NEWS RELEASE

11 August 2021
Quilter plc interim results for the six months ended 30 June 2021

UK Platform delivers significantly higher flows, supporting the outlook for faster growth and operational efficiency

Highlights (including Quilter International)

- Net Client Cash Flow ("NCCF") of £2.5 billion increased 127% on the prior period (H1 2020: £1.1 billion) representing 4% of opening Assets under Management and Administration ("AuMA").
- Adjusted profit before tax increased 20% to £85 million (H1 2020: £71 million) of which £29 million (H1 2020: £24 million) from Quilter International.
- Operating margin of 24% (H1 2020: 21%) despite absorbing cost headwinds from higher regulatory costs and levies, and an unwind of prior year tactical cost savings.
- IFRS profit after tax of £20 million (H1 2020: £43 million).
- Adjusted diluted earnings per share of 5.0 pence, of which 1.7 pence is in respect of Quilter International (H1 2020: 3.5 pence, of which 1.3 pence was in respect of Quilter International).
- Interim dividend per share of 1.7 pence versus 1.0 pence for H1 2020, inclusive of a contribution of 0.5 pence from Quilter International.
- Total AuMA up 7% to £126.6 billion at 30 June 2021 (31 December 2020: £117.8 billion).
- Regulatory approval granted for final £100 million share buyback of £375 million capital return programme with this expected to commence in early September 2021, shortly after completion of current tranche.

Continuing business (excluding Quilter International)

- NCCF of £2.1 billion more than doubled on the prior period (H1 2020: £0.9 billion).
  - Strongly improved integrated net inflows of £2.0 billion (H1 2020: £1.3 billion).
  - Reshaping of Quilter Financial Planning delivering improved adviser productivity with £2.2 million integrated NCCF (annualised) per adviser (2020: £1.5 million).
- Adjusted profit before tax increased 19% to £56 million (H1 2020: £47 million).
- Improved operating margin of 18% (H1 2020: 17%) after higher FSCS levies (£10 million increase) and a reversal of tactical cost savings of £11 million in respect of variable compensation in 2021.
- IFRS loss after tax from continuing operations of £13 million (H1 2020: profit of £11 million).
- Adjusted diluted earnings per share from continuing operations increased 50% to 3.3 pence (H1 2020: 2.2 pence), supported by a reduced share count due to the capital return programme and a low effective tax rate.
- AuMA up 8% to £104.8 billion at 30 June 2021 (31 December 2020: £97.4 billion).

Statutory results

- IFRS loss before tax attributable to equity holders from continuing operations of £21 million (H1 2020: profit of £13 million) given the impact that rising equity markets have on policyholder tax accounting recognition.
- Basic (loss)/earnings per share from continuing operations of (0.8) pence (H1 2020: 0.6 pence).
- Diluted (loss)/earnings per share from continuing operations of (0.8) pence (H1 2020: 0.6 pence).
- Solvency II ratio of 203% after payment of the recommended interim dividend (December 2020: 217%).

Strategic progress

- Successful completion of asset, client and adviser migration onto the new UK platform technology in February 2021. Decommissioning of legacy systems underway.
- Announced sale of Quilter International approved by shareholders in June 2021. Completion subject to regulatory approvals and is expected to occur during Q4 2021.
- Capital Markets Day planned for 3 November 2021.

Paul Feeney, Chief Executive Officer, said:

I am pleased with our Interim results which demonstrate strong growth in flows across our business, with a material improvement from our new platform following our final migration of clients and advisers in February. This improving momentum sets us up well to achieve our medium-term target of 6% net flows from 2022 onwards. With the sale of Quilter International, our results demonstrate good early progress on our more focused, UK-based strategic path and gives a taste of what we know our business can deliver in the future.

As well as making important progress on our strategic initiatives, we also delivered robust financial results, with further operating efficiency improvements from our Optimisation initiatives. We are ahead of where we planned to be at this stage and are on track to meet our operating margin targets of 25% in 2023 and 30% by 2025. With the platform at the core of our business, we are well placed to deliver faster growth and we look forward to updating the market on our plans at our Capital Markets Day on 3 November 2021.

Quilter highlights from continuing operations[1]	H1 2021	H1 2020
Assets and flows		
AuMA (£bn)[2]	**104.8**	88.3
Gross sales (£bn)[2]	**6.6**	4.6
NCCF (£bn)[2]	**2.1**	0.9
NCCF/opening AuMA[2]	**4%**	2%
Integrated net inflows (£bn)[2]	**2.0**	1.3
Productivity (£m)[2,3]	**2.2**	1.5
Asset retention[2]	**91%**	92%
Profit & loss		
IFRS (loss)/profit before tax attributable to equity holders from continuing operations (£m)[2]	**(21)**	13
IFRS (loss)/profit after tax from continuing operations (£m)	**(13)**	11
Adjusted profit before tax (£m)[2]	**56**	47
Operating margin[2]	**18%**	17%
Revenue margin (bps)[2]	**48**	51
Return on equity[2]	**7.3%**	4.5%
Adjusted diluted earnings per share from continuing operations (pence)[2]	**3.3**	2.2
Basic (loss)/earnings per share from continuing operations (pence)	**(0.8)**	0.6
Non-financial		
Restricted Financial Planners ("RFPs")[4]	**1,701**	1,808
Investment Managers ("IMs")[4]	**168**	169

Quilter highlights from continuing operations including Quilter International	H1 2021	H1 2020
Assets and flows		
AuMA (£bn)[2]	**126.6**	107.4
Gross sales (£bn)[2]	**7.7**	5.4
NCCF (£bn)[2]	**2.5**	1.1
NCCF/opening AuMA[2]	**4%**	2%
Integrated net inflows (£bn)[2]	**1.9**	1.4
Asset retention[2]	**91%**	92%
Profit & loss		
IFRS profit after tax (£m)	**20**	43
Adjusted profit before tax (£m)[2]	**85**	71
Operating margin[2]	**24%**	21%
Revenue margin (bps)[2]	**48**	52
Adjusted diluted earnings per share (pence)[2]	**5.0**	3.5
Basic earnings per share (pence)	**1.2**	2.4

[1]Continuing operations represent Quilter plc, excluding the results of Quilter International. Adjusted profit before tax for Quilter International in H1 2021 was £29 million (H1 2020: £24 million). Adjusted diluted EPS for Quilter International in H1 2021 was 1.7 pence per share (H1 2020: 1.3 pence per share).
[2]Alternative Performance Measures ("APMs") are detailed and defined on pages 4 to 7.
[3]Productivity is the measure of the value created by integrated net inflows (annualised) from our advice business per average Restricted Financial Planner.
[4]Closing headcount as at 30 June.

Adjusted profit presented in this announcement

Adjusted profit is presented in this announcement in a number of ways, to provide readers with a view of adjusted profit for the Group excluding Quilter International (on a continuing basis) and for the total Group (on a continuing and discontinued basis). A full reconciliation of these views is provided on page 16 and definitions of adjusted profit are explained on page 4.

IFRS accounting standards require £5 million of costs (H1 2020: £9 million), previously reported as part of Quilter International, to be disclosed within continuing operations, as these costs do not transfer to Utmost Group on completion. Adjusted profit before tax is presented both before and after the reallocation of these costs in this announcement. These costs are expected to be incurred in 2022 to provide services to Utmost Group under the Transitional Services Agreement, with corresponding income to cover these costs.

Alternative Performance Measures ("APMs")

We assess our financial performance using a variety of measures including APMs, as explained further on pages 4 to 7. In the headings and tables presented from page 11 onwards, these measures are indicated with an asterisk: *.

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Paul Feeney, CEO, and Mark Satchel, CFO, will host a virtual presentation and Q&A session for investors and analysts at 08:15am (GMT) today, 11 August 2021, accessible via our website.

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

Alternatively, if you would like to join the presentation and Q&A via the telephone, please use the numbers below. We strongly advise dialling-in five to ten minutes prior to the start of the presentation.

To join by telephone:

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

Disclaimer

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

By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond Quilter plc's control including amongst other things, international and global economic and business conditions, the implications and economic impact of the COVID-19 pandemic, the implications and economic impact of several scenarios of the UK's future relationship with the EU in relation to financial services, market related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities, the impact of competition, inflation, deflation, the timing and impact of other uncertainties of future acquisitions or combinations within relevant industries, as well as the impact of tax and other legislation and other regulations in the jurisdictions in which Quilter plc and its affiliates operate. As a result, Quilter plc's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in Quilter plc's forward-looking statements.

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

Alternative Performance Measures ("APMs")

We assess our financial performance using a variety of measures. APMs are not defined by the relevant financial reporting framework, which for the Group is IFRS, but we use them to provide greater insight into the financial performance, financial position and cash flows of the Group and the way it is managed.

APMs should be read together with the Group's consolidated financial statements, which include the Group's income statement, statement of financial position and statement of cash flows, which are presented on pages 31 to 35.

Further details of APMs used by the Group in its financial review are provided below. The Group's APMs have not changed due to the adoption of new accounting standards during the period, as disclosed in note 1 to the condensed consolidated interim financial statements.

APM	Definition
Adjusted profit before tax	Adjusted profit before tax for the Group represents the Group's IFRS profit, adjusted for key items, and excludes non-core operations, as detailed on page 41 in the consolidated financial statements. Due to the nature of the Group's businesses, management believe that adjusted profit before tax is an appropriate basis by which to assess the Group's underlying operating results as it enhances comparability and understanding of the financial performance of the Group. Adjusted profit before tax is presented for the continuing Group (excluding Quilter International), for discontinued operations (Quilter International), and for the total Group for continuing and discontinued operations. IFRS accounting standards require £5 million of costs (H1 2020: £9 million), previously reported as part of Quilter International, to be disclosed within continuing operations, as these costs do not transfer to Utmost Group on completion. Adjusted profit before tax is presented both before and after the reallocation of these costs in this announcement. These costs are expected to be incurred in 2022 to provide services to Utmost Group under the Transitional Services Arrangement, with corresponding income to cover these costs. A detailed reconciliation of the adjusted profit before tax metrics presented, and how these reconcile to IFRS, is provided on page 16. Adjusted profit before tax is referred to throughout the Chief Executive Officer's statement and financial review, with comparison to the prior period explained on page 13. A reconciliation from each line item on the IFRS income statement to adjusted profit before tax is provided in note 5(c) to the consolidated financial statements on page 43.
Adjusted profit after tax	Adjusted profit after tax represents the post-tax equivalent of the adjusted profit before tax measure, as defined above.
Adjusted profit before tax after reallocation	Adjusted profit before tax after reallocation reflects adjusted profit before tax including certain costs within continuing operations relating to Quilter International that do not transfer to Utmost Group on completion of the sale, as detailed above. A reconciliation from each line item on the IFRS income statement to adjusted profit before tax after reallocation is provided in note 5(c) to the condensed consolidated interim financial statements on page 43.
IFRS profit before tax attributable to equity holders	IFRS profit before tax attributable to equity holders represents the profit after policyholder tax ('tax attributable to policyholder returns') but before shareholder tax ('tax attributable to equity holders'). The tax charge for the Group's UK life insurance entity, Quilter Life & Pensions Limited, comprises policyholder tax and shareholder tax. Policyholder tax is regarded economically as a pre-tax cost to the Group, in that it is based on the return on assets held by the Group's life insurance entities to match against related unit-linked liabilities in respect of clients' policies, and for which the company charges fees to clients. As such, policyholder tax can be a charge or credit in any period depending on underlying market movements on those assets held to cover linked liabilities. Shareholder tax is the remaining tax after deducting policyholder tax and is more reflective of the profitability of the entity.

	This metric is included on the face of the Group's income statement on page 31 and is included in the adjusted profit before tax to IFRS profit after tax reconciliation in note 5(a) to the condensed consolidated interim financial statements.
Revenue margin (bps)	Revenue margin represents net management fees, divided by average AuMA. Management uses this APM as it represents the Group's ability to earn revenue from AuMA. Revenue margin by segment and for the Group is explained on page 12 of the financial review.
Operating margin	Operating margin represents adjusted profit before tax divided by total net fee revenue. Management use this APM as this is an efficiency measure that reflects the percentage of total net fee revenue that becomes adjusted profit before tax. Operating margin is referred to in the Chief Executive Officer's statement and financial review, with comparison to the prior period explained in the adjusted profit section on page 12.
Gross sales	Gross sales are the gross client cash inflows received from customers during the period and represent our ability to increase AuMA and revenue. Gross sales are disclosed by business in the supplementary information on pages 23 to 27.
Gross outflows	Gross outflows are the gross client cash outflows returned to customers during the period and results in a decrease to AuMA and revenue. Gross outflows are disclosed by business in the supplementary information on pages 23 to 27.
Net client cash flows ("NCCF")	NCCF is the difference between money received from and returned to customers during the relevant period for the Group or for the business indicated. This measure is a lead indicator of total net fee revenue. NCCF is referred to throughout this document, with a separate section in the financial review on pages 11 to 12 and is presented by business and segment in the supplementary information on pages 23 to 27.
Integrated net inflows	Integrated net inflows are total NCCF from continuing operations, before intra-group eliminations that have flowed through two or more segments within the Group. It is a lead indicator of revenue generation driven by our integrated business model. Integrated net inflows are explained in the NCCF section of the financial review on page 12.
Assets under Management and Administration ("AuMA")	AuMA represents the total market value of all financial assets managed and administered on behalf of customers. For reporting, the Advice and Wealth Management segment presents Assets under Management and Wealth Platforms segment presents Assets under Administration. AuMA is referred to throughout this document, with a separate section in the financial review on page 12 and is presented by business and segment in the supplementary information on page 24.
Average AuMA	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.
Total net fee revenue	Total net fee revenue represents revenue earned from net management fees and other revenue listed below and is a key input into the Group's operating margin. Further information on total net fee revenue is provided on page 13 of the financial review and note 5(c) in the condensed consolidated interim financial statements.

Net management fees	Net management fees consist of revenue generated from AuMA, fixed fee revenues including charges for policyholder tax contributions, less trail commissions payable. Net management fees are presented net of trail commission payable as trail commission is a variable cost directly linked to revenue, which is a treatment and presentation commonly used across our industry. Net management fees are a part of total net fee revenue and is a key input into the Group's operating margin. Further information on net management fees is provided on page 13 and note 5(c) in the condensed consolidated interim financial statements.
Other revenue	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 fee revenue, which is included in the calculation of the Group's operating margin. Further information on other revenue is provided on page 13 and note 5(c) in the condensed consolidated interim financial statements.
Operating expenses	Operating expenses represent the underlying costs for the Group, which are incurred to earn total net fee revenue and excludes the impact of material one-off items. Operating expenses are included in the calculation of adjusted profit before tax and impact the Group's operating margin. 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 page 14 of the financial review.
Cash generation	Cash generated from operations 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. Cash generation is explained on page 16 of the financial review.
Asset retention	The asset retention rate measures our ability to retain assets from delivering good customer outcomes and investment performance. Asset retention reflects the annualised gross outflows of the AuMA during the period as a percentage of opening AuMA. Asset retention is calculated as: 1 - (annualised gross outflow divided by opening AuMA). Asset retention is provided for the Group on page 2, and by segment on page 27.
NCCF/opening AuMA	This measure is calculated as total NCCF annualised (as described above) divided by opening AuMA presented as a percentage. This metric is provided on page 2.
NCCF/opening AuMA (excluding Quilter International)	This measure is calculated as total NCCF annualised (as described above) divided by opening AuMA presented as a percentage. Quilter International is excluded from this metric due to the proposed sale to Utmost Group with an assumed completion date of 31 December 2021. This metric is provided on page 2.
Productivity	Productivity is a measure of the value created by integrated net inflows from our advice business and is an indicator of the success of our integrated business model. Productivity is calculated as integrated net client cash flow (annualised) per average Restricted Financial Planner. Productivity is provided on pages 2, 12 and 27.
Return on Equity ("RoE")	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 divided by

	average equity. Equity is adjusted for the impact of discontinued operations, if applicable. Return on equity is provided on page 2.
Adjusted diluted earnings per share	Adjusted diluted earnings per share represents the adjusted profit earnings per share, calculated as adjusted profit after tax divided by the weighted average number of shares. Refer to page 52 and note 8 in the condensed consolidated interim financial statements. A continuing and discontinued view of diluted earnings per share has also been presented, and the calculation of all EPS metrics, in note 8 to the condensed consolidated interim financial statements. Adjusted diluted earnings per share is referred to throughout this document, with additional details in the EPS section in the financial review on page 15.
Headline earnings per share	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 1/2021 *Headline Earnings*. 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.

Chief Executive Officer’s statement

Execution

After the broader challenges and market volatility of 2020, the first half of 2021 represented a welcome return to more normal market conditions with improving inflows and rising equity markets. Adapting to life with the pandemic continues to reshape the way we work, live, and go about our day-to-day activities. I am pleased to report that Quilter is fully open for business and continues to deliver for our clients, advisers, and wider stakeholders. We enjoyed a marked improvement in both gross and net flows while higher market levels were also accretive to total Assets under Management and Administration (“AuMA”).

Over the first half of 2021, we continued to make good strides in progressing our strategic agenda to simplify our business, focused as one-Quilter, built to serve our core customer groupings. The most notable achievements included the completion of the final migration of customers and advisers onto our new platform technology in February, and the agreed sale of Quilter International to Utmost Group in April which was overwhelmingly approved by shareholders in June. Completion of this transaction, once regulatory approvals are in place, is anticipated in the fourth quarter of this year.

We will hold a Capital Markets Day on 3 November 2021 to showcase our strategy focused on growth and efficiency, together with detail on the principal customer segments by which our business will be managed from the beginning of 2022.

Business performance

We delivered improved profitability in 2021 while absorbing the unwind of the tactical cost savings implemented in 2020 and higher FSCS levies. We have been repositioning our advice business to ensure a greater focus on productivity. In addition, we expect to continue our investment in simplifying end to end processes and strengthening controls within our advice business. This has led to a decline in the number of advisers with an associated impact on revenues. I am therefore pleased with the 20% increase in our adjusted profit before tax for the first half of 2021 to £85 million, against £71 million in 2020. On a continuing basis (excluding Quilter International), adjusted profit increased by 19% to £56 million. The remainder of my comments on the financial performance of the business will focus on the total Quilter business, including Quilter International, and the subsequent financial review will split out continuing business financial performance with separate sections on the discontinued operations.

Overall AuMA increased to £126.6 billion at the end of June 2021 from £117.8 billion at 31 December 2020, with average AuMA, the principal driver of net management fee revenue, for the period of £121.1 billion, comfortably ahead of £105.1 billion in the first half of 2020.

Total net fee revenue of £357 million increased by £22 million reflecting higher AuMA partially offset by a mix-related decline in revenue margins. The growth in operating expenses in the first half was contained to £8 million to give total operating expenses of £272 million (H1 2020: £264 million), lower than the combined unwind of tactical cost saves and incremental FSCS levies, demonstrating that our cost discipline has been maintained through continued focus on Optimisation initiatives.

Our operating margin improved to 24% (H1 2020: 21%). We expect further normalisation of the cost base in the second half of the year, particularly as we start to return to a more normal working environment, and we are making good progress towards our stated 2023 and 2025 operating margin targets.

IFRS profit after tax was £20 million, compared to a profit of £43 million in the first half 2020. The profit after tax in H1 2020 was impacted by a £50 million favourable timing difference arising on tax credits driven by market losses. Under IAS12, the tax credit for losses is required to be recognised immediately through the IFRS policyholder tax credit, whereas tax credits within the life company technical provisions are recognised when future policyholder gains arise. As markets recovered in H2 2020, resulting in policyholder gains, £44 million of this timing difference unwound, with a further £4 million unwind during H1 2021.

Adjusted diluted earnings per share of 5.0 pence compared with 3.5 pence in the first half of 2020, supported by an ongoing reduction in the share count and the benefit of a lower than usual tax charge arising from the change in corporate tax rates in the UK announced by the Chancellor in 2021. This has resulted in a net deferred tax credit being recognised in our earnings in the first half. This is expected to normalise in the second half and the charge is anticipated to revert to our previous tax charge guidance. On an IFRS basis, we delivered basic EPS of 1.2 pence versus 2.4 pence per share for the comparable period of 2020 on the same basis. Period-end shares have declined by c.10% or 181 million shares since the beginning of 2020, reflecting our ongoing £375 million share buyback programme which is expected to complete later this year.

In line with the broad one third: two thirds dividend policy communicated at the time of our Listing, the Board considers it appropriate to declare a 2021 interim dividend of 1.7 pence per share, with the pay-out ratio in the upper half of our 40% to 60% target range. This compares to a 2020 interim dividend of 1.0 pence per share which was positioned at a conservative level given the substantial uncertainties prevailing at that time.

Client flows

Supporting trusted, advice-based relationships through two distribution channels, our restricted financial advisers and open-market independent financial advisers is at the core of the Quilter business model. Our investment platform is central to our proposition, providing the tax efficient investment ‘wrappers’ and other functionality to meet both our client and their adviser needs, while linking advisers with our investment solutions and competitively priced third-party alternatives to deliver the outcomes sought by our clients. Confidence in our proposition is demonstrated through both the continued attraction to our solutions by financial advisers and increased integrated net inflows.

I am pleased with the early signs of stronger flows following the full migration of advisers and customers to our new platform in the first half of 2021. Gross client cash flows increased by 43% to £7.7 billion from £5.4 billion in the first half of 2020. We also experienced a substantial improvement in net flows. NCCF more than doubled to £2.5 billion versus £1.1 billion in the comparable period of 2020. This reflected broadly stable persistency in client assets across each of our businesses together with higher sales volumes. Within this, the overall level of Defined Benefit (“DB”) to Defined

Contribution ("DC") flows at £0.3 billion were lower than the comparable period of 2020 (£0.5 billion), with this continuing to be a modest proportion of our overall flows. Across the business, overall levels of client retention remained broadly stable at 91% versus 92% in 2020.

Following the completion of our platform migration in February, I was particularly pleased with the 50% increase in gross flows of £4.5 billion onto the Quilter Investment Platform in the period to end-June, coupled with the 80% increase in NCCF to £1.8 billion (£1.0 billion in 2020). This improvement reflects the broader capabilities and functionality of our new platform in supportive market conditions and provides a strong base from which we intend to accelerate flow momentum over the coming years.

Quilter Investors achieved broadly stable gross flows and improved net flows with better investment performance, notably in the Cirilium Active portfolios, delivering lower redemptions and an improvement in NCCF versus the prior period.

Quilter Cheviot delivered better retention levels and modestly higher gross sales which contributed to an improvement in net flows to £0.4 billion from £0.2 billion in the prior period. Across all our business capabilities, the remote working environment has posed the most significant challenges for Quilter Cheviot in terms of new client acquisition. We anticipate growth momentum will build as UK lockdown restrictions ease in the UK and other markets. We were delighted that the Quilter Cheviot Climate Assets fund reached its £200 million milestone in the period. Doubling its AuM in under 12 months, the sustainable fund's momentum underlines Quilter's ability to meet the specific wishes of clients who increasingly are seeking investments that generate more than just a financial return.

Quilter International delivered an improvement in NCCF with this supported by a particularly strong second quarter. Net flows of £0.4 billion were double that of the prior period.

Investment performance

Our investment propositions continued to deliver good investment performance for clients. Quilter Cheviot continued to outperform relevant ARC benchmarks, remaining principally first or second quartile, to the end of March 2021.

The medium and longer-term performance of Quilter Investors' multi-asset solutions has also remained good. The performance on the biggest range, Cirilium Active, has been excellent on a one-year view, with a strong rebound in performance since the market lows in March 2020. The repositioning of our managed portfolio solution, Wealth Select, to provide an additional proposition on our restricted adviser panel has been well received by clients and advisers. Wealth Select's performance remains strong over one, three and five years.

Transformation

Our transformation agenda remains firmly on track with its focus on:

- delivering a material improvement in client flows to the Quilter Investment Platform;
- repositioning our advice business through a focus on adviser productivity and continued investment to simplify end-to-end processes and strengthen controls;
- investing in efficiency and digital initiatives to improve productivity while making Quilter a simpler and more focused business; and
- improving operational leverage by scaling up our investment platform and investment solutions business.

In respect of our UK Platform Transformation Programme, while we are in the early days of being fully operational on the new platform, we are pleased with the level of engagement with the new platform. By way of example:

- over 2,700 firms on the platform have conducted more business with us in the first half of 2021 when compared with the first half of 2020;
- our enhanced discretionary investment management functionality enables advisers to efficiently outsource investment management through portfolios offered by around 60 investment managers, including Quilter Cheviot. The pace of adoption has been swift with an additional £2.4 billion of AuA switching from existing investments to using this capability, including £1.0 billion of AuA with investment managers added to the platform since the migration. This functionality is a key NCCF growth enabler allowing the platform to capitalise on the structural shift to outsourced portfolio management.
- 37% of new business flows in H1 2021 benefitted from our market-leading family linking platform functionality to join accounts and reduce charges.

At the beginning of 2021 we indicated that Quilter Financial Planning expected to shift its focus towards advisor productivity. We wish to ensure that restricted advisers within our network are fully aligned with our integrated proposition and that those advisers within the network who have remained independent have a pathway towards adopting restricted status where appropriate within a reasonable timeframe. Where this has not been the case, we have facilitated a number of departures and this has led to a decrease in the total numbers of Quilter restricted advisers from 1,842 at the end of December 2020 to 1,701 at the end of June 2021. Together with stronger markets, the corollary to this has been a marked improvement in productivity, with NCCF per adviser increasing to £2.2 million from £1.6 million and £1.5 million in the comparable periods of 2019 and 2020 respectively. While our work to reshape our Advice business is ongoing, we expect the rate of attrition in adviser numbers to reduce in the second half before returning to a growth path from 2022 onwards.

Overall Quilter Cheviot Investment Manager headcount eased modestly to reflect a couple of expected retirements. With the transfer of Quilter Private Client Advisers into Quilter Cheviot at the end of July 2021 to build out its multi-channel offering, Quilter Cheviot has 230 client facing professionals and we expect this number to gradually increase over time.

Our Optimisation programme continues to progress to plan. There are three strands to Optimisation: closer business integration, rationalising technology and discretionary spend, and process simplification. During the period, our new firm-wide general ledger, which replaced five previous separate general ledger systems, came on stream and will bring opportunity for continued efficiencies. By end-June, our net Optimisation run-rate savings increased by £11 million from the run-rate at the end of 2020. We realised a further £3 million saving in the first half against the 2018 cost baseline.

Responsible business and stewardship

Quilter is committed to responsible investment and earlier this year we updated our matrix for our restricted network advisers to incorporate ESG ratings and two specific ESG solutions, one of which was our own climate assets fund managed by Quilter Cheviot. As a result, ascertaining clients ESG preferences is now a core input into the advice process for our restricted advisers. Our investment teams are focused on incorporating ESG analysis into their investment processes. We continue to make good progress with ensuring that, where possible, all model holdings for equities and funds within Quilter Cheviot and Quilter Investors are appropriately evaluated against ESG metrics.

During the period, we have continued to work closely with the skilled person review investigating the Lighthouse DB to DC transfers. Our focus remains on doing the right thing by any customers who were poorly advised, even though this advice predates our acquisition of Lighthouse. The skilled persons review has identified some instances of further unsuitable DB to DC advice given by Lighthouse advisers beyond that relating to British Steel Pension Scheme transfers. As a result of this, we have increased our provision by £7 million to cover the potential for additional remediation together with the associated costs. We expect the skilled persons review to conclude in the first half of 2022.

We were delighted to welcome Chris Samuel to the Board as an independent Non-executive Director from the beginning of July. Chris is also Chair of Quilter Financial Planning Limited and has joined both the Board Risk Committee and the Board Technology and Operations Committee. Chris' deep experience and expertise as an executive and as a Non-executive Director in the asset management industry will enable him to make a strong contribution to the deliberations of the Quilter Board.

Tazim Essani, who was appointed to the Quilter Board in March 2021, has agreed to act as the second designated Non-executive Director for employee engagement, with a particular focus on promoting diversity and inclusion. Tazim has also been appointed to the Board Audit Committee from 1 September 2021.

Outlook

Quilter remains well positioned in an industry with long-term secular growth prospects. We are pleased with progress made in executing our strategy to date, and remain on track to meet the operating margin targets set out with the announcement of the sale of Quilter International.

Market levels remain generally buoyant globally, supported by accommodative monetary policies which are likely to be withdrawn as economies and societies adjust to the post-pandemic world. More recently, we have experienced bouts of volatility reflecting uncertainty over the heightened US-China tensions, coupled with concerns over the direction of inflation and interest rates. This leaves us cautious on expectations of further substantial near-term market appreciation.

Mortgage and protection advice revenues in the first half benefitted from the acceleration in residential property transactions ahead of the withdrawal of measures to stimulate the UK housing market and so we expect a more muted contribution from this business activity in the second half. As previously guided, we also expect gradual mix-related revenue margin decline in Quilter Investors over time, reflecting client and adviser behaviour.

We remain focused on controlling costs through both our Optimisation programme and other management initiatives, with the full year out-turn for costs to be no higher than the £560 million guidance provided in March 2021, assuming broadly stable market levels and including Quilter International for the full year.

Completing the migration onto our new investment platform in February was a major milestone, strengthening the cohesion between our business capabilities, and will be a catalyst for faster growth. We are focused on improving operational efficiency and driving profit growth, and look forward to updating the market on plans at our Capital Markets Day on 3 November 2021.

Paul Feeney

Chief Executive Officer

Financial review

Review of financial performance

In this section, review of financial performance, unless indicated otherwise, all results are presented excluding Quilter International in both the current and prior period comparative.

Alternative Performance Measures ("APMs")

We assess our financial performance using a variety of measures including APMs, as explained further on pages 4 to 7. In the headings and tables presented, these measures are indicated with an asterisk: *.

Key financial highlights

Quilter highlights from continuing operations[1]	H1 2021	H1 2020
Assets and flows		
AuMA (£bn)[2]	**104.8**	88.3
Gross sales (£bn)[2]	**6.6**	4.6
NCCF (£bn)[2]	**2.1**	0.9
Of which total integrated net inflows*	**2.0**	1.3
Of which direct net inflows	**0.7**	0.1
Of which eliminations	**(0.6)**	(0.5)
NCCF/opening AuMA[2]	**4%**	2%
Productivity (£m)[2,3]	**2.2**	1.5
Asset retention[2]	**91%**	92%
Profit & loss		
IFRS (loss)/profit before tax from continuing operations attributable to equity holders (£m)[2]	**(21)**	13
IFRS (loss)/profit after tax from continuing operations (£m)	**(13)**	11
Adjusted profit before tax (£m)[2]	**56**	47
Operating margin[2]	**18%**	17%
Revenue margin (bps)[2]	**48**	51
Return on equity[2]	**7.3%**	4.5%
Adjusted diluted EPS from continuing operations (pence)[2]	**3.3**	2.2
Basic (loss)/earnings per share from continuing operations (pence)	**(0.8)**	0.6
Non-financial		
Restricted Financial Planners ("RFPs")[4]	**1,701**	1,808
Investment Managers ("IMs")[4]	**168**	169

[1]Continuing operations represent Quilter plc, excluding the results of Quilter International. Adjusted profit before tax for Quilter International in H1 2021 was £29 million (H1 2020: £24 million). Adjusted diluted EPS for Quilter International in H1 2021 was 1.7 pence per share (H1 2020: 1.3 pence per share).
[2]Alternative Performance Measures ("APMs") are detailed and defined on pages 4 to 7.
[3]Productivity is the measure of the value created by integrated net inflows (annualised) from our advice business per average Restricted Financial Planner.
[4]Closing headcount as at 30 June.

Overview

The Group delivered robust results for the first half of 2021, with significantly improved net client cash flows, supported by positive equity market movements during the period. The FTSE-100 index ended the period up 9% on closing 2020 levels, while the MSCI World index (GBP) was up 11% on the 2020 closing index value. In the first quarter of 2021, government bond yields saw divergent performance. US 10-year yields fell while yields rose in Europe resulting in weaker performance on the Group's AuMA.

Net client cash inflows were £2.1 billion for the period (H1 2020: £0.9 billion), with an increase in net inflows across all business lines. The Group experienced higher gross sales in H1 2021 driven by increased adviser activity on the Quilter Investment Platform. NCCF (annualised) as a percentage of opening AuMA was 4%, representing pleasing progress towards our 6% target. Detailed analysis on NCCF by business is shown in the supplementary information section of this announcement.

- Net inflows to **Quilter Investors** were up 33% on H1 2020 at £0.4 billion (H1 2020: £0.3 billion), driven by a decrease in gross outflows from Cirilium Active of £0.4 billion due to improved fund performance, offset by reduced gross sales to Cirilium Passive, Cirilium Blend and the Income range. Quilter Financial Planning attracted net inflows into Cirilium Blend, Cirilium Passive and WealthSelect during the period. Net inflows into WealthSelect via the Quilter Investment Platform were £0.9 billion, up on the prior period (H1 2020: £0.3 billion).
- **Quilter Cheviot** attracted net inflows of £0.4 billion (H1 2020: £0.2 billion), due to a general uplift in market confidence promoting higher levels of activity. The comparative performance of Quilter Cheviot was particularly dampened in the prior period by market uncertainty arising from COVID-19.

- **Quilter Investment Platform** recorded net inflows of £1.8 billion, up 80% on the prior period (H1 2020: £1.0 billion). The platform's enhanced proposition helped to drive a 50% increase in gross sales on the prior period, supported by strong momentum during the tax year end, with 37% of all new business flows utilising the family linking functionality of the platform to join accounts and reduce charges. Outflows during the period were higher than H1 2020 as investor sentiment generally improved leading to increased levels of client and adviser activity following a more muted period for outflows in 2020 given the prevailing equity market conditions.

Integrated net inflows of £2.0 billion were up 54% from H1 2020 (£1.3 billion). The restricted channel of Quilter Financial Planning accounted for £0.9 billion (H1 2020: £0.4 billion) of Quilter Investors' net flows, £0.9 billion (H1 2020: £0.7 billion) of Quilter Investment Platforms' net flows and £0.2 billion (H1 2020: £0.2 billion) of Quilter Cheviot net flows. The improvement in direct net inflows in H1 2021 compared to the prior period was primarily driven by an increase in external flows to Quilter Investment Platform and Quilter Cheviot.

Productivity* for Quilter Financial Planning was £2.2 million per RFP for the period (H1 2020: £1.5 million) with average net flows per adviser increasing across both Quilter Investors and Quilter Investment Platform. Net inflows to Quilter Investors have benefited from the addition of Wealth Select on to the Quilter Financial Planning investment matrix, driving an additional £0.3 billion of inflows. Net inflows to Quilter Investment Platform have delivered a 30% improvement between periods with NCCF up £0.2 billion, as a result of adviser productivity.

The Group's AuMA ended the period at £104.8 billion, an 8% increase from the opening position at the start of 2021. This increase comprised £5.3 billion of positive market movements as a consequence of the equity market rally earlier this year, and positive net client cash flow of £2.1 billion. Quilter Investors' AuM was £24.8 billion, up 7% since the start of the year (2020: £23.2 billion). The Cirilium fund range AuM increased by 7% to £13.1 billion at the end of June 2021 (2020: £12.3 billion), with £0.1 billion of net inflows and £0.7 billion of positive market movements. Within the Cirilium fund range, net outflows from Cirilium Active to Cirilium Passive and Cirilium Blend solutions continued, albeit at lower volume levels than those experienced in 2020. The WealthSelect fund range AuM increased by 15% to £9.1 billion at the end of June 2021 (2020: £7.9 billion) with £0.9 billion of net inflows and £0.3 billion of positive market movement. Quilter Cheviot AuM of £27.0 billion increased by 7% in the period, primarily as a result of positive market movements and net inflows of £0.4 billion. Quilter Investment Platforms' AuA ("Assets under Administration") increased by 9% to £68 billion, driven by increases in the market value of assets and strong net inflows of £1.8 billion. Net inflows of £0.9 billion were received from Quilter Financial Planning and total assets held by Quilter Financial Planning clients on the platform was £10.8 billion, an increase of £1.1 billion (11%) since the start of the year. Net inflows of £0.9 billion were received from Independent Financial Advisers during the period (H1 2020: £0.3 billion) due to increased general market activity and the successful launch of the new platform which has been operating for all clients and advisers from February 2021.

The Group's revenue margin* of 48 bps was 3 bps lower than the prior period (H1 2020: 51 bps), with Quilter Investors' revenue margin decreasing to 51 bps (H1 2020: 53 bps) due to the anticipated increased AuM concentration in lower revenue margin products. Quilter Cheviot's revenue margin decreased by 1 bp to 72 bps, primarily due to a decrease in commission and contract charges. Within Quilter Investment Platform the revenue margin decreased by 2 bps to 27 bps, due to the reprice that was implemented in April 2020, an uplift in assets arising from higher market levels which contributes incremental revenue at lower pricing tiers, and expected lower margins on net inflows, particularly those from our restricted advisers which contribute to integrated flows. Gross outflows are predominantly from older, higher margin channels, and new business coming on the platform are at lower margins through the restricted and Independent Financial Adviser channels.

Adjusted profit before tax increased by 19% to £56 million, primarily due to increases in revenue generated from the higher average AuMA levels experienced in H1 2021 across the Group. Operating expenses in H1 2021 of £248 million were 7% higher than the prior period driven by increases in FSCS levies and regulatory fees and higher variable compensation, partially offset by continued reductions in staff, travel, entertainment and marketing costs. The Group's overall operating margin increased to 18% (H1 2020: 17%) due to the impact of increases in revenue of 9%, being partially offset by a 7% rise in operating expenses in the period.

The Group's IFRS loss after tax from continuing operations was £13 million, compared to a profit of £11 million in H1 2020. The profit after tax in H1 2020 was impacted by a £50 million favourable timing difference arising on tax credits driven by market losses. Under IAS12, the tax credit for losses is required to be recognised immediately through the IFRS policyholder tax credit, whereas tax credits within the life company technical provisions are recognised when future policyholder gains arise. As markets recovered in H2 2020, resulting in policyholder gains, £44 million of this timing difference unwound, with a further £4 million unwind during H1 2021.

Adjusted diluted earnings per share were 50% above previous period at 3.3 pence (H1 2020: 2.2 pence).

Discontinued operations

The following table presents key financial metrics relating to Quilter International, for the periods indicated.

Key financial highlights	H1 2021	H1 2020	% change
Quilter International			
Net management fees (£m)*	**47**	53	(11%)
Other revenue (£m)*	**6**	3	100%
Total net fee revenue (£m)*	**53**	56	(5%)
NCCF (£bn)*	**0.4**	0.2	100%
Closing AuA (£bn)*	**23.2**	20.4	14%
Average AuA (£bn)*	**22.3**	19.9	12%
Revenue margin (bps)*	**42**	53	(11) bps
Asset retention (%)*	**94%**	94%	-

On 1 April 2021, the Group announced the proposed disposal of Quilter International to Utmost Group for approximately £483 million. Quilter International has subsequently been classified as a discontinued operation.

Total net fee revenue decreased 5% to £53 million in the period, due to continued outflows from higher margin products compared to H1 2020. Quilter International's net inflows doubled in H1 2021 to £0.4 billion (H1 2020: £0.2 billion) due to a marked increase in new business written in high value single premium policies. The average revenue margin on the high value single premium policies was less than 10 bps for gross new business and top ups in the period. Quilter International AuA of £23.2 billion is up 6% from the start of the year (FY 2020: £21.8 billion), primarily due to strong market growth and net inflows. Revenue margin declined in Quilter International when comparing period to period, partly as a consequence of charges on AuA being fixed in quantum and partly due to higher revenue margin AuA outflows not being fully replaced, in revenue terms, by lower margin AuA inflows.

Financial performance by segment

Adjusted profit before tax reflects the Board's view of the underlying performance of the Group and is used for management decision making and internal performance management. Adjusted profit before tax is a non-GAAP measure which adjusts IFRS profit for specific items, as detailed in note 5 of the condensed consolidated interim financial statements on page 41, and is the profit measure presented for the Group's segmental reporting.

Financial performance from continuing operations and Quilter International H1 2021 (£m)	**Advice & Wealth Management**	**Wealth Platforms**	**Head Office**	**Continuing Operations**	**Discontinued Operations**	**Total Group**
Net management fee*	154	88	-	242	47	**289**
Other revenue*	59	3	-	62	6	**68**
Total net fee revenue*	**213**	**91**	**-**	**304**	**53**	**357**
Operating expenses*	**(168)**	**(66)**	**(14)**	**(248)**	**(24)**	**(272)**
Adjusted profit before tax*	**45**	**25**	**(14)**	**56**	**29**	**85**
Tax				**1**	**(1)**	**-**
Adjusted profit after tax*				**57**	**28**	**85**
Operating margin (%)*	21%	27%		18%	55%	**24%**
Revenue margin (bps)*	62	27		48	42	**48**

Financial performance from continuing operations and Quilter International H1 2020 (£m)	Advice & Wealth Management	Wealth Platforms	Head Office	Continuing Operations	Discontinued Operations	Total Group
Net management fee*	138	82	-	220	53	273
Other revenue*	59	(2)	2	59	3	62
Total net fee revenue*	197	80	2	279	56	335
Operating expenses*	(156)	(57)	(19)	(232)	(32)	(264)
Adjusted profit before tax*	41	23	(17)	47	24	71
Tax				(7)	-	(7)
Adjusted profit after tax*				40	24	64
Operating margin (%)*	21%	29%		17%	43%	21%
Revenue margin (bps)*	64	29		51	53	52

Total net fee revenue*

The Group's total net fee revenue on a continuing basis increased by 9% to £304 million (H1 2020: £279 million) due to higher average AuMA of £100.2 billion (H1 2020: £86.5 billion) across the Group, resulting from the positive equity market performance and strong mortgage advice volumes within Quilter Financial Planning. The blended revenue margin, calculated with reference to net management fees, for the Group decreased by 3 bps to 48 bps.

Total net fee revenue for the Advice and Wealth Management segment increased by 8% during the period, to £213 million (H1 2020: £197 million), principally due to increased levels of average AuM which increased 15% over the period to £49.7 billion (H1 2020: £43.3 billion). This resulted in £154 million of net management fees, an increase of 12% (H1 2020: £138 million). Quilter Investors' net management fee revenue increased by £7 million to £61 million from the prior period (H1 2020: £54 million) as a result of higher levels of AuM, partially offset by the shift to lower margin products. Total net fee revenue within Quilter Cheviot was 8% higher at £93 million (H1 2020: £86 million), with revenue generated from higher average AuM being partially offset by reduced levels of commissions as the proportion of clients on a fee-only model continues to increase. Other revenue of £59 million was in line with prior period (H1 2020: £59 million). Within the revenue generated by advice, recurring and fixed fees increased by £3 million against prior period, while revenues generated through initial fees reduced marginally on that of the prior period.

Total net fee revenue for the Wealth Platforms segment was £91 million, up 14% from the prior period (H1 2020: £80 million), principally due to the impact of higher levels of assets. Average AuA increased £10 billion in H1 2021 resulting in an additional £6 million of net management fees, which is partially offset by lower margins due to the continuing trend of new business margins being lower than the existing back book rates, an increase in the proportion of assets from Quilter Financial Planning clients, and the platform reprice implemented in April 2020. The improvement in other revenue is mainly a consequence of the recognition of an increase in the amortisation period for deferred acquisition costs resulting from improved persistency of client assets over the last number of years.

Operating expenses*

Operating expenses from continuing business increased by £16 million to £248 million (H1 2020: £232 million). The Group incurred £10 million of additional FSCS levy and regulatory costs compared to the prior year, with higher variable compensation accruals of £11 million as a result of improved business performance in 2021. These cost increases were partially mitigated by continuing suppressed discretionary spend which has not yet returned to pre pandemic levels in H1 2021. Excluding Quilter International, the operating margin saw a one percentage point improvement. The decline in the first half relative to the pro forma 2020 out-turn reflected the timing of the FSCS levy which principally occurs in the first half. We expect improvement in the second half operating margin given the first half weighting of this expense item.

The Group delivered a further £3 million of cost reduction in H1 2021 against the 2018 cost base as part of the Optimisation initiatives, with £11 million of run-rate benefit. Included within operating expenses, and as described further below, are £5 million of costs that were allocated to Quilter International in 2020 and which will continue to be incurred by the continuing business after the anticipated completion of the Quilter International disposal.

	H1 2021			H1 2020		
Operating expense split (£m)	**Continuing Operations**	**Discontinued Operations**	**Total Group**	Continuing Operations	Discontinued Operations	Total Group
Front office and operations	**93**	**9**	**102**	94	13	107
IT and development	**43**	**6**	**49**	39	8	47
Support functions	**31**	**6**	**37**	40	7	47
Property	**17**	**1**	**18**	16	2	18
Regulatory fees and levies	**25**	**-**	**25**	15	-	15
Variable compensation	**39**	**2**	**41**	28	2	30
Operating expenses*	**248**	**24**	**272**	232	32	264

Discontinued Operations relate to the sale of Quilter International, where operating expenses have decreased by 25% to £24 million (H1 2020: £32 million). Operating expenses have decreased in front office and operations as a consequence of reduced discretionary spend in travel, entertainment and marketing due to ongoing restrictions arising from COVID-19 and a reduction in legal fee provisions held. Quilter International's cost base now purely relates to its direct costs and those that can be reclaimed under the TSA post the anticipated disposal of the business and excludes allocated costs that would have previously been borne by Quilter International. Therefore, the continuing business is absorbing approximately £5 million of costs which predominantly relate to IT and property expenses.

Front office and operations expenses for continuing operations decreased by 1% to £93 million (H1 2020: £94 million), primarily due to a reduction in discretionary spend associated with travel, entertainment and marketing given the ongoing restrictions in the UK arising from COVID-19. This impact was partially experienced in the comparative period, with these restrictions being effective from March 2020. Quilter Financial Planning front office and operations costs decreased in H1 2021 as a result of actions taken to reduce the number of lower producing financial planners, whilst a further £2 million was invested in Quilter Financial Planning as we continue to build out systems, processes and controls.

IT and development expenses increased by 10% to £43 million (H1 2020: £39 million), reflecting the increase in allocated costs to the continuing business mentioned above as well as continued investment in the business, offset by delivery of Optimisation efficiencies.

Support functions expenses decreased by 23% to £31 million (H1 2020: £40 million) driven by continued savings realised as part of the Optimisation programme and H1 2020 includes one-off costs relating to the COVID-19 response.

Property costs remain broadly in line at £17 million (H1 2020: £16 million), reflecting a reduction in London property costs offset by increased facilities management costs in ensuring our workplaces are COVID-19 compliant.

Regulatory fees and levies, which includes the Group's FSCS levies and FCA fees, have increased by 67% to £25 million (H1 2020: £15 million) in line with the substantial increases in levies across the industry and, with the exception of supplementary levies which will be reported in H2 2021, represents the full year charge in line with generally accepted accounting principles.

Variable compensation costs increased by 39% to £39 million reflecting the improved business performance in 2021 compared to the impact experienced in 2020 as a consequence of COVID-19.

Taxation

The effective tax rate ("ETR") on adjusted profit before tax for the Group's continuing operations was -1% (2020: 16%). The Group's ETR is lower than the UK corporation tax rate of 19% principally due to the change in the UK corporation tax rate from 1 April 2023 from 19% to 25% which resulted in a rebase in the Group's deferred tax assets and liabilities. This had a net positive impact to the tax expense as a consequence of the Group currently being in a net deferred tax asset position. 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 on continuing operations was a charge of £40 million for the period ended 30 June 2021, compared to a credit of £36 million for the prior period. The income tax expense or credit can vary significantly between periods as a result of market volatility and the impact market movements have on policyholder tax. The recognition of the income received from policyholders (which is included within the Group's IFRS revenue) to fund the policyholder tax liability can vary in timing to the recognition of the corresponding policyholder tax expense, creating volatility to the Group's IFRS profit or loss before tax attributable to equity holders. We usually anticipate a policyholder tax charge to arise in a period of strong market performance (as was the situation for H1 2021), and would generally expect a policyholder tax credit to arise during a period of market decline (as was the situation in H1 2020). An adjustment is made to adjusted profit before tax to remove these distortions, as explained further on page 16 and in note 5(b) of the condensed consolidated interim financial statements.

Earnings Per Share ("EPS")

Basic EPS for H1 2021 was 1.2 pence (H1 2020: 2.4 pence). Basic EPS is based on the Group's IFRS profit (including both continuing and discontinued operations). For H1 2021, the basic EPS relating to continuing business was (0.8) pence (H1 2020: 0.6 pence), and 2.0 pence relates to discontinued operations (H1 2020: 1.8 pence). Discontinued operations include profit attributable to Quilter International. The average number of shares in issue used for the basic EPS calculation was 1,676 million (H1 2020: 1,801 million), after the deduction of own shares held in Employee Benefit Trusts ("EBTs") and consolidated funds of 79 million (H1 2020: 78 million). The reduction in the number of shares in issue in the period is due to the share buyback programme, which commenced in 2020. At 30 June 2021, a total of 181 million shares had been bought and cancelled by Quilter plc.

The average number of shares in issue used for the diluted EPS calculation was 1,712 million (H1 2020: 1,837 million). This includes the dilutive effect of shares and options awarded to employees under share-based payment arrangements of 36 million (H1 2020: 36 million). The dilutive effect of share awards has continued to increase due to more share options being awarded to employees.

The Board continues to support the existing dividend policy which is a pay-out ratio towards the upper end of the pay-out ratio range of 40%-60% (on an annual basis), and declared an interim dividend of 1.7 pence per share in line with the policy. A cautious approach was adopted for the H1 2020 interim dividend of 1.0 pence per share reflecting the uncertain market conditions that existed at the point of the dividend declaration and this serves to distort the comparison between periods for the interim dividend.

Optimisation

The Optimisation programme has delivered further efficiencies and improvements in operational performance for the Group through greater technology utilisation, integration and simplification activity. During the first half of 2021 we successfully deployed our new finance, HR and procurement modules as part of our general ledger consolidation and modernisation activity. Efficiency gains and further technical releases will follow during 2021 and the early part of 2022. We continue to consolidate our technology estate with work commencing on our data centre, telephony and data reporting solutions. In Quilter Financial Planning the streamlining and improvement in productivity of the business has delivered cost savings in the first half of the year.

The Group delivered £3 million of sustainable cost savings in H1 2021 against the 2018 cost base, with £11 million of annualised run-rate benefit. With the addition of benefits arising from prior years, the total run-rate delivered is £57 million and associated implementation costs since inception are £69 million. The Optimisation programme remains on track to deliver its target of annualised run-rate cost savings of £65 million by mid-2022, with an anticipated total associated delivery cost of £91 million.

Lighthouse pension transfer advice provision

As reported in the Group's 2020 Annual Report, a provision has been recognised in relation to a number of complaints received on pension transfer advice provided by Lighthouse for British Steel Pension Scheme members, and results to date from the skilled persons review into historical advice provided by Lighthouse prior to the Group's acquisition. All the advice provided related to transfers before the Group's acquisition of Lighthouse.

A total provision of £35 million (30 June 2020: £29 million, 31 December 2020: £28 million) has been calculated for the potential redress of British Steel cases and other pension transfer cases, subject to the skilled person review, and includes anticipated costs of legal and professional fees associated with the redress activity. The provision was increased by £7 million during 2021, which has been recognised within expenses of the Group (and excluded from adjusted profit before tax), including results on non-British Steel Pension Scheme member advice included in the skilled person's review. We anticipate the skilled person review will complete during H1 2022.

The final costs of redress for cases upheld will depend on specific calculations on a case-by-case basis, which will be impacted by the final detailed redress methodology to be finalised between the skilled person and the FCA, and also impacted by market movements and other parameters affecting the defined contribution scheme asset. Final redress costs are therefore exposed to volatility from these movements which may result in final settlement cost varying from the amounts currently provided.

Further details are provided in notes 5(b)(vi) and 17 to the financial statements.

Reconciliation of adjusted profit before tax* to IFRS profit

Adjusted profit before tax for the Group on a continuing basis was £56 million (H1 2020: £47 million).

IFRS accounting standards require £5 million of costs (H1 2020: £9 million), previously reported as part of Quilter International, to be disclosed within continuing operations, as these costs do not transfer to Utmost Group on completion. Adjusted profit before tax is presented both before and after the reallocation of these costs in this announcement. These costs are expected to be incurred in 2022 to provide services to Utmost Group under the Transitional Services Agreement, with corresponding income to cover these costs.

Reconciliation of adjusted profit before tax to IFRS (loss)/profit after tax	**For the six months ended 30 June 2021**			For the six months ended 30 June 2020		
£m	**Continuing Operations**	**Discontinued Operations**	**Total**	Continuing Operations	Discontinued Operations	Total
Advice and Wealth Management	**45**	**-**	**45**	41	-	41
Wealth Platforms	**25**	**29**	**54**	23	24	47
Head Office	**(14)**	**-**	**(14)**	(17)	-	(17)
Adjusted profit before tax*	**56**	**29**	**85**	47	24	71
Reallocation of Quilter International costs	**(5)**	**5**	**-**	(9)	9	-
Adjusted profit before tax after reallocation*	**51**	**34**	**85**	38	33	71
Adjusting for the following:						
Impact of acquisition and disposal related accounting	**(23)**	**-**	**(23)**	(23)	-	(23)
Loss on business disposals	**-**	**-**	**-**	-	(1)	(1)
Business transformation costs	**(32)**	**-**	**(32)**	(39)	-	(39)
Managed Separation costs	**(1)**	**-**	**(1)**	-	-	-
Finance costs	**(5)**	**-**	**(5)**	(5)	-	(5)
Policyholder tax adjustments	**(4)**	**-**	**(4)**	47	-	47
Customer remediation	**(7)**	**-**	**(7)**	(5)	-	(5)
Total adjusting items before tax	**(72)**	**-**	**(72)**	(25)	(1)	(26)
(Loss)/profit before tax attributable to equity holders*	**(21)**	**34**	**13**	13	32	45
Tax attributable to policyholder returns	**48**	**-**	**48**	(38)	-	(38)
Income tax (expense)/credit	**(40)**	**(1)**	**(41)**	36	-	36
(Loss)/profit after tax[2]	**(13)**	**33**	**20**	11	32	43

[1]Discontinued operations includes the results of Quilter International.
[2]IFRS (loss)/ profit after tax.

Adjusted profit before tax* reflects the profit from the Group's core operations and is calculated by making certain adjustments to IFRS profit to reflect the Directors' view of the Group's underlying performance. Details of these adjustments are provided in note 5 of the condensed consolidated interim financial statements.

Business transformation costs of £32 million in H1 2021 (H1 2020: £39 million) include £22 million (H1 2020: £20 million) incurred on the UK Platform Transformation Programme and £10 million of costs (H1 2020: £19 million) in relation to the Optimisation programme.

The customer remediation adjustment of £7 million in H1 2021 relates to a redress provision on advice in Lighthouse as part of the ongoing skilled person review. £5 million recognised in H1 2020 related solely to the impact of post-acquisition market movements on the British Steel complaints provision relating to Lighthouse.

Policyholder tax adjustments were a debit of £4 million for H1 2021 (H1 2020: credit of £47 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 (loss)/profit before tax attributable to equity holders.

Cash generation*

Cash generation measures the proportion of adjusted profit after tax that is recognised in the form of cash generated from operations. The Group achieved a cash generation rate of 81% of adjusted profit after tax over H1 2021 (H1 2020: 83%).

Review of financial position

Capital and liquidity

In this section, review of financial position, unless indicated otherwise, all results are presented including Quilter International in both the current and prior periods comparative. The Solvency II information for the six months to 30 June 2021 contained in this results disclosure has been prepared on a pro forma basis and has not been audited.

Solvency II

The Group's Solvency II surplus is £947 million at 30 June 2021 (31 December 2020: £1,021 million), representing a Solvency II ratio of 203% (31 December 2020: 217%) before Tranche 4 of the share buyback.

The Group's Solvency II capital position is stated after allowing for the impact of the foreseeable dividend payment of £28 million (31 December 2020: £61 million).

Group pro forma capital (£m)	At 30 June 2021[1]	At 31 December 2020[2]
Own funds	**1,866**	1,897
Solvency capital requirement ("SCR")	**919**	876
Solvency II surplus	**947**	1,021
Solvency II coverage ratio	**203%**	217%

[1]Based on preliminary estimates and including the impact of year to date profits.
[2]As disclosed in the Group Solvency and Financial Condition Report for 2020.

The 14-percentage point decrease in the Group Solvency II ratio from the 31 December 2020 position is primarily due to the capital movements associated with the £100 million share buyback (Tranches 3a and 3b), the net profit recognised in the period and changes in capital requirements for the Group.

The Board believes that the Group Solvency II surplus includes sufficient free cash and capital to complete all committed strategic investments. Quilter expects to continue to maintain a solvency position significantly in excess of its internal target in the near term as a consequence of the surplus capital still intended to be returned to shareholders arising from the sale of Quilter Life Assurance.

On 1 April 2021, the Group announced the proposed sale of Quilter International for consideration of approximately £483 million. The Board is minded to undertake a capital distribution to shareholders of the majority of the net surplus cash proceeds from the sale. Quilter will continue to engage with its shareholders on the range of strategic growth opportunities available to the Group and the optimum means of returning capital prior to reaching any conclusions in this regard. Any such distribution will be subject to normal regulatory approvals.

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.

Group own funds (£m)	At 30 June 2021	At 31 December 2020
Tier 1[1]	**1,659**	1,688
Tier 2[2]	**207**	209
Total Group Solvency II own funds	**1,866**	1,897

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

The Group SCR is covered by Tier 1 capital, which represents 181% of the Group SCR of £919 million. Tier 1 capital represents 89% of Group Solvency II own funds. Tier 2 capital represents 11% of Group Solvency II own funds and 22% of the Group surplus.

Dividend

The Board declared an interim dividend for 2021 of 1.7 pence per share at a total cost of £28 million. The interim dividend will be paid on 20 September 2021 to shareholders on the UK and South African share registers on 3 September 2021. For shareholders on our South African share register an interim dividend of 34.88104 South African cents per share will be paid on 20 September 2021, using an exchange rate of 20.51826.

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

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

£m	H1 2021	FY 2020
Opening cash at holding companies at 1 January	**517**	**815**
Single Strategy business sale – (warranty)/deferred consideration	**(2)**	7
Share repurchase and Odd-lot offer	**(102)**	(198)
Costs of disposal	**-**	(24)
Dividends paid	**(61)**	(81)
Net capital movements	**(165)**	**(296)**
Head Office costs and Optimisation programme funding	**(28)**	(74)
Interest costs	**(5)**	(9)
Net operational movements	**(33)**	**(83)**
Cash remittances from subsidiaries	**111**	170
Net capital contributions, loan repayments and investments	**(39)**	(94)
Other net movements	**-**	5
Internal capital and strategic investments	**72**	**81**
Closing cash at holding companies at end of period	**391**	**517**

Net capital movements

Net capital movements in the period were an outflow of £165 million. This includes £102 million relating to the share repurchase programme (including £3 million of costs), a final dividend payment made to shareholders of £61 million in May 2021 and £2 million of costs relating to the disposal of the Single Strategy business in line with expectations.

Net operational movements

Net operational movements were an outflow of £33 million for the period and includes £28 million of corporate and transformation costs. Interest paid of £5 million relates to coupon payments on the Tier 2 bond and non-utilisation fees for the revolving credit facility.

Internal capital and strategic investments

The net inflow of £72 million is principally due to £111 million of cash remittances from the trading businesses partially offset by £39 million of net capital contributions distributed to support business operational activities, and the Platform Transformation Programme.

Balance Sheet

Summary balance sheet (£m)	At 30 June 2021			At 31 December 2020		
	Continuing Operations	**Discontinued Operations[1]**	**Total Group[1]**	Continuing Operations	Discontinued Operations	Total Group
Assets						
Financial investments	**45,037**	**23,019**	**68,056**	41,670	21,604	63,274
Contract costs	**8**	**384**	**392**	5	408	413
Cash and cash equivalents	**1,703**	**186**	**1,889**	1,782	139	1,921
Goodwill and intangible assets	**479**	**54**	**533**	554	2	556
Trade, other receivables and other assets	**615**	**218**	**833**	430	271	701
Other assets	**272**	**185**	**457**	309	198	507
Total assets	**48,114**	**24,046**	**72,160**	44,750	22,622	67,372
Equity	**1,388**	**354**	**1,742**	1,603	275	1,878
Liabilities						
Investment contract liabilities	**38,804**	**23,202**	**62,006**	35,591	21,816	57,407
Third-party interests in consolidated funds	**6,698**	**-**	**6,698**	6,513	-	6,513
Contract liabilities	**-**	**369**	**369**	1	378	379
Borrowings - sub-ordinated debt	**199**	**-**	**199**	199	-	199
Lease liabilities	**113**	**12**	**125**	108	12	120
Trade, other payables and other liabilities	**671**	**102**	**773**	543	129	672
Other liabilities	**241**	**7**	**248**	192	12	204
Total liabilities	**46,726**	**23,692**	**70,418**	43,147	22,347	65,494
Total equity and liabilities	**48,114**	**24,046**	**72,160**	44,750	22,622	67,372

[1]Quilter International's assets and liabilities are classified as held for sale at 30 June 2021 in the Group's IFRS consolidated statement of financial position but have been presented in the summary balance sheet above against the line items in which they would normally appear in order to aid comparisons between periods.

Financial investments increased by £4,782 million from £63,274 million at 31 December 2020 to £68,056 million at 30 June 2021, predominantly due to positive market performance and positive net client cash flows. A corresponding increase is reflected in investment contract liabilities, with the main difference between the two being the impact of consolidated funds, which resulted in a £241 million increase in financial investments since 31 December 2020 (with no investment contract liability to offset).

Cash and cash equivalents of £1,889 million decreased by £32 million from £1,921 million at 31 December 2020, principally due to the payment of the 2020 final dividend of £61 million, £102 million of payments in respect of the share buyback programme, partially offset by cash profits in the period and other working capital movements. Cash within consolidated funds increased by £34 million.

Goodwill and intangible assets decreased by £23 million since 31 December 2020, principally due to the amortisation of intangible assets. In the Group's IFRS statement of financial position, £52 million of goodwill has been classified as held for sale in relation to the proposed sale of Quilter International.

Changes to comparative amounts

Following a review in 2020 of the Group's consolidated investment funds, changes to previously reported comparative amounts on the consolidated statement of financial position, consolidated income statement, and consolidated statement of cash flows have been identified and changes to H1 2020 comparative amounts have been accordingly reflected in the current period's financial statements. There has been no impact on the Group's profit for the current or prior period, including the Group's KPIs and alternative performance measures, and no impact on equity for any of the periods presented. Full details, and the financial line items impacted, are included in note 3(a) on page 37 of the condensed consolidated interim financial statements.

Principal risks and uncertainties

Effective risk management is key to Quilter delivering on its strategy to be a modern, UK-focused wealth manager. Our Enterprise Risk Management Framework is embedded across Quilter, and helps Quilter assess and manage its risk exposures.

Quilter's principal revenue streams are asset value based. Despite the ongoing COVID-19 pandemic, global markets continue to perform well, with positive performance in H1 2021. During H1 2021 Quilter's AuMA has increased, supported by positive market and investment performance and improved net flows. Quilter continues to operate effectively in the COVID-19 operating conditions, and is preparing its return to the office plans in accordance with local government guidelines. The proposed sale of Quilter International to Utmost Group will further focus Quilter's operations on its core UK market, and will reduce Quilter's risk profile accordingly.

As announced in June 2020, the FCA has initiated a skilled persons (s.166) review into historical advice given by Lighthouse, prior to its acquisition by Quilter. In addition, as previously announced, the FCA has also commenced an enforcement investigation into whether Lighthouse had breached certain FCA requirements in connection with advising on and arranging DB pension transfers in the period from 1 April 2015 to 30 April 2019. We continue to work and co-operate with the FCA and the skilled person who has been appointed in relation to this matter. Although the relevant advice pre-dated our acquisition of Lighthouse, we have ensured that Lighthouse has responded to the situation consistent with our values.

The Directors have carried out a robust assessment of the principal risks facing Quilter, including those that would threaten its business model, future performance, solvency and liquidity, as well as those that are non-financial in nature. The articulation of these principal risks and uncertainties is consistent with Quilter's 'Top Risk' reporting that is reviewed quarterly by the Board Risk Committee and Board. The table below sets out Quilter's current principal risks and uncertainties.

Risk	Summary
Business and strategic risks	
Economic environment	Quilter's principal revenue streams are asset-value related and as such Quilter is exposed to the condition of global economic markets. The evolving COVID-19 pandemic continues to have significant impacts on economic activity although global markets have continued the trend of positive performance in H1 2021. While vaccination programmes are well advanced in most advanced economies, the path and pace of recovery remains uncertain, with further volatility likely. Volatility in debt, equity and currency markets may adversely impact customer investment portfolios which in turn impacts Quilter's ability to generate fee-based revenue.
Business financial performance	A more favourable economic outlook, positive global markets and improved flows have reduced COVID-19 related pressures on short term performance, although the COVID-19 environment has expedited longer-term margin pressures. Prudent cost management, including through Optimisation initiatives, has reduced the cost base, though increasing Financial Services Compensation Scheme levies present a further cost challenge. Any unmitigated negative impact on earnings, share price and/or capital position, could have a resulting adverse effect on Quilter's market credibility and financial standing.
Strategic delivery	Quilter has a strong ambition to be a modern UK-focused wealth manager. Achievement of this ambition requires Quilter to deliver across a number of strategic priorities, including enhancing the customer proposition, increasing digitisation, improving efficiency and effectiveness of operations, and embracing the environmental, social, and governance (ESG) agenda as a responsible wealth manager. Development of Quilter's capabilities across these disciplines will be key in meeting the expectations of customers and investors.
Change execution	Quilter is continuing to conclude a range of key business transformation programmes, with the final migration of the Platform Transformation Programme having been completed in February 2021. A series of new business change programmes, including work to strengthen controls at Quilter Financial Planning, are being pursued in 2021 and add to the change portfolio. This change agenda carries execution risk and has a dependence on key individuals. There will be a need to ensure these projects remain on track to deliver the intended benefits, without risking disruption to continuing operations and the control environment.
Operational and regulatory risks	
Advice	Quilter's financial advice services are subject to fundamental regulatory conduct requirements to assure suitability of advisory recommendations. Failure to operate effective arrangements to support the delivery of suitable advice could expose Quilter to risks associated with customer detriment, regulatory censure and remediation programmes, and consequential impacts to the Group's business, financial condition and reputation. The current scrutiny of the defined benefit transfer advice provided by Lighthouse has increased the risk profile given the need to remediate impacted cases where relevant and deliver fair outcomes for customers.
Information technology	Quilter's business is highly dependent on its technology infrastructure and applications to perform necessary business functions, including to support the provision of services to customers. COVID-19 has required adaptation to mass home working, which has been successfully achieved across Quilter. Much of Quilter's legacy IT estate is currently being replaced, with a move to Software as a Service (SAAS) applications reducing the Group's internal technology complexity, though increasing reliance on third parties. Failure to manage technology risk could have a material adverse impact on Quilter's business, its resilience capabilities, financial condition, operations and its reputation.
Information security	Quilter's business, by its nature, requires it to store, retrieve, evaluate and utilise customer and company data and information, some of which is highly sensitive. The COVID-19 conditions continue to result in increased remote handling of data. Quilter is subject to the risk of information security breaches from parties with criminal or malicious intent. Should Quilter's intrusion detection and anti-penetration software not anticipate, prevent or mitigate a network failure or disruption, it may have a material adverse effect on Quilter's customers, business, financial condition, operations, and reputation.
People	Quilter relies on its talent to deliver its service to customers and to implement the broad range of strategic change initiatives that are currently being delivered. As the pandemic conditions subside, and Quilter and its staff members adapt to the post-pandemic working environment, a strategic focus on talent will be key. Failure to retain key staff or

	to attract suitable talent may impact the delivery of Quilter's strategy and may have an adverse impact on Quilter's business, its financial and operational performance and its delivery of service to customers.
Third party, including outsourcing	Quilter procures certain services from third parties, which has increased as the Platform Transformation Programme concludes and results in significant business process and technology outsourcing to FNZ. If Quilter does not effectively oversee its third-party providers, they do not perform as anticipated, or Quilter experiences technological or other problems with a third party, Quilter may experience operational difficulties, increased costs and loss of business, potential customer detriment and damage to its reputation.
Operational resilience	The pandemic has tested Quilter's ability to respond and adapt to sudden disruptions and has shown Quilter to successfully manage during a crisis period. Following the maturing of crisis management protocols, the focus in 2021 has switched to reviewing standards for articulating Quilter's important business services, and of the effectiveness of testing such that the firm can robustly demonstrate preparedness for future scenarios, and manage the risk that future events could pose to customers or Quilter.
Regulatory	Quilter is subject to regulation in the UK by the Prudential Regulation Authority and the Financial Conduct Authority, and by a range of regulators internationally. Additionally, the firm is subject to the privacy regulations enforced by Information Commissioner's Office and international equivalents. Quilter faces risks associated with compliance with these regulations and to changes in regulations or regulatory focus or interpretation in the markets in which Quilter operates. Failure to manage regulatory compliance effectively could result in regulatory censure, including the possibility of fines or prohibitions which could impact business performance and reputation.

Shareholder information

The Quilter Board has declared an Interim Dividend of 1.7 pence per share. The Interim Dividend will be paid on Monday 20 September 2021 to shareholders on the UK and South African share registers on Friday 3 September 2021.

Dividend Timetable

Dividend announcement in pounds sterling with South Africa ZAR Equivalent	Wednesday 11 August 2021
Last day to trade cum dividend in South Africa	Tuesday 31 August 2021
Shares trade ex-dividend in South Africa	Wednesday 1 September 2021
Shares trade ex-dividend in the UK	Thursday 2 September 2021
Record Date in UK and South Africa	Friday 3 September 2021
Interim Dividend payment date	Monday 20 September 2021

From the opening of trading on Wednesday 11 August 2021 until the close of business on Friday 3 September 2021, 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 1 September 2021 and Friday 3 September 2021, both dates inclusive.

Additional information

For shareholders on our South African share register a dividend of 34.88104 South African cents per share will be paid on Monday 20 September 2021, based on an exchange rate of 20.51826. Dividend Tax will be withheld at the rate of 20% from the amount of the gross dividend of 34.88104 South African cents per share paid to South African shareholders unless a shareholder qualifies for exemption. After the Dividend Tax has been withheld, the net dividend will be 27.90483 South African cents per share. The Company had a total of 1,713,363,464 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.

Share Buyback Programme

Following the completion of the sale of Quilter Life Assurance to Reassure Group plc for £425 million (and interest income of £21 million), the Board announced that they planned to return the full net surplus sale proceeds (after disposal costs) of £375 million to shareholders, by way of a share buyback programme (the 'Programme').

Following receipt of regulatory approval, Quilter commenced the Programme on the London and Johannesburg exchanges on Wednesday 11 March 2020. The Programme is subject to staged regulatory and Board approvals and the following staged tranches have so far been launched:

- The initial tranche of £50 million completed on 4 June 2020.
- The first part of tranche 2 of the Programme of up to £75 million commenced on Thursday 25 June 2020 and completed on Wednesday 30 September 2020.
- The second part of tranche 2 of up to £50 million commenced on Tuesday 13 October 2020 and completed on Monday 8 March 2021.
- The first part of tranche 3 of up to £50 million commenced on Wednesday 7 April 2021 and completed on Friday 14 May 2021.
- The most recent tranche, second part of tranche 3, of up to £50 million commenced on Thursday 27 May 2021 and will complete no later than Tuesday 31 August 2021.

As at Tuesday 10 August 2021, a total of 188.9 million shares have been purchased and cancelled at an average price of 140 pence under the Programme.

Regulatory approval has been granted for the fourth and final £100 million tranche of the buyback which, subject to Board approval, is expected to commence in early September 2021. The Board continues to keep the Programme under review to make sure it remains prudent to return capital in this manner after undertaking consideration of the financial position and prospects of the business, given the market environment, and that it remains the most efficient and effective means of returning capital to shareholders.

Supplementary information

Alternative Performance Measures ("APMs")

We assess our financial performance using a variety of measures including APMs, as explained further on pages 4 to 7. These measures are indicated with an asterisk: *.

For the six months ended 30 June 2021

1. Key financial data

Gross sales* (£bn)	**2021**			**Change (HY 2021 vs HY 2020)**	2020				
	Q1	**Q2**	**H1**	**%**	Q1	Q2	Q3	Q4	FY
Quilter Investors	1.5	1.4	**2.9**	7%	1.5	1.2	1.1	1.2	5.0
Quilter Cheviot	0.7	0.6	**1.3**	8%	0.7	0.5	0.5	0.4	2.1
Advice & Wealth Management	**2.2**	**2.0**	**4.2**	**8%**	2.2	1.7	1.6	1.6	7.1
Quilter Investment Platform	2.2	2.3	**4.5**	50%	1.7	1.3	1.2	1.5	5.7
Wealth Platforms	**2.2**	**2.3**	**4.5**	**50%**	1.7	1.3	1.2	1.5	5.7
Elimination of intra-group items	**(1.1)**	**(1.0)**	**(2.1)**	**-**	(1.0)	(1.3)	(0.4)	(0.8)	(3.5)
Continuing Operations	**3.3**	**3.3**	**6.6**	**44%**	2.9	1.7	2.4	2.3	9.3
Quilter International	**0.5**	**0.6**	**1.1**	38%	0.4	0.4	0.3	0.5	1.6
Quilter plc	**3.8**	**3.9**	**7.7**	**43%**	3.3	2.1	2.7	2.8	10.9

NCCF* (£bn)	**2021**			**% of Opening AuMA**	2020				
	Q1	**Q2**	**H1**		Q1	Q2	Q3	Q4	FY
Quilter Investors	0.2	0.2	**0.4**	3%	0.2	0.1	-	-	0.3
Quilter Cheviot	0.2	0.2	**0.4**	3%	0.1	0.1	-	0.1	0.3
Advice & Wealth Management	**0.4**	**0.4**	**0.8**	**3%**	0.3	0.2	-	0.1	0.6
Quilter Investment Platform	1.0	0.8	**1.8**	6%	0.5	0.5	0.1	0.4	1.5
Wealth Platforms	**1.0**	**0.8**	**1.8**	**6%**	0.5	0.5	0.1	0.4	1.5
Elimination of intra-group items	**(0.3)**	**(0.2)**	**(0.5)**	**-**	(0.4)	(0.2)	-	(0.2)	(0.8)
Continuing Operations	**1.1**	**1.0**	**2.1**	**4%**	0.4	0.5	0.1	0.3	1.3
Quilter International	**0.1**	**0.3**	**0.4**	4%	0.1	0.1	-	0.1	0.3
Quilter plc	**1.2**	**1.3**	**2.5**	4%	0.5	0.6	0.1	0.4	1.6
Integrated net inflows (Quilter plc)*	**1.0**	**0.9**	**1.9**	-	0.8	0.6	0.4	0.5	2.3
Integrated net inflows (continuing operations)*	**1.0**	**1.0**	**2.0**	-	0.8	0.5	0.3	0.5	2.1

AuMA* (£bn)	2021		Change (HY 2021 vs HY 2020)	2020			
	Q1	H1	%	Q1	H1	Q3	FY
Quilter Investors	23.7	**24.8**	19%	18.1	20.8	21.3	23.2
Quilter Cheviot	25.4	**27.0**	16%	20.7	23.3	23.6	25.3
Advice & Wealth Management	49.1	**51.8**	**17%**	38.8	44.1	44.9	48.5
Quilter Investment Platform	64.3	**68.0**	21%	49.5	56.2	57.7	62.5
Wealth Platforms	64.3	**68.0**	**21%**	49.5	56.2	57.7	62.5
Elimination of intra-group assets	(15.5)	**(16.4)**	**23%**	(11.4)	(13.3)	(13.7)	(15.0)
Continuing Operations[1]	99.3	**104.8**	**19%**	78.1	88.3	90.2	97.4
Quilter International	22.0	**23.2**	14%	18.4	20.4	20.6	21.8
Quilter plc	119.9	**126.6**	18%	95.3	107.4	109.5	117.8

[1]Continuing operations includes AuMA managed by Quilter International that is held on the Quilter Investment Platform (Q1 2020: £1.2 bn, H1 2020: £1.3bn, Q3 2020: £1.3bn, FY 2020: £1.4bn, Q1 2021 £1.4bn, H1 2021: £1.4bn). These assets will be reported within Quilter Investment Platform and form part of the total Quilter plc AuMA following the completion of the sale of Quilter International.

YTD Gross flows, net flows and AuMA (£bn)[1]						
	AuMA as at 31 December 2020*	**Gross sales***	**Gross outflows***	**NCCF***	**Market and other movements**	**AuMA as at 30 June 2021***
Quilter Investors	23.2	2.9	(2.5)	0.4	1.2	24.8
Quilter Cheviot	25.3	1.3	(0.9)	0.4	1.3	27.0
Advice & Wealth Management	**48.5**	**4.2**	**(3.4)**	**0.8**	**2.5**	**51.8**
Quilter Investment Platform	62.5	4.5	(2.7)	1.8	3.7	68.0
Wealth Platforms	**62.5**	**4.5**	**(2.7)**	**1.8**	**3.7**	**68.0**
Elimination of intra-group assets	**(15.0)**	**(2.1)**	**1.6**	**(0.5)**	**(0.9)**	**(16.4)**
Continuing Operations[1]	**97.4**	**6.6**	**(4.5)**	**2.1**	**5.3**	**104.8**
Quilter International	21.8	1.1	(0.7)	0.4	1.0	23.2
Quilter plc	**117.8**	**7.7**	**(5.2)**	**2.5**	**6.3**	**126.6**

	AuMA as at 31 December 2019*	Gross sales*	Gross outflows*	NCCF*	Market and other movements	AuMA as at 30 June 2020*
Quilter Investors	21.6	2.7	(2.4)	0.3	(1.1)	20.8
Quilter Cheviot	24.2	1.2	(1.0)	0.2	(1.1)	23.3
Advice & Wealth Management	45.8	3.9	(3.4)	0.5	(2.2)	44.1
Quilter Investment Platform	57.2	3.0	(2.0)	1.0	(2.0)	56.2
Wealth Platforms	57.2	3.0	(2.0)	1.0	(2.0)	56.2
Elimination of intra-group assets	(13.1)	(2.3)	1.7	(0.6)	0.4	(13.3)
Continuing Operations[1]	91.2	4.6	(3.7)	0.9	(3.8)	88.3
Quilter International	20.5	0.8	(0.6)	0.2	(0.3)	20.4
Quilter plc	110.4	5.4	(4.3)	1.1	(4.1)	107.4

[1]Continuing operations includes AuMA managed by Quilter International that is held on the Quilter Investment Platform (Q1 2020: £1.2 bn, H1 2020: £1.3 bn, Q3 2020: £1.3 bn, FY 2020: £1.4 bn, Q1 2021 £1.4bn, H1 2021: £1.4 bn). These assets will be reported within Quilter Investment Platform and form part of the total Quilter plc AuMA following the completion of the sale of Quilter International.

Estimated asset allocation (%) **Fund profile by Investment type**	**H1 2021 Total client AuMA**	FY 2020 Total client AuMA
Quilter		
Fixed interest	24%	24%
Equities	65%	65%
Cash	5%	5%
Property and alternatives	6%	6%
Total	**100%**	100%

Total net fee revenue* H1 2021 (£m)	Quilter Investors	Quilter Cheviot	Quilter Financial Planning	**Advice & Wealth Management**	Quilter Investment Platform	**Wealth Platforms**	**Head Office**	**Continuing Group**	Quilter International	**Quilter plc**
Net management fee*	61	93	-	**154**	88	**88**	**-**	**242**	47	**289**
Other revenue*	-	-	59	**59**	3	**3**	-	**62**	6	**68**
Total net fee revenue*	**61**	**93**	**59**	**213**	**91**	**91**	-	**304**	**53**	**357**

Total net fee revenue* H1 2020 (£m)	Quilter Investors	Quilter Cheviot	Quilter Financial Planning	Advice & Wealth Management	Quilter Investment Platform	Wealth Platforms	Head Office	Continuing Group	Quilter International	Quilter plc
Net management fee*	54	84	-	138	82	82	-	220	53	273
Other revenue*	1	2	56	59	(2)	(2)	2	59	3	62
Total net fee revenue*	55	86	56	197	80	80	2	279	56	335

2. Advice and Wealth Management

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

Key financial highlights	H1 2021	H1 2020	% change
Quilter Financial Planning			
Net management fees (£m)*	-	-	-
Other revenue (£m)*	59	56	5%
Total net fee revenue (£m)*	**59**	56	5%
RFPs (#)	1,701	1,808	(6%)
Productivity (£m)	2.2	1.5	47%
Of which - Quilter Private Client Advisers			
Net management fees (£m)*	-	-	-
Other revenue (£m)*	13	12	8%
Total net fee revenue (£m)*	13	12	8%
PCA RFPs (#)	*62*	*84*	(26%)
PCA Productivity (£m)	*9.5*	*8.4*	13%
Quilter Investors			
Net management fees (£m)*	61	54	13%
Other revenue (£m)*	-	1	(100%)
Total net fee revenue (£m)*	**61**	55	11%
NCCF (£bn)*	0.4	0.3	33%
Closing AuM (£bn)*	24.8	20.8	19%
Average AuM (£bn)*	23.9	20.4	17%
Revenue margin (bps)*	51	53	(2) bps
Asset retention (%)*	78%	78%	-
Quilter Cheviot			
Net management fees (£m)*	93	84	11%
Other revenue (£m)*	-	2	(100%)
Total net fee revenue (£m)*	**93**	86	8%
NCCF (£bn)*	0.4	0.2	100%
Closing AuM (£bn)*	27.0	23.3	16%
Average AuM (£bn)*	25.8	22.9	13%
Revenue margin (bps)*	72	73	(1) bp
Asset retention (%)*	93%	92%	1 pp
Investment managers (#)*	168	169	(1%)

3. Wealth Platforms

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

Key financial highlights	H1 2021	H1 2020	% change
Quilter Investment Platform			
Net management fees (£m)*	88	82	7%
Other revenue (£m)*	3	(2)	-
Total net fee revenue (£m)*	**91**	80	14%
NCCF (£bn)*	1.8	1.0	80%
Closing AuA (£bn)*	68.0	56.2	21%
Average AuA (£bn)*	64.7	54.7	18%
Revenue margin (bps)*	27	29	(2) bps
Asset retention (%)*	91%	93%	(2) pp

Index to the condensed consolidated interim financial statements

For the period ended 30 June 2021

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

For the period ended 30 June 2021

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

- The condensed set of consolidated financial statements, which comprises the consolidated income statement and statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of financial position, consolidated statement of cash flows and the related explanatory notes, has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the 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 2021. 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 entity during that period; and any changes in the related party transactions described in the Group's 2020 Annual Report, that could have a material effect on the financial position or performance of the enterprise in the first six months of the current financial year.

As per provision C1 of the UK Corporate Governance Code, the results for the six months ended 30 June 2021 taken as a whole, present a fair, balanced and understandable position of the Company's prospects.

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

Paul Feeney
Chief Executive Officer
10 August 2021

Mark Satchel
Chief Financial Officer
10 August 2021

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 2021 (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.

What we have reviewed

The interim financial statements comprise:

- the consolidated statement of financial position as at 30 June 2021;
- the consolidated income statement and consolidated statement of comprehensive income for the period then ended;
- the consolidated statement of cash flows for the period then ended;
- the 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.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The interim results, including the interim financial statements, is the responsibility of, and has 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.

Our responsibility is to express a conclusion on the interim financial statements in the interim results based on our review. 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.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. 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.

PricewaterhouseCoopers LLP
Chartered Accountants
London
10 August 2021

Consolidated income statement

For the period ended 30 June 2021

	Notes	**Six months 2021**	Six months 2020 restated[1]	Full year 2020
				£m
Income				
Fee income and other income from service activities	6(c)	**339**	286	594
Investment return	6(c)	**2,489**	(965)	2,837
Other income		**9**	12	20
Total income		**2,837**	(667)	3,451
Expenses				
Change in investment contract liabilities	16	**(2,087)**	921	(2,272)
Fee and commission expenses, and other acquisition costs		**(29)**	(31)	(62)
Change in third-party interest in consolidated funds		**(347)**	106	(440)
Other operating and administrative expenses		**(340)**	(346)	(652)
Finance costs		**(7)**	(8)	(16)
Total expenses		**(2,810)**	642	(3,442)
Profit/(loss) before tax from continuing operations		**27**	(25)	9
Tax (expense)/credit attributable to policyholder returns	7(a)	**(48)**	38	(36)
(Loss)/profit before tax attributable to equity holders from continuing operations		**(21)**	13	(27)
Income tax (expense)/credit	7(a)	**(40)**	36	4
Less: tax expense/(credit) attributable to policyholder returns		**48**	(38)	36
Tax credit/(expense) attributable to equity holders		**8**	(2)	40
(Loss)/profit after tax from continuing operations		**(13)**	11	13
Profit after tax from discontinued operations	4(a)	**33**	32	75
Profit after tax		**20**	43	88
Attributable to:				
Equity holders of Quilter plc		**20**	43	88
Earnings per Ordinary Share on profit attributable to Ordinary Shareholders of Quilter plc				
Basic				
From continuing operations (pence)	8(b)	**(0.8)**	0.6	0.8
From discontinued operations (pence)	4(a)	**2.0**	1.8	4.2
Basic earnings per Ordinary Share (pence)	8(b)	**1.2**	2.4	5.0
Diluted				
From continuing operations (pence)	8(b)	**(0.8)**	0.6	0.8
From discontinued operations (pence)	4(a)	**1.9**	1.7	4.1
Diluted earnings per Ordinary Share (pence)	8(b)	**1.1**	2.3	4.9

[1]See note 3(a) for details of changes to comparative amounts.

The attached notes on pages 36 to 68 form an integral part of these condensed consolidated interim financial statements.

Consolidated statement of comprehensive income

For the period ended 30 June 2021

				£m
	Note	**Six months 2021**	Six months 2020	Full year 2020
Profit after tax		**20**	43	88
Exchange (losses)/gains on translation of foreign operations		**(1)**	1	-
Income tax on items that may be reclassified subsequently to income statement		**1**	-	-
Items that may be reclassified subsequently to income statement		**-**	1	-
Total other comprehensive income, net of tax		**-**	1	-
Total comprehensive income		**20**	44	88
Attributable to:				
Continuing operations		**(12)**	11	12
Discontinued operations	4(b)	**32**	33	76
Equity holders of Quilter plc		**20**	44	88

The attached notes on pages 36 to 68 form an integral part of these condensed consolidated interim financial statements.

Consolidated statement of changes in equity

For the period ended 30 June 2021

£m

	Notes	Share capital	Share premium	Capital redemption reserve	Merger reserve	Share-based payments reserve	Other reserves	Retained earnings	Total share-holders' equity
Balance at 1 January 2020		133	58	-	149	45	1	1,685	2,071
Profit for the period		-	-	-	-	-	-	43	43
Other comprehensive income		-	-	-	-	-	-	1	1
Total comprehensive income		-	-	-	-	-	-	44	44
Dividends	9	-	-	-	-	-	-	(64)	(64)
Shares repurchased in the buyback programme[1]	15	(3)	-	3	-	-	-	(56)	(56)
Movement in own shares		-	-	-	-	-	-	(43)	(43)
Equity share-based payment transactions		-	-	-	-	(3)	-	16	13
Total transactions with the owners of the Company		(3)	-	3	-	(3)	-	(147)	(150)
Balance at 30 June 2020		130	58	3	149	42	1	1,582	1,965
Profit for the period		-	-	-	-	-	-	45	45
Other comprehensive expense		-	-	-	-	-	-	(1)	(1)
Total comprehensive income		-	-	-	-	-	-	44	44
Dividends	9	-	-	-	-	-	-	(17)	(17)
Shares repurchased in the buyback programme[1]	15	(5)	-	5	-	-	-	(123)	(123)
Movement in own shares		-	-	-	-	-	-	(1)	(1)
Equity share-based payment transactions		-	-	-	-	-	-	12	12
Dividend equivalents paid on vested shares		-	-	-	-	-	-	(2)	(2)
Total transactions with the owners of the Company		(5)	-	5	-	-	-	(131)	(131)
Balance at 31 December 2020		**125**	**58**	**8**	**149**	**42**	**1**	**1,495**	**1,878**
Profit for the period		**-**	**-**	**-**	**-**	**-**	**-**	**20**	**20**
Other comprehensive income/(expense)		**-**	**-**	**-**	**-**	**1**	**-**	**(1)**	**-**
Total comprehensive income		**-**	**-**	**-**	**-**	**1**	**-**	**19**	**20**
Dividends	9	**-**	**-**	**-**	**-**	**-**	**-**	**(61)**	**(61)**
Shares repurchased in the buyback programme[1]	15	**(5)**	**-**	**5**	**-**	**-**	**-**	**(103)**	**(103)**
Movement in own shares		**-**	**-**	**-**	**-**	**-**	**-**	**(2)**	**(2)**
Equity share-based payment transactions		**-**	**-**	**-**	**-**	**(8)**	**-**	**19**	**11**
Dividend equivalents paid on vested shares		**-**	**-**	**-**	**-**	**-**	**-**	**(1)**	**(1)**
Total transactions with the owners of the Company		**(5)**	**-**	**5**	**-**	**(8)**	**-**	**(148)**	**(156)**
Balance at 30 June 2021		**120**	**58**	**13**	**149**	**35**	**1**	**1,366**	**1,742**

[1]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 reduce the share capital of the Company. The programme commenced on 11 March 2020 and will continue throughout 2021. During the six months ended 30 June 2021, the Company acquired 63 million shares for a total consideration of £100 million and incurred additional costs of £3 million. The shares, which have a nominal value of £5 million, have subsequently been cancelled, giving rise to a capital redemption reserve of the same value as required by the Companies Act 2006.

The attached notes on pages 36 to 68 form an integral part of these condensed consolidated interim financial statements.

Consolidated statement of financial position

At 30 June 2021

	Notes	30 June 2021	30 June 2020 restated[1]	31 December 2020
				£m
Assets				
Goodwill and intangible assets	10	**479**	578	556
Property, plant and equipment		**127**	135	142
Investments in associated undertakings		**1**	1	1
Contract costs		**8**	435	413
Loans and advances		**32**	235	219
Financial investments	11	**45,037**	57,653	63,274
Deferred tax assets		**88**	45	78
Current tax receivable		**15**	40	24
Trade, other receivables and other assets		**615**	727	701
Derivative assets		**9**	23	43
Cash and cash equivalents	14	**1,703**	2,078	1,921
Assets of operations classified as held for sale	4(d)	**24,046**	-	-
Total assets		**72,160**	61,950	67,372
Equity and liabilities				
Equity				
Ordinary Share capital	15	**120**	130	125
Ordinary Share premium reserve	15	**58**	58	58
Capital redemption reserve	15	**13**	3	8
Merger reserve		**149**	149	149
Share-based payments reserve		**35**	42	42
Other reserves		**1**	1	1
Retained earnings		**1,366**	1,582	1,495
Total equity		**1,742**	1,965	1,878
Liabilities				
Investment contract liabilities	16	**38,804**	52,267	57,407
Third-party interests in consolidated funds		**6,698**	6,036	6,513
Provisions	17	**75**	88	77
Deferred tax liabilities		**140**	50	106
Current tax payable		**-**	4	1
Borrowings and lease liabilities		**312**	330	319
Trade, other payables and other liabilities		**671**	770	672
Contract liabilities		**-**	393	379
Derivative liabilities		**26**	47	20
Liabilities of operations classified as held for sale	4(d)	**23,692**	-	-
Total liabilities		**70,418**	59,985	65,494
Total equity and liabilities		**72,160**	61,950	67,372

[1]See note 3(a) for details of changes to comparative amounts.

Approved by the Board of Directors on 10 August 2021.

Paul Feeney
Chief Executive Officer

Mark Satchel
Chief Financial Officer

The attached notes on pages 36 to 68 form an integral part of these condensed consolidated interim financial statements.

Consolidated statement of cash flows

For the period ended 30 June 2021

The cash flows presented in this statement cover all the Group's activities (continuing and discontinued operations, and cash that is held for sale) and includes flows from both policyholder and shareholder activities. All cash and cash equivalents are available for use by the Group except for cash and cash equivalents in consolidated funds (as shown in note 14). Cash flows for discontinued operations are shown separately in note 4(c).

	Notes	**Six months 2021**	Six months 2020 restated[1]	Full year 2020
				£m
Cash flows from operating activities				
Cash flows from operating activities		**1,586**	916	1,473
Taxation paid		**(5)**	(32)	(28)
Total net cash from operating activities		**1,581**	884	1,445
Cash flows from investing activities				
Net acquisitions of financial investments		**(1,422)**	(846)	(1,419)
Acquisition of property, plant and equipment		**(1)**	(17)	(28)
Acquisition of intangible assets	10(a)	**-**	(3)	(4)
Acquisition of interests in subsidiaries[2]		**(7)**	(16)	(20)
Net payments from the disposal of interests in subsidiaries		**(8)**	(2)	(3)
Total net cash used in investing activities		**(1,438)**	(884)	(1,474)
Cash flows from financing activities				
Dividends paid to ordinary equity holders of the Company	9	**(61)**	(64)	(81)
Finance costs on external borrowings		**(5)**	(5)	(10)
Payment of interest on lease liabilities		**(1)**	(1)	(2)
Payment of principal lease liabilities		**(5)**	(7)	(14)
Repurchase of shares		**-**	(41)	(41)
Repurchase and cancellation of shares[3]		**(102)**	(54)	(157)
Total net cash used in financing activities		**(174)**	(172)	(305)
Net decrease in cash and cash equivalents		**(31)**	(172)	(334)
Cash and cash equivalents at the beginning of the year		**1,921**	2,253	2,253
Effects of exchange rate changes on cash and cash equivalents		**(1)**	(3)	2
Cash and cash equivalents at end of the period	14	**1,889**	2,078	1,921

[1]See note 3(a) for details of changes to comparative amounts.
[2]The acquisition of interests in subsidiaries balance of £7 million results from contingent consideration payments relating to historical acquisitions (30 June 2020: £16 million, 31 December 2020: £20 million).
[3]Repurchase and cancellation of shares are in respect of cash movements associated with the share buyback programme. Further details are included within the consolidated statement of changes in equity.

The attached notes on pages 36 to 68 form an integral part of these condensed consolidated interim financial statements.

Basis of preparation and significant accounting policies

For the period ended 30 June 2021

General information

Quilter plc (the "Company"), a public limited company incorporated and domiciled in the United Kingdom ("UK"), together with its subsidiaries (collectively, the "Group") offers investment and wealth management services, long-term savings and financial advice through its subsidiaries and associates primarily in the UK with a presence in a number of cross-border markets.

The address of the registered office is Senator House, 85 Queen Victoria Street, London, EC4V 4AB.

1: Basis of preparation

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted international accounting standards, with future changes being subject to endorsement by the UK Endorsement Board. Quilter Plc transitioned to UK-adopted international accounting standards ("IAS") in its consolidated financial statements on 1 January 2021. There was no impact or changes in accounting policies from the transition.

The results for the six months ended 30 June 2021 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 Group'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 2021 do not constitute statutory accounts as defined by section 434 of the Companies Act 2006. Comparative financial information for the full year 2020 has been presented from the Group's 2020 Annual Report, which has been filed with the Registrar of Companies and was prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ("IFRS") and the applicable legal requirements of the Companies Act 2006, as well as international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. 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 2020 Annual Report are available online at www.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 2020 Annual Report. The Board believes that the Alternative Performance Measures ("APMs") provided, such as adjusted profit, are also useful for both management and investors. Any seasonal or cyclical factors, to the extent that they materially impact the Group's results, are described in the Financial Review.

There have been no changes in the Group's significant accounting policies during the period. All accounting policies for recognition, measurement, consolidation and presentation are as outlined in the Group's 2020 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, liquidity and solvency over a three-year planning period concluding that the Group can withstand a severe but plausible downside scenario for at least the next 12 months after the date of signing the 2021 interim financial statements. This assessment incorporated a number of stress tests covering a broad range of scenarios, including economic and market shocks of up to 40% falls in equity markets, mass lapse events, new business growth scenarios and severe business interruption, equivalent to 1-50 and 1-200 year events. As a result, the Directors believe that the Group is well placed to manage its business risks in the context of the current economic outlook and has sufficient financial resources to continue in business for a period of at least 12 months from the date of approval of these interim financial statements 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 significant accounting policies and make estimates and assumptions that affect the reported amounts of net 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 significant accounting policies adopted in the preparation of these financial statements.

The Group's critical accounting judgements are those that management makes when applying its significant accounting policies and that have the most effect on the net profit and net assets recognised in the Group's financial statements.

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 net carrying amounts of assets and liabilities within the next financial year. Management uses its knowledge of current facts and circumstances and applies estimation and assumption setting techniques that are aligned with relevant actuarial and accounting guidance to make predictions about future actions and events. Actual results may differ from those estimates.

The critical estimates and judgements disclosed in the Group's 2020 Annual Report continue to be critical to the Group and, during the six months ended 30 June 2021, the following update has also been considered by management to be critical:

Provision for the cost of Lighthouse defined benefit pension advice:

A further estimation for redress was performed during the six months ended 30 June 2021 for historical advice provided for non-British Steel transfers identified as part of the skilled person review which was disclosed in detail in the Group's 2020 Annual Report. See note 17 of these interim financial statements for further details.

Basis of preparation and significant accounting policies

For the period ended 30 June 2021

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

There were no new standards or interpretations which became effective from 1 January 2021.

The following amendments to accounting standards became applicable for the current reporting period, with no material impact on the Group's consolidated results, financial position or disclosures:

Adopted by the Group from	Amendments to standards
1 January 2021	Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement,* IFRS 7 *Financial Instruments: Disclosures,* IFRS 4 *Insurance Contracts and* IFRS 16 *Leases - Interest Rate Benchmark Reform – Phase 2*
1 April 2021	Amendments to IFRS 16 *Leases – COVID-19-Related Rent Concessions beyond 30 June 2021*

3: Significant changes in the current reporting period

On 1 April 2021, the Group announced the proposed disposal of Quilter International to Utmost Group for approximately £483 million. Quilter International has subsequently been classified as a discontinued operation (the Group's comparative amounts have been restated accordingly, see note 3(a) for details of all restatements) and, as at 30 June 2021, all assets and liabilities of this business are classified as held for sale. Further details of the Group's discontinued operations and assets and liabilities held for sale are included in note 4.

Global equity markets have improved significantly during the six months to 30 June 2021, resulting in increases in the Group's assets under management and administration and positive net client cash flows. Given the positive market movements and the easing of COVID-19 restrictions, management consider there to be no indicators of impairment for the Group's continuing operations at 30 June 2021 and therefore an impairment assessment of the Group's goodwill has not been performed. £52 million of goodwill has been transferred to assets held for sale following the announcement of the proposed disposal of Quilter International, which represents the share of the goodwill in the Wealth Platforms cash generating unit ("CGU") group attributable to Quilter International based on its fair value relative to the fair value of the other businesses within that CGU group. Further detail of the Group's performance and financial position to 30 June 2021 are included in the Financial Review.

There have been no major changes to the Group's capital and financial risk management during the first half of the year, nor as a result of COVID-19. Full capital and financial risk management disclosures are included within note 37 of the Group's 2020 Annual Report.

3(a): Changes to comparative amounts

As described in note 4(b) of the Group's 2020 Annual Report, changes to comparative amounts have been made in respect of consolidated investment funds and fee income receivable. The changes made to the period ended 30 June 2020 are explained in detail in notes 3(a)(i) and 3(a)(ii) respectively and have been made to align to the Group's accounting policies presented within the Group's 2020 Annual Report, with no impact to the Group's profit, equity or Alternative Performance Measures. In addition, as a result of Quilter International now being classified as a discontinued operation, the impacts of this on the Group's consolidated income statement are also presented below in order to clearly reconcile to the previously published 30 June 2020 comparatives.

The changes to the statement of financial position at 30 June 2020 are shown below:

Statement of financial position (extract)

				£m
				30 June 2020
	As reported	Consolidated funds Note 3(a)(i)	Fee income receivable Note 3(a)(ii)	**Restated**
Financial investments	57,872	(219)	-	**57,653**
Trade, other receivables and other assets	566	(47)	208	**727**
Derivative assets	12	11	-	**23**
Cash and cash equivalents	2,467	(389)	-	**2,078**
Other[1]	1,469	-	-	**1,469**
Total assets	62,386	(644)	208	**61,950**
Third-party interests in consolidated funds	6,582	(546)	-	**6,036**
Trade, other payables and other liabilities	843	(73)	-	**770**
Contract liabilities	185	-	208	**393**
Derivative liabilities	72	(25)	-	**47**
Other[1]	52,739	-	-	**52,739**
Total liabilities	60,421	(644)	208	**59,985**
Total equity	1,965	-	-	**1,965**

[1]'Other' represents remaining assets and liabilities not impacted by the changes to comparative amounts.

Basis of preparation and significant accounting policies

For the period ended 30 June 2021

3: Signification changes in the current reporting period *continued*
3(a): Changes to comparative amounts *continued*

Changes in respect of consolidated investment funds also impacted the Group's consolidated income statement in the prior year, as well as Quilter International being classified as a discontinued operation. There are no prior period income statement impacts arising from the fee income receivable reclassification.

Consolidated income statement (extract)

£m	Six months 2020			
	As reported	Consolidated funds Note 3(a)(i)	Quilter International[1] Note 4(a)	**Restated**
Fee income and other income from service activities	428	(40)	(102)	**286**
Investment return	(1,547)	248	334	**(965)**
Other income	11	-	1	**12**
Total revenue	(1,108)	208	233	**(667)**
Fee and commission expenses and other acquisition costs	(203)	128	44	**(31)**
Change in third-party interest in consolidated funds	428	(322)	-	**106**
Other operating and administrative expenses	(355)	(14)	23	**(346)**
Other[2]	1,246	-	(333)	**913**
Total expenses	1,116	(208)	(266)	**642**
Profit/(loss) before tax from continuing operations	8	-	(33)	**(25)**

[1]As a result of the Group's proposed disposal of Quilter International, the business is now classified as a discontinued operation. See note 4(a) for full details. An intercompany elimination of £2 million is included within fee income and other income from service activities, and fee and commission expenses and other acquisition costs, between Quilter International and the Group's continuing operations.
[2]'Other' represents remaining expenses not impacted by the changes to comparative amounts.

The impact to the Group's consolidated statement of cash flows in respect of changes in consolidated investment funds in the prior period is shown below. There are no prior period cash flow statement impacts arising from the fee income receivable reclassification.

Consolidated statement of cash flows (extract)

£m	Six months 2020		
	As reported	Consolidated funds Note 3(a)(i)	**Restated**
Cash flows from/(used in) operating activities	978	(62)	**916**
Total net cash from/(used in) operating activities	946	(62)	**884**
Net acquisitions of financial investments	(739)	(107)	**(846)**
Total net cash used in investing activities	(777)	(107)	**(884)**
Net decrease in cash and cash equivalents	(3)	(169)	**(172)**
Cash and cash equivalents at the beginning of the year	2,473	(220)	**2,253**
Effects of exchange rate changes on cash and cash equivalents	(3)	-	**(3)**
Cash and cash equivalents at end of the period	2,467	(389)	**2,078**

3(a)(i): Consolidated funds

Following a review of the Group's consolidated investment funds methodology for the year ended 31 December 2020, corrections to previously reported values have been made on the consolidated statement of financial position and consolidated income statement (with corresponding impacts on the consolidated statement of cash flows). There has been no impact on profit or equity for any of the periods presented. The nature of the changes is as follows:

Statement of financial position impacts:

- Changes to the calculation of minority ownership of certain fund investments have been made, reflecting a re-evaluation of the status of nominee holdings, held by the Group on behalf of its clients, that had historically been included in the control assessment. This has resulted in a restatement of fund assets and liabilities attributable to the Group, and an adjustment to deconsolidate a number of investment funds where the Group was incorrectly deemed to have been the controlling entity in previous periods.

Income statement impacts:

- The changes to the calculation of minority ownership described above has resulted in changes to a number of line items in the Group's consolidated income statement for the period ended 30 June 2020, as shown in the table above.
- In addition, fund management fee income received from consolidated funds previously included within 'Fee income and other income from service activities' has been eliminated on consolidation, resulting in it being re-presented primarily as investment return.
- A correction has been made in respect of realised and unrealised gains and losses on investments within a limited number of funds being previously presented within the Group's fee and commission expenses rather than investment return.

Basis of preparation and significant accounting policies

For the period ended 30 June 2021

3: Signification changes in the current reporting period *continued*

3(a)(ii): Fee income receivable

Fee Income Receivable ("FIR") relates to premium based establishment fee income, where income is taken over an initial period of the contract. When a policy is written, future income is capitalised, and the resulting asset is subsequently amortised as the cash proceeds are received.

Deferred Fee Income ("DFI") is the initial fee income, including FIR, which is deferred over the expected life of the contract as the services are provided. DFI is recognised as a contract liability.

In the period ended 30 June 2020, the Group's FIR (all written within investment contracts in Quilter International) and DFI were reported net within the statement of financial position within contract liabilities. This interpretation was made as both balances arise within individual contracts and FIR was assumed to represent a contract asset (which are permitted to be presented net with contract liabilities) rather than an unconditional receivable.

For the year ended 31 December 2020, a review was performed and these FIR balances were reclassified from a contract asset (previously netted within contract liabilities) to a receivable, as consideration is only conditional upon the passage of time. The prior period balance has been restated accordingly. This has no impact on reported profits or equity at the beginning or end of the prior period.

The impact of the changes to the consolidated statement of financial position is summarised in the table above.

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

4(a): Discontinued operations – income statement

The Group's discontinued operations principally relate to Quilter International for which the Group announced the proposed sale to Utmost Group on 1 April 2021.

	Notes	**Six months 2021**	Six months 2020	Full year 2020
				£m
Income				
Gross earned premiums		**1**	1	1
Premiums ceded to reinsurers		**(1)**	(1)	(1)
Net earned premiums		**-**	-	-
Fee income and other income from service activities	6(c)	**103**	104	206
Investment return	6(c)	**1,183**	(334)	1,061
Other income		**-**	(1)	-
Total income		**1,286**	(231)	1,267
Expenses				
Change in investment contract liabilities	16	**(1,183)**	333	(1,056)
Fee and commission expenses, and other acquisition costs		**(49)**	(46)	(91)
Other operating and administrative expenses		**(20)**	(23)	(42)
Finance costs		**-**	-	(1)
Total expenses		**(1,252)**	264	(1,190)
Loss on sale of operations before tax[1]	4(e)	**-**	(1)	(1)
Profit before tax attributable to equity holders from discontinued operations		**34**	32	76
Tax expense attributable to equity holders	7(a)	**(1)**	-	(1)
Profit after tax from discontinued operations		**33**	32	75
Attributable to:				
Equity holders of Quilter plc		**33**	32	75
Earnings per Ordinary Share on profit attributable to Ordinary Shareholders of Quilter plc				
Basic - from discontinued operations (pence)	8(b)	**2.0**	1.8	4.2
Diluted - from discontinued operations (pence)	8(b)	**1.9**	1.7	4.1

[1]Loss on sale of operations before tax in the prior period relates to transaction and separation costs associated with the historical sales of the QLA and Single Strategy businesses.

£5 million of Other operating and administrative expenses (30 June 2020: £9 million; 31 December 2020: £17 million) previously reported in Quilter International are now presented within continuing operations, as these costs will not transfer to Utmost Group (the acquirer) on disposal.

4(b): Discontinued operations - Statement of comprehensive income

	Six months 2021	Six months 2020	Full year 2020
			£m
Profit after tax	**33**	32	75
Items that may be reclassified subsequently to profit or loss:			
Exchange (loss)/gain on translation of foreign operations	**(1)**	1	1
Total comprehensive income from discontinued operations	**32**	33	76

4: Discontinued operations, asset and liabilities held for sale, acquisitions and disposals *continued*

4(c): Discontinued operations - Net cash flows

			£m
	Six months 2021	Six months 2020	Full year 2020
Total net cash flows used in operating activities	**374**	104	126
Total net cash used in investing activities	**(326)**	(85)	(87)
Total net cash used in financing activities	**(1)**	(2)	(24)
Net increase in cash and cash equivalents	**47**	17	15

4(d): Assets and liabilities held for sale

Assets and liabilities of operations classified as held for sale at 30 June 2021 relate to Quilter International. The Group has announced the proposed disposal of this business to Utmost Group as detailed in note 3.

		£m
	Notes	**30 June 2021**
Assets classified as held for sale		
Goodwill and intangible assets	10	**54**
Property, plant and equipment		**11**
Contract costs		**384**
Loans and advances		**174**
Financial investments	11	**23,019**
Trade, other receivables and other assets		**218**
Cash and cash equivalents	14	**186**
Total assets classified as held for sale		**24,046**
Liabilities classified as held for sale		
Investment contract liabilities	16	**23,202**
Provisions	17	**5**
Deferred tax liabilities		**2**
Lease liabilities		**12**
Trade, other payables and other liabilities		**102**
Contract liabilities		**369**
Total liabilities classified as held for sale		**23,692**
Net assets classified as held for sale		**354**

4(e): Business acquisitions and disposals

There have been no material business acquisitions or disposals during the periods presented in these interim financial statements.

Loss on sale of operations relating to historical business disposals:

The Group incurred £1 million of transaction and separation costs in the prior period, relating to the historical sales of the Quilter Life Assurance and Single Strategy businesses.

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 years.

			£m
	30 June 2021	30 June 2020	31 December 2020
Opening balance	**16**	39	39
Payments	**(7)**	(16)	(20)
Financing interest charge	**-**	1	2
Other movements	**-**	-	(5)
Closing balance	**9**	24	16

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

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 reflects the Directors' view of the underlying performance of the Group. It is used for management decision making and internal performance management and is the profit measure presented in the Group's segmental reporting. Adjusted profit before tax is a non-GAAP measure which adjusts the Group's IFRS profit for specified items as detailed in note 5(b). The definition of adjusted profit before tax is unchanged from the Group's 2020 Annual Report.

										£m
		Six months 2021			Six months 2020			Full year 2020		
	Notes	**Continuing operations**	**Discontinued operations[1]**	**Total**	Continuing operations	Discontinued operations[1]	Total	Continuing operations	Discontinued operations[1]	Total
Advice and Wealth Management		**45**	**-**	**45**	41	-	41	90	-	90
Wealth Platforms		**25**	**29**	**54**	23	24	47	54	60	114
Head Office		**(14)**	**-**	**(14)**	(17)	-	(17)	(36)	-	(36)
Adjusted profit before tax		**56**	**29**	**85**	47	24	71	108	60	168
Reallocation of Quilter International costs	4(a)	**(5)**	**5**	**-**	(9)	9	-	(17)	17	-
Adjusted profit before tax after reallocation	6(b)	**51**	**34**	**85**	38	33	71	91	77	168
Adjusting items:										
Impact of acquisition and disposal related accounting	5(b)(i)	**(23)**	**-**	**(23)**	(23)	-	(23)	(42)	-	(42)
Loss on business disposals	4(e)	**-**	**-**	**-**	-	(1)	(1)	-	(1)	(1)
Business transformation costs	5(b)(ii)	**(32)**	**-**	**(32)**	(39)	-	(39)	(70)	-	(70)
Managed separation costs	5(b)(iii)	**(1)**	**-**	**(1)**	-	-	-	-	-	-
Finance costs	5(b)(iv)	**(5)**	**-**	**(5)**	(5)	-	(5)	(10)	-	(10)
Policyholder tax adjustments	5(b)(v)	**(4)**	**-**	**(4)**	47	-	47	9	-	9
Customer remediation	5(b)(vi)	**(7)**	**-**	**(7)**	(5)	-	(5)	(5)	-	(5)
Total adjusting items before tax		**(72)**	**-**	**(72)**	(25)	(1)	(26)	(118)	(1)	(119)
(Loss)/profit before tax attributable to equity holders		**(21)**	**34**	**13**	13	32	45	(27)	76	49
Tax attributable to policyholder returns	7(a)	**48**	**-**	**48**	(38)	-	(38)	36	-	36
Income tax (expense)/credit	7(a),(b)	**(40)**	**(1)**	**(41)**	36	-	36	4	(1)	3
(Loss)/profit after tax		**(13)**	**33**	**20**	11	32	43	13	75	88

[1]Discontinued operations includes the results of Quilter International.

5(b): Adjusting items

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

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

The recognition of goodwill and other acquired intangibles is created on the acquisition of a business and represents the premium paid over the fair value of the Group's share of the identifiable assets and liabilities acquired at the date of acquisition (as recognised under IFRS 3 *Business Combinations*). The Group excludes any impairment of goodwill from adjusted profit as well as the amortisation and impairment of acquired other intangible assets, any acquisition costs, 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
	Note	**Six months 2021**	Six months 2020	Full year 2020
Amortisation of other acquired intangible assets	10(a)	**23**	23	45
Fair value gains on revaluation of contingent consideration		**-**	(1)	(4)
Acquisition and disposal related income[1]		**-**	-	(1)
Unwinding of discount on contingent consideration		**-**	1	2
Total impact of acquisition and disposal related accounting		**23**	23	42

[1]Acquisition and disposal related income in the year ended 31 December 2020 includes a £(1) million acceleration of discounting unwind following the settlement of a loan receivable from TA Associates that related to deferred consideration arising from the sale of the Single Strategy Asset Management business.

5: Alternative Performance Measures ("APMs") *continued*

5(b)(ii): Business transformation costs

Business transformation costs include three items: costs associated with the UK Platform Transformation Programme, build out costs incurred within Quilter Investors as a result of the sale of the Single Strategy business and Optimisation Programme costs. For the period ended 30 June 2021, these costs totalled £32 million (30 June 2020: £39 million, 31 December 2020: £70 million) in aggregate, the principal components of which are described below:

UK Platform Transformation Programme – 30 June 2021: £22 million, 30 June 2020: £20 million, 31 December 2020: £38 million

The last of three phased migrations completed successfully in February 2021 with all Quilter Investment Platform assets now live on the new platform. Costs to date reflect the delivery of the final migration, together with the on-going decommissioning of the previous system and transition of back office processes to FNZ. The total costs of the programme of £196 million to 30 June 2021, are expected to conclude at approximately £200 million, in line with previous guidance.

Optimisation Programme costs – 30 June 2021: £10 million, 30 June 2020: £19 million, 31 December 2020: £33 million

The Optimisation programme has delivered further efficiencies and improvements in operational performance for the Group through greater technology utilisation, integration and simplification activity. During the first half of 2021 the Group successfully deployed the new finance, HR and procurement modules as part of our general ledger consolidation and modernisation activity.

Quilter Investors' build out costs – 30 June 2021: £nil, 30 June 2020: £(1) million, 31 December 2020: £(1) million

The Group incurred build out costs to develop Quilter Investors as a separate business distinct from the Single Strategy business, which was sold on 29 June 2018. The build was substantially completed in 2019, resulting in the release of the remaining £1 million of the provision during 2020 which was established to complete the build.

5(b)(iii): Managed separation costs

For the period ended 30 June 2021 these costs were £1 million (30 June 2020: £nil, 31 December 2020: £0.1 million) and relate to further rebranding of the Quilter business. These one-off costs relating to the Group's separation from Old Mutual plc have been excluded from adjusted profit on the basis that they relate to a fundamental restructuring of the Group and are not representative of the operating activity of the Group.

5(b)(iv): Finance costs

The nature of much of the Group's operations means that, for management's decision making and internal performance management, the effects of interest costs on external borrowings are removed when calculating adjusted profit. For the period ended 30 June 2021 finance costs were £5 million (30 June 2020: £5 million, 31 December 2020: £10 million).

5(b)(v): Policyholder tax adjustments

For the period ended 30 June 2021 the total policyholder tax adjustments to adjusted profit is £(4) million (30 June 2020: £47 million, 31 December 2020: £9 million). Adjustments to policyholder tax are made to remove distortions arising from market volatility that can, in turn, lead to volatility in the policyholder tax charge between periods. The recognition of the income received from policyholders (which is included within the Group's income) 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/(loss) before tax attributable to equity holders. For a further explanation of the impact of markets on the policyholder tax charge see note 7(a). Adjustments are also made to remove policyholder tax distortions from other non-operating adjusting items.

5(b)(vi): Customer remediation

Lighthouse pension transfer advice provision – 30 June 2021: £7 million, 30 June 2020: £5 million, 31 December 2020: £5 million

The provision for the potential redress of British Steel cases and other pension transfer cases has been increased by £7 million in the period, which has been recognised in the income statement (30 June 2020: £5 million, 31 December 2020: £5 million). This increase reflects the impact of post-acquisition market and discount rate movements, together with further consideration of the cases where redress is potentially payable, as part of the ongoing skilled person review. This has been excluded from adjusted profit on the basis that the costs are not representative of the operating activities of the Group, and the advice activities to which the charge relates was provided prior to the Group's acquisition of the business. Further details of the provision are provided in note 17.

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 consolidated IFRS income statement is allocated to the Group's APMs: Net management fees, Total net fee revenue and Operating expenses, which are all defined on page 6 and form the Group's adjusted profit before tax for continuing operations. The IFRS income statement column in the table below, down to "Profit/(loss) before tax attributable to equity holders from continuing operations", reconciles to each line of the Group's 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.

5: Alternative Performance Measures ("APMs") *continued*

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

Six months 2021	Net mgmt fees[1]	Other revenue[1]	Total net fee revenue[1]	Operating expenses[1]	Adjusted profit before tax	Consol. of funds[2]	Consolidated income statement
							£m
Income							
Fee income and other income from service activities	325	58	383	-	383	(44)	339
Investment return	-	2,087	2,087	-	2,087	402	2,489
Other income	-	1	1	7	8	1	9
Total income	**325**	**2,146**	**2,471**	**7**	**2,478**	**359**	**2,837**
Expenses							
Change in investment contract liabilities	-	(2,087)	(2,087)	-	(2,087)	-	(2,087)
Fee and commission expenses, and other acquisition costs	(31)	3	(28)	-	(28)	(1)	(29)
Change in third-party interest in consolidated funds	-	-	-	-	-	(347)	(347)
Other operating and administrative expenses	(8)	-	(8)	(321)	(329)	(11)	(340)
Finance costs	-	-	-	(7)	(7)	-	(7)
Total expenses	**(39)**	**(2,084)**	**(2,123)**	**(328)**	**(2,451)**	**(359)**	**(2,810)**
Tax expense attributable to policyholder returns	(48)	-	(48)	-	(48)	-	(48)
Profit/(loss) before tax attributable to equity holders from continuing operations	**238**	**62**	**300**	**(321)**	**(21)**	**-**	**(21)**
Adjusting items:							
Impact of acquisition and disposal related accounting	-	-	-	23	23		
Business transformation costs	-	-	-	32	32		
Managed separation costs	-	-	-	1	1		
Finance costs	-	-	-	5	5		
Customer remediation	-	-	-	7	7		
Policyholder tax adjustments	4	-	4	-	4		
Adjusting items	**4**	**-**	**4**	**68**	**72**		
Adjusted profit before tax after reallocation	242	62	304	(253)	51		
Reallocation of Quilter International costs[4]	-	-	-	5	5		
Adjusted profit before tax - continuing operations	**242**	**62**	**304**	**(248)**	**56**		

Notes to the condensed consolidated interim financial statements

For the period ended 30 June 2021

5: Alternative Performance Measures ("APMs") *continued*

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

							£m
Six months 2020 (restated[3,4])	Net mgmt fees[1]	Other revenue[1]	Total net fee revenue[1]	Operating expenses[1]	Adjusted profit before tax	Consol. of funds[2,3]	Consolidated income statement[3,4]
Income							
Fee income and other income from service activities[4]	263	56	319	-	319	(33)	286
Investment return	-	(915)	(915)	-	(915)	(50)	(965)
Other income	-	1	1	9	10	2	12
Total income	263	(858)	(595)	9	(586)	(81)	(667)
Expenses							
Change in investment contract liabilities	-	921	921	-	921	-	921
Fee and commission expenses, and other acquisition costs	(28)	(1)	(29)	-	(29)	(2)	(31)
Change in third party interest in consolidated funds	-	-	-	-	-	106	106
Other operating and administrative expenses	(6)	(1)	(7)	(316)	(323)	(23)	(346)
Finance costs	-	(2)	(2)	(6)	(8)	-	(8)
Total expenses	(34)	917	883	(322)	561	81	642
Tax credit attributable to policyholder returns	38	-	38	-	38	-	38
Profit/(loss) before tax attributable to equity holders from continuing operations	267	59	326	(313)	13	-	13
Adjusting items:							
Impact of acquisition and disposal related accounting	-	-	-	23	23		
Business transformation costs	-	-	-	39	39		
Finance costs	-	-	-	5	5		
Customer remediation	-	-	-	5	5		
Policyholder tax adjustments	(47)	-	(47)	-	(47)		
Adjusting items	(47)	-	(47)	72	25		
Adjusted profit before tax after reallocation	220	59	279	(241)	38		
Reallocation of Quilter International costs[4]	-	-	-	9	9		
Adjusted profit before tax - continuing operations	220	59	279	(232)	47		

Notes to the condensed consolidated interim financial statements

For the period ended 30 June 2021

5: Alternative Performance Measures ("APMs") *continued*

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

Full year 2020	Net mgmt fees[1]	Other revenue[1]	Total net fee revenue[1]	Operating expenses[1]	Adjusted profit before tax	Consol. of funds[2]	Consolidated income statement[3]
							£m
Income							
Fee income and other income from service activities	561	113	674	-	674	(80)	594
Investment return	-	2,281	2,281	-	2,281	556	2,837
Other income	-	2	2	14	16	4	20
Total income	561	2,396	2,957	14	2,971	480	3,451
Expenses							
Change in investment contract liabilities	-	(2,272)	(2,272)	-	(2,272)	-	(2,272)
Fee and commission expenses, and other acquisition costs	(58)	(1)	(59)	-	(59)	(3)	(62)
Change in third-party interest in consolidated funds	-	-	-	-	-	(440)	(440)
Other operating and administrative expenses	(13)	(1)	(14)	(601)	(615)	(37)	(652)
Finance costs	-	-	-	(16)	(16)	-	(16)
Total expenses	(71)	(2,274)	(2,345)	(617)	(2,962)	(480)	(3,442)
Tax expense attributable to policyholder returns	(36)	-	(36)	-	(36)	-	(36)
Profit/(loss) before tax attributable to equity holders from continuing operations	454	122	576	(603)	(27)	-	(27)
Adjusting items:							
Impact of acquisition and disposal related accounting	-	-	-	42	42		
Business transformation costs	-	-	-	70	70		
Finance costs	-	-	-	10	10		
Policyholder tax adjustments	(9)	-	(9)	-	(9)		
Customer remediation	-	-	-	5	5		
Adjusting items	(9)	-	(9)	127	118		
Adjusted profit before tax after reallocation	445	122	567	(476)	91		
Reallocation of Quilter International costs[4]	-	-	-	17	17		
Adjusted profit before tax - continuing operations	445	122	567	(459)	108		

[1]The APMs "Net Management Fees", "Other revenue", "Total net fee revenue" and "Operating expenses" are commented on within the Financial Review.
[2]Consolidation of funds shows the grossing up impact to the Group's consolidated income statement as a result of the consolidation of funds requirements, as described within note 5(a) of the Group's 2020 Annual Report. This grossing up is excluded from the Group's adjusted profit.
[3]See note 3(a) for details of changes to comparative amounts.
[4]See note 4(a) for details of cost reallocations.

6: Segmental information

6(a): Segmental presentation

The Group's operating segments comprise Advice and Wealth Management and Wealth Platforms, which, for the periods presented in these interim financial statements, is consistent with the manner in which the Group is structured and managed. Head Office includes certain revenues and central costs that are not allocated to the segments.

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

Consistent with internal reporting, assets, liabilities, 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 and the assets and liabilities for each operating segment as provided to management and the Board. Income is further segmented into the geographic location of the businesses in note 6(c).

Continuing operations:

Advice and Wealth Management

This segment comprises Quilter Investors, Quilter Cheviot and Quilter Financial Planning.

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

Quilter Cheviot provides discretionary investment management predominantly in the United Kingdom with bespoke investment portfolios tailored to the individual needs of affluent and high-net worth customers, charities, companies and institutions through a network of branches in London and the regions. Investment management services are also provided by operations in the Channel Islands and the Republic of Ireland.

Quilter Financial Planning is a restricted and independent financial adviser network including Quilter Private Client Advisors ("QPCA"), Quilter Financial Advisers ("QFA") 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.

6: Segmental information *continued*
6(a): Segmental presentation *continued*

Wealth Platforms

This segment is comprised of Quilter Investment Platform ("QIP").

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 customer base through advised multi-channel distribution.

Head Office

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

Discontinued operations:

Quilter International, previously part of the Wealth Platforms operating segment, has been classified as a discontinued operation following the Group's announcement on 1 April 2021 of the proposed disposal of the business, subject to obtaining the necessary shareholder and regulatory approvals. See note 3 for full details. Comparative amounts for the six months ended 30 June 2020 and the year ended 31 December 2020 have been restated accordingly.

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

6(b)(i): Adjusted profit statement - segmental information for the period ended 30 June 2021

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.

		Operating segments					£m
	Notes	Advice and Wealth Management	Wealth Platforms	Head Office	Reallocation of Quilter International costs[1]	Consolidation adjustments[2]	Consolidated income statement
Income							
Fee income and other income from service activities		247	136	-	-	(44)	**339**
Investment return		2	2,086	-	-	401	**2,489**
Other income		-	70	-	-	(61)	**9**
Segmental income		**249**	**2,292**	**-**	**-**	**296**	**2,837**
Expenses							
Change in investment contract liabilities		-	(2,087)	-	-	-	**(2,087)**
Fee and commission expenses, and other acquisition costs		(27)	(2)	-	-	-	**(29)**
Change in third-party interest in consolidated funds		-	-	-	-	(347)	**(347)**
Other operating and administrative expenses		(207)	(156)	(23)	(5)	51	**(340)**
Finance costs		(1)	(1)	(5)	-	-	**(7)**
Segmental expenses		**(235)**	**(2,246)**	**(28)**	**(5)**	**(296)**	**(2,810)**
Profit/(loss) before tax from continuing operations		**14**	**46**	**(28)**	**(5)**	**-**	**27**
Tax attributable to policyholder returns		-	(48)	-	-	-	**(48)**
Profit/(loss) before tax attributable to equity holders from continuing operations		**14**	**(2)**	**(28)**	**(5)**	**-**	**(21)**
Adjusted for non-operating items:							
Impact of acquisition and disposal related accounting	5(b)(i)	23	-	-	-	-	**23**
Business transformation costs	5(b)(ii)	1	23	8	-	-	**32**
Managed separation costs	5(b)(iii)	-	-	1	-	-	**1**
Finance costs	5(b)(iv)	-	-	5	-	-	**5**
Policyholder tax adjustments	5(b)(v)	-	4	-	-	-	**4**
Customer remediation	5(b)(vi)	7	-	-	-	-	**7**
Adjusting items before tax		31	27	14	-	-	**72**
Adjusted profit/(loss) before tax after reallocation		**45**	**25**	**(14)**	**(5)**	**-**	**51**
Reallocation of Quilter International costs	4(a)				5	-	5
Adjusted profit/(loss) before tax - continuing operations		**45**	**25**	**(14)**	**-**	**-**	**56**

[1]See note 4(a) for details of cost reallocations.
[2]Consolidation adjustments comprise the elimination of inter-segment transactions and the consolidation of investment funds.

Notes to the condensed consolidated interim financial statements

For the period ended 30 June 2021

6: Segmental information *continued*

6(b)(ii): Adjusted profit statement - segmental information for the six months ended 30 June 2020 restated[3]

		Operating segments					£m
	Notes	Advice and Wealth Management	Wealth Platforms	Head Office	Reallocation of Quilter International costs[1]	Consolidation adjustments restated[2,3]	Consolidated income statement[3]
Income							
Fee income and other income from service activities		225	95	-	-	(34)	286
Investment return		3	(919)	1	-	(50)	(965)
Other income		-	78	3	-	(69)	12
Segmental income		228	(746)	4	-	(153)	(667)
Expenses							
Change in investment contract liabilities		-	920	-	-	1	921
Fee and commission expenses, and other acquisition costs		(24)	(5)	-	-	(2)	(31)
Change in third-party interest in consolidated funds		-	-	-	-	106	106
Other operating and administrative expenses		(191)	(156)	(38)	(9)	48	(346)
Finance costs		(1)	(2)	(5)	-	-	(8)
Segmental expenses		(216)	757	(43)	(9)	153	642
Profit/(loss) before tax from continuing operations		12	11	(39)	(9)	-	(25)
Tax attributable to policyholder returns		-	38	-	-	-	38
Profit/(loss) before tax attributable to equity holders from continuing operations		12	49	(39)	(9)	-	13
Adjusted for non-operating items:							
Impact of acquisition and disposal related accounting	5(b)(i)	24	-	(1)	-	-	23
Business transformation costs	5(b)(ii)	-	21	18	-	-	39
Finance costs	5(b)(iv)	-	-	5	-	-	5
Policyholder tax adjustments	5(b)(v)	-	(47)	-	-	-	(47)
Customer remediation	5(b)(vi)	5	-	-	-	-	5
Adjusting items before tax		29	(26)	22	-	-	25
Adjusted profit/(loss) before tax after reallocation		41	23	(17)	(9)	-	38
Reallocation of Quilter International costs	4(a)	-	-	-	9	-	9
Adjusted profit/(loss) before tax - continuing operations		41	23	(17)	-	-	47

[1]See note 4(a) for details of cost reallocations.
[2]Consolidation adjustments comprise the elimination of inter-segment transactions and the consolidation of investment funds.
[3]See note 3(a) for details of changes to comparative amounts.

Notes to the condensed consolidated interim financial statements

For the period ended 30 June 2021

6: Segmental information *continued*

6(b)(iii): Adjusted profit statement - segmental information for the year ended 31 December 2020

		Operating segments					£m
	Notes	Advice and Wealth Management	Wealth Platforms	Head Office	Reallocation of Quilter International costs[1]	Consolidation adjustments[2]	Consolidated income statement
Income							
Fee income and other income from service activities		456	220	-	-	(82)	594
Investment return		4	2,273	1	-	559	2,837
Other income		4	143	5	-	(132)	20
Segmental income		464	2,636	6	-	345	3,451
Expenses							
Change in investment contract liabilities		-	(2,272)	-	-	-	(2,272)
Fee and commission expenses, and other acquisition costs		(50)	(10)	-	-	(2)	(62)
Change in third-party interest in consolidated funds		-	-	-	-	(440)	(440)
Other operating and administrative expenses		(370)	(291)	(71)	(17)	97	(652)
Finance costs		(3)	(3)	(10)	-	-	(16)
Segmental expenses		(423)	(2,576)	(81)	(17)	(345)	(3,442)
Profit/(loss) before tax from continuing operations		41	60	(75)	(17)	-	9
Tax attributable to policyholder returns		-	(36)	-	-	-	(36)
Profit/(loss) before tax attributable to equity holders from continuing operations		41	24	(75)	(17)	-	(27)
Adjusted for non-operating items:							
Impact of acquisition and disposal related accounting	5(b)(i)	44	-	(2)	-	-	42
Business transformation costs	5(b)(ii)	-	39	31	-	-	70
Finance costs	5(b)(iv)	-	-	10	-	-	10
Policyholder tax adjustments	5(b)(v)	-	(9)	-	-	-	(9)
Customer remediation	5(b)(vi)	5	-	-	-	-	5
Adjusting items before tax		49	30	39	-	-	118
Adjusted profit/(loss) before tax after reallocation		90	54	(36)	(17)	-	91
Reallocation of Quilter International costs	4(a)	-	-	-	17	-	17
Adjusted profit/(loss) before tax - continuing operations		90	54	(36)	-	-	108

[1]See note 4(a) for details of cost reallocations.
[2]Consolidation adjustments comprise the elimination of inter-segment transactions and the consolidation of investment funds.

6(c): Geographic segmental information

This note analyses the Group's total income, split by geographic location of our businesses (UK and International) and further analyses the Group's fee income and other income from service activities, based on the type of fees earned. The Group also earns an immaterial amount of income through operations based in the Republic of Ireland and the Channel Islands.

					£m	£m
	UK					International
Six months 2021	**Advice and Wealth Management**	**Wealth Platforms**	**Head Office**	**Consolidation adjustments**	**Total continuing operations**	**Discontinued operations**
Premium based fees	**57**	**-**	**-**	**-**	**57**	**33**
Fund based fees[1]	**190**	**90**	**-**	**(43)**	**237**	**46**
Retrocessions received, intragroup	**-**	**1**	**-**	**(1)**	**-**	**4**
Fixed fees	**-**	**1**	**-**	**-**	**1**	**14**
Exit fees	**-**	**-**	**-**	**-**	**-**	**6**
Other fee and commission income	**-**	**44**	**-**	**-**	**44**	**-**
Fee income and other income from service activities	**247**	**136**	**-**	**(44)**	**339**	**103**
Investment return	**2**	**2,086**	**-**	**401**	**2,489**	**1,183**
Other income	**-**	**70**	**-**	**(61)**	**9**	**-**
Total income	**249**	**2,292**	**-**	**296**	**2,837**	**1,286**

6: Segmental information *continued*
6(c): Geographic segmental information *continued*

	UK					International
Six months 2020 (restated[2])	Advice and Wealth Management £m	Wealth Platforms £m	Head Office £m	Consolidation adjustments[2] £m	Total continuing operations[2] £m	Discontinued operations £m
Premium based fees	56	-	-	-	56	35
Fund based fees[1]	169	82	-	(40)	211	47
Retrocessions received, intragroup	-	1	-	(1)	-	2
Fixed fees	-	1	-	-	1	14
Exit fees	-	-	-	-	-	6
Other fee and commission income	-	11	-	7	18	-
Fee income and other income from service activities[2]	225	95	-	(34)	286	104
Investment return[2]	3	(919)	1	(50)	(965)	(334)
Other income	-	78	3	(69)	12	(1)
Total income	228	(746)	4	(153)	(667)	(231)

	UK					International
Full year 2020	Advice and Wealth Management £m	Wealth Platforms £m	Head Office £m	Consolidation adjustments £m	Total continuing operations £m	Discontinued operations £m
Premium based fees	113	-	-	-	113	70
Fund based fees[1]	343	168	-	(94)	417	88
Retrocessions received, intragroup	-	2	-	(2)	-	6
Fixed fees	-	2	-	-	2	29
Exit fees	-	-	-	-	-	13
Other fee and commission income	-	48	-	14	62	-
Fee income and other income from service activities	456	220	-	(82)	594	206
Investment return	4	2,273	1	559	2,837	1,061
Other income	4	143	5	(132)	20	-
Total income	464	2,636	6	345	3,451	1,267

[1]Income from fiduciary activities is included within fund based fees.
[2]See note 3(a) for details of changes to comparative amounts.

Notes to the condensed consolidated interim financial statements

For the period ended 30 June 2021

7: Tax

7(a): Tax charged to the income statement

	Note	**Six months 2021**	Six months 2020	Full year 2020
				£m
Current tax				
United Kingdom		**14**	1	18
International		**-**	2	3
Adjustments to current tax in respect of prior periods		**(1)**	-	(7)
Total current tax charge		**13**	3	14
Deferred tax				
Origination and reversal of temporary differences		**32**	(38)	(22)
Effect on deferred tax of changes in tax rates		**(6)**	(1)	-
Adjustments to deferred tax in respect of prior periods		**1**	-	4
Total deferred tax charge/(credit)		**27**	(39)	(18)
Total tax charged/(credited) to income statement - continuing operations		**40**	(36)	(4)
Total tax charged to income statement - discontinued operations	4(a)	**1**	-	1
Total tax charged/(credited) to income statement		**41**	(36)	(3)
Attributable to policyholder returns - continuing operations		**48**	(38)	36
Attributable to equity holders - continuing operations		**(8)**	2	(40)
Total tax charged/(charged) to income statement - continuing operations		**40**	(36)	(4)
Attributable to equity holders - discontinued operations		**1**	-	1
Total tax charged to income statement - discontinued operations		**1**	-	1
Total tax charged/(credited) to income statement		**41**	(36)	(3)

Policyholder tax

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

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

The Group's income tax charge on continuing operations was £40 million for the period ended 30 June 2021, compared to a credit of £(36) million for the prior period. This income tax expense/(credit) can vary significantly period on period as a result of market volatility and the impact this has on policyholder tax. The recognition of the income received from policyholders (which is included within the Group's income) to fund the policyholder tax liability can vary in timing to the recognition of the corresponding policyholder tax expense, creating volatility to the Group's IFRS profit before tax attributable to equity holders. An adjustment is made to adjusted profit to remove these distortions, as explained further in note 5(b)(v).

Market movements during the period ended 30 June 2021 resulted in investment gains of £232 million on products subject to policyholder tax. The gain is a component of the total "investment return" gain of £2,489 million shown in the income statement. The impact of the £232 million investment return gain is the primary reason for the £48 million tax expense attributable to policyholder returns in respect of the continuing operations for the period ended 30 June 2021 (30 June 2020: £38 million credit in respect of continuing operations and £nil expense in respect of discontinued operations).

Impact of changes in UK corporation tax rate

The £(8) million tax credit attributable to equity holders (continuing operations) includes a tax credit of £(6) million relating to the rebasing of deferred tax assets and liabilities as a result of the change in the UK corporation tax rate from 19% to 25% from 1 April 2023.

7: Tax *continued*

7(b): Reconciliation of total income tax expense

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

	Note	Six months 2021 £m	Six months 2020 £m	Full year 2020 £m
Profit before tax from continuing operations		**27**	(25)	9
Tax at UK standard rate of 19% (2020: 19%)		**5**	(5)	2
Different tax rate or basis on overseas operations		**1**	3	4
Untaxed and low taxed income		**-**	(4)	(1)
Expenses not deductible for tax		**1**	2	2
Adjustments to current tax in respect of prior years		**(1)**	-	(7)
Net movements on unrecognised deferred tax assets		**-**	-	(38)
Effect on deferred tax of changes in tax rates		**(6)**	(1)	-
Adjustments to deferred tax in respect of prior years		**1**	-	4
Income tax attributable to policyholder returns (net of tax relief)		**39**	(31)	30
Total tax charged/(credited) to income statement - continuing operations		**40**	(36)	(4)
Total tax charged to income statement - discontinued operations	4(a)	**1**	-	1
Total tax charged/(credited) to income statement		**41**	(36)	(3)

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

	Note	Six months 2021 £m	Six months 2020 £m	Full year 2020 £m
Income tax expense/(credit) on continuing operations[1]		**40**	(36)	(4)
Tax on adjusting items				
Impact of acquisition and disposal related accounting		**(2)**	-	3
Business transformation costs		**6**	8	13
Finance costs		**1**	1	2
Customer remediation		**1**	1	1
Tax adjusting items				
Policyholder tax adjustments	5(b)(v)	**(4)**	47	9
Other shareholder tax adjustments[2]		**1**	(5)	36
Tax on adjusting items - continuing operations		**3**	52	64
Less: tax attributable to policyholder returns within adjusted profit - continuing operations[3]		**(44)**	(9)	(45)
Tax (credited)/charged on adjusted profit - continuing operations		**(1)**	7	15
Tax charged on adjusted profit - discontinued operations		**1**	-	1
Tax charged on total adjusted profit		**-**	7	16

[1]Includes both tax attributable to policyholders and shareholders, in compliance with IFRS reporting.
[2]Other shareholder tax adjustments comprise the reallocation of adjustments from policyholder tax as explained in note 5(b)(v) and shareholder tax adjustments for one-off items in line with the Group's adjusted profit policy.
[3]Adjusted profit treats policyholder tax as a pre-tax charge (this includes policyholder tax under IFRS and the policyholder tax adjustments) and is therefore removed from tax charge on adjusted profit.

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 before and after the reallocation of Quilter International costs, and Headline earnings per share ("HEPS") is a requirement of the Johannesburg Stock Exchange. The Group's EPS (in aggregate, including both continuing and discontinued operations) on these different bases are summarised below.

Basic EPS is calculated by dividing profit after tax attributable to ordinary equity shareholders of the parent by the weighted average number of Ordinary Shares in issue during the year. The weighted average number of shares excludes Quilter plc shares held within Employee Benefit Trusts ("EBTs") to satisfy the Group's obligations under employee share awards, and Quilter plc shares held in consolidated funds ("Own shares"). Own shares are deducted for the purpose of calculating both basic and diluted EPS.

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

The Group is also required to calculate HEPS in accordance with the Johannesburg Stock Exchange ("JSE") Listing Requirements, determined by reference to the South African Institute of Chartered Accountants' circular 1/2021 *Headline Earnings*. Disclosure of HEPS is not a requirement of IFRS, but it is a commonly used measure of earnings in South Africa.

					Pence
	Source of guidance	Notes	**Six months 2021**	Six months 2020	Full year 2020
Basic earnings per share	IFRS	8(b)	**1.2**	2.4	5.0
Diluted basic earnings per share	IFRS	8(b)	**1.1**	2.3	4.9
Adjusted basic earnings per share	Group policy	8(b)	**5.1**	3.6	8.6
Adjusted diluted earnings per share	Group policy	8(b)	**5.0**	3.5	8.5
Headline basic earnings per share (net of tax)	JSE Listing Requirements	8(c)	**1.2**	2.4	5.2
Headline diluted earnings per share (net of tax)	JSE Listing Requirements	8(c)	**1.2**	2.4	5.1

8(a): Weighted average number of Ordinary Shares

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

			Millions
	Six months 2021	Six months 2020	Full year 2020
Weighted average number of Ordinary Shares	**1,755**	1,879	1,842
Own shares including those held in EBTs	**(79)**	(78)	(82)
Basic weighted average number of Ordinary Shares	**1,676**	1,801	1,760
Adjustment for dilutive share awards and options	**36**	36	37
Diluted weighted average number of Ordinary Shares	**1,712**	1,837	1,797

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

										£m
		Six months 2021			Six months 2020			Full year 2020		
	Notes	**Continuing operations**	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
(Loss)/profit after tax		**(13)**	**33**	**20**	11	32	43	13	75	88
Total adjusting items before tax	5(a)	**72**	**-**	**72**	25	1	26	118	1	119
Tax on adjusting items	7(c)	**(3)**	**-**	**(3)**	(52)	-	(52)	(64)	-	(64)
Less: Policyholder tax adjustments	7(c)	**(4)**	**-**	**(4)**	47	-	47	9	-	9
Adjusted profit after tax after reallocation		**52**	**33**	**85**	31	33	64	76	76	152
Reversal of:										
Reallocation of Quilter International costs[1]		**5**	**(5)**	**-**	9	(9)	-	17	(17)	-
Adjusted profit after tax		**57**	**28**	**85**	40	24	64	93	59	152

[1]Reallocation of Quilter International costs includes £5 million of costs (30 June 2020: £9 million; 31 December 2020: £17 million) previously reported as part of Quilter International which are presented within continuing operations as these costs will not transfer to Utmost Group (the acquirer) on disposal. Adjusted profit is presented both before and after the reallocation of these costs. See note 4(a) for additional details.

8: Earnings per share *continued*
8(b): Basic and diluted EPS (IFRS and adjusted profit) *continued*

	Post-tax profit measure used	**Six months 2021** Continuing operations Pence	Discontinued operations Pence	Total Pence	Six months 2020 Continuing operations Pence	Discontinued operations Pence	Total Pence	Full year 2020 Continuing operations Pence	Discontinued operations Pence	Total Pence
Basic EPS	IFRS profit	**(0.8)**	**2.0**	**1.2**	0.6	1.8	2.4	0.8	4.2	5.0
Diluted EPS	IFRS profit	**(0.8)**	**1.9**	**1.1**	0.6	1.7	2.3	0.8	4.1	4.9
Adjusted basic EPS	Adjusted profit	**3.4**	**1.7**	**5.1**	2.3	1.3	3.6	5.3	3.3	8.6
Adjusted diluted EPS	Adjusted profit	**3.3**	**1.7**	**5.0**	2.2	1.3	3.5	5.2	3.3	8.5

8(c): Headline earnings per share

£m	Note	**Six months 2021** Gross	**Six months 2021** Net of tax	Six months 2020 Gross	Six months 2020 Net of tax	Full year 2020 Gross	Full year 2020 Net of tax
Profit attributable to ordinary equity holders			**20**		43		88
Adjusted for:							
Loss on business disposals	4(e)	**-**	**-**	1	1	1	1
Impairment loss on right-of-use assets		**-**	**-**	-	-	3	2
Headline earnings			**20**		44		91
Headline basic EPS (pence)			**1.2**		2.4		5.2
Headline diluted EPS (pence)			**1.2**		2.4		5.1

9: Dividends

£m	Payment date	**Six months 2021**	Six months 2020	Full year 2020
2019 Final dividend paid - 3.5p per Ordinary Share	18 May 2020	**-**	64	64
2020 Interim dividend paid - 1.0p per Ordinary Share	21 September 2020	**-**	-	17
2020 Final dividend paid - 3.6p per Ordinary Share	17 May 2021	**61**	-	-
Dividends paid to Ordinary Shareholders		**61**	64	81

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.

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10: Goodwill and intangible assets

10(a): Analysis of goodwill and intangible assets

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

				£m
	Goodwill	**Software development costs**	**Other intangible assets**	**Total**
Gross amount				
1 January 2020	350	101	428	879
Acquisitions through business combinations	7	-	-	7
Additions	-	3	-	3
30 June 2020	357	104	428	889
Acquisitions through business combinations	(1)	-	1	-
Additions	-	1	-	1
31 December 2020	356	105	429	890
Disposals[1]	**-**	**(65)**	**-**	**(65)**
Transfer to non-current assets held for sale	**(52)**	**-**	**(4)**	**(56)**
30 June 2021	**304**	**40**	**425**	**769**
Amortisation and other movements				
1 January 2020	-	(93)	(194)	(287)
Amortisation charge for the period	-	(1)	(23)	(24)
30 June 2020	-	(94)	(217)	(311)
Amortisation charge for the period	-	(1)	(22)	(23)
31 December 2020	-	(95)	(239)	(334)
Amortisation charge for the period	**-**	**(1)**	**(23)**	**(24)**
Disposals[1]	**-**	**65**	**-**	**65**
Transfer to non-current assets held for sale	**-**	**-**	**2**	**2**
Other movements	**-**	**1**	**-**	**1**
30 June 2021	**-**	**(30)**	**(260)**	**(290)**
Carrying amount				
30 June 2020	357	10	211	578
31 December 2020	356	10	190	556
30 June 2021	**304**	**10**	**165**	**479**

[1]Disposals of £65 million in the period ending 30 June 2021 relate to the write off of fully amortised software relating to the Platform Transformation Programme and following the final migration of client assets in February 2021, with all Quilter Investment Platform assets now live on the new platform.

10(b): Analysis of other intangible assets

	£m				
	30 June 2021	30 June 2020	31 December 2020	Average estimated useful life	Average period remaining
Net carrying value					
Distribution channels - Quilter Financial Planning	**12**	19	15	8 years	3 years
Customer relationships					
Quilter Cheviot	**100**	127	114	10 years	4 years
Quilter Financial Planning	**49**	57	54	8 years	6 years
Other	**4**	8	7	8 years	3 years
Total other intangible assets	**165**	211	190		

10: Goodwill and intangible assets *continued*

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

The Group considers that there are two groups of CGUs for goodwill impairment testing purposes. Goodwill is allocated to these groups of CGUs as follows:

			£m
	30 June 2021	30 June 2020	31 December 2020
Goodwill (net carrying amount)			
Advice and Wealth Management	**225**	226	225
Wealth Platforms	**79**	131	131
Goodwill (as per the Statement of Financial Position)	**304**	357	356
Goodwill held for sale	**52**	-	-
Total goodwill	**356**	357	356

Impairment review

In accordance with the requirements of IAS 36 *Impairment of Assets*, goodwill in both the Advice and Wealth Management and Wealth Platforms 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 Net Client Cash Flows ("NCCF"), significant falls in profits and an increase in the discount rate.

The Group continually assesses whether there are any indicators of impairment by considering each of the Advice and Wealth Management and Wealth Platforms CGU groups. During the six months to 30 June 2021, management consider there to be no indicators of impairment for continuing operations across the Advice and Wealth Management and Wealth Platforms CGU groups. The positive movements in equity markets and resulting increase in AuMA have contributed to higher revenues and this, together with continued cost discipline, has led to adjusted profit before tax of £56 million, which is a 19% increase from the prior period of £47 million. NCCF has also been stronger compared to the prior period due to higher gross sales. The latest management approved three year profit forecasts demonstrate the viability of the continuing group following the proposed sale of Quilter International.

As part of the assessment of assets held for sale as disclosed in note 4(d), an allocation of goodwill was made in relation to Quilter International. The £52 million transferred represents the share of the goodwill in the Wealth Platforms CGU applicable to Quilter International, based on its fair value relative to the fair values of the other business within that CGU.

11: 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 2021	30 June 2020 restated[1]	31 December 2020
Government and government-guaranteed securities	**758**	562	632
Other debt securities, preference shares and debentures	**2,001**	1,948	1,952
Equity securities	**11,236**	8,607	14,163
Pooled investments	**54,060**	46,525	46,518
Short-term funds and securities treated as investments	**1**	11	9
Total financial investments	**68,056**	57,653	63,274
Less: financial investments classified as held for sale	**(23,019)**	-	-
Total financial investments (as per the Statement of Financial Position)	**45,037**	57,653	63,274
Recoverable within 12 months	**68,056**	57,652	63,274
Recoverable after 12 months	**-**	1	-
Total financial investments	**68,056**	57,653	63,274

[1]See note 3(a) for details of changes to comparative amounts.

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.

12: Categories of financial instruments

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

For information about the methods and assumptions used in determining fair value, please refer to note 13. The Group's exposure to various risks associated with financial instruments is discussed in the 2020 Annual Report.

30 June 2021

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	1
Loans and advances	-	-	32	-	32
Financial investments	45,036	1	-	-	45,037
Trade, other receivables and other assets	-	-	561	54	615
Derivative assets	9	-	-	-	9
Cash and cash equivalents	842	-	861	-	1,703
Total assets that include financial instruments	45,887	1	1,454	55	47,397
Total other non-financial assets	-	-	-	717	717
Total assets net of held for sale	45,887	1	1,454	772	48,114
Assets classified as held for sale					
Loans and advances	174	-	-	-	174
Financial investments	23,003	-	16	-	23,019
Trade, other receivables and other assets	-	-	22	196	218
Cash and cash equivalents	125	-	61	-	186
Total other non-financial assets	-	-	-	449	449
Total assets classified as held for sale	23,302	-	99	645	24,046
Total assets	69,189	1	1,553	1,417	72,160
Liabilities					
Investment contract liabilities	-	38,804	-	-	38,804
Third-party interests in consolidation of funds	6,698	-	-	-	6,698
Borrowings and lease liabilities	-	-	312	-	312
Trade, other payables and other liabilities	-	-	562	109	671
Derivative liabilities	26	-	-	-	26
Total liabilities that include financial instruments	6,724	38,804	874	109	46,511
Total other non-financial liabilities	-	-	-	215	215
Total liabilities net of held for sale	6,724	38,804	874	324	46,726
Liabilities classified as held for sale					
Borrowings and lease liabilities	-	-	12	-	12
Investment contract liabilities	-	23,202	-	-	23,202
Trade, other payables and other liabilities	-	-	102	-	102
Total other non-financial liabilities	-	-	-	376	376
Total liabilities classified as held for sale	-	23,202	114	376	23,692
Total liabilities	6,724	62,006	988	700	70,418

[1]Investments in associated undertakings classified as non-financial assets and liabilities are equity accounted.

12: Categories of financial instruments *continued*

30 June 2020 (restated)[2]

Measurement basis	Fair value				£m
	Mandatorily at FVTPL[2]	Designated at FVTPL[2]	Amortised cost	Non-financial assets and liabilities	Total
Assets					
Investments in associated undertaking[1]	-	-	-	1	1
Loans and advances	203	-	32	-	235
Financial investments	57,651	2	-	-	57,653
Trade, other receivables and other assets	-	-	460	267	727
Derivative financial instruments	23	-	-	-	23
Cash and cash equivalents	1,225	-	853	-	2,078
Total assets that include financial instruments	59,102	2	1,345	268	60,717
Total other non-financial assets	-	-	-	1,233	1,233
Total assets	59,102	2	1,345	1,501	61,950
Liabilities					
Investment contract liabilities[3]	-	52,267	-	-	52,267
Third-party interest in consolidation of funds	6,036	-	-	-	6,036
Borrowings	-	-	330	-	330
Trade, other payables and other liabilities	-	-	665	105	770
Derivative financial instruments	47	-	-	-	47
Total liabilities that include financial instruments	6,083	52,267	995	105	59,450
Total other non-financial liabilities	-	-	-	535	535
Total liabilities	6,083	52,267	995	640	59,985

[1]Investments in associated undertakings classified as non-financial assets and liabilities are equity accounted.
[2]See note 3(a) for details of changes to comparative amounts.
[3]Following a review of the Group's presentation of financial liabilities held at FVTPL, as disclosed in the Group's 2020 Annual Report, comparative amounts have been restated from those previously reported. The review identified amounts presented within mandatorily at FVTPL that are now presented as designated at FVTPL in the table above. These liabilities were previously shown as mandatorily at fair value through profit or loss ("FVTPL") as they form part of the Group's unit-linked business model. These liabilities are now classified as designated at FVTPL as they are managed on a fair value basis (in that their value is directly linked to the market value of the matching portfolio of unit-linked assets) therefore avoiding an accounting mismatch. There is no change to the underlying calculation of the fair value of these liabilities.

31 December 2020

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	1
Loans and advances	186	-	33	-	219
Financial investments	63,248	1	25	-	63,274
Trade, other receivables and other assets	-	-	444	257	701
Derivative assets	43	-	-	-	43
Cash and cash equivalents	1,064	-	857	-	1,921
Total assets that include financial instruments	64,541	1	1,359	258	66,159
Total other non-financial assets	-	-	-	1,213	1,213
Total assets	64,541	1	1,359	1,471	67,372
Liabilities					
Investment contract liabilities	-	57,407	-	-	57,407
Third-party interests in consolidation of funds	6,513	-	-	-	6,513
Borrowings and lease liabilities	-	-	319	-	319
Trade, other payables and other liabilities	-	-	590	82	672
Derivative liabilities	20	-	-	-	20
Total liabilities that include financial instruments	6,533	57,407	909	82	64,931
Total other non-financial liabilities	-	-	-	563	563
Total liabilities	6,533	57,407	909	645	65,494

[1]Investments in associated undertakings classified as non-financial assets and liabilities are equity accounted.

13: Fair value methodology

This section explains the judgements and estimates made in determining the fair values of financial instruments that are recognised and measured at fair value in the financial statements. Classifying financial instruments into the three levels of fair value hierarchy (see note 13(b)), prescribed under IFRS, provides an indication about the reliability of inputs used in determining fair value.

13(a): Determination of fair value

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

- for units in unit trusts and shares in open-ended investment companies, fair value is determined by reference to published quoted prices representing exit values in an active market;
- for equity and debt securities not actively traded in organised markets and where the price cannot be retrieved, the fair value is determined by reference to similar instruments for which market observable prices exist;
- for assets that have been suspended from trading on an active market, the last published price is used. Many suspended assets are still regularly priced. At the reporting date all suspended assets are assessed for impairment; and
- where the assets are private company shares or within consolidated investment funds, the valuation is based on the latest available set of audited financial statements where available, or if more recent, a statement of valuation provided by the private company's management.

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

Loans and advances

Loans and advances include loans to policyholders, loans to brokers, and other secured and unsecured loans. Loans and advances to policyholders of investment-linked contracts are measured at fair value. All other loans are stated at their amortised cost.

Financial investments

Financial investments include government and government-guaranteed securities, listed and unlisted debt securities, preference shares and debentures, listed and unlisted equity securities, listed and unlisted pooled investments (see below), short-term funds and securities treated as investments and certain other securities.

Pooled investments represent the Group's holdings of shares/units in open-ended investment companies, unit trusts, mutual funds and similar investment vehicles. Pooled investments are recognised at fair value. The fair values of pooled investments are based on widely published prices that are regularly updated.

Other financial investments that are measured at fair value use observable market prices where available. In the absence of observable market prices, these investments and securities are fair valued utilising various approaches including discounted cash flows, the application of an earnings before interest, tax, depreciation and amortisation multiple or any other relevant technique.

Derivatives

The fair value of derivatives is determined with reference to the exchange traded prices of the specific instruments. The fair value of the Group's over-the-counter forward foreign exchange contracts is determined by the underlying foreign currency exchange rates.

Investment contract liabilities

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

Third-party interest in consolidated funds

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

Borrowings and lease liabilities

Borrowings and lease liabilities are stated at amortised cost.

13(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, policyholder loans (where they form part of a policyholder's unit-linked policy) 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. However, certain financial assets and liabilities are valued on the basis of valuation techniques that feature one or more significant inputs that are unobservable and, for them, the derivation of fair value is more judgemental. A financial asset or liability in its entirety is classified as valued using significant unobservable inputs if a significant proportion of that asset or liability's carrying amount is driven by unobservable inputs.

13: Fair value methodology *continued*
13(b): Fair value hierarchy *continued*

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

When allocating investments within consolidated investment funds to the fair value hierarchy, the Group has adopted a simplified approach whereby investments (outside of those identified as Level 3) in listed equities and securities are allocated to fair value Level 1, and investments in unlisted equity and debt securities are allocated to Level 2, to align to the classifications set out in the table above.

13(c): Transfer between fair value hierarchies

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

There were transfers of financial investments of £46 million from Level 1 to Level 2 during the period (30 June 2020: £nil, 31 December 2020: £9 million). There were transfers of financial investments of £48 million from Level 2 to Level 1 during the period (30 June 2020: £nil, 31 December 2020: £3 million). These movements are matched exactly by transfers of investment contract liabilities. See note 13(e) for the reconciliation of Level 3 financial instruments.

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

The majority of the Group's financial assets are measured using quoted market prices for identical instruments in active markets (Level 1) and there have been no significant changes during the year.

The linked assets are held to cover the liabilities for linked investment contracts (net of reinsurance). The difference between linked assets and linked liabilities is principally due to short-term timing differences between policyholder premiums being received and invested in advance of policies being issued, and tax liabilities within funds which are reflected within the Group's tax liabilities.

Differences between assets and liabilities within the respective levels of the fair value hierarchy also arise due to the mix of underlying assets and liabilities within consolidated funds. In addition, third-party interests in consolidated funds are classified as Level 2.

The table below presents a summary of the Group's financial assets and liabilities that are measured at fair value in the consolidated statement of financial position according to their IFRS 9 classification (see note 12 for full details).

	30 June 2021		30 June 2020 restated[1]		31 December 2020	
	£m	**%**	£m	%	£m	%
Financial assets measured at fair value						
Level 1	**61,811**	**89.4%**	44,283	74.9%	56,927	88.2%
Level 2	**5,826**	**8.4%**	12,359	20.9%	5,793	9.0%
Level 3	**1,553**	**2.2%**	2,462	4.2%	1,822	2.8%
Total	**69,190**	**100.0%**	59,104	100.0%	64,542	100.0%
Financial liabilities measured at fair value						
Level 1	**60,059**	**87.3%**	49,405	84.7%	55,135	86.3%
Level 2	**7,120**	**10.4%**	6,483	11.1%	6,985	10.9%
Level 3	**1,551**	**2.3%**	2,462	4.2%	1,820	2.8%
Total	**68,730**	**100.0%**	58,350	100.0%	63,940	100.0%

[1]See note 3(a) for details of changes to comparative amounts.

13: Fair value methodology *continued*

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

The tables below further analyse the Group's financial assets and liabilities measured at fair value by the fair value hierarchy described in note 13(b):

				£m
30 June 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value				
Mandatorily (fair value through profit or loss)	**40,409**	**5,430**	**48**	**45,887**
Financial investments	**39,567**	**5,421**	**48**	**45,036**
Cash and cash equivalents	**842**	**-**	**-**	**842**
Derivative assets	**-**	**9**	**-**	**9**
Designated (fair value through profit or loss)	**1**	**-**	**-**	**1**
Financial investments	**1**	**-**	**-**	**1**
Total assets net of held for sale	**40,410**	**5,430**	**48**	**45,888**
Total assets classified as held for sale	**21,401**	**396**	**1,505**	**23,302**
Loans and advances[2]	**174**	**-**	**-**	**174**
Financial investments	**21,102**	**396**	**1,505**	**23,003**
Cash and cash equivalents	**125**	**-**	**-**	**125**
Total assets measured at fair value	**61,811**	**5,826**	**1,553**	**69,190**
Financial liabilities measured at fair value				
Mandatorily (fair value through profit or loss)	**-**	**6,724**	**-**	**6,724**
Third-party interests in consolidated funds	**-**	**6,698**	**-**	**6,698**
Derivative liabilities	**-**	**26**	**-**	**26**
Designated (fair value through profit or loss)	**38,758**	**-**	**46**	**38,804**
Investment contract liabilities	**38,758**	**-**	**46**	**38,804**
Total liabilities net of held for sale	**38,758**	**6,724**	**46**	**45,528**
Total liabilities classified as held for sale	**21,301**	**396**	**1,505**	**23,202**
Investment contract liabilities	**21,301**	**396**	**1,505**	**23,202**
Total liabilities measured at fair value	**60,059**	**7,120**	**1,551**	**68,730**

13: Fair value methodology *continued*

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

				£m
30 June 2020 (restated[1,3])	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Mandatorily (fair value through profit or loss)	44,281	12,359	2,462	59,102
Loans and advances[2]	203	-	-	203
Financial investments	42,853	12,336	2,462	57,651
Cash and cash equivalents	1,225	-	-	1,225
Derivative assets	-	23	-	23
Designated (fair value through profit or loss)	2	-	-	2
Financial investments	2	-	-	2
Total assets measured at fair value	44,283	12,359	2,462	59,104
Financial liabilities measured at fair value				
Mandatorily (fair value through profit or loss)	-	6,083	-	6,083
Third-party interests in consolidated funds	-	6,036	-	6,036
Derivative liabilities	-	47	-	47
Designated (fair value through profit or loss)	49,405	400	2,462	52,267
Investment contract liabilities[3]	49,405	400	2,462	52,267
Total liabilities measured at fair value	49,405	6,483	2,462	58,350

				£m
31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Mandatorily (fair value through profit or loss)	56,926	5,793	1,822	64,541
Loans and advances[2]	186	-	-	186
Financial investments	55,676	5,750	1,822	63,248
Cash and cash equivalents	1,064	-	-	1,064
Derivative assets	-	43	-	43
Designated (fair value through profit or loss)	1	-	-	1
Financial investments	1	-	-	1
Total assets measured at fair value	56,927	5,793	1,822	64,542
Financial liabilities measured at fair value				
Mandatorily (fair value through profit or loss)	-	6,533	-	6,533
Third-party interests in consolidated funds	-	6,513	-	6,513
Derivative liabilities	-	20	-	20
Designated (fair value through profit or loss)	55,135	452	1,820	57,407
Investment contract liabilities	55,135	452	1,820	57,407
Total liabilities measured at fair value	55,135	6,985	1,820	63,940

[1]See note 3(a) for details of changes to comparative amounts.
[2]Loans and advances mandatorily at fair value through profit or loss, included within fair value Level 1, solely relate to policyholder loans.
[3]Following a review of the Group's presentation of financial liabilities at FVTPL, comparative amounts have been restated from those previously reported. The review identified amounts presented within mandatorily at FVTPL (£52,267 million) that are now presented as designated at FVTPL in the table above.

13: Fair value methodology *continued*

13(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.

During the period ended 30 June 2021, Level 3 assets also include investments within consolidated funds to the value of £2 million (30 June 2020: £nil, 31 December 2021: £nil) relating to private equity investments. The Group bears no risk from a change in the market value of these assets and 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 2021	30 June 2020	31 December 2020[1]
At beginning of the year	**1,822**	1,717	1,717
Fair value gains/(losses) charged to income statement	**23**	(3)	(121)
Purchases	**56**	-	16
Sales	**(2)**	(2)	(8)
Transfers in	**95**	887	930
Transfers out	**(440)**	(139)	(714)
Foreign exchange and other movements	**(1)**	2	2
Total Level 3 financial assets	**1,553**	2,462	1,822
Unrealised fair value gains/(losses) charged to income statement relating to assets held at the period end	**23**	(3)	(110)

[1]During the year ended 31 December 2020, Level 3 assets also included a shareholder investment in suspended funds of £2 million; this was not matched by a corresponding liability and therefore the changes in market value were recognised in the Group's consolidated income statement.

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

Transfers into Level 3 assets in the current period total £93 million (30 June 2020: £887 million, 31 December 2020: £930 million). This is due to a combination of stale priced assets that were previously shown within Level 2 and for which price updates have not been received for more than six months, and an increase in suspended funds previously 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 £440 million (30 June 2020: £139 million, 31 December 2020: £714 million) result from a transfer to Level 2 assets relating to assets that are now being actively repriced (that were previously stale) and where fund suspensions have been lifted.

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

			£m
	30 June 2021	30 June 2020	31 December 2020
Pooled investments	**168**	1,082	522
Unlisted and stale price pooled investments	**121**	175	87
Suspended funds	**47**	907	435
Private equity investments	**1,385**	1,380	1,300
Total Level 3 financial assets	**1,553**	2,462	1,822

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

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

			£m
	30 June 2021	30 June 2020	31 December 2020
At beginning of the year	**1,820**	1,717	1,717
Fair value gains/(losses) charged to income statement	**23**	(3)	(120)
Purchases	**56**	-	16
Sales	**(2)**	(2)	(8)
Transfers in	**93**	887	927
Transfers out	**(438)**	(139)	(714)
Foreign exchange and other movements	**(1)**	2	2
Total Level 3 financial liabilities	**1,551**	2,462	1,820
Unrealised fair value gains/(losses) charged to income statement relating to liabilities held at the period end	**22**	(3)	(110)

13: Fair value methodology *continued*

13(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 13(a) above, including the valuation techniques applied when significant unobservable assumptions are used to value Level 3 assets.

The majority of the Group's Level 3 assets are held within private equity investments, where the valuation of these assets is performed on an asset-by-asset basis using a valuation methodology appropriate to the specific investment and in line with industry guidelines. Private equity investments are valued at the value disclosed in the latest available set of audited financial statements or, if more recent information is available, from investment managers or professional valuation experts at the value of the underlying assets of the private equity investment. For this reason, no reasonable alternative assumptions are applicable and the Group therefore performs a sensitivity test of an aggregate 10% change in the value of the financial asset or liability (30 June 2020: 10%, 31 December 2020: 10%), representing a reasonable possible alternative judgement in the context of the current macro-economic environment in which the Group operates. It is therefore considered that the impact of this sensitivity will be in the range of £155 million to the reported fair value of Level 3 assets, both favourable and unfavourable (30 June 2020: £246 million, 31 December 2020: £182 million). As described in note 13(e), changes in the value of Level 3 assets held within linked policyholder funds are exactly matched by corresponding changes in the value of liabilities due to policyholders and therefore have no impact on the Group's net asset value or profit or loss, except to the extent that it has an impact on management fees earned.

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

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

Trade, other receivables, and other assets	Level 3
Trade, other payables, and other liabilities	Level 3

Cash and cash equivalents (excluding money market funds) are held at amortised cost and therefore not carried at fair value. The cash and cash equivalents that are held at amortised cost would be classified as Level 1 in the fair value hierarchy.

Fixed term deposits, which are included within Financial investments, are held at amortised cost and therefore not carried at fair value. The fixed term deposits that are held at amortised cost would be classified as Level 1 in the fair value hierarchy.

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

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

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

14: Cash and cash equivalents

			£m
	30 June 2021	30 June 2020	31 December 2020
Cash at bank	**580**	485	550
Money market funds	**968**	1,225	1,064
Cash and cash equivalents in consolidated funds	**341**	368	307
Total cash and cash equivalents per consolidated statement of cash flows	**1,889**	2,078	1,921
Less: cash within held for sale	**(186)**	-	-
Total cash and cash equivalents per statement of financial position	**1,703**	2,078	1,921

Cash and cash equivalents are considered materially available for use in the Group's day-to-day operations, except for amounts held in consolidated funds of £341 million (30 June 2020: £368 million, 31 December 2020: £307 million).

15: Share capital and capital redemption reserve

Financial instruments issued are classified as equity when there is no contractual obligation to transfer cash, other financial assets or issue a variable number of own equity instruments. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax. The Parent Company's equity capital currently comprises 1,720,973,063 Ordinary Shares of 7p each with an aggregated nominal value of £120,468,114 (31 December 2020: 1,783,969,051 Ordinary Shares of 7p each with an aggregated nominal value of £124,877,834).

This note gives details of the Company's Ordinary Share capital and shows the movements during the period:

		£m	£m
	Number of shares	**Nominal value**	**Share premium**
At 1 January 2020	1,902,251,098	133	58
Shares cancelled through share buyback programme	(45,986,864)	(3)	-
At 30 June 2020	1,856,264,234	130	58
Shares cancelled through share buyback programme	(72,295,183)	(5)	
At 31 December 2020	1,783,969,051	125	58
Shares cancelled through share buyback programme	(62,995,988)	(5)	-
At 30 June 2021	**1,720,973,063**	**120**	**58**

15: Share capital and capital redemption reserve *continued*

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 reduce the share capital of the Company. The programme commenced on 11 March 2020 and will continue into 2021. During the year ended 31 December 2020, the Company acquired 118.3 million shares for a total consideration of £153 million and incurred additional costs of £4 million. The shares, which had a nominal value of £8 million, have subsequently been cancelled, giving rise to a capital redemption reserve of the same value as required by the Companies Act 2006. In December 2020, the committed remainder of £22 million was accrued as a liability against retained earnings.

During the period ended 30 June 2021, the Company acquired the committed remainder from 2020 and, as part of tranche 3 of the share buyback, a further 63 million shares for a total consideration of £100 million, with additional costs incurred of £3 million. In June 2021, the committed remainder of £23 million was accrued as a liability against retained earnings.

16: Investment contract liabilities

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

			£m
	30 June 2021	30 June 2020	31 December 2020
Carrying amount at 1 January	**57,407**	52,455	52,455
From continuing operations			
Fair value movements	1,987	(1,211)	1,760
Investment income	100	290	512
Movements arising from investment return	2,087	(921)	2,272
From discontinued operations			
Fair value movements	1,088	(457)	872
Investment income	95	124	184
Movements arising from investment return	1,183	(333)	1,056
Contributions received	3,462	2,551	4,871
Maturities	(187)	(40)	(97)
Withdrawals and surrenders	(1,765)	(1,590)	(3,226)
Claims and benefits	(57)	(25)	(59)
Other movements	1	-	2
Change in liability	4,724	(358)	4,819
Currency translation (gain)/loss	(125)	170	133
Transfer to held for sale	(23,202)	-	-
Investment contract liabilities	**38,804**	52,267	57,407

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

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

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

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.

17: Provisions

30 June 2021	Compensation provisions	Sale of QLA	Sale of Single Strategy business	Clawback and other provisions	Total
					£m
Balance at beginning of the year	**42**	**3**	**7**	**25**	**77**
Charge to income statement[1]	**13**	**-**	**-**	**1**	**14**
Utilised during the period	**(3)**	**(1)**	**(2)**	**(2)**	**(8)**
Unused amounts reversed	**(3)**	**-**	**(1)**	**(2)**	**(6)**
Transferred to liabilities held for sale	**(5)**	**-**	**-**	**-**	**(5)**
Reclassification within statement of financial position	**2**	**-**	**-**	**1**	**3**
Balance at 30 June 2021	**46**	**2**	**4**	**23**	**75**

30 June 2020	Compensation provisions	Sale of QLA	Sale of Single Strategy business	Clawback and other provisions	Total
					£m
Balance at beginning of the year	31	6	10	17	64
Additions from business combinations	12	-	-	-	12
Charge to income statement[1]	8	-	-	-	8
Utilised during the period	(3)	(2)	(1)	-	(6)
Unused amounts reversed	(1)	-	(1)	-	(2)
Reclassification within statement of financial position	-	-	-	12	12
Balance at 30 June 2020	47	4	8	29	88

31 December 2020	Compensation provisions	Sale of QLA	Sale of Single Strategy business	Clawback and other provisions	Total
					£m
Balance at beginning of the year	31	6	10	17	64
Additions from business combinations	12	-	-	-	12
Charge to income statement[1]	10	-	-	1	11
Utilised during the year	(5)	(3)	(1)	(4)	(13)
Unused amounts reversed	(6)	-	(2)	(3)	(11)
Reclassification within statement of financial position	-	-	-	14	14
Balance at 31 December 2020	42	3	7	25	77

[1]Part of the charge to income statement is included within the discontinued operations income statement.

Compensation provisions

Compensation provisions total £46 million (30 June 2020: £47 million, 30 December 2020: £42 million), and are comprised of the following:

Lighthouse pension transfer advice provision of £35 million (30 June 2020: £29 million, 31 December 2020: £28 million)

Pension transfer advice provided to British Steel members

A provision for pension transfer advice was established within the fair value of the Lighthouse assets and liabilities acquired. As at 31 December 2019, the provision related to approximately 30 complaints received on advice provided by Lighthouse in respect of pension transfers for British Steel Pension Scheme members, prior to the Group's acquisition of Lighthouse in June 2019. All the complaints received related to transfers before that date.

During 2020, the FCA reported the results of their thematic review into the general market of pension transfers, which included British Steel pension transfers. The FCA review determined that the percentage of unsuitable files for British Steel transfers generally for the industry was higher than those for other pension scheme transfers in their thematic sample. The FCA review included a sample of British Steel pension transfer advice provided by Lighthouse. Additionally, approximately 45 further complaints were received from British Steel Pension Scheme members during the remainder of 2020. As such, the Group extended the provision to include consideration of the full population of 265 British Steel transfers on which Lighthouse advisers provided advice and the relevant customers proceeded to make a transfer, in order to determine a more reliable approximation of the estimated redress that may be payable to customers who are found to have received unsuitable advice which caused them to sustain a loss.

In April 2020, the Group was informed by the FCA that it would be required to appoint a skilled person to review the pension transfers by Lighthouse. A skilled person was appointed, and they have performed initial provisional calculations for a significant portion of the British Steel complaints received by Lighthouse where the advice given to customers was assessed as unsuitable to obtain an indication of how much redress may be payable to these customers. The methodology employed to perform these initial provisional redress calculations uses assumptions and estimation techniques which are consistent with principles under the FCA's FG17/9 *"Guidance for firms on how to calculate redress for unsuitable defined benefit pension transfers*". However, as is explained in more detail below, the methodology that will be used by the skilled person to perform actual redress calculations is in the process of being finalised between the skilled person and the FCA. The provisional redress amounts calculated on the complaints has been extrapolated to the entire population of British Steel transfers, noting however, that redress will only be available to those customers in this population who received unsuitable advice which caused them to sustain a loss by (a) subdividing the population into cohorts with similar characteristics, including the results to date of the skilled person's assessment of the number of cases where unsuitable advice was given, and also (b) dividing the population into transfers pre and post June 2017 when the Trustees of the British Steel Pension Scheme changed the basis on which transfer values were calculated. The timing of any benefits withdrawn by the member after the transfer also has an impact upon the provisional redress amounts calculated. The estimated redress per client as a proportion of the transfer value of the pensions was determined for each cohort and extrapolated to the population of cases assessed as unsuitable where advice was provided, and acted upon through Lighthouse.

17: Provisions *continued*

As part of the skilled person review, the skilled person and the FCA are in the process of finalising a loss assessment and redress calculation methodology, in line with the FCA's FG 17/9, and once agreed it will be used to calculate redress offers for those cases where the skilled person determines that a customer received unsuitable defined benefit pension transfer advice which caused them to sustain a loss. We expect the skilled person review to be completed during the first half of 2022.

A total provision of £28 million (30 June 2020: £29 million, 31 December 2020: £28 million) has been calculated for the potential redress of British Steel cases, including anticipated costs associated with the redress activity. This is comprised of two parts:

(a) Client redress provision, including the anticipated costs of providing ongoing advice to the customer, of £25 million (30 June 2020: £26 million, 31 December 2020: £25 million).
(b) Anticipated costs associated with redress activity of £3 million (30 June 2020: £3 million, 31 December 2020: £3 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 provided of a similar nature in relation to cases that the Group believe may have similar characteristics.

The £3 million insurance recoverable that was included in the fair value of the acquired net assets of Lighthouse has not changed. Discussion with insurers is ongoing and the Group will review the recoverable amount as and when they receive further certainty. The insurance asset at 30 June 2021 is disclosed within "Trade, other receivables and other assets".

The final costs of redress for cases upheld will depend on specific calculations on a case-by-case basis, which will be calculated per the detailed redress methodology when agreed by the skilled person and the FCA and also impacted by market movements and other parameters affecting the defined contribution scheme asset, and therefore exposed to volatility from this, and may vary from the amounts currently provided. The skilled person review is expected to conclude in the first half of 2022.

The key assumptions which have an impact upon the redress payable calculation are the discount rate, changes in market levels and proportion of cases where redress is estimated to be payable. For the purpose of the redress calculation, changes in the discount rate impact the valuation of the defined benefit ("DB") scheme at the reporting date, and market level changes impact the valuation of the personal pension scheme for each client.

The following table presents the potential change to the provision balance at 30 June 2021 as a result of movements in the key assumptions:

		£m
	30 June 2021	
	Increase	Decrease
Change in discount rate to value the DB pension liability of 0.25%	(4)	4
Change in market levels of 5%	(2)	2
Change in number of cases upheld of 10%	1	(1)

A further assumption which has an impact upon the provision is the timing of benefits taken. The uncertainty regarding the timing of benefits taken by each member for the cases not yet determined by the skilled person has a potentially material future impact upon the provision. The range of outcomes for the provision, including anticipated costs, varies from £25 million to £36 million at each extremity of possible timing of benefits taken.

Pension transfer advice provided to members of other schemes

During 2021, the skilled person review has identified unsuitable pension advice provided by former Lighthouse advisers for pension schemes other than the British Steel Pension Scheme. The provisional calculations of redress for these cases has resulted in the recognition of a provision of £7 million at 30 June 2021.

Compensation provisions (other) of £11 million (30 June 2020: £18 million, 31 December 2020: £14 million)

Other compensation provisions of £11 million are held within the Group's continuing operations and 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 the Group'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 but the majority of the balance is expected to be settled within 12 months. Estimates are reviewed annually and adjusted as appropriate for new circumstances.

A provision of £2 million, included within the balance, has been recognised during 2021 relating to potentially unsuitable advice provided by a past acquisition. A corresponding indemnification asset has been recognised within "Trade, other receivables and other assets" representing the amount receivable from the sellers under the terms of the sale agreement.

During the period, compensation provisions of £5 million within Quilter International have been transferred to liabilities held for sale.

The Group estimates a reasonably possible change of +/- £3 million, based upon a review of the cases and the range of potential outcomes.

Provisions arising on the disposal of Quilter Life Assurance

The QLA business was sold on 31 December 2019, resulting in a number of provisions totalling £6 million being established in respect of the costs of disposing the business and the related costs of business separation.

The costs of business separation arise from the process to separate QLA's infrastructure, which is complex and covers a wide range of areas including people, IT systems, data, contracts and facilities. A programme team was established to ensure the transition of these areas to the acquirer. These provisions have been based on external quotations and estimations, and estimates of the time required for incremental resource costs to achieve the separation.

The most significant element of the provision is the cost of migration of IT systems and data to the acquirer. Work is expected to conclude during 2021. Calculation of the provision is based on the Group'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, the Group has made use of their past experience of previous IT migrations following business disposals. The Group estimates a provision sensitivity of +/-25% (£1.5 million).

During the period £1 million of the provision has been utilised.

17: Provisions *continued*

Sale of Single Strategy Asset Management business provision

In 2018, a restructuring provision was recognised as a result of the sale of the Single Strategy Asset Management business to enable the remaining Quilter Investors business to function as a standalone operation going forward. The remaining provision relates to various sale related future commitments, the outcome of which was uncertain at the time of the sale and the most significant of which is in relation to the guarantee of revenues for the seller in future years arising from funds invested by customers of Quilter. The balance has decreased to £4 million during 2021 as a result of the settlement of £2 million related to the 2020 measurement year and £1 million reversed for the latest estimate for the 2022 measurement year.

The provision considers sensitivities including potential scenarios which would result in a reduction in Group assets under management held in the relevant (Merian) funds, leading to a reduction in the management fees paid to Jupiter, who acquired Merian during 2020. The scenarios are based upon assumptions determined considering historical outflows over the past three years, expectation of outflows to December 2022 and the latest information received from Jupiter. Per the conditions of the sale agreement, the maximum remaining potential exposure is £14 million for the 2022 calendar year. The expected range of payments based upon the latest information received from Merian and the Group's reasonable expectations of AUM invested within Merian funds during the 2022 assessment period is between £2 million and £8 million.

The £4 million provision outstanding is estimated to be payable after one year, with expected final settlement due in the first half of 2023.

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 and accruals are discounted at discount rates specific to the risks inherent in the liability. The timing and final amounts of payments in respect of some of the provisions, particularly those in respect of litigation claims and similar actions against the Group, are uncertain and could result in adjustments to the amounts recorded.

Included within the balance at 30 June 2021 is £19 million (30 June 2020: £18 million, 31 December 2020: £18 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 of the provision 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 2021, an associated balance of £14 million recoverable from brokers is included within "Trade, other receivables and other assets" (30 June 2020: £12 million, 31 December 2020: £13 million).

The Group estimates a reasonably possible change of +/- £6 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 £23 million provision outstanding, £12 million is estimated to be payable within one year (31 December 2020: £13 million).

18: Contingent liabilities

The Group, in the ordinary course of business, enters into transactions that expose it to tax, legal and business risks. The Group recognises a provision when it has a present obligation as a result of past events, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made (see note 17). 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*.

Contingent liabilities – acquisitions and disposals

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.

In April 2020, the Group was informed by the FCA that it would be required to appoint a skilled person, under section 166(3)(a) of the Financial Services and Markets Act 2000 ("FSMA"), in relation to Lighthouse Defined Benefit ("DB") pension transfer advice. The review covers Lighthouse Advisory Services Limited only, and no other companies within the Group. The review covers the period from 1 April 2015 to 27 January 2020, which is the date that Lighthouse converted to the Quilter Financial Planning advice process for their Defined Benefit transfer activity.

The review covers British Steel DB pension transfer advice activity undertaken by Lighthouse, and a representative sample of other Lighthouse DB pension transfer advice activity. The skilled person will also calculate redress using a redress methodology that is in the process of being finalised with the FCA which will be in line with the FCA's FG17/9 *"Guidance for firms on how to calculate redress for unsuitable defined benefit pension transfers*" guidance for those cases where the skilled person determines that a customer received unsuitable DB pension transfer advice. We expect the skilled person review to be completed during the first half of 2022.

For the British Steel cases, and a portion of the other cases reviewed by the skilled person, the Group currently considers that the likelihood of redress is probable on a proportion of the cases, but this is subject to confirmation through the ongoing skilled person review process. An estimate of the amount of redress payable has been made and is included within Provisions in note 17. For other non-British Steel cases, it is possible that further costs of redress may be incurred following the outcome of the skilled person review.

Any further redress costs, and any differences between the provision and final payment to be made for the DB cases, will be recognised as an expense or credit in the Income Statement.

Tax

The Revenue authorities in the principal jurisdictions in which the Group operates routinely review historical transactions undertaken and tax law interpretations made by the Group. The Group is committed to conducting its tax affairs in accordance with the tax legislation of the jurisdictions in which they operate. All interpretations made by 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 Revenue authorities. The financial statements include provisions that reflect the Group's assessment of liabilities which might reasonably be expected to materialise as part of their review. The Board is satisfied that adequate provisions have been made to cater for the resolution of tax uncertainties and that the resources required to fund such potential settlements are sufficient.

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

Notes to the condensed consolidated interim financial statements

For the period ended 30 June 2021

18: Contingent liabilities *continued*

Complaints, disputes and regulations

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

19: Related party transactions

In the normal course of business, the Group enters into transactions with related parties. Loans to related parties are conducted on an arm's length basis and are not material to the Group's results. There were no transactions with related parties during the current and prior year which had a material effect on the results or financial position of the Group.

20: Events after reporting date

Interim dividend

Subsequent to 30 June 2021, the Board has declared an interim dividend of 1.7 pence per Ordinary Share. This amounts to £28 million in total, and will be accounted for as an appropriation of retained earnings in the year ending 31 December 2021. The interim dividend will be paid on 20 September 2021 to shareholders on the UK and South African share registers.