusted profit after tax over H1 2023 (FY 2022: 75%).

Review of financial position

Capital and liquidity

Solvency II

The Group's Solvency II surplus is £852 million at 30 June 2023 (31 December 2022: £820 million), representing a Solvency II ratio of 240% (31 December 2022: 230%). The Solvency II information for the six months to 30 June 2023 contained in this results disclosure has been prepared on a pro forma basis and has not been audited.

The Group's Solvency II capital position is stated after allowing for the impact of the foreseeable dividend payment of £20 million (31 December 2022: £45 million).

| | At 30 June 2023 ¹ | At 31 December 2022 ² |
|---------------------------------------|------------------------------------|--|
| Group Solvency II capital (£m) | | |
| Own funds | 1,460 | 1,451 |
| Solvency capital requirement ("SCR") | 608 | 631 |
| Solvency II surplus | 852 | 820 |
| Solvency II coverage ratio | 240% | 230% |

¹Based on preliminary estimates and including the impact of year-to-date profits.

²As disclosed in the Group Solvency and Financial Condition Report for 2022.

The 10 percentage point increase in the Group Solvency II ratio from the 31 December 2022 position is primarily due to the favourable impact of higher interest rates and improved equity markets on the solvency capital requirement.

Composition of qualifying Solvency II capital

The Group's own funds include the Quilter plc issued subordinated debt security which qualifies as capital under Solvency II. The composition of own funds by tier is presented in the table below.

| | At 30 June 2023 | At 31 December 2022 |
|--|-----------------------|---------------------------|
| Group own funds (£m) | | |
| Tier 1 ¹ | 1,266 | 1,249 |
| Tier 2 ² | 194 | 202 |
| Total Group Solvency II own funds | 1,460 | 1,451 |

¹All Tier 1 capital is unrestricted for tiering purposes.

²Comprises a Solvency II compliant subordinated debt security in the form of a Tier 2 bond, which was issued at £200 million in January 2023.

The Group SCR is covered by Tier 1 capital, which represents 208% of the Group SCR of £608 million. Tier 1 capital represents 87% of Group Solvency II own funds. Tier 2 capital represents 13% of Group Solvency II own funds and 23% of the Group Solvency II surplus.

Dividend

The Board declared an interim dividend for 2022 of 1.5 pence per share at a total cost of £20 million. The interim dividend will be paid on 18 September 2023 to shareholders on the UK and South African share registers on 1 September 2023. For shareholders on our South African share register an interim dividend of 35.69864 South African cents per share will be paid on 18 September 2023, using an exchange rate of 23.79909.

Odd-lot Offer

As part of our continued drive for greater efficiency, the Board sought shareholder approval at the Company's 2023 Annual General Meeting for an Odd-lot Offer for shareholders registered on the London and Johannesburg Stock Exchanges. Further information on the Odd-lot Offer is set out on page 14.

Debt issue

In early January 2023, the Company announced plans to issue a new subordinated debt instrument in order to refinance its existing £200 million 4.478 percent Fixed Rate Reset Subordinated Notes, due 2028, on its first call date of 28 February 2023. A new issue of £200 million 8.625 percent Fixed Rate Reset Subordinated Notes, due April 2033, completed on 18 January 2023.

Holding company cash

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

| £m | H1 2023 | FY 2022 |
|---|-------------|---------|
| Opening cash at holding companies at 1 January | 392 | 756 |
| Return of capital to shareholders | - | (328) |
| Share repurchase | - | (28) |
| Cost of sale of Quilter International | - | (23) |
| Single Strategy business sale – price adjustment provision | (4) | - |
| Debt issuance costs | (2) | - |
| Dividends paid | (45) | (78) |
| Net capital movements | (51) | (457) |
| Head Office costs, Business Simplification and Optimisation programme funding | (26) | (52) |
| Net interest received | 8 | 4 |
| Interest costs | (9) | (9) |
| Net operational movements | (27) | (57) |
| Cash remittances from subsidiaries | 122 | 163 |
| Net capital contributions, loan repayments and investments | (72) | (15) |
| Other net movements | (3) | 2 |
| Internal capital and strategic investments | 47 | 150 |
| Closing cash at holding companies at the end of the period | 361 | 392 |

Net capital movements

Net capital movements in the period totalled an outflow of £51 million. This includes £45 million of dividend payments made to shareholders, £2 million relating to the issuance of new debt, and £4 million in final settlement on the sale of the Single Strategy business.

Net operational movements

Net operational movements were an outflow of £27 million for the period, which includes £26 million of corporate and transformation costs, interest paid of £9 million relating to coupon payments on the Tier 2 bonds and non-utilisation fees for the revolving credit facility, and £8 million of net interest received on money market funds, group loans and cash holdings.

Internal capital and strategic investments

The net inflow of £47 million is principally due to £122 million of cash remittances from the trading businesses, partially offset by £72 million of net capital contributions to support business operational activities.

Shareholder information

The Quilter Board has declared an Interim Dividend of 1.5 pence per share. The Interim dividend will be paid on Monday 18 September 2023 to shareholders in the UK and South African share registers on Friday 1 September 2023.

Dividend Timetable

| | |
|---|--------------------------|
| Dividend announcement in pounds sterling with South Africa ZAR equivalent | Tuesday 8 August 2023 |
| Last day to trade cum dividend in South Africa | Tuesday 29 August 2023 |
| Shares trade ex-dividend in South Africa | Wednesday 30 August 2023 |
| Shares trade ex-dividend in the UK | Thursday 31 August 2023 |
| Record Date in UK and South Africa | Friday 1 September 2023 |
| Interim Dividend payment date | Monday 18 September 2023 |

From the opening of trading on Tuesday 8 August 2023 until the close of business on Friday 1 September 2023, no transfers between the London and Johannesburg registers will be permitted. Share certificates for shareholders on the South African register may not be dematerialised or rematerialised between Wednesday 30 August 2023 and Friday 1 September 2023, both dates inclusive.

Additional information

For shareholders on our South African share register an Interim Dividend of 35.69864 South African cents per share will be paid on Monday 18 September 2023, based on an exchange rate of 23.79909. Dividend Tax will be withheld at the rate of 20% from the amount of the gross dividend of 35.69864 South African cents per share paid to South African shareholders unless a shareholder qualifies for exemption. After the Dividend Tax has been withheld, the net Interim Dividend will be 28.55891 South African cents per share. The Company had a total of 1,404,105,498 shares in issue at today's date.

If you are uncertain as to the tax treatment of any dividends, you should consult your own tax adviser.

Odd-lot Offer

Following our Odd-lot Offer in 2020, as part of our continued drive for greater efficiency and in line with our desire to act in the best interests of all our shareholders, we plan to undertake another Odd-lot Offer for shareholders registered on the London and Johannesburg Stock Exchanges. The potential Odd-lot Offer was approved by shareholders at the Company's 2023 Annual General Meeting held in May 2023 and will launch within 18 months of the meeting.

The Odd-lot Offer entails Quilter making an offer to eligible shareholders (holders of less than 200 shares) to repurchase their shares at a 5% premium to the volume weighted average price of Ordinary Shares traded on the London Stock Exchange over the five trading days prior to the date on which the offer price is finalised. The Odd-lot Offer will reduce the complexity and cost to Quilter of managing our unusually large shareholder base and will allow shareholders holding small numbers of shares to dispose of their holdings in a timely and cost-effective manner, without any dealing fees. Eligible shareholders can, of course, elect to retain their shareholding in Quilter plc.

Odd-lot Holders will receive the 2023 Interim Dividend on their Odd-lot Offer shares providing they still hold their shares on the Interim Dividend Record Date, Friday 1 September 2023.

Further information will be provided to eligible shareholders in due course.

Supplementary information

Alternative Performance Measures (“APMs”)

We assess our financial performance using a variety of measures including APMs, as explained further on pages 19 to 21. These measures are indicated with an asterisk: *.

For the period ended 30 June 2023

1. Key financial data

| | AuMA* as at 31 December 2022 | Gross flows* (£m) | Net Flows* (£m) | AuMA* as at 30 June 2023 | Of which managed by Quilter AuM as at 30 June 2023 |
|--|---------------------------------------|----------------------|--------------------|-----------------------------------|---|
| 2023 YTD gross flows, net flows & AuMA (£bn), unaudited | | | | | |
| AFFLUENT SEGMENT | | | | | |
| Quilter channel | 15.4 | 1,775 | 863 | 15.9 | 12.2 |
| IFA channel on Quilter Investment Platform | 54.1 | 2,557 | 17 | 55.8 | 9.6 |
| Funds via third-party platform | 2.0 | 144 | (190) | 1.6 | 1.6 |
| Total Affluent segment core business | 71.5 | 4,476 | 690 | 73.3 | 23.4 |
| HIGH NET WORTH SEGMENT | | | | | |
| Quilter channel | 2.4 | 266 | 195 | 2.6 | 2.6 |
| IFA channel incl. Direct | 23.1 | 884 | (141) | 23.3 | 23.3 |
| Total High Net Worth segment | 25.5 | 1,150 | 54 | 25.9 | 25.9 |
| Inter-Segment Dual Assets¹ | (0.8) | (122) | (88) | (0.9) | (0.3) |
| Quilter plc core business | 96.2 | 5,504 | 656 | 98.3 | 49.0 |
| Non-core | 3.4 | 41 | (457) | 3.4 | 2.2 |
| Quilter plc reported | 99.6 | 5,545 | 199 | 101.7 | 51.2 |
| AuMA breakdown: | | | | | |
| Affluent administered only | 50.0 | 2,371 | 302 | 51.1 | |
| Affluent managed and administered | 17.0 | 1,620 | 701 | 18.3 | |
| Affluent external platform | 7.9 | 526 | (770) | 7.3 | |

¹Inter-segment dual assets reflect funds sold by Quilter Cheviot and managed by Quilter Investors and the Quilter Cheviot bespoke managed portfolio services solution available to advisers on the Quilter Investment Platform. This is excluded from total AuMA to ensure no double count takes place.

| | AuMA* as at 31 December 2021 | Gross flows* (£m) | Net Flows* (£m) | AuMA* as at 30 June 2022 | Of which managed by Quilter AuM as at 30 June 2022 |
|--|---------------------------------------|----------------------|--------------------|-----------------------------------|---|
| 2022 YTD gross flows, net flows & AuMA (£bn), unaudited | | | | | |
| AFFLUENT SEGMENT | | | | | |
| Quilter channel | 16.6 | 1,713 | 866 | 14.8 | 11.4 |
| IFA channel on Quilter Investment Platform | 60.0 | 2,874 | 654 | 53.7 | 8.7 |
| Funds via third-party platform | 2.5 | 141 | (326) | 2.2 | 2.2 |
| Affluent segment core business | 79.1 | 4,728 | 1,194 | 70.7 | 22.3 |
| HIGH NET WORTH SEGMENT | | | | | |
| Quilter channel | 2.5 | 194 | 160 | 2.3 | 2.3 |
| IFA channel incl. Direct | 26.2 | 1,068 | 352 | 22.9 | 22.9 |
| Total High Net Worth segment | 28.7 | 1,262 | 512 | 25.2 | 25.2 |
| Inter-segment dual assets¹ | (0.2) | (190) | (150) | (0.7) | (0.2) |
| Quilter plc core business | 107.6 | 5,800 | 1,556 | 95.2 | 47.3 |
| Non-core | 4.2 | 109 | (164) | 3.5 | 2.2 |
| Quilter plc reported | 111.8 | 5,909 | 1,392 | 98.7 | 49.5 |
| AuMA breakdown: | | | | | |
| Affluent administered only | 55.9 | 2,833 | 1,023 | 49.7 | |
| Affluent managed and administered | 17.3 | 1,391 | 562 | 16.1 | |
| Affluent external platform | 10.1 | 613 | (555) | 8.4 | |

¹Inter-segment dual assets reflect funds sold by Quilter Cheviot and managed by Quilter Investors and the Quilter Cheviot bespoke managed portfolio services solution available to advisers on the Quilter Investment Platform. This is excluded from total AuMA to ensure no double count takes place.

| Estimated asset allocation (%) | H1 2023 Total client AuMA | FY 2022 Total client AuMA |
|---|--|--|
| Fund profile by investment type, unaudited | | |
| Fixed interest | 26% | 25% |
| Equities | 64% | 65% |
| Cash | 7% | 7% |
| Property and alternatives | 3% | 3% |
| Total | 100% | 100% |

1. Affluent

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

| Key financial highlights | H1 2023 | H1 2022 | % change |
|--|------------|-----------|--------------|
| Affluent Administered | | | |
| Net management fees (£m)* | 93 | 91 | 2% |
| Other revenue (£m)* | - | 1 | - |
| Investment revenue (£m)* | 12 | 1 | - |
| Total net revenue | 105 | 93 | 13% |
| Net inflows (£bn)* | 1.0 | 1.6 | (38%) |
| Closing AuMA (£bn)* | 69.5 | 65.8 | 6% |
| Average AuMA (£bn)* | 68.9 | 69.5 | (1%) |
| Revenue margin (bps)* | 27 | 26 | 1 bp |
| Asset retention (%)* | 91% | 93% | (2) ppts |
| Affluent Managed | | | |
| Net management fees (£m)* | 54 | 60 | (10%) |
| Other revenue (£m)* | - | - | - |
| Investment revenue (£m)* | 1 | - | - |
| Total net revenue | 55 | 60 | (8%) |
| Net inflows (£bn)* | 0.1 | 0.0 | - |
| Closing AuM (£bn)* | 25.6 | 24.5 | 4% |
| Average AuM (£bn)* | 25.5 | 25.9 | (2%) |
| Revenue margin (bps)* | 43 | 47 | (4) bps |
| Asset retention (%)* | 82% | 85% | (3) ppts |
| Advice (Quilter Financial Planning) | | | |
| Net management fees (£m)* | - | - | - |
| Other revenue (£m)* | 34 | 40 | (15%) |
| Investment revenue (£m)* | 1 | - | - |
| Total net revenue* | 35 | 40 | (13%) |
| RFPs (number) | 1,447 | 1,512 | (4%) |

2. High Net Worth

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

| Key financial highlights | H1 2023 | H1 2022 | % change |
|---|-----------|-----------|-------------|
| Quilter Cheviot | | | |
| Net management fees (£m)* | 95 | 96 | (1%) |
| Other revenue (£m)* | 1 | 1 | - |
| Investment revenue (£m)* | 2 | - | - |
| Total net revenue | 98 | 97 | 1% |
| Net inflows (£bn)* | 0.1 | 0.5 | (80%) |
| Closing AuM (£bn)* | 25.9 | 25.2 | 3% |
| Average AuM (£bn)* | 25.9 | 27.0 | (4%) |
| Revenue margin (bps)* | 73 | 71 | 2 bps |
| Asset retention (%)* | 91% | 94% | (3) ppts |
| Investment managers (#)* | 178 | 176 | 1% |
| Advice (Quilter Private Client Advisers) | | | |
| Net management fees (£m)* | - | - | - |
| Other revenue (£m)* | 10 | 11 | (9%) |
| Investment revenue (£m)* | - | - | - |
| Total net revenue* | 10 | 11 | (9%) |
| QPCA RFPs (number) | 64 | 55 | 16% |

Financial performance by segment

The following table presents a breakdown of financial performance by segment and continuing operations for the periods indicated.

| Financial performance from continuing operations H1 2023 (£m) | Affluent | High Net Worth | Head Office | Continuing operations |
|--|--------------|----------------|-------------|-----------------------|
| Net management fee* ¹ | 147 | 95 | - | 242 |
| Other revenue* | 34 | 11 | (3) | 42 |
| Investment revenue* | 14 | 2 | 12 | 28 |
| Total net revenue* | 195 | 108 | 9 | 312 |
| Operating expenses* | (141) | (85) | (10) | (236) |
| Adjusted profit before tax* | 54 | 23 | (1) | 76 |
| Tax | | | | (18) |
| Adjusted profit after tax* | | | | 58 |
| Operating margin (%)* | 28% | 21% | | 24% |
| Revenue margin (bps)* | 38 | 73 | | 48 |

| Financial performance from continuing operations H1 2022 (£m) | Affluent | High Net Worth | Head Office | Continuing operations |
|--|--------------|----------------|-------------|-----------------------|
| Net management fee* ¹ | 151 | 96 | - | 247 |
| Other revenue* | 41 | 12 | - | 53 |
| Investment revenue* | 1 | - | 2 | 3 |
| Total net revenue* | 193 | 108 | 2 | 303 |
| Operating expenses* | (146) | (85) | (11) | (242) |
| Adjusted profit before tax* | 47 | 23 | (9) | 61 |
| Tax | | | | (11) |
| Adjusted profit after tax* | | | | 50 |
| Operating margin (%)* | 24% | 21% | | 20% |
| Revenue margin (bps)* | 38 | 71 | | 47 |

¹Net management fee includes the interest earned on client holdings in Quilter Cheviot and Quilter Investment Platform.

Alternative Performance Measures

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

APMs should be read together with the Group's condensed consolidated interim financial statements, which include the Group's income statement, statement of financial position and statement of cash flows, which are presented on pages 26 to 30.

Further details of APMs used by the Group in its Financial review are provided below.

| APM | Definition |
|--|---|
| <p>Adjusted profit before tax</p> | <p>Adjusted profit before tax represents the Group's IFRS profit, adjusted for specific items that management consider to be outside of the Group's normal operations or one-off in nature, as detailed on page 33 in the condensed consolidated interim financial statements. The exclusion of certain adjusting items may result in adjusted profit before tax being materially higher or lower than the IFRS profit after tax.</p> <p>Adjusted profit before tax does not provide a complete picture of the Group's financial performance, which is disclosed in the IFRS income statement, but is instead intended to provide additional comparability and understanding of the financial results.</p> <p>Adjusted profit before tax is presented for the continuing Group, for discontinued operations (relating to the sale of the Single Strategy business in 2018), and for the total Group for continuing and discontinued operations.</p> <p>A detailed reconciliation of the adjusted profit before tax metrics presented, and how these reconcile to IFRS, is provided on page 11 of the Financial review. Adjusted profit before tax is referred to throughout the Chief Executive Officer's statement and Financial review, with comparison to the prior year explained on page 9.</p> <p>A reconciliation from each line item on the IFRS income statement to adjusted profit before tax is provided in note 5(c) to the condensed consolidated interim financial statements on page 35.</p> |
| <p>Adjusted profit after tax</p> | <p>Adjusted profit after tax represents the post-tax equivalent of the adjusted profit before tax measure, as defined above.</p> |
| <p>Revenue margin (bps)</p> | <p>Revenue margin represents net management fees, divided by average AuMA. Management use this APM as it represents the Group's ability to earn revenue from AuMA.</p> <p>Revenue margin by segment and for the Group is explained on page 8 of the Financial review.</p> |
| <p>Operating margin</p> | <p>Operating margin represents adjusted profit before tax divided by total net fee revenue.</p> <p>Management use this APM as this is an efficiency measure that reflects the percentage of total net revenue that becomes adjusted profit before tax.</p> <p>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 9.</p> |
| <p>Gross flows</p> | <p>Gross flows are the gross client cash inflows received from customers during the period and represent our ability to increase AuMA and revenue. Gross flows are referred to in the Financial review on page 8 and disclosed by segment in the supplementary information on pages 15 to 16.</p> |
| <p>Net flows</p> | <p>Net flows are the difference between money received from and returned to customers during the relevant period for the Group or for the business indicated.</p> <p>This measure is a lead indicator of total net revenue. Net flows is referred to throughout this document, with a separate section in the Financial review on page 8 and is presented by business and segment in the supplementary information on pages 15 to 16.</p> |

| | |
|--|---|
| Assets under Management and Administration (“AuMA”) | <p>AuMA represents the total market value of all financial assets managed and administered on behalf of customers.</p> <p>AuMA is referred to throughout this document, with a separate section in the Financial review on page 8 and is presented by business and segment in the supplementary information on pages 15 to 16.</p> |
| Non-core AuMA | <p>Non-core AuMA and associated gross and net flows represents assets managed on behalf of businesses we have sold together with some legacy funds which are in run-off and remain in outflow.</p> |
| Average AuMA | <p>Average AuMA represents the average total market value of all financial assets managed and administered on behalf of customers. Average AuMA is calculated using a 7-point average (half year) and 13-point average (full year) of monthly closing AuMA.</p> |
| Total net revenue | <p>Total net revenue represents revenue earned from net management fees and other revenue listed below and is a key input into the Group's operating margin.</p> <p>Further information on total net revenue is provided on page 9 of the Financial review and note 5(c) in the condensed consolidated interim financial statements.</p> |
| Net management fees | <p>Net management fees consist of revenue generated from AuMA, fixed fee revenues including charges for policyholder tax contributions, interest earned on client holdings, less trail commissions payable. Net management fees are presented net of trail commission payable as trail commission is a variable cost directly linked to revenue, which is a treatment and presentation commonly used across our industry. Net management fees are a part of total net revenue and is a key input into the Group's operating margin.</p> <p>Further information on net management fees is provided on page 9 and note 5(c) in the condensed consolidated interim financial statements.</p> |
| Other revenue | <p>Other revenue represents revenue not directly linked to AuMA (e.g. encashment charges, closed book unit-linked policies, non-linked Protect policies, adviser initial fees and adviser fees linked to AuMA in Quilter Financial Planning (recurring fees)). Other revenue is a part of total net revenue, which is included in the calculation of the Group's operating margin.</p> <p>Further information on other revenue is provided on page 9 and note 5(c) in the condensed consolidated interim financial statements.</p> |
| Investment revenue | <p>Investment revenue includes interest on shareholder cash balances (including cash at bank and money market funds).</p> |
| Operating expenses | <p>Operating expenses represent the costs for the Group, which are incurred to earn total net revenue and excludes the impact of specific items that management considers to be outside of the Group's normal operations or one-off in nature. Operating expenses are included in the calculation of adjusted profit before tax and impact the Group's operating margin.</p> <p>A reconciliation of operating expenses to the applicable IFRS line items is included in note 5(c) to the condensed consolidated interim financial statements, and the adjusting items excluded from operating expenses are explained in note 5(b). Operating expenses are explained on pages 9 to 10 of the Financial review.</p> |
| Cash generation | <p>Cash generation is calculated by removing non-cash generative items from adjusted profit before tax, such as deferrals required under IFRS to spread fee income and acquisition costs over the lives of the underlying contracts with customers. It is stated after deducting an allowance for net cash required to support the capital requirements generated by new business offset by a release of capital from the in-force book.</p> <p>Cash generation is explained on page 12 of the Financial review.</p> |
| Asset retention (annualised) | <p>The asset retention rate measures our ability to retain assets from delivering good customer outcomes and investment performance. Asset retention reflects the annualised gross outflows of the AuMA during the</p> |

| | |
|--|---|
| | <p>period as a percentage of opening AuMA. Asset retention is calculated as: $1 - (\text{annualised gross outflow} / \text{opening AuMA})$.</p> <p>Asset retention is provided for the Group on page 7, and by segment on page 17.</p> |
| Net inflows/opening AuMA (annualised) | <p>This measure is calculated as total net flows annualised (as described above) divided by opening AuMA presented as a percentage.</p> <p>This metric is provided on page 7.</p> |
| Gross flows per adviser | <p>Gross flows per adviser is a measure of the value created by our Quilter distribution channel and is an indicator of the success of our multi-channel business model. Gross flows per adviser is calculated as gross flows generated by the Quilter channel through the Quilter Investment Platform, Quilter Investors or Quilter Cheviot (annualised) per average Restricted Financial Planner in both segments.</p> <p>Gross flows per adviser is provided on page 7.</p> |
| Return on Equity ("RoE") (annualised) | <p>Return on equity calculates how many pounds of profit the Group generates from continuing operations with each pound of shareholder equity. This measure is calculated as adjusted profit after tax annualised divided by average equity. Equity is adjusted for the impact of discontinued operations, if applicable.</p> <p>Return on equity is provided on page 7.</p> |
| Adjusted diluted earnings per share | <p>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 note 8 in the condensed consolidated interim financial statements.</p> <p>A continuing and discontinued view of diluted earnings per share has also been presented, and the calculation of all EPS metrics, is shown in note 8 to the condensed consolidated interim financial statements.</p> |
| Headline earnings per share | <p>The Group is required to calculate headline earnings per share in accordance with the Johannesburg Stock Exchange Limited Listing Requirements, determined by reference to the South African Institute of Chartered Accountants' circular 1/2023 <i>Headline Earnings</i>. This is calculated on a basic and diluted basis. For details of the calculation, refer to note 8 of the condensed consolidated interim financial statements.</p> |

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

For the period ended 30 June 2023

Each of the Directors of Quilter plc confirms to the best of their knowledge and belief that:

- The condensed consolidated interim financial statements, which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of financial position, the consolidated statement of cash flows and the related explanatory notes, has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the United Kingdom and gives a true and fair view of the assets, liabilities, financial position and profits of the Group for the period ended 30 June 2023. These interim financials have been prepared and published in compliance with the acceptable accounting frameworks of the London Stock Exchange ("LSE"), where the Company has its primary listing.
- The interim management report includes a fair review of the information required by:
 - a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of consolidated financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year, and
 - b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or performance of the Group during that period, and any changes in the related party transactions described in the Group's 2022 Annual Report that could do so.

Consistent with principle N of the UK Corporate Governance Code, the results for the six months ended 30 June 2023 taken as a whole, present a fair, balanced and understandable assessment of the Company's position and prospects.

Quilter plc is listed with a primary listing on the LSE and a secondary listing on the Johannesburg Stock Exchange ("JSE").

A list of the current Directors is maintained on the Group's website: <https://plc.quilter.com/about-us/quilter-leadership/>.

Signed on behalf of the Board

Steven Levin
Chief Executive Officer
7 August 2023

Mark Satchel
Chief Financial Officer
7 August 2023

Independent review report to Quilter plc

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Quilter plc's condensed consolidated interim financial statements (the "interim financial statements") in the interim results of Quilter plc for the 6 month period ended 30 June 2023 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the Condensed consolidated statement of financial position as at 30 June 2023;
- the Condensed consolidated income statement and Condensed consolidated statement of comprehensive income for the period then ended;
- the Condensed consolidated statement of cash flows for the period then ended;
- the Condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the interim results of Quilter plc have been prepared in accordance with UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

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

We have read the other information contained in the interim results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the Directors have inappropriately adopted the going concern basis of accounting or that the Directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the Group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the Directors

The interim results, including the interim financial statements, are the responsibility of, and have been approved by the Directors. The Directors are responsible for preparing the interim results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the interim results, including the interim financial statements, the Directors are responsible for assessing the Group'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 the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the interim results based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
London
7 August 2023

Condensed consolidated income statement

For the period ended 30 June 2023

| | | £m | | |
|--|-------|--------------------|--------------------|-------------------|
| | Notes | Six months 2023 | Six months 2022 | Full year 2022 |
| Income | | | | |
| Fee income and other income from service activities | 6(b) | 277 | 292 | 581 |
| Investment return | | 1,302 | (5,326) | (4,649) |
| Other income | | 2 | 21 | 28 |
| Total income | | 1,581 | (5,013) | (4,040) |
| Expenses | | | | |
| Change in investment contract liabilities | 17 | (1,018) | 4,825 | 4,318 |
| Fee and commission expenses, and other acquisition costs | | (25) | (26) | (54) |
| Change in third-party interests in consolidated funds | | (202) | 555 | 438 |
| Other operating and administrative expenses | | (297) | (297) | (584) |
| Finance costs | | (11) | (7) | (13) |
| Total expenses | | (1,553) | 5,050 | 4,105 |
| Profit before tax from continuing operations | | 28 | 37 | 65 |
| Tax (expense)/credit attributable to policyholder returns | 7 | (21) | 145 | 134 |
| Profit before tax attributable to equity holders from continuing operations | | 7 | 182 | 199 |
| Income tax (expense)/credit | 7 | (23) | 114 | 110 |
| Less: tax expense/(credit) attributable to policyholder returns | | 21 | (145) | (134) |
| Tax expense attributable to equity holders | | (2) | (31) | (24) |
| Profit after tax from continuing operations | | 5 | 151 | 175 |
| Loss after tax from discontinued operations | 4(b) | - | (1) | - |
| Profit after tax | | 5 | 150 | 175 |
| Attributable to: | | | | |
| Equity holders of Quilter plc | | 5 | 150 | 175 |

Earnings per Ordinary Share on profit attributable to Ordinary Shareholders of Quilter plc¹

| | | | | |
|--|------|------------|-----|------|
| Basic earnings per Ordinary Share (pence) | 8(b) | 0.4 | 9.8 | 12.2 |
| Diluted earnings per Ordinary Share (pence) | 8(b) | 0.4 | 9.7 | 12.0 |

¹The Financial Reporting Council ("FRC") published a thematic review on earnings per share in September 2022. The EPS figures presented above for the six months to 30 June 2022 and the year to 31 December 2022 were calculated using the weighted average number of shares which was determined without making any retrospective adjustment for the impact of the Share Consolidation completed in May 2022 in line with the FRC's guidance and IAS 33 Earnings per Share. In the Group's interim financial statements for the six months to 30 June 2022, the disclosed EPS metrics for June 2022 were calculated using a weighted average number of shares which allowed for a retrospective adjustment for the impact of the May 2022 Share Consolidation. The June 2022 EPS metrics shown above were corrected following the FRC thematic review.

Condensed consolidated statement of comprehensive income

For the period ended 30 June 2023

| | | £m | | |
|--------------------------------------|------|----------------------------|--------------------|-------------------|
| | Note | Six months 2023 | Six months 2022 | Full year 2022 |
| Profit after tax | | 5 | 150 | 175 |
| Total comprehensive income | | 5 | 150 | 175 |
| Attributable to: | | | | |
| Continuing operations | | 5 | 151 | 175 |
| Discontinued operations | 4(b) | - | (1) | - |
| Equity holders of Quilter plc | | 5 | 150 | 175 |

Condensed consolidated statement of changes in equity

For the period ended 30 June 2023

| £m | | | | | | | | | |
|-------|------------------------|--------------------------------|--------------|----------------------------|----------------|------------------------------|----------------|-------------------|----------------------------|
| Notes | Ordinary Share capital | Ordinary Share premium reserve | B shares | Capital redemption reserve | Merger reserve | Share-based payments reserve | Other reserves | Retained earnings | Total shareholders' equity |
| | 116 | 58 | - | 17 | 25 | 42 | (1) | 1,482 | 1,739 |
| | - | - | - | - | - | - | - | 150 | 150 |
| | - | - | - | - | - | - | - | 150 | 150 |
| 9 | - | - | - | - | - | - | - | (62) | (62) |
| 16 | (1) | - | - | 1 | - | - | - | - | - |
| 16 | - | - | 328 | - | (25) | - | - | (303) | - |
| 16 | - | - | (328) | 328 | - | - | - | (328) | (328) |
| | - | - | - | - | - | - | - | (4) | (4) |
| | - | - | - | - | - | - | - | 19 | 19 |
| | - | - | - | - | - | (8) | - | 19 | 11 |
| | - | - | - | - | - | (2) | - | - | (2) |
| | (1) | - | - | 329 | (25) | (10) | - | (659) | (366) |
| | 115 | 58 | - | 346 | - | 32 | (1) | 973 | 1,523 |
| | - | - | - | - | - | - | - | 25 | 25 |
| | - | - | - | - | - | - | - | 25 | 25 |
| 9 | - | - | - | - | - | - | - | (16) | (16) |
| | - | - | - | - | - | - | - | 3 | 3 |
| | - | - | - | - | - | 9 | - | 4 | 13 |
| | - | - | - | - | - | 9 | - | (9) | - |
| | 115 | 58 | - | 346 | - | 41 | (1) | 989 | 1,548 |
| | - | - | - | - | - | - | - | 5 | 5 |
| | - | - | - | - | - | - | - | 5 | 5 |
| 9 | - | - | - | - | - | - | - | (45) | (45) |
| | - | - | - | - | - | - | - | 2 | 2 |
| | - | - | - | - | - | - | - | (13) | (13) |
| | - | - | - | - | - | (9) | - | 17 | 8 |
| | - | - | - | - | - | (9) | - | (39) | (48) |
| | - | - | - | - | - | - | 1 | (1) | - |
| | 115 | 58 | - | 346 | - | 32 | - | 954 | 1,505 |

¹On 11 March 2020, the Company announced a share buyback programme to purchase Ordinary Shares up to a maximum value of £375 million, in order to return the net surplus proceeds to shareholders arising from the sale of Quilter Life Assurance which reduced the share capital of the Company. During the year ending 31 December 2022, the Company acquired 17.7 million shares for a total consideration of £26 million and incurred additional costs of £1 million. The Company had committed to the buyback of these shares during the year to 31 December 2021 and had recognised an accrual for £26 million as at 31 December 2021. This was the final tranche of the share buyback programme and was completed in January 2022. The shares, which have a nominal value of £1 million, were cancelled in the six months ending 30 June 2022, giving rise to a capital redemption reserve of the same value as required by the Companies Act 2006.

²On 9 March 2022, the Company announced a capital return of £328 million from the net surplus proceeds arising from the sale of Quilter International by way of a B Share Scheme accompanied by a Share Consolidation. Refer to note 4 in the Group's 2022 Annual Report for further details of the capital return and Share Consolidation. Following the issue and redemption of the B preference shares as part of the B Share Scheme, the Company transferred £328 million from retained earnings to the capital redemption reserve, as required under the provisions of sections 688 and 733 of the Companies Act 2006, being an amount equal to the nominal value of the B shares redeemed in the year. The increase in the capital redemption reserve results from the UK company law requirement to maintain the Company's capital when shares are redeemed out of the Company's distributable profits.

³The South African Rand value of the proposed capital return for shares registered on the Johannesburg Stock Exchange was set on 9 March 2022. The impact of exchange rate movements between the year-end Market Announcement on 9 March 2022 and the redemption of the B shares on 24 May 2022 on the pound sterling equivalent of payments to JSE shareholders in South African Rand is recognised directly in equity. Additionally, the impact of exchange rate movements between the announcement dates of dividends payable and the payment dates on the pound sterling equivalent of payments to JSE shareholders in South African Rand are recognised directly in equity. The Group held cash in South African Rand equal to the expected cash outflows and therefore was economically hedged for the outflows.

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Condensed consolidated statement of financial position

At 30 June 2023

| | | £m | | |
|---|-------|-----------------|-----------------|---------------------|
| | Notes | 30 June 2023 | 30 June 2022 | 31 December 2022 |
| Assets | | | | |
| Goodwill and intangible assets | 10 | 391 | 433 | 413 |
| Property, plant and equipment | | 97 | 117 | 112 |
| Investment property | 11 | 10 | - | - |
| Investments in associated undertakings | | 2 | 1 | 1 |
| Contract costs | | 10 | 10 | 10 |
| Loans and advances | | 40 | 34 | 34 |
| Financial investments | 12 | 45,506 | 42,106 | 43,617 |
| Deferred tax assets | | 68 | 110 | 94 |
| Current tax receivable | | 18 | - | 10 |
| Trade, other receivables and other assets | | 646 | 523 | 303 |
| Derivative assets | | 26 | 8 | 40 |
| Cash and cash equivalents | 15 | 1,800 | 1,793 | 1,782 |
| Assets held for sale | 4(e) | - | - | 1 |
| Total assets | | 48,614 | 45,135 | 46,417 |
| Equity and liabilities | | | | |
| Equity | | | | |
| Ordinary Share capital | 16 | 115 | 115 | 115 |
| Ordinary Share premium reserve | 16 | 58 | 58 | 58 |
| Capital redemption reserve | | 346 | 346 | 346 |
| Share-based payments reserve | | 32 | 32 | 41 |
| Other reserves | | - | (1) | (1) |
| Retained earnings | | 954 | 973 | 989 |
| Total equity | | 1,505 | 1,523 | 1,548 |
| Liabilities | | | | |
| Investment contract liabilities | 17 | 40,070 | 37,167 | 38,186 |
| Third-party interests in consolidated funds | | 5,930 | 5,404 | 5,843 |
| Provisions | 18 | 61 | 64 | 69 |
| Deferred tax liabilities | | 21 | 29 | 24 |
| Current tax payable | | 1 | 10 | 1 |
| Borrowings and lease liabilities | | 284 | 293 | 290 |
| Trade, other payables and other liabilities | | 731 | 615 | 436 |
| Derivative liabilities | | 11 | 30 | 20 |
| Total liabilities | | 47,109 | 43,612 | 44,869 |
| Total equity and liabilities | | 48,614 | 45,135 | 46,417 |

Approved by the Board of Directors on 7 August 2023 and signed on its behalf by

Steven Levin
Chief Executive Officer

Mark Satchel
Chief Financial Officer

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Condensed consolidated statement of cash flows

For the period ended 30 June 2023

The cash flows presented in this statement cover all the Group's activities (continuing and discontinued operations) and include flows from both policyholder and shareholder activities. All cash and cash equivalents are available for general use by the Group for the purposes of the disclosures required under IAS 7 Statement of Cash Flows except for cash and cash equivalents in consolidated funds (as shown in note 15). Cash flows for discontinued operations are shown separately in note 4(c).

| | | £m | | |
|--|-------|--------------------|---------------------------------|-------------------|
| | Notes | Six months 2023 | Six months 2022 ¹ | Full year 2022 |
| Cash flows from operating activities | | | | |
| Cash flows from operating activities | | 941 | 1,093 | 1,698 |
| Taxation paid | | (8) | (12) | (22) |
| Total net cash flows from operating activities | | 933 | 1,081 | 1,676 |
| Cash flows from investing activities | | | | |
| Net acquisitions of financial investments | | (837) | (913) | (1,494) |
| Acquisition of property, plant and equipment | | (1) | - | (3) |
| Proceeds from sale of property, plant and equipment held for sale | | 1 | - | - |
| Acquisition of interests in subsidiaries ² | 4(d) | - | (5) | (5) |
| Investment in associate | | (1) | - | - |
| Net payments from the disposal of interests in subsidiaries | | - | (1) | - |
| Total net cash flows from investing activities | | (838) | (919) | (1,502) |
| Cash flows from financing activities | | | | |
| Dividends paid to equity holders of the Company | 9 | (45) | (62) | (78) |
| Finance costs on external borrowings | | (10) | (5) | (9) |
| Payment of interest on lease liabilities | | (1) | (1) | (3) |
| Payment of principal of lease liabilities | | (4) | (9) | (11) |
| Quilter plc shares acquired for use within the Group's employee share scheme | | (15) | - | - |
| Redemption of B shares ³ | | - | (328) | (328) |
| Repurchase and cancellation of Ordinary Shares ⁴ | | - | (28) | (28) |
| Exchange rate movements passed to shareholders ⁵ | | 2 | (4) | (4) |
| Proceeds from the issue of subordinated debt | 3 | 199 | - | - |
| Subordinated debt repaid | 3 | (200) | - | - |
| Total net cash flows from financing activities | | (74) | (437) | (461) |
| Net increase/(decrease) in cash and cash equivalents | | 21 | (275) | (287) |
| Cash and cash equivalents at the beginning of the year | | 1,782 | 2,064 | 2,064 |
| Effect of exchange rate changes on cash and cash equivalents | | (3) | 4 | 5 |
| Cash and cash equivalents at end of the period | 15(a) | 1,800 | 1,793 | 1,782 |

¹The June 2022 figures have been re-presented to address a minor classification difference between net cash flows from operating activities and net cash flows from financing activities relating to the classification of exchange rate movements passed to shareholders. Net cash flows from financing activities includes a £4 million outflow that was originally presented within net cash flows from operating activities.

²The acquisition of interests in subsidiaries results from contingent consideration payments relating to historical acquisitions.

³In March 2022, the Company announced a capital return of £328 million from the net surplus proceeds arising from the sale of Quilter International by way of a B Share Scheme accompanied by a Share Consolidation. The capital return was completed in May 2022.

⁴The repurchase and cancellation of Ordinary Shares outflow relates to the cash movements associated with the share buyback programme. Further details are included within the condensed consolidated statement of changes in equity.

⁵The exchange rate movements passed to shareholders relate to foreign exchange gains or losses that have arisen on the capital return and dividend payments to JSE shareholders. Further details are included within the condensed consolidated statement of changes in equity.

Notes to the condensed consolidated interim financial statements

For the period ended 30 June 2023

General information

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

The Parent Company's registration number is 06404270. The address of the registered office is Senator House, 85 Queen Victoria Street, London, EC4V 4AB.

1: Basis of preparation

The results for the six months ended 30 June 2023 have been prepared in accordance with the UK-adopted IAS 34 Interim Financial Reporting and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority, and although unaudited, have been reviewed by the Company's Auditor, PricewaterhouseCoopers LLP, and their report is included earlier in this document. These condensed consolidated interim financial statements ("interim financial statements") of Quilter plc for the six months ended 30 June 2023 do not constitute statutory accounts as defined by section 434 of the Companies Act 2006. Comparative financial information for the full year 2022 has been presented from the Group's 2022 Annual Report, which has been filed with the Registrar of Companies and was prepared in accordance with the UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The auditor's report on those financial statements was not qualified, did not include a reference to any matters to which the auditor drew attention by the way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006. Copies of the Group's 2022 Annual Report are available online at plc.quilter.com.

These interim financial statements do not include all of the information required for a complete set of IFRS compliant financial statements. Selected notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the publication of the Group's 2022 Annual Report. The Board considers that the alternative performance measures provided, such as adjusted profit, are also useful for both management and investors. Any seasonal or cyclical factors, to the extent that they materially impact the Group's results, are described in the Financial review.

There have been no changes in the Group's material accounting policies during the period. All accounting policies for recognition, measurement, consolidation and presentation are as outlined in the Group's 2022 Annual Report. These interim financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial instruments, and are presented in pounds sterling, which is the currency of the primary economic environment in which the Group operates.

Going concern

The Directors have considered the resilience of the Group, its current financial position, the principal risks facing the business and the effectiveness of any mitigating strategies which are or could be applied. This included an assessment of capital and liquidity over a three-year business planning period covering 2023 to 2025. As part of the going concern assessment, the Group took into consideration the current position of the UK economy including the impact of inflation and increases in the cost of living. The Group also took into consideration risks related to climate change. Based on the assessment, the Directors believe that both the Group and Quilter plc as the Parent Company, have sufficient financial resources to continue in business for a period of at least 12 months from the date of approval of these interim financial statements and continue to adopt the going concern basis in preparing the interim financial statements.

Critical accounting estimates and judgements

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

The critical estimates and judgements disclosed in detail in the Group's 2022 Annual Report on pages 126 to 127 continue to be critical to the Group during the six months ended 30 June 2023. The Group's critical accounting estimates and judgements are detailed below:

Critical accounting judgements

The Group's critical accounting judgements are those that management makes when applying its material accounting policies and that have the greatest effect on the net profit and net assets recognised in the Group's financial statements. There are no new critical accounting judgements for the Group for the current period.

Critical accounting estimates

The Group's critical accounting estimates 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 standards and guidance to make predictions about future actions and events. Actual results may differ from those estimates.

Provision for cost of defined benefit pension advice

An estimate was determined for potential unsuitable advice which may be found via the Group-managed past business review of defined benefit to defined contribution ("DB to DC") pension transfer advice using a methodology which takes account of recent experience of redress payments calculated by an independent expert, including the recent skilled person review, and applying a proportion of transfer value to determine redress payable as an indicative provision. The calculations are based upon FCA guidelines and modelling performed, and factors including pension transfer value, date of retirement, discount rate and inflation rate assumptions.

Measurement of deferred tax

The estimate of future taxable profits is performed as part of the annual business planning process, and is based on estimated levels of AuMA, which are subject to a large number of factors including global stock market movements, related movements in foreign exchange rates and net client cash flows, 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 of shareholder assets based on estimated taxable profits over a three-year planning horizon and assesses policyholder assets based on estimated investment growth over the medium term. Management has reassessed the sensitivity on the recoverability of deferred tax assets based on the latest forecast cash flows. See note 29 of the 2022 Annual Report for further details.

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

The IASB issued IFRS 17 Insurance Contracts in May 2017 and Amendments to IFRS 17 in June 2020. IFRS 17 became effective on 1 January 2023. The Group has assessed all relevant contracts with policyholders. Based on this assessment, it was determined that there are no contracts that will be accounted for under IFRS 17.

The amendments to accounting standards in the table below became applicable for the current reporting period. The Group has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar 2 income taxes as disclosed in note 7.

| Adopted by the Group from | Amendments to standards |
|---------------------------|--|
| 1 January 2023 | Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates |
| 1 January 2023 | Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies |
| 1 January 2023 | Amendments to IAS 12 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| 1 January 2023 | Amendments to IAS 12 Income Taxes - International Tax Reform - Pillar Two Model Rules |

3: Significant changes in the current reporting period

Repayment and new issue of Fixed Rate Reset Subordinated Notes

On 18 January 2023, the Company issued £200,000,000 8.625% Fixed Rate Reset Subordinated Notes (due 18 April 2033) and received net cash proceeds of £199 million. After deducting structuring costs and professional fees, the retained cash proceeds were £197 million. The Notes are now listed and regulated under the terms of the London Stock Exchange. On 28 February 2023, the Company repaid the existing £200,000,000 4.478% Fixed Rate Reset Subordinated Notes (due 28 February 2028).

4: Discontinued operations, assets and liabilities held for sale, acquisitions and disposals

4(a): Business disposals

There have been no material disposals of businesses during the period ended 30 June 2023 or the year ended 31 December 2022.

4(b): Discontinued operations – income statement and statement of comprehensive income

There was a loss on discontinued operations for the six months to 30 June 2022 of £1 million due to an increase in accrued expenses in relation to the Single Strategy business (sold in 2018). The additional accrual was reversed at the end of 2022. The final payment relating to the sale of the Single Strategy business was made during the six months to 30 June 2023. There were no other changes in provisions relating to discontinued operations in any of the periods reported in these condensed consolidated interim financial statements.

4(c): Discontinued operations - net cash flows

The Group made the final payment of £4 million during the six months to 30 June 2023 in respect of the closure of the warranty relating to the sale of the Single Strategy business. There were no inflows or outflows of cash relating to discontinued operations during 2022.

4(d): Business acquisitions

There have been no material acquisitions of businesses during the period ended 30 June 2023 or during 2022.

Contingent consideration arising from historical business acquisitions:

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

| | £m | | |
|------------------------|-----------------|-----------------|---------------------|
| | 30 June 2023 | 30 June 2022 | 31 December 2022 |
| Opening balance | - | 5 | 5 |
| Payments | - | (5) | (5) |
| Closing balance | - | - | - |

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

4(e): Assets and liabilities held for sale

Assets classified as held for sale at 31 December 2022 related to a leasehold interest in an office property which was vacant and was subsequently sold in April 2023.

5: Alternative performance measures ("APMs")

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

Basis of preparation of adjusted profit before tax

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

| | £m | | | | | |
|----------|-----------------|-------|--------------------------|---|----------------|-------|
| | Six months 2023 | | Six months 2022 | | Full year 2022 | |
| | Notes | Total | Continuing operations | Discontinued operations ¹ | Total | Total |
| Affluent | | 54 | 47 | - | 47 | 105 |

| | | | | | | |
|---|------------|-------------|-------|-----|-------|-------|
| High Net Worth | | 23 | 23 | - | 23 | 45 |
| Head Office | | (1) | (9) | - | (9) | (16) |
| Adjusted profit before tax | | 76 | 61 | - | 61 | 134 |
| Adjusting items: | | | | | | |
| Impact of acquisition and disposal-related accounting | 5(b)(i) | (21) | (22) | - | (22) | (42) |
| Business transformation costs | 5(b)(ii) | (16) | (17) | - | (17) | (30) |
| Finance costs | 5(b)(iii) | (10) | (5) | - | (5) | (10) |
| Customer remediation | 5(b)(iv) | (3) | 15 | - | 15 | 12 |
| Voluntary customer repayments | 5(b)(v) | - | - | - | - | (6) |
| Loss on business disposals | 4(b) | - | - | (1) | (1) | - |
| Exchange rate movement (ZAR/GBP) | 5(b)(vi) | (2) | 4 | - | 4 | 4 |
| Policyholder tax adjustments | 5(b)(vii) | (18) | 146 | - | 146 | 138 |
| Other adjusting items | 5(b)(viii) | 1 | - | - | - | (1) |
| Total adjusting items before tax | | (69) | 121 | (1) | 120 | 65 |
| Profit before tax attributable to equity holders | | 7 | 182 | (1) | 181 | 199 |
| Tax attributable to policyholder returns | 7 | 21 | (145) | - | (145) | (134) |
| Income tax (expense)/credit | 7 | (23) | 114 | - | 114 | 110 |
| Profit after tax² | | 5 | 151 | (1) | 150 | 175 |

¹Discontinued operations relate to changes in the warranty provision on the sale of the Single Strategy business.

²IFRS profit after tax.

5(b): Adjusting items

In determining adjusted profit before tax, the Group's IFRS profit before tax is adjusted for specific items that management considers to be outside of the Group's normal operations or one-off in nature. These are detailed below.

5(b)(i): Impact of acquisition and disposal-related accounting

The Group excludes any impairment of goodwill from adjusted profit as well as the amortisation and impairment of acquired intangible assets, any acquisition costs, finance costs related to the discounting of contingent consideration and incidental items relating to past disposals.

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

| | £m | | |
|--|----------------------------|--------------------|-------------------|
| | Six months 2023 | Six months 2022 | Full year 2022 |
| Amortisation of acquired intangible assets | 20 | 22 | 42 |
| Impairment of acquired intangible assets ¹ | 1 | - | - |
| Total impact of acquisition and disposal-related accounting | 21 | 22 | 42 |

¹The impairment of acquired intangible assets results from the impairment of specific client books held within the Affluent operating segment as the Group can no longer support the carrying value.

5(b)(ii): Business transformation costs

Business transformation costs include three key items: costs associated with the Business Simplification programme, Optimisation programme and investment in business costs. For the six-month period to 30 June 2023, these costs totalled £16 million (30 June 2022: £17 million, 31 December 2022: £30 million) in aggregate, the principal components of which are described below:

Business Simplification costs – 30 June 2023: £14 million, 30 June 2022: £12 million, 31 December 2022: £17 million

The Business Simplification programme continues to track towards the £45 million target of annualised run-rate cost savings, announced in November 2021. This target will be largely achieved by the end of 2023, and £50 million of additional costs savings are targeted to be achieved by the end of 2025. The aggregate cost to achieve the combined £95 million savings target is estimated to be £120 million. To date, the programme has delivered £33 million of annualised run-rate cost savings with an implementation cost of £31 million.

Optimisation programme costs – 30 June 2023: £nil, 30 June 2022: £3 million, 31 December 2022: £6 million

The Optimisation programme commenced in 2018 to provide closer business integration, create central support, rationalise technology and reduce third-party spend. The programme has now achieved its target of delivering annualised run-rate cost savings of £65 million with total implementation costs since inception of £88 million. This programme concluded in 2022 and no costs were incurred in the six-month period to 30 June 2023.

Investment in business costs – 30 June 2023: £1 million, 30 June 2022: £nil, 31 December 2022: £4 million

Investment in business costs of £1 million were incurred in the period to June 2023 as the Group continues to enable and support advisers and clients and improve productivity through better utilisation of technology.

Business separation costs following the disposal of Quilter International – 30 June 2023: £1 million, 30 June 2022: £nil, 31 December 2022: £nil

The Group sold Quilter International to Utmost Group on 30 November 2021 and entered into a Transitional Service Agreement with the acquirer. The cost to the Group of running the Transitional Service Agreement was £1 million for the six-month period to 30 June 2023.

Restructuring costs following the disposal of Quilter Life Assurance – 30 June 2023: £nil, 30 June 2022: £2 million, 31 December 2022: £3 million

The Transitional Service Agreement following the sale of Quilter Life Assurance in 2019 has now concluded. No restructuring costs following this disposal were incurred in the six-month period to 30 June 2023.

5(b)(iii): 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 period ended 30 June 2023, finance costs were £10 million (30 June 2022: £5 million, 31 December 2022: £10 million).

5(b)(iv): Customer remediation

Lighthouse pension transfer advice provision – 30 June 2023: £3 million, 30 June 2022: £15 million net income, 31 December 2022: £12 million net income

The provision for the redress of British Steel Pension Scheme cases and other DB to DC pension transfer advice cases, excluding the impact of payments made, has increased by £2 million in the period, which has been recognised in the income statement as an increase in expenses (30 June 2022: £5 million credit, 31 December 2022: £4 million credit). This increase reflects the impact of the initial review for suitability of additional cases by an independent expert as part of the Group-led past business review of DB to DC pension transfer advice. During the period, £1 million of additional legal, consulting, and other costs were incurred (30 June 2022: £nil, 31 December 2022: £4 million). These items have been excluded from adjusted profit on the basis that the advice activities, to which the charge and benefit relate, took place prior to the Group's acquisition of the business. In the six months to 30 June 2022, insurance proceeds in relation to claims in respect of legal liabilities arising in connection with Lighthouse's DB to DC pension transfer advice cases were received, contributing £10 million (31 December 2022: £12 million) to the Group's profit before tax. Further details of the provision are provided in note 18.

5(b)(v): Voluntary customer repayments

For the period ended 30 June 2023, these costs were £nil (30 June 2022: £nil, 31 December 2022: £6 million) and relate to a change in business policy during H2 2022. The voluntary repayments represent amounts to be paid to customers relating to revenue previously recognised in respect of Final Plan Closure receipts.

5(b)(vi): Exchange rate movements (ZAR/GBP)

For the period ended 30 June 2023, an expense of £2 million was incurred (30 June 2022: £4 million income, 31 December 2022: £4 million income) and related to a foreign exchange loss on cash held in South African Rand in preparation for payments to shareholders. In the year to 31 December 2022, these payments related to the capital return and final dividend paid in May 2022. In the period to 30 June 2023, these payments related to the final dividend paid in May 2023. Cash was converted to South African Rand upon announcement of the details of the capital return and dividend payments to provide an economic hedge for the Group. The foreign exchange movements are fully offset by an equal amount taken directly to retained earnings.

5(b)(vii): Policyholder tax adjustments

For the period ended 30 June 2023, the total amount of policyholder tax adjustments to adjusted profit is £18 million credit (30 June 2022: £146 million charge, 31 December 2022: £138 million charge). Adjustments to policyholder tax are made to remove distortions arising from market volatility that can, in turn, lead to volatility in the policyholder tax adjustments between periods. The recognition of the income received from policyholders (which is included within the Group's income) to fund the policyholder tax liability can vary in timing to the recognition of the corresponding tax expense, creating volatility in the Group's IFRS profit or loss before tax attributable to equity holders. Note 7 provides further information on the impact of markets on the policyholder tax adjustment. Adjustments are also made to remove policyholder tax distortions from other non-operating adjusting items.

5(b)(viii): Other adjusting items

For the period ended 30 June 2023, income of £1 million was received (30 June 2022: £nil, 31 December 2022: £1 million cost) in relation to the settlement offer received for the indemnification asset that was impaired in H2 2022.

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

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

| | | | | | | | | £m | |
|--|-----------------------------|----------------------------|---------------------------------|--------------------------------|---------------------------------|----------------------------|-------------------------------|---|--|
| | Net mgmt. fees ¹ | Other revenue ¹ | Investment revenue ¹ | Total net revenue ¹ | Operating expenses ¹ | Adjusted profit before tax | Consol. of funds ² | Condensed consolidated income statement | |
| Six months 2023 | | | | | | | | | |
| Income | | | | | | | | | |
| Fee income and other income from service activities | 268 | 41 | - | 309 | - | 309 | (32) | 277 | |
| Investment return ³ | 19 | 1,007 | 28 | 1,054 | - | 1,054 | 248 | 1,302 | |
| Other income | - | (2) | - | (2) | 4 | 2 | - | 2 | |
| Total income | 287 | 1,046 | 28 | 1,361 | 4 | 1,365 | 216 | 1,581 | |
| Expenses | | | | | | | | | |
| Change in investment contract liabilities ³ | (12) | (1,006) | - | (1,018) | - | (1,018) | - | (1,018) | |
| Fee and commission expenses, and other acquisition costs | (23) | - | - | (23) | - | (23) | (2) | (25) | |
| Change in third-party interests in consolidated funds | - | - | - | - | - | - | (202) | (202) | |
| Other operating and administrative expenses | (7) | - | - | (7) | (278) | (285) | (12) | (297) | |
| Finance costs | - | - | - | - | (11) | (11) | - | (11) | |
| Total expenses | (42) | (1,006) | - | (1,048) | (289) | (1,337) | (216) | (1,553) | |
| Tax expense attributable to policyholder returns | (21) | - | - | (21) | - | (21) | - | (21) | |
| Profit before tax attributable to equity holders from continuing operations | 224 | 40 | 28 | 292 | (285) | 7 | - | 7 | |
| Adjusting items: | | | | | | | | | |

| | | | | | | |
|---|------------|-----------|-----------|------------|--------------|-----------|
| Impact of acquisition and disposal-related accounting | - | - | - | - | 21 | 21 |
| Business transformation costs | - | - | - | - | 16 | 16 |
| Finance costs | - | - | - | - | 10 | 10 |
| Customer remediation | - | - | - | - | 3 | 3 |
| Exchange rate movement (ZAR/GBP) | - | 2 | - | 2 | - | 2 |
| Policyholder tax adjustments | 18 | - | - | 18 | - | 18 |
| Other adjusting items | - | - | - | - | (1) | (1) |
| Adjusting items | 18 | 2 | - | 20 | 49 | 69 |
| Adjusted profit before tax - continuing operations | 242 | 42 | 28 | 312 | (236) | 76 |

¹The APMs "Net management fees", "Other revenue", "Investment revenue", "Total net revenue" and "Operating expenses" are commented on within the Financial review. In the financial statements for the year to 31 December 2022 and in the June 2022 interim financial statements, interest income on shareholder cash and cash equivalents and interest income on customer cash and cash equivalents was previously presented within "Other revenue". For the six months to 30 June 2023, to provide additional information to the users of the Group's financial reporting, interest income on shareholder cash and cash equivalents has been presented separately as Investment revenue and interest income on customer cash and cash equivalents has been presented within Net management fees. Disclosures for prior periods have been re-presented to ensure comparability.

²Consolidation of funds shows the grossing up impact to the Group's condensed consolidated income statement as a result of the consolidation of funds requirements, as described within note 5(a) of the Group's 2022 Annual Report. This grossing up is excluded from the Group's adjusted profit.

³Investment return of £19 million less £12 million change in investment contract liabilities, as reported within net management fees, represents £7 million interest income on customer cash and cash equivalents which was retained by the Group for the six-month period to 30 June 2023. The £28 million investment return, as reported within investment revenue, relates to interest income on shareholder cash and cash equivalents.

| | £m | | | | | | | |
|--|-----------------------------|----------------------------|---------------------------------|--------------------------------|---------------------------------|----------------------------|-------------------------------|---|
| | Net mgmt. fees ¹ | Other revenue ¹ | Investment revenue ¹ | Total net revenue ¹ | Operating expenses ¹ | Adjusted profit before tax | Consol. of funds ² | Condensed consolidated income statement |
| Six months 2022 | | | | | | | | |
| Income | | | | | | | | |
| Fee income and other income from service activities | 277 | 50 | - | 327 | - | 327 | (35) | 292 |
| Investment return ³ | 2 | (4,824) | 3 | (4,819) | - | (4,819) | (507) | (5,326) |
| Other income | - | 16 | - | 16 | 4 | 20 | 1 | 21 |
| Total income | 279 | (4,758) | 3 | (4,476) | 4 | (4,472) | (541) | (5,013) |
| Expenses | | | | | | | | |
| Change in investment contract liabilities | - | 4,825 | - | 4,825 | - | 4,825 | - | 4,825 |
| Fee and commission expenses, and other acquisition costs | (23) | - | - | (23) | - | (23) | (3) | (26) |
| Change in third-party interests in consolidated funds | - | - | - | - | - | - | 555 | 555 |
| Other operating and administrative expenses | (8) | - | - | (8) | (278) | (286) | (11) | (297) |
| Finance costs | - | - | - | - | (7) | (7) | - | (7) |
| Total expenses | (31) | 4,825 | - | 4,794 | (285) | 4,509 | 541 | 5,050 |
| Tax credit attributable to policyholder returns | 145 | - | - | 145 | - | 145 | - | 145 |
| Profit before tax attributable to equity holders from continuing operations | 393 | 67 | 3 | 463 | (281) | 182 | - | 182 |
| Adjusting items: | | | | | | | | |
| Impact of acquisition and disposal-related accounting | - | - | - | - | 22 | 22 | | |
| Business transformation costs | - | - | - | - | 17 | 17 | | |
| Finance costs | - | - | - | - | 5 | 5 | | |
| Customer remediation | - | (10) | - | (10) | (5) | (15) | | |
| Exchange rate movement (ZAR/GBP) | - | (4) | - | (4) | - | (4) | | |
| Policyholder tax adjustments | (146) | - | - | (146) | - | (146) | | |
| Adjusting items | (146) | (14) | - | (160) | 39 | (121) | | |
| Adjusted profit before tax - continuing operations | 247 | 53 | 3 | 303 | (242) | 61 | | |

¹The APMs "Net management fees", "Other revenue", "Investment revenue", "Total net revenue" and "Operating expenses" are commented on within the Financial review. In the financial statements for the year to 31 December 2022 and in the June 2022 interim financial statements, interest income on shareholder cash and cash equivalents and interest income on customer cash and cash equivalents was previously presented within "Other revenue". For the six months to 30 June 2023, to provide additional information to the users of the Group's financial reporting, interest income on shareholder cash and cash equivalents has been presented separately as Investment revenue and interest income on customer cash and cash equivalents has been presented within Net management fees. Disclosures for prior periods have been re-presented to ensure comparability.

²Consolidation of funds shows the grossing up impact to the Group's condensed consolidated income statement as a result of the consolidation of funds requirements, as described within note 5(a) of the Group's 2022 Annual Report. This grossing up is excluded from the Group's adjusted profit.

³Investment return of £2 million, as reported within net management fees, represents the interest income on customer cash and cash equivalents which was retained by the Group for the six-month period to 30 June 2022. The £3 million investment return, as reported within investment revenue, relates to interest income on shareholder cash and cash equivalents.

| | £m | | | | | | | |
|---|-----------------------------|----------------------------|---------------------------------|--------------------------------|---------------------------------|----------------------------|-------------------------------|---|
| | Net mgmt. fees ¹ | Other revenue ¹ | Investment revenue ¹ | Total net revenue ¹ | Operating expenses ¹ | Adjusted profit before tax | Consol. of funds ² | Condensed consolidated income statement |
| Year ended 31 December 2022 | | | | | | | | |
| Income | | | | | | | | |
| Fee income and other income from service activities | 548 | 95 | - | 643 | - | 643 | (62) | 581 |
| Investment return ³ | 12 | (4,320) | 16 | (4,292) | - | (4,292) | (357) | (4,649) |
| Other income | - | 5 | - | 5 | 21 | 26 | 2 | 28 |

| | | | | | | | | |
|--|-------|---------|----|---------|-------|---------|-------|---------|
| Total income | 560 | (4,220) | 16 | (3,644) | 21 | (3,623) | (417) | (4,040) |
| Expenses | | | | | | | | |
| Change in investment contract liabilities ³ | (5) | 4,323 | - | 4,318 | - | 4,318 | - | 4,318 |
| Fee and commission expenses, and other acquisition costs | (46) | 1 | - | (45) | - | (45) | (9) | (54) |
| Change in third-party interests in consolidated funds | - | - | - | - | - | - | 438 | 438 |
| Other operating and administrative expenses | (15) | - | - | (15) | (557) | (572) | (12) | (584) |
| Finance costs | - | - | - | - | (13) | (13) | - | (13) |
| Total expenses | (66) | 4,324 | - | 4,258 | (570) | 3,688 | 417 | 4,105 |
| Tax credit attributable to policyholder returns | 134 | - | - | 134 | - | 134 | - | 134 |
| Profit before tax attributable to equity holders from continuing operations | 628 | 104 | 16 | 748 | (549) | 199 | - | 199 |
| Adjusting items: | | | | | | | | |
| Impact of acquisition and disposal-related accounting | - | - | - | - | 42 | 42 | | |
| Business transformation costs | - | - | - | - | 30 | 30 | | |
| Finance costs | - | - | - | - | 10 | 10 | | |
| Customer remediation | - | - | - | - | (12) | (12) | | |
| Voluntary customer repayments | - | - | - | - | 6 | 6 | | |
| Exchange rate movement (ZAR/GBP) | - | (4) | - | (4) | - | (4) | | |
| Policyholder tax adjustments | (138) | - | - | (138) | - | (138) | | |
| Other adjusting items | - | - | - | - | 1 | 1 | | |
| Adjusting items | (138) | (4) | - | (142) | 77 | (65) | | |
| Adjusted profit before tax - continuing operations | 490 | 100 | 16 | 606 | (472) | 134 | | |

¹The APMs "Net management fees", "Other revenue", "Investment revenue", "Total net revenue" and "Operating expenses" are commented on within the Financial review. In the financial statements for the year to 31 December 2022 and in the June 2022 interim financial statements, interest income on shareholder cash and cash equivalents and interest income on customer cash and cash equivalents was previously presented within "Other revenue". For the six months to 30 June 2023, to provide additional information to the users of the Group's financial reporting, interest income on shareholder cash and cash equivalents has been presented separately as Investment revenue and interest income on customer cash and cash equivalents has been presented within Net management fees. Disclosures for prior periods have been re-presented to ensure comparability.

²Consolidation of funds shows the grossing up impact to the Group's condensed consolidated income statement as a result of the consolidation of funds requirements, as described within note 5(a) of the Group's Annual Report. This grossing up is excluded from the Group's adjusted profit.

³Investment return of £12 million less £5 million change in investment contract liabilities, as reported within net management fees, represents the £7 million interest income on customer cash and cash equivalents which was retained by the Group for the year ended 31 December 2022. The £16 million investment return, as reported within investment revenue, relates to interest income on shareholder cash and cash equivalents.

6: Segmental information

6(a): Segmental presentation

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

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

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

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

Continuing operations:

High Net Worth

This segment comprises Quilter Cheviot and Quilter Private Client Advisers.

Quilter Cheviot provides discretionary investment management predominantly in the United Kingdom with bespoke investment portfolios tailored to the individual needs of High Net Worth clients, 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 Ireland.

Quilter Private Client Advisers provide financial advice for protection, mortgages, savings, investments and pensions predominantly to High Net Worth clients.

Affluent

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

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

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

Quilter Financial Planning is a restricted and independent financial adviser network including Quilter Financial Advisers and Lighthouse, providing mortgage and financial planning advice and financial solutions for both individuals and businesses through a network of intermediaries. It operates

across all markets, from wealth management and retirement planning advice through to dealing with property wealth and personal and business protection needs.

Head Office

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

6(b)(i): Adjusted profit statement - segmental information for the period ended 30 June 2023

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

| | | | | | | £m |
|---|--------------------|----------------|----------------|-------------|--|---|
| | Operating segments | | | Head Office | Consolidation adjustments ¹ | Condensed consolidated income statement |
| | Notes | Affluent | High Net Worth | | | |
| Income | | | | | | |
| Premium-based fees | | 32 | 10 | - | - | 42 |
| Fund-based fees | | 172 | 89 | - | (32) | 229 |
| Fixed fees | | 1 | - | - | - | 1 |
| Other fee and commission income | | 5 | - | - | - | 5 |
| Fee income and other income from service activities | | 210 | 99 | - | (32) | 277 |
| Investment return ² | | 1,036 | 9 | 12 | 245 | 1,302 |
| Other income | | 49 | - | (2) | (45) | 2 |
| Segment income | | 1,295 | 108 | 10 | 168 | 1,581 |
| Expenses | | | | | | |
| Change in investment contract liabilities ² | | (1,018) | - | - | - | (1,018) |
| Fee and commission expenses, and other acquisition costs | | (24) | - | - | (1) | (25) |
| Change in third-party interests in consolidated funds | | - | - | - | (202) | (202) |
| Other operating and administrative expenses | | (202) | (102) | (25) | 32 | (297) |
| Finance costs | | (1) | - | (13) | 3 | (11) |
| Segment expenses | | (1,245) | (102) | (38) | (168) | (1,553) |
| Profit/(loss) before tax from continuing operations | | 50 | 6 | (28) | - | 28 |
| Tax expense attributable to policyholder returns | | (21) | - | - | - | (21) |
| Profit/(loss) before tax attributable to equity holders from continuing operations | | 29 | 6 | (28) | - | 7 |
| Adjusted for non-operating items: | | | | | | |
| Impact of acquisition and disposal-related accounting | 5(b)(i) | 4 | 17 | - | - | 21 |
| Business transformation costs | 5(b)(ii) | - | 1 | 15 | - | 16 |
| Finance costs | 5(b)(iii) | - | - | 10 | - | 10 |
| Customer remediation | 5(b)(iv) | 3 | - | - | - | 3 |
| Exchange rate movement (ZAR/GBP) | 5(b)(vi) | - | - | 2 | - | 2 |
| Policyholder tax adjustments | 5(b)(vii) | 18 | - | - | - | 18 |
| Other adjusting items | 5(b)(viii) | - | (1) | - | - | (1) |
| Adjusting items before tax | | 25 | 17 | 27 | - | 69 |
| Adjusted profit before tax - continuing operations | | 54 | 23 | (1) | - | 76 |

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

²Investment return and change in investment contract liabilities includes net £7 million interest income on customer cash and cash equivalents retained by the Group. Investment return total also includes £28 million interest income on shareholder cash and cash equivalents.

6(b)(ii): Adjusted profit statement - segmental information for the six months ended 30 June 2022

| | | | | | | £m |
|---|--------------------|----------------|----------------|-------------|--|---|
| | Operating segments | | | Head Office | Consolidation adjustments ¹ | Condensed consolidated income statement |
| | Notes | Affluent | High Net Worth | | | |
| Income | | | | | | |
| Premium-based fees | | 38 | 12 | - | - | 50 |
| Fund-based fees | | 180 | 93 | - | (35) | 238 |
| Fixed fees | | 1 | - | - | - | 1 |
| Other fee and commission income | | 3 | - | - | - | 3 |
| Fee income and other income from service activities | | 222 | 105 | - | (35) | 292 |
| Investment return ² | | (4,822) | 3 | 1 | (508) | (5,326) |
| Other income | | 52 | 1 | 5 | (37) | 21 |
| Segment income | | (4,548) | 109 | 6 | (580) | (5,013) |

| | | | | | |
|---|--------------|--------------|-------------|------------|--------------|
| Expenses | | | | | |
| Change in investment contract liabilities | 4,825 | - | - | - | 4,825 |
| Fee and commission expenses, and other acquisition costs | (23) | - | - | (3) | (26) |
| Change in third-party interests in consolidated funds | - | - | - | 555 | 555 |
| Other operating and administrative expenses | (203) | (103) | (19) | 28 | (297) |
| Finance costs | (2) | - | (5) | - | (7) |
| Segment expenses | 4,597 | (103) | (24) | 580 | 5,050 |
| Profit/(loss) before tax from continuing operations | 49 | 6 | (18) | - | 37 |
| Tax credit attributable to policyholder returns | 145 | - | - | - | 145 |
| Profit/(loss) before tax attributable to equity holders from continuing operations | 194 | 6 | (18) | - | 182 |
| Adjusted for non-operating items: | | | | | |
| Impact of acquisition and disposal-related accounting | 5(b)(i) | 5 | 17 | - | 22 |
| Business transformation costs | 5(b)(ii) | 9 | - | 8 | 17 |
| Finance costs | 5(b)(iii) | - | - | 5 | 5 |
| Customer remediation | 5(b)(iv) | (15) | - | - | (15) |
| Exchange rate movement (ZAR/GBP) | 5(b)(vi) | - | - | (4) | (4) |
| Policyholder tax adjustments | 5(b)(vii) | (146) | - | - | (146) |
| Adjusting items before tax | (147) | 17 | 9 | - | (121) |
| Adjusted profit before tax - continuing operations | 47 | 23 | (9) | - | 61 |

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

²Investment return includes net £2 million interest income on customer cash and cash equivalents retained by the Group. Investment return total also includes £3 million interest income on shareholder cash and cash equivalents.

6(b)(iii): Adjusted profit statement - segmental information for the year ended 31 December 2022

| | | | | | | £m |
|---|------------|--------------------|----------------|-------------|--|---|
| | Notes | Operating segments | | Head Office | Consolidation adjustments ¹ | Condensed consolidated income statement |
| | | Affluent | High Net Worth | | | |
| Income | | | | | | |
| Premium-based fees | | 75 | 21 | - | - | 96 |
| Fund-based fees | | 356 | 181 | - | (62) | 475 |
| Fixed fees | | 2 | - | - | - | 2 |
| Other fee and commission income | | 8 | - | - | - | 8 |
| Fee income and other income from service activities | | 441 | 202 | - | (62) | 581 |
| Investment return ² | | (4,307) | 9 | 8 | (359) | (4,649) |
| Other income | | 112 | 3 | 5 | (92) | 28 |
| Segment income | | (3,754) | 214 | 13 | (513) | (4,040) |
| Expenses | | | | | | |
| Change in investment contract liabilities ² | | 4,318 | - | - | - | 4,318 |
| Fee and commission expenses, and other acquisition costs | | (46) | - | - | (8) | (54) |
| Change in third-party interests in consolidated funds | | - | - | - | 438 | 438 |
| Other operating and administrative expenses | | (410) | (202) | (53) | 81 | (584) |
| Finance costs | | (3) | - | (12) | 2 | (13) |
| Segment expenses | | 3,859 | (202) | (65) | 513 | 4,105 |
| Profit/(loss) before tax from continuing operations | | 105 | 12 | (52) | - | 65 |
| Tax credit attributable to policyholder returns | | 134 | - | - | - | 134 |
| Profit/(loss) before tax attributable to equity holders from continuing operations | | 239 | 12 | (52) | - | 199 |
| Adjusted for non-operating items: | | | | | | |
| Impact of acquisition and disposal-related accounting | 5(b)(i) | 10 | 32 | - | - | 42 |
| Business transformation costs | 5(b)(ii) | - | - | 30 | - | 30 |
| Finance costs | 5(b)(iii) | - | - | 10 | - | 10 |
| Customer remediation | 5(b)(iv) | (12) | - | - | - | (12) |
| Voluntary customer repayments | 5(b)(v) | 6 | - | - | - | 6 |
| Exchange rate movement (ZAR/GBP) | 5(b)(vi) | - | - | (4) | - | (4) |
| Policyholder tax adjustments | 5(b)(vii) | (138) | - | - | - | (138) |
| Other adjusting items | 5(b)(viii) | - | 1 | - | - | 1 |
| Adjusting items before tax | (134) | 33 | 36 | - | - | (65) |
| Adjusted profit before tax - continuing operations | | 105 | 45 | (16) | - | 134 |

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

²Investment return and change in investment contract liabilities includes net £7 million interest income on customer cash and cash equivalents retained by the Group. Investment return total also includes £16 million interest income on shareholder cash and cash equivalents.

7: Tax

| | £m | | |
|---|--------------------|--------------------|-------------------|
| | Six months 2023 | Six months 2022 | Full year 2022 |
| Current tax | | | |
| United Kingdom | - | 20 | 12 |
| Overseas tax | - | - | 1 |
| Total current tax charge | - | 20 | 13 |
| Deferred tax | | | |
| Origination and reversal of temporary differences | 23 | (133) | (120) |
| Effect on deferred tax of changes in tax rates | 1 | (1) | (1) |
| Adjustments to deferred tax in respect of prior periods | (1) | - | (2) |
| Total deferred tax charge/(credit) | 23 | (134) | (123) |
| Total tax charged/(credited) to income statement – continuing operations | 23 | (114) | (110) |
| Attributable to policyholder returns – continuing operations | 21 | (145) | (134) |
| Attributable to equity holders – continuing operations | 2 | 31 | 24 |
| Total tax charged/(credited) to income statement | 23 | (114) | (110) |

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 condensed consolidated income statement.

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

The Group's income tax charge on continuing operations was £23 million for the period ended 30 June 2023, compared to a credit of £114 million for the six-month period to 30 June 2022. This income tax charge 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 to fund the policyholder tax liability (which is included within the Group's income) can vary in timing to the recognition of the corresponding policyholder tax expense, creating volatility in the Group's IFRS profit before tax attributable to equity holders. An adjustment is made to adjusted profit to remove these distortions, as explained further in note 5(b)(vii).

Market movements during the period ended 30 June 2023 resulted in investment gains of £80 million on products subject to policyholder tax. The gain is a component of the total "investment return" gain of £1,302 million shown in the condensed consolidated income statement. The impact of the £80 million investment return gain is the primary reason for the £21 million tax charge attributable to policyholder returns in respect of the continuing operations for the period ended 30 June 2023 (30 June 2022: £145 million credit).

UK Corporation Tax rate

The main rate of Corporation Tax increased from 1 April 2023 from 19% to 25%. The blended rate of 23.5% has been used in calculating current tax for 2023 and any deferred tax assets and liabilities have been recognised at the new rate of 25%.

Top-up tax

On 20 June 2023, The Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023. The Group has applied the exception under the IAS 12 amendment to recognising and disclosing information about deferred tax assets and liabilities related to top-up income taxes.

8: Earnings per share

The Group calculates earnings per share ("EPS") on a number of different bases. IFRS requires the calculation of basic and diluted EPS. Adjusted EPS reflects earnings that are consistent with the Group's adjusted profit measure and Headline earnings per share ("HEPS") is a requirement of the Johannesburg Stock Exchange.

The bases for the calculation of the Group's EPS are disclosed in note 5(t) of the Group's 2022 Annual Report.

| | | | Pence | | |
|---|--------------------------|-------|--------------------|---------------------------------|-------------------|
| | Framework | Notes | Six months 2023 | Six months 2022 ¹ | Full year 2022 |
| Basic earnings per share | IFRS | 8(b) | 0.4 | 9.8 | 12.2 |
| Diluted basic earnings per share | IFRS | 8(b) | 0.4 | 9.7 | 12.0 |
| Adjusted basic earnings per share | Group policy | 8(b) | 4.3 | 3.3 | 8.0 |
| Adjusted diluted earnings per share | Group policy | 8(b) | 4.3 | 3.2 | 7.9 |
| Headline basic earnings per share (net of tax) ² | JSE Listing Requirements | 8(c) | 0.4 | 10.2 | 12.6 |
| Headline diluted earnings per share (net of tax) ² | JSE Listing Requirements | 8(c) | 0.4 | 10.1 | 12.4 |

¹The Financial Reporting Council published a thematic review on earnings per share in September 2022. The EPS figures presented above for the six months to 30 June 2022 and the year to 31 December 2022 were calculated using the weighted average number of shares which was determined without making any retrospective adjustment for the impact of the Share Consolidation completed in May 2022 in line with the FRC's guidance and IAS 33 Earnings per Share. In the Group's interim financial statements for the six months to 30 June 2022, the disclosed EPS metrics for June 2022 were calculated using a weighted average number of shares which allowed for a retrospective adjustment for the impact of the May 2022 Share Consolidation. The June 2022 EPS metrics shown above were corrected following the FRC thematic review.

²The basic and diluted headline earnings per share figures for the prior periods have been re-presented as disclosed in note 8(c).

8(a): Weighted average number of Ordinary Shares

The table below summarises the calculation of the weighted average number of Ordinary Shares for the purposes of calculating basic and diluted earnings per share for each profit measure (IFRS, adjusted and headline profit). Details of the impact on the number of shares from the Quilter share buyback scheme are detailed in note 16.

| | Million | | |
|---|--------------------|---------------------------------|-------------------|
| | Six months 2023 | Six months 2022 ¹ | Full year 2022 |
| Weighted average number of Ordinary Shares | 1,404 | 1,589 | 1,496 |
| Own shares including those held in consolidated funds and employee benefit trusts | (51) | (63) | (58) |
| Basic weighted average number of Ordinary Shares | 1,353 | 1,526 | 1,438 |
| Adjustment for dilutive share awards and options | 5 | 11 | 20 |
| Diluted weighted average number of Ordinary Shares | 1,358 | 1,537 | 1,458 |

¹The Financial Reporting Council published a thematic review on earnings per share in September 2022. The EPS figures presented above for the six months to 30 June 2022 and the year to 31 December 2022 were calculated using the weighted average number of shares which was determined without making any retrospective adjustment for the impact of the Share Consolidation completed in May 2022 in line with the FRC's guidance and IAS 33 Earnings per Share. In the Group's interim financial statements for the six months to 30 June 2022, the disclosed EPS metrics for June 2022 were calculated using a weighted average number of shares which allowed for a retrospective adjustment for the impact of the May 2022 Share Consolidation. The June 2022 EPS metrics shown above were corrected following the FRC thematic review.

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

| | £m | | | | | | | | | |
|------------------------------------|-----------------|-----------------------|-------------------------|-----------------|-----------------------|-------------------------|----------------|-----------------------|-------------------------|------------|
| | Six months 2023 | | | Six months 2022 | | | Full year 2022 | | | |
| | Notes | Continuing operations | Discontinued operations | Total | Continuing operations | Discontinued operations | Total | Continuing operations | Discontinued operations | Total |
| Profit after tax | | 5 | - | 5 | 151 | (1) | 150 | 175 | - | 175 |
| Total adjusting items before tax | 5(a) | 69 | - | 69 | (121) | 1 | (120) | (65) | - | (65) |
| Tax on adjusting items | | 2 | - | 2 | (126) | - | (126) | (133) | - | (133) |
| Less: Policyholder tax adjustments | | (18) | - | (18) | 146 | - | 146 | 138 | - | 138 |
| Adjusted profit after tax | | 58 | - | 58 | 50 | - | 50 | 115 | - | 115 |

| | | Six months 2023 | | | Six months 2022 ¹ | | | Full year 2022 | | |
|----------------------|------------------------------|-----------------------|-------------------------|-------|------------------------------|-------------------------|-------|-----------------------|-------------------------|-------|
| | Post-tax profit measure used | Continuing operations | Discontinued operations | Total | Continuing operations | Discontinued operations | Total | Continuing operations | Discontinued operations | Total |
| | | Pence | Pence | Pence | Pence | Pence | Pence | Pence | Pence | Pence |
| Basic EPS | IFRS profit | 0.4 | - | 0.4 | 9.9 | (0.1) | 9.8 | 12.2 | - | 12.2 |
| Diluted EPS | IFRS profit | 0.4 | - | 0.4 | 9.8 | (0.1) | 9.7 | 12.0 | - | 12.0 |
| Adjusted basic EPS | Adjusted profit | 4.3 | - | 4.3 | 3.3 | - | 3.3 | 8.0 | - | 8.0 |
| Adjusted diluted EPS | Adjusted profit | 4.3 | - | 4.3 | 3.2 | - | 3.2 | 7.9 | - | 7.9 |

¹The Financial Reporting Council published a thematic review on earnings per share in September 2022. The EPS figures presented above for the six months to 30 June 2022 and the year to 31 December 2022 were calculated using the weighted average number of shares which was determined without making any retrospective adjustment for the impact of the Share Consolidation completed in May 2022 in line with the FRC's guidance and IAS 33 Earnings per Share. In the Group's interim financial statements for the six months to 30 June 2022, the disclosed EPS metrics for June 2022 were calculated using a weighted average number of shares which allowed for a retrospective adjustment for the impact of the May 2022 Share Consolidation. The June 2022 EPS metrics shown above were corrected following the FRC thematic review.

8(c): Headline earnings per share

| | £m | | | | | |
|---|--------------------|------------|---------------------------------|-------------|-------------------|-------------|
| | Six months 2023 | | Six months 2022 ¹ | | Full year 2022 | |
| | Gross | Net of tax | Gross | Net of tax | Gross | Net of tax |
| Profit attributable to equity holders | | 5 | | 150 | | 175 |
| Adjusted for: | | | | | | |
| - add back of impairment loss on property, plant and equipment ² | - | - | 7 | 6 | 7 | 6 |
| - add back of impairment loss on intangible assets | 1 | 1 | - | - | - | - |
| Headline earnings | | 6 | | 156 | | 181 |
| Headline basic EPS (pence) | | 0.4 | | 10.2 | | 12.6 |
| Headline diluted EPS (pence) | | 0.4 | | 10.1 | | 12.4 |

¹The Financial Reporting Council published a thematic review on earnings per share in September 2022. The EPS figures presented above for the six months to 30 June 2022 and the year to 31 December 2022 were calculated using the weighted average number of shares which was determined without making any retrospective adjustment for the impact of the Share Consolidation completed in May 2022 in line with the FRC's guidance and IAS 33 Earnings per Share. In the Group's interim financial statements for the six months to 30 June 2022, the disclosed EPS metrics for June 2022 were calculated using a weighted average number of shares which allowed for a retrospective adjustment for the impact of the May 2022 Share Consolidation. The June 2022 EPS metrics shown above were corrected following the FRC thematic review.

²Figures were re-presented to address an issue with the signage of an adjusting item for the year to 31 December 2022 and to clearly present the tax effects of each adjusting item in the prior periods in line with the relevant guidance.

9: Dividends

| | £m | | | |
|--|--------------|--------------------|--------------------|-------------------|
| | Payment date | Six months 2023 | Six months 2022 | Full year 2022 |

| | | | | |
|--|-------------------|-----------|-----------|-----------|
| 2021 Final dividend paid - 3.9p per Ordinary Share | 16 May 2022 | - | 62 | 62 |
| 2022 Interim dividend paid - 1.2p per Ordinary Share | 20 September 2022 | - | - | 16 |
| 2022 Final dividend paid - 3.3p per Ordinary Share | 22 May 2023 | 45 | - | - |
| Dividends paid to Ordinary Shareholders | | 45 | 62 | 78 |

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.

10: Goodwill

10(a): Allocation of goodwill to cash-generating units ("CGUs") and impairment testing

Goodwill is monitored by management at the level of the Group's two operating segments: Affluent and High Net Worth. Both operating segments represent a group of CGUs. The allocation of goodwill to these segments was based on their individual value-in-use calculations relative to the combined total.

| | £m | | |
|---------------------------------------|-----------------|------------------------------|---------------------|
| | 30 June 2023 | 30 June 2022 ¹ | 31 December 2022 |
| Goodwill (net carrying amount) | | | |
| Affluent | 223 | 223 | 223 |
| High Net Worth | 83 | 83 | 83 |
| Total goodwill | 306 | 306 | 306 |

¹The prior period figures have been re-presented to correct a minor classification difference between the two segments. The amount attributable to Affluent has decreased by £2 million from the amount originally presented with a corresponding increase in High Net Worth.

Impairment review

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

The Group considers that there are indicators of impairment for the period due to rises in interest rates and inflation and the impact of the ongoing conflict in Ukraine on global equity markets and the potential effect this may have on the Group's AuMA and revenue in future periods. Consequently, the goodwill balance has been tested for impairment at 30 June 2023 and continues to demonstrate a surplus of the recoverable amount over the carrying value of the CGUs. As a result, no impairment is required.

The following table shows the percentage change required in each key assumption before the carrying value would exceed the recoverable amount, assuming all other variables remain the same. This highlights that further adverse movements in the key assumptions used in the CGU value-in-use calculation would be required before an impairment would need to be recognised.

| | Affluent | High Net Worth |
|--|----------|-------------------|
| Reduction in forecast cash flows | 19% | 48% |
| Percentage point increase in the discount rate | 6% | 19% |

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

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

Value-in-use methodology

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

The cash flows that have been used to determine the value-in-use of the CGUs are based on the most recent management approved three-year profit forecasts, which are contained in the Group's Business Plan. These profit forecasts incorporate anticipated equity market growth on the Group's future cash flows and take into account climate-related risks and other responsible business considerations. These cash flows change at different rates because of the different strategies of the CGUs. In cases where the CGUs have made significant acquisitions in the recent past, the cash flows are forecast to grow faster than the more mature businesses. Post the three-year forecast period, the growth rate used to determine the terminal value of the CGUs in the annual assessment was 2.0% (2022: 2.0%). Market share and market growth information is also used to inform the expected volumes of future new business.

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

The Group uses a single cost of capital of 11.5% (2022: 11.4%) to discount expected future cash flows across its two groups of CGUs because they are considered to present a similar level of risk. Capital is provided to the Group predominantly by shareholders with a relatively small amount of debt financing. 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 bondholders and owners of properties leased by the Group). When assessing the systematic risk (i.e. the 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.

11: Investment property

During the period ended 30 June 2023, the Group entered into a contract to sublet a property to one tenant under an operating lease with rentals payable monthly. This is valued under the cost model in line with IFRS 16 Leases. Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the sublease term.

12: 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).

| | £m | | |
|---|-----------------|-----------------|---------------------|
| | 30 June 2023 | 30 June 2022 | 31 December 2022 |
| Government and government-guaranteed securities | 243 | 194 | 225 |
| Other debt securities, preference shares and debentures | 1,867 | 1,553 | 1,609 |
| Equity securities | 6,452 | 5,667 | 6,225 |
| Pooled investments | 36,943 | 34,691 | 35,557 |
| Short-term funds and securities treated as investments | 1 | 1 | 1 |
| Total financial investments | 45,506 | 42,106 | 43,617 |
| Recoverable within 12 months | 45,506 | 42,106 | 43,617 |
| Total financial investments | 45,506 | 42,106 | 43,617 |

The financial investments recoverability profile is based on the intention with which the financial assets are held. These assets are held to cover the liabilities for linked investment contracts, all of which can be withdrawn by policyholders on demand.

13: Categories of financial instruments

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

For information about the methods and assumptions used in determining fair value, refer to note 14. The Group's exposure to various risks associated with financial instruments is discussed in the 2022 Group's Annual Report, note 37. During the period there have been no material changes in the Groups exposure to those risks.

30 June 2023

| Measurement basis | Fair value | | | | £m |
|--|-------------------------|------------------------|-------------------|--|---------------|
| | Mandatorily at FVTPL | Designated at FVTPL | Amortised cost | Non-financial assets and liabilities | Total |
| Assets | | | | | |
| Investments in associated undertakings | - | - | - | 2 | 2 |
| Loans and advances | - | - | 40 | - | 40 |
| Financial investments | 45,506 | - | - | - | 45,506 |
| Trade, other receivables and other assets | - | - | 605 | 41 | 646 |
| Derivative assets | 26 | - | - | - | 26 |
| Cash and cash equivalents | 1,059 | - | 741 | - | 1,800 |
| Total assets that include financial instruments | 46,591 | - | 1,386 | 43 | 48,020 |
| Total other non-financial assets | - | - | - | 594 | 594 |
| Total assets | 46,591 | - | 1,386 | 637 | 48,614 |
| Liabilities | | | | | |
| Investment contract liabilities | - | 40,070 | - | - | 40,070 |
| Third-party interests in consolidated funds | 5,930 | - | - | - | 5,930 |
| Borrowings and lease liabilities | - | - | 284 | - | 284 |
| Trade, other payables and other liabilities | - | - | 674 | 57 | 731 |
| Derivative liabilities | 11 | - | - | - | 11 |
| Total liabilities that include financial instruments | 5,941 | 40,070 | 958 | 57 | 47,026 |
| Total other non-financial liabilities | - | - | - | 83 | 83 |
| Total liabilities | 5,941 | 40,070 | 958 | 140 | 47,109 |

30 June 2022

| Measurement basis | Fair value | | | | £m |
|--|----------------------|---------------------|----------------|--------------------------------------|---------------|
| | Mandatorily at FVTPL | Designated at FVTPL | Amortised cost | Non-financial assets and liabilities | Total |
| | Assets | | | | |
| Investments in associated undertakings | - | - | - | 1 | 1 |
| Loans and advances | - | - | 34 | - | 34 |
| Financial investments | 42,106 | - | - | - | 42,106 |
| Trade, other receivables and other assets | - | - | 467 | 56 | 523 |
| Derivative assets | 8 | - | - | - | 8 |
| Cash and cash equivalents | 924 | - | 869 | - | 1,793 |
| Total assets that include financial instruments | 43,038 | - | 1,370 | 57 | 44,465 |
| Total other non-financial assets | - | - | - | 670 | 670 |
| Total assets | 43,038 | - | 1,370 | 727 | 45,135 |
| Liabilities | | | | | |
| Investment contract liabilities | - | 37,167 | - | - | 37,167 |
| Third-party interests in consolidation of funds | 5,404 | - | - | - | 5,404 |
| Borrowings and lease liabilities | - | - | 293 | - | 293 |
| Trade, other payables and other liabilities | - | - | 493 | 122 | 615 |
| Derivative liabilities | 30 | - | - | - | 30 |
| Total liabilities that include financial instruments | 5,434 | 37,167 | 786 | 122 | 43,509 |
| Total other non-financial liabilities | - | - | - | 103 | 103 |
| Total liabilities | 5,434 | 37,167 | 786 | 225 | 43,612 |

31 December 2022

| Measurement basis | Fair value | | | | £m |
|--|----------------------|---------------------|----------------|--------------------------------------|---------------|
| | Mandatorily at FVTPL | Designated at FVTPL | Amortised cost | Non-financial assets and liabilities | Total |
| | Assets | | | | |
| Investments in associated undertakings | - | - | - | 1 | 1 |
| Loans and advances | - | - | 34 | - | 34 |
| Financial investments | 43,617 | - | - | - | 43,617 |
| Trade, other receivables and other assets | - | - | 261 | 42 | 303 |
| Derivative assets | 40 | - | - | - | 40 |
| Cash and cash equivalents | 1,112 | - | 670 | - | 1,782 |
| Total assets that include financial instruments | 44,769 | - | 965 | 43 | 45,777 |
| Total other non-financial assets | - | - | - | 640 | 640 |
| Total assets | 44,769 | - | 965 | 683 | 46,417 |
| Liabilities | | | | | |
| Investment contract liabilities | - | 38,186 | - | - | 38,186 |
| Third-party interests in consolidated funds | 5,843 | - | - | - | 5,843 |
| Borrowings and lease liabilities | - | - | 290 | - | 290 |
| Trade, other payables and other liabilities | - | - | 358 | 78 | 436 |
| Derivative liabilities | 20 | - | - | - | 20 |
| Total liabilities that include financial instruments | 5,863 | 38,186 | 648 | 78 | 44,775 |
| Total other non-financial liabilities | - | - | - | 94 | 94 |
| Total liabilities | 5,863 | 38,186 | 648 | 172 | 44,869 |

14: Fair value methodology

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

14(a): Determination of fair value

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

- for units in unit trusts and shares in open-ended investment companies, fair value is determined by reference to published quoted prices representing exit values in an active market;

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- 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 equity investments or within consolidated investment funds, the valuation is based on the latest available set of audited financial statements, or if more recent is available, from investment managers or professional valuation experts at the value of the underlying assets of the private equity investment or fund.

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

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 using various approaches including discounted cash flows, the application of an earnings before interest, tax, depreciation and amortisation multiple or any other relevant technique.

Derivatives

The fair value of derivatives is determined with reference to the exchange-traded prices of the specific instruments. The fair value of over-the-counter forward foreign exchange contracts is determined by reference to the relevant 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 interests in consolidated funds

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

14(b): Fair value hierarchy

Fair values are determined according to the following hierarchy:

| Description of hierarchy | Types of instruments classified in the respective levels |
|--|--|
| Level 1 – quoted market prices: financial assets and liabilities with quoted prices for identical instruments in active markets. | Listed equity securities, government securities and other listed debt securities and similar instruments that are actively traded, actively traded pooled investments, certain quoted derivative assets and liabilities and investment contract liabilities directly linked to other Level 1 financial assets. |
| Level 2 – valuation techniques using observable inputs: financial assets and liabilities with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial assets and liabilities valued using models where all significant inputs are observable. | Unlisted equity and debt securities where the valuation is based on models involving no significant unobservable data. Over-the-counter (“OTC”) derivatives, certain privately placed debt instruments and third-party interests in consolidated funds which meet the definition of Level 2 financial instruments. |
| Level 3 – valuation techniques using significant unobservable inputs: financial assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable. | Unlisted equity and securities with significant unobservable inputs, securities where the market is not considered sufficiently active, including certain inactive pooled investments. |

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

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

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

14(c): Transfer between fair value hierarchies

The Group deems a transfer to have occurred between Level 1 and Level 2 or Level 3 when an active, traded primary market ceases to exist for that financial instrument. A transfer between Level 2 and Level 3 occurs when the majority of the significant inputs used to determine the 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 no transfers of financial investments from Level 1 to Level 2 during the period (30 June 2022: £nil, 31 December 2022: £nil). There were no transfers of financial investments from Level 2 to Level 1 during the period (30 June 2022: £nil 31 December 2022: £nil).

See note 14(e) for the reconciliation of Level 3 financial instruments.

14(d): Financial assets and liabilities measured at fair value, classified according to the 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 period.

The linked assets are held to cover the liabilities for linked investment contracts. 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 condensed consolidated statement of financial position according to their IFRS 9 classification (see note 13 for further details).

| | £m | | |
|---|-----------------|-----------------|---------------------|
| | 30 June 2023 | 30 June 2022 | 31 December 2022 |
| Financial assets measured at fair value | | | |
| Level 1 | 39,756 | 37,312 | 38,452 |
| Level 2 | 6,818 | 5,702 | 6,288 |
| Level 3 | 17 | 24 | 29 |
| Total | 46,591 | 43,038 | 44,769 |
| Financial liabilities measured at fair value | | | |
| Level 1 | 40,060 | 37,145 | 38,161 |
| Level 2 | 5,941 | 5,434 | 5,863 |
| Level 3 | 10 | 22 | 25 |
| Total | 46,011 | 42,601 | 44,049 |

The tables below further analyse the Group's financial assets and liabilities measured at fair value by the fair value hierarchy described in note 14(b):

| | £m | | | |
|--|---------------|--------------|-----------|---------------|
| 30 June 2023 | Level 1 | Level 2 | Level 3 | Total |
| Financial assets measured at fair value | | | | |
| Financial investments | 38,697 | 6,792 | 17 | 45,506 |
| Cash and cash equivalents | 1,059 | - | - | 1,059 |
| Derivative assets | - | 26 | - | 26 |
| Mandatorily (fair value through profit or loss) | 39,756 | 6,818 | 17 | 46,591 |
| Total assets measured at fair value | 39,756 | 6,818 | 17 | 46,591 |
| Financial liabilities measured at fair value | | | | |
| Third-party interests in consolidated funds | - | 5,930 | - | 5,930 |
| Derivative liabilities | - | 11 | - | 11 |
| Mandatorily (fair value through profit or loss) | - | 5,941 | - | 5,941 |
| Investment contract liabilities | 40,060 | - | 10 | 40,070 |
| Designated (fair value through profit or loss) | 40,060 | - | 10 | 40,070 |
| Total liabilities measured at fair value | 40,060 | 5,941 | 10 | 46,011 |

| | £m | | | |
|--|---------------|--------------|-----------|---------------|
| 30 June 2022 | Level 1 | Level 2 | Level 3 | Total |
| Financial assets measured at fair value | | | | |
| Financial investments | 36,388 | 5,694 | 24 | 42,106 |
| Cash and cash equivalents | 924 | - | - | 924 |
| Derivative assets | - | 8 | - | 8 |
| Mandatorily (fair value through profit or loss) | 37,312 | 5,702 | 24 | 43,038 |
| Total assets measured at fair value | 37,312 | 5,702 | 24 | 43,038 |
| Financial liabilities measured at fair value | | | | |
| Third-party interests in consolidated funds | - | 5,404 | - | 5,404 |
| Derivative liabilities | - | 30 | - | 30 |
| Mandatorily (fair value through profit or loss) | - | 5,434 | - | 5,434 |
| Investment contract liabilities | 37,145 | - | 22 | 37,167 |
| Designated (fair value through profit or loss) | 37,145 | - | 22 | 37,167 |
| Total liabilities measured at fair value | 37,145 | 5,434 | 22 | 42,601 |

| | £m | | | |
|---|---------------|--------------|-----------|---------------|
| 31 December 2022 | Level 1 | Level 2 | Level 3 | Total |
| Financial assets measured at fair value | | | | |
| Financial investments | 37,340 | 6,248 | 29 | 43,617 |
| Cash and cash equivalents | 1,112 | - | - | 1,112 |
| Derivative assets | - | 40 | - | 40 |
| Mandatorily (fair value through profit or loss) | 38,452 | 6,288 | 29 | 44,769 |
| Total assets measured at fair value | 38,452 | 6,288 | 29 | 44,769 |
| Financial liabilities measured at fair value | | | | |
| Third-party interests in consolidated funds | - | 5,843 | - | 5,843 |
| Derivative liabilities | - | 20 | - | 20 |
| Mandatorily (fair value through profit or loss) | - | 5,863 | - | 5,863 |
| Investment contract liabilities | 38,161 | - | 25 | 38,186 |
| Designated (fair value through profit or loss) | 38,161 | - | 25 | 38,186 |
| Total liabilities measured at fair value | 38,161 | 5,863 | 25 | 44,049 |

14(e): Level 3 fair value hierarchy disclosure

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

Level 3 assets also include investments within consolidated funds. 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 fund management fee income. Any changes in market value are matched by a corresponding Level 2 liability within third-party interests in consolidated funds.

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

| | £m | | |
|---|--------------|--------------|------------------|
| | 30 June 2023 | 30 June 2022 | 31 December 2022 |
| At beginning of the period | 29 | 27 | 27 |
| Fair value (losses)/gains charged to the income statement ¹ | (1) | 5 | (5) |
| Sales | (1) | (1) | (2) |
| Transfers in | 6 | 105 | 125 |
| Transfers out | (16) | (112) | (116) |
| Total Level 3 financial assets at the end of the period | 17 | 24 | 29 |
| Unrealised fair value (losses)/gains recognised in the income statement relating to assets held at the period end | (1) | 2 | (9) |

¹Included in Investment return within condensed consolidated income statement.

All of the assets that are classified as Level 3 are suspended funds for each of the periods presented.

Transfers into Level 3 assets in the current period total £6 million (30 June 2022: £105 million, 31 December 2022: £125 million). This is mainly due to suspended funds previously shown within Level 1. Suspended funds are valued based on external valuation reports received from fund managers. Transfers out of Level 3 assets in the current period of £16 million (30 June 2022: £112 million, 31 December 2022: £116 million) result from a transfer to Level 1 assets relating to assets that are now being actively repriced (that were previously stale) and where fund suspensions have been lifted.

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

| | £m | | |
|--|--------------|--------------|------------------|
| | 30 June 2023 | 30 June 2022 | 31 December 2022 |
| At beginning of the period | 25 | 24 | 24 |
| Fair value gains/(losses) charged to the income statement ¹ | - | 5 | (2) |
| Transfers in | 2 | 105 | 119 |
| Transfers out | (17) | (112) | (116) |
| Total Level 3 financial liabilities at the end of the period | 10 | 22 | 25 |
| Unrealised fair value losses recognised in the income statement relating to liabilities held at the period end | (1) | (2) | (5) |

¹Included in Investment return within condensed consolidated income statement.

Excluding investments within consolidated funds, changes in level 3 assets relates to assets held within linked policyholder funds which 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 of the impact on management fees earned.

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

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

For Level 3 assets and liabilities, no reasonable alternative assumptions are applicable and the Group therefore performs a sensitivity test of an aggregate 10% change in the value of the financial asset or liability (30 June 2022: 10%, 31 December 2022: 10%), representing a reasonable alternative judgement in the context of the current macroeconomic environment in which the Group operates. It is therefore considered that the impact of this sensitivity will be in the range of £2 million to the reported fair value of Level 3 assets, both favourable and unfavourable (30 June 2022: £2 million, 31 December 2022: £3 million).

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

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

15: Cash and cash equivalents

15(a): Analysis of cash and cash equivalents

| | 30 June 2023 | 30 June 2022 | 31 December 2022 |
|--|-----------------|-----------------|---------------------|
| Cash at bank | 420 | 582 | 406 |
| Money market funds | 1,059 | 924 | 1,112 |
| Cash and cash equivalents in consolidated funds | 321 | 287 | 264 |
| Total cash and cash equivalents per statement of cash flows | 1,800 | 1,793 | 1,782 |

The Group's management does not consider that the cash and cash equivalents balance arising due to consolidation of funds of £321 million (30 June 2022: £287 million, 31 December 2022: £264 million) is available for use in the Group's day-to-day operations. The remainder of the Group's cash and cash equivalents balance of £1,479 million (30 June 2022: £1,506 million, 31 December 2022: £1,518 million) is considered to be available for general use by the Group for the purposes of the disclosures required under IAS 7 Statement of Cash Flows. This balance includes policyholder cash as well as cash and cash equivalents held by regulated subsidiaries to meet their capital and liquidity requirements.

16: Share capital

At 30 June 2023, the Company's equity capital comprises 1,404,105,498 Ordinary Shares of 8 1/6 pence each with an aggregated nominal value of £114,668,616 (30 June 2022: 1,404,105,498 Ordinary Shares of 8 1/6 pence each with an aggregated nominal value of £114,668,616, 31 December 2022: 1,404,105,498 Ordinary Shares of 8 1/6 pence each with an aggregated nominal value of £114,668,616). All Ordinary Shares have been called up and fully paid.

This note gives details of the movements in Ordinary Share capital during the period to 30 June 2023 and during 2022.

| | Number of Ordinary Shares | Nominal value of Ordinary Shares | Ordinary Share premium |
|--|------------------------------|--|---------------------------|
| At 1 January 2022 | 1,655,827,217 | 116 | 58 |
| Shares cancelled through share buyback programme | (17,704,132) | (1) | - |
| Share Consolidation (including shares cancelled) | (234,017,587) | - | - |
| At 30 June 2022 | 1,404,105,498 | 115 | 58 |
| At 31 December 2022 | 1,404,105,498 | 115 | 58 |
| At 30 June 2023 | 1,404,105,498 | 115 | 58 |

On 11 March 2020, the Company announced a share buyback programme to purchase shares up to a maximum value of £375 million, in order to return the net surplus proceeds to shareholders arising from the sale of Quilter Life Assurance which had the impact of reducing the share capital of the Company. The programme completed in January 2022.

On 9 March 2022, the Company announced a capital return of £328 million, equivalent to 20 pence per share, from the net surplus proceeds arising from the sale of Quilter International by way of a B share scheme. Following the return of capital, a share consolidation was completed so that comparability between the market price for Quilter plc's Ordinary Shares before and after the implementation of the B share scheme was maintained.

New Ordinary Shares were issued for existing Ordinary Shares in a ratio of six new shares of 8 1/6 pence each for seven existing shares of 7 pence each resulting in a reduction in the numbers of shares by 234,017,587.

At 30 June 2023, there is one class of share capital being the Ordinary Shares of 8 1/6 pence each.

17: Investment contract liabilities

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

| | 30 June 2023 | 30 June 2022 | 31 December 2022 |
|---|---------------|----------------|------------------|
| Carrying amount at 1 January | 38,186 | 41,071 | 41,071 |
| Fair value movements | 862 | (5,020) | (4,878) |
| Investment income | 156 | 195 | 560 |
| Movements arising from investment return | 1,018 | (4,825) | (4,318) |
| Contributions received | 2,507 | 2,404 | 4,408 |
| Withdrawals and surrenders | (1,537) | (1,370) | (2,759) |
| Claims and benefits | (117) | (112) | (219) |
| Other movements | 13 | (1) | 3 |
| Change in liability | 1,884 | (3,904) | (2,885) |
| Investment contract liabilities at end of the period | 40,070 | 37,167 | 38,186 |

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.

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.

18: Provisions

| | £m | | | | |
|----------------------------------|-------------------------|--------------------------------|---------------------|-------------------------------|-----------|
| | Compensation provisions | Sale of subsidiaries provision | Property provisions | Clawback and other provisions | Total |
| 30 June 2023 | | | | | |
| Balance at beginning of the year | 23 | 15 | 12 | 19 | 69 |
| Charge to income statement | 8 | - | - | 4 | 12 |
| Used during the period | (9) | (7) | (1) | - | (17) |
| Unused amounts reversed | (2) | - | - | (1) | (3) |
| Balance at 30 June 2023 | 20 | 8 | 11 | 22 | 61 |

| | £m | | | | |
|----------------------------------|-------------------------|--------------------------------|---------------------|-------------------------------|-----------|
| | Compensation provisions | Sale of subsidiaries provision | Property provisions | Clawback and other provisions | Total |
| 30 June 2022 | | | | | |
| Balance at beginning of the year | 41 | 22 | 9 | 21 | 93 |
| Charge to income statement | 3 | 1 | 4 | 1 | 9 |
| Used during the period | (20) | (4) | - | (1) | (25) |
| Unused amounts reversed | (11) | - | - | (2) | (13) |
| Balance at 30 June 2022 | 13 | 19 | 13 | 19 | 64 |

| | £m | | | | |
|--|-------------------------|--------------------------------|---------------------|-------------------------------|-----------|
| | Compensation provisions | Sale of subsidiaries provision | Property provisions | Clawback and other provisions | Total |
| 31 December 2022 | | | | | |
| Balance at beginning of the year | 41 | 22 | 9 | 21 | 93 |
| Charge to income statement | 22 | - | 4 | 3 | 29 |
| Used during the year | (28) | (7) | (1) | (2) | (38) |
| Unused amounts reversed | (12) | - | - | (4) | (16) |
| Reclassification within the statement of financial position ¹ | - | - | - | 1 | 1 |
| Balance at 31 December 2022 | 23 | 15 | 12 | 19 | 69 |

¹Clawback and other provisions included the balancing premium payable for the bulk annuity purchased for the Quilter Cheviot Limited Retirement Benefits scheme which was reclassified during the year to 31 December 2022 from accruals reflecting the uncertainty of the amounts to be settled.

Compensation provisions

Compensation provisions total £20 million (30 June 2022: £13 million, 31 December 2022: £23 million). The net reduction of £3 million during the period consists of additional charges to the income statement of £8 million, compensation payments made during the period of £9 million and £2 million release of unused amounts during 2023 following further review work completed during the period. Compensation provisions are comprised of the following:

Lighthouse pension transfer advice provision of £6 million (30 June 2022: £3 million, 31 December 2022: £5 million)

Lighthouse pension transfer advice provided to British Steel Pension Scheme members of £3 million (30 June 2022: £2 million, 31 December 2022: £4 million)

A total provision of £3 million (30 June 2022: £2 million, 31 December 2022: £4 million) remains for the redress of British Steel Pension Scheme cases, including anticipated costs associated with the redress activity. This is comprised of two parts:

- Client redress provision of £2 million (30 June 2022: £nil, 31 December 2022: £3 million). During the period, no significant payments have been made to customers, and the redress provision has been recalculated for the latest suitability assessment performed.
- Anticipated costs associated with redress activity of £1 million (30 June 2022: £2 million, 31 December 2022: £1 million). This provision is recognised in respect of the anticipated costs of legal and professional fees related to the cases and redress process, which includes the expected costs to review advice. Legal and professional fees of £1 million have been paid during the period.

During the year to 31 December 2022, the skilled person completed their review of all British Steel Pension Scheme cases within the scope of the skilled person's review, reflecting the outcome of the review of the suitability of the DB to DC pension transfer advice for each case, and all remaining offers were made to customers who received unsuitable DB to DC pension transfer advice which caused them to sustain a loss.

Certain customers who were included in the skilled person review have referred their case to the Financial Ombudsman Service, relating to cases where: (i) relevant DB to DC pension transfer advice was found to be suitable by the skilled person; or (ii) where relevant DB to DC pension transfer advice was found to be unsuitable by the skilled person, but the customer disagrees with the way in which their redress offer has been calculated by

the skilled person. The Financial Ombudsman Service has upheld some challenges and the future redress payments or estimated liabilities in relation to such cases are included within the amounts stated above in this note. Further challenges may be upheld.

In November 2022, the FCA published a policy statement containing the final rules for a redress scheme for former members of the British Steel Pension Scheme who received unsuitable advice (the "BSPS Redress Scheme"). The BSPS Redress Scheme covers those persons who received advice between 26 May 2016 and 29 March 2018 to transfer out of the British Steel Pension Scheme. The final rules for the BSPS Redress Scheme set out how advisers must determine whether they gave unsuitable advice and whether they must pay redress. The Group may therefore face further costs of redress as a result of the BSPS Redress Scheme. The BSPS Redress Scheme does not cover individuals that have accepted redress for the advice provided, referred the matter to the Financial Ombudsman Service or received a final outcome following a suitability assessment of their case conducted through a skilled person review. Therefore, based on the rules of the BSPS Redress Scheme, this process will not include Lighthouse cases that have already been reviewed by the skilled person where the customer received a final outcome.

However, based on the rules for the BSPS Redress Scheme, there are approximately 30 Lighthouse cases relating to British Steel Pension Scheme members that fall within the scope of the BSPS Redress Scheme. These customers have been written to during the period ending 30 June 2023, in line with the timeline prescribed within the BSPS Redress Scheme. The client redress provision includes an estimate for these customers' cases. Any redress payable is expected to be paid during the second half of 2023.

Lighthouse pension transfer advice provided to members of other schemes of £3 million (30 June 2022: £1 million, 31 December 2022: £1 million)

The skilled person review of Lighthouse DB to DC pension transfer advice cases identified unsuitable DB to DC pension transfer advice provided by Lighthouse advisers for pension schemes other than the British Steel Pension Scheme. The initial scope of the review concluded in 2022, with £3 million paid to customers and the remaining provision released to the income statement. The skilled person review then concluded in December 2022.

The skilled person recommended a review of a further sample of Lighthouse DB to DC pension transfer advice cases not relating to the British Steel Pension Scheme. In December 2022, the FCA confirmed to the Group that it agreed with the skilled person's recommendation. The FCA also confirmed that, given the cooperation of the Group in relation to the skilled person review and established past business review methodology and consistent with the recommendation made by the skilled person, this further sample should be reviewed under a Group-managed past business review process. The FCA also agreed with the skilled person that the further sample should be selected on a risk-based approach and has set out to the Group the key risk factors to be used in determining the sample. The review of this sample has identified some additional cases where customer redress is required. Until the review of the relevant sample has been completed, uncertainty exists as to the number of cases where this will be required and the value of total redress which may be payable. A provision for redress relating to the review of this further sample of cases of £1 million was established at 31 December 2022 and has been increased to £3 million at 30 June 2023, based upon the suitability review of cases to date. Any redress payable is expected to be paid during the second half of 2023.

Compensation provisions (other) of £14 million (30 June 2022: £10 million, 31 December 2022: £18 million)

Other compensation provisions of £14 million include amounts relating to the cost of correcting deficiencies in policy administration systems, including restatements, any associated litigation costs and the related costs to compensate previous or existing policyholders and customers. This provision represents management's best estimate of expected outcomes based upon previous experience, and a review of the details of each case. Due to the nature of the provision, the timing of the expected cash outflows is uncertain. The best estimate of the timing of outflows is that the majority of the balance is expected to be settled within 12 months.

A provision of £6 million, included within the balance, has been recognised at 30 June 2023 (30 June 2022: £4 million, 31 December 2022: £7 million) relating to potentially unsuitable DB to DC pension transfer advice provided by advisers, including advice provided prior to Quilter's acquisition of the relevant advice businesses other than Lighthouse. Of this balance, £2 million (30 June 2022: £2 million, 31 December 2022: £2 million) has been recognised for potentially unsuitable DB to DC pension transfer advice provided to British Steel Pension Scheme members by Quilter Financial Planning firms other than Lighthouse. This provision was recognised following the receipt of a "Dear CEO" letter from the FCA in December 2021, and subsequent establishment of the BSPS Redress Scheme in 2022. During 2023, relevant British Steel Pension Scheme cases have been reviewed for suitability by an independent expert. The estimate of the provision has been updated for the current status of the review and redress estimated based upon the Group's experience of the Lighthouse skilled person review. Customer redress is expected to be calculated and paid to relevant customers during the second half of 2023.

A provision of £4 million, included within the balance at 31 December 2022, related to Final Plan Closure ("FPC") receipts previously recognised as revenue since 2013 for distributions the Group received from investments for customers who had previously closed their accounts. FPC receipts represent distributions, including tax gross ups where relevant, and rebates received after a customer has left the Quilter platform, which the terms and conditions of the pension and insured bonds legally entitled the Group to retain. A review in 2022 led to a change in business policy, and Quilter made the decision to voluntarily return these amounts to those impacted customers backdated to inception, with an appropriate rate of interest applied to each balance. A provision of £6 million was initially recognised in 2022, and payments of £2 million were made to customers during 2022. The remaining provision outstanding at 31 December 2022 of £4 million has been paid to customers during the current period.

The Group estimates a reasonably possible change of +/- £3 million from the £14 million balance, based upon a review of the cases and the range of potential outcomes for the customer redress payments.

Sale of subsidiaries

Sale of subsidiaries provisions total £8 million at 30 June 2023 (30 June 2022: £19 million, 31 December 2022: £15 million), and include the following:

Provisions arising on the disposal of Quilter International of £8 million (30 June 2022: £14 million, 31 December 2022: £11 million)

Quilter International was sold on 30 November 2021, resulting in provisions totalling £17 million being established in respect of costs related to the disposal including the costs of business separation and data migration activities.

The costs of business separation arise from the process required to separate Quilter International's infrastructure, which is complex and covers a wide range of areas including people, IT systems, data, 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 estimates, together with estimates of the incremental time and resource costs required to achieve the separation, which is expected to occur over a two-to-three-year period from the date of the sale.

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

During the period, £3 million (30 June 2022: £2 million, 31 December 2022: £6 million) of the provision has been used. The Group estimates a provision sensitivity of +/-25% (£2 million), based upon a review of the range of time periods expected to complete the work required. The remaining balance of £8 million is forecast to be paid within one year.

Sale of Single Strategy business provision of £nil (30 June 2022: £5 million, 31 December 2022: £4 million)

The provision in the prior periods related to sale-related future commitments made to the buyer (now known as Jupiter Investment Management (“Jupiter”)) of the Single Strategy business, which was initially recognised in 2018, in relation to the level of revenues for Jupiter in future years arising from funds invested by customers of Quilter. In 2021, £2 million was settled relating to the 2020 measurement year.

In the period to 30 June 2023, £4 million was agreed and settled relating to the 2022 measurement year, which is the final measurement year according to the sale agreement. This was the final amount payable under this arrangement with Jupiter.

Property provisions

Property provisions represent the discounted value of expected future costs of reinstating leased property to its original condition at the end of the lease term, and any onerous commitments which may arise in cases where a leased property is no longer fully used by the Group. The estimate is based upon property location, size of property and an estimate of the charge per square foot. Property provisions are used or released when the reinstatement obligations have been fulfilled. The associated asset for the property provisions relating to the cost of reinstating property is included within “Property, plant and equipment”.

Of the £11 million provision outstanding, £3 million is estimated to be payable within one year. The majority of the balance relates to leased property which have a lease term maturity of more than five years.

Clawback and other provisions

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

Included within the balance at 30 June 2023 is £13 million (30 June 2022: £14 million, 31 December 2022: £14 million) of clawback provisions in respect of potential refunds due to product providers on indemnity commission within the Quilter Financial Planning business. This provision, which is estimated and charged as a reduction of revenue on the income statement at the point of sale of each policy, is based upon assumptions determined from historical experience of the proportion of policyholders cancelling their policies, which requires Quilter to refund a portion of commission previously received. Reductions to the provision result from the payment of cash to product providers as refunds or the recognition of revenue where a portion is assessed as no longer payable. The provision has been assessed at the reporting date and adjusted for the latest cancellation information available. At 30 June 2023, an associated balance of £8 million recoverable from brokers is included within “Trade, other receivables and other assets” (30 June 2022: £8 million, 31 December 2022: £8 million).

The Group estimates a reasonably possible change of +/- £3 million, based upon the potential range of outcomes for the proportion of cancelled policies within the clawback provision, and a detailed review of the other provisions.

Of the total £22 million provision outstanding, £11 million is estimated to be payable within one year (30 June 2022: £9 million, 31 December 2022: £8 million).

19: Contingent liabilities

The Group, in the ordinary course of business, enters into transactions that expose it to tax, legal, regulatory and business risks. The Group recognises a provision when it has a present obligation as a result of past events, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made (see note 18). Possible obligations and known liabilities where no reliable estimate can be made or it is considered improbable that an outflow would result are reported as contingent liabilities in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The Group routinely monitors and assesses contingent liabilities arising from matters such as business reviews, litigation, warranties and indemnities relating to past acquisitions and disposals.

Contingent liabilities – DB to DC pension transfer advice redress

The skilled person review which covered British Steel Pension Scheme DB to DC pension transfer advice activity undertaken by Lighthouse advisers, and a representative sample of other Lighthouse DB to DC pension transfer advice activity in the skilled person review concluded in December 2022. The skilled person recommended a review of a further sample of Lighthouse DB to DC pension transfer advice cases not relating to the British Steel Pension Scheme, and this further sample will be reviewed under a Group-managed past business review process. Details of provisions for redress payable and payments made are included within provisions as set out in note 18. Until the review has finalised, uncertainty exists as to the number of cases where further review will be required and the value of total redress that will be payable.

Customers have the legal right to challenge the outcome of the skilled person review in respect of their case via a complaint to the Financial Ombudsman Service. Certain customers have made such complaints. The skilled person was independent from the Group and ran a robust process, which was overseen by the FCA. The Financial Ombudsman Service has upheld some challenges and the future redress payments or estimated liabilities in relation to such cases are included within the amounts stated in note 18. Further challenges may be upheld.

At the conclusion of its enforcement investigation, the FCA issued a Final Notice to Lighthouse in May 2023. The FCA found that Lighthouse had provided unsuitable DB to DC pension transfer advice but imposed no financial penalty. The FCA acknowledged in its decision that Lighthouse provided very high levels of co-operation in relation to the FCA’s investigation and that the Group, on its own initiative, promptly paid redress to customers who received unsuitable DB to DC pension transfer advice from Lighthouse and sustained losses as a result of that advice.

It is possible that further material costs of redress may be incurred in relation to past business reviews and the BSPS Redress Scheme. Further customer redress costs may also be incurred for other potential unsuitable DB to DC pension transfer advice provided across the Group.

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

Tax

The tax authorities in the countries 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 countries in which it operates. All interpretations made by the Group are made with reference to the specific facts and circumstances of the transaction and the relevant legislation.

There are occasions where the Group’s interpretation of tax law may be challenged by the tax authorities. The condensed consolidated interim 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 Group is satisfied that adequate provisions have been made to allow for the resolution of tax uncertainties and that the resources available 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, disputes and regulations

The Group is committed to treating customers fairly and supporting its customers in meeting their lifetime goals. During the normal course of business, from time to time, the Group receives complaints and claims from customers including, but not limited to, complaints to the Financial Ombudsman Service and legal proceedings related thereto, enters into commercial disputes with service providers and other parties, and is subject to discussions and reviews with regulators. The costs, including legal costs, of these issues as they arise can be significant and, where appropriate, provisions have been established in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

20: 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 period or the prior period which had a material effect on the results or financial position of the Group.

21: Events after the reporting date

Interim dividend

Subsequent to 30 June 2023, the Board has declared an interim dividend of 1.5 pence per Ordinary Share. This amounts to £20 million in total and will be accounted for as an appropriation of retained earnings in the year ending 31 December 2023. The interim dividend will be paid on 18 September 2023 to shareholders on the UK and South African share registers.