NEWS RELEASE

10 March 2021
Quilter plc preliminary results for the year ended 31 December 2020

Financial results ahead of market expectations underpinned by operational efficiency and capital strength

Management basis - continuing business

- Adjusted profit before tax for the Group of £168 million (2019: £182 million).
- Adjusted diluted earnings per share from continuing operations of 8.5 pence (2019: 8.6 pence), reflecting a reduced share count due to our capital return programme.
- Final dividend of 3.6 pence per share (2019: 3.5 pence per share), bringing the total dividend for the year to 4.6 pence per share (2019: 5.2 pence per share).
- Assets under Management and Administration ("AuMA") up 7% to £117.8 billion at 31 December 2020 (31 December 2019: £110.4 billion).
  - Net Client Cash Flow ("NCCF") of £1.6 billion increased significantly on the prior year (2019: £0.3 billion).
  - Integrated net inflows of £2.3 billion (2019: £2.6 billion).
- IFRS profit before tax attributable to equity holders from continuing operations of £50 million (2019: loss of £53 million).
- Operational efficiency delivered a reduction in full year operating expenses of £16 million (3%) despite incremental costs from acquisitions of c.£12 million, higher FSCS levy and regulatory expenses of £7 million together with other cost headwinds including COVID-19 costs of c.£5 million, reflecting further cost savings from the Optimisation programme and tactical savings of c.£40 million from management actions.
- Resilient operating margin of 25% (2019: 26%) with the decline limited to one percentage point due to management actions largely offsetting the challenging market environment.

Statutory results

- IFRS profit after tax from continuing operations of £89 million (2019: loss of £21 million).
- Basic earnings per share from continuing operations of 5.1 pence (2019: (1.1) pence).
- Diluted earnings per share from continuing operations of 5.0 pence (2019: (1.1) pence).
- Solvency II ratio of 217% after payment of the recommended final dividend (2019: 221%).

Strategic progress

- Platform Transformation Programme successfully completed with final migration in late February 2021, in line with plan.
- Optimisation ahead of schedule with run-rate savings of £46 million by end-2020 alongside tactical cost savings of c.£40 million. Additional optimisation savings of c.£15 million identified and expected to be realised by mid-2022, with a cost to achieve of c.£16 million.
- 2019 Advice acquisitions integrated. Business repositioned to deliver a more seamless one-Quilter proposition to reinforce delivery of good customer outcomes. Increased focus on adviser productivity, efficiency and customer focus expected to lead to the departure of a small number of restricted financial planners in 2021.
- Continued capital management discipline. Share repurchases of £175 million completed up to close of business on 9 March 2021 at an average price of 132 pence per share. Odd-lot Offer completed in May 2020 at a cost of £21 million representing a purchase price of 126 pence per share. Regulatory approval in place for next £100 million tranche of share repurchase programme.
- Strategic review of Quilter International in progress.

Paul Feeney, Chief Executive Officer, said:

For all of us, 2020 was a year of extraordinary challenges, both personal and professional. At Quilter, I am pleased that we have not only come through the year well but also strategically and operationally stronger. The successful completion of our Platform Transformation Programme is a significant milestone. It not only proves our organisational capability to manage a project on this scale safely, but also sets us up for more accelerated growth in the huge UK wealth market. I was also pleased to have demonstrated our ability to outperform on cost expectations in challenging market conditions. We responded quickly to the changed environment in the second quarter by identifying tactical cost savings of £30 million and over-achieved against this target leading to a 3% decline in year-on-year costs despite other meaningful expense headwinds.

None of this would have been possible without the extraordinary efforts of all my colleagues, right across the organisation, who have done a great job in exceptional and unusual conditions. I am also delighted that our work has been recognised across the industry through the various awards we have won this year. In particular, being named "Company of the Year" in the recent FT Adviser service awards, retaining Quilter Financial Planning's spot as the UK's number one financial advice firm. More recently, Quilter Cheviot was awarded wealth manager of the year by Professional Adviser.

I am excited as I look out to 2021 and beyond. Since we Listed, our focus has been on transforming Quilter into the business we planned; a modern UK focussed wealth manager built around the core tenets of trusted financial advice, value for money, responsible and sustainable investment solutions and excellent customer service, all enabled and supported by the most advanced technology platform. Now with significant progress made on our transformation, we are wholly focussed on driving growth and efficiency through even better customer outcomes.

Quilter highlights from continuing operations[1]	2020	2019
Assets and flows		
AuMA (£bn)[2]	**117.8**	**110.4**
Gross sales (£bn)[2]	**10.9**	**12.3**
NCCF (£bn)[2]	**1.6**	**0.3**
NCCF/opening AuMA[2]	**1%**	**-**
Integrated net inflows (£bn)[2]	**2.3**	**2.6**
Productivity (£m)[2,3]	**1.3**	**1.6**
Asset retention[2]	**92%**	**88%**
Profit & loss		
IFRS profit/(loss) before tax attributable to equity holders from continuing operations (£m)[2]	**50**	**(53)**
IFRS profit/(loss) after tax from continuing operations (£m)	**89**	**(21)**
Adjusted profit before tax (£m)[2]	**168**	**182**
Operating margin[2]	**25%**	**26%**
Revenue margin (bps)[2]	**51**	**55**
Return on equity[2]	**7.6%**	**8.3%**
Adjusted diluted EPS from continuing operations (pence)[2]	**8.5**	**8.6**
Diluted earnings per share from continuing operations (pence)	**5.0**	**(1.1)**
Non-financial		
Restricted Financial Planners ("RFPs")[4]	**1,842**	**1,799**
Investment Managers ("IMs")[4]	**169**	**167**

[1]Continuing operations represent Quilter plc, excluding the results of Quilter Life Assurance ("QLA") in 2019, which was sold on 31 December 2019 to ReAssure.
[2]Alternative Performance Measures ("APMs") are detailed and defined on pages 5 to 7.
[3]Productivity is the measure of the value created by integrated net inflows from our advice business per average Restricted Financial Planner.
[4]Closing headcount as at 31 December.

Alternative Performance Measures ("APMs")

We assess our financial performance using a variety of measures including APMs, as explained further on pages 5 to 7. In the headings and tables presented from page 12 onwards, these measures are indicated with an asterisk: *.

John-Paul Crutchley	UK	+44 77 4138 5251
Keilah Codd	UK	+44 77 7664 9681
Media		
Jane Goodland	UK	+44 77 9001 2066
Tim Skelton-Smith	UK	+44 78 2414 5076
Camarco		
Geoffrey Pelham-Lane	UK	+44 77 3312 4226

Paul Feeney, CEO, and Mark Satchel, CFO, will host a virtual presentation and Q&A session for investors and analysts at 08:00am (GMT) today, 10 March 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:

United Kingdom/ Other	+44 333 300 0804
South Africa	+27 21 672 4118
United States	+1 631 913 1422
Access Code	23196769#

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, 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.

Business unit descriptor:

Previous Business Unit Name	New Business Unit Name
Advice & Wealth Management	
Multi-Asset	Quilter Investors
Quilter Cheviot	No change
Intrinsic	Quilter Financial Planning
Old Mutual Wealth Private Client Advisers	Quilter Private Client Advisers
Wealth Platforms	
Old Mutual UK Platform	Quilter Investment Platform
International	Quilter International
Quilter Life Assurance	Sold on 31 December 2019 to ReAssure

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 33 to 37.

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 consolidated 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 44 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. A detailed reconciliation of the adjusted profit before tax metrics presented, and how these reconcile to IFRS, is provided on page 17. 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 14. 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 46.
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, Old Mutual Wealth Life & Pensions, 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 33 and is included in the adjusted profit before tax to IFRS profit after tax reconciliation in note 5(a) to the consolidated financial statements.
IFRS profit before tax (excluding amortisation, policyholder tax adjustments and other one-off items)	This profit metric is calculated using the Group's IFRS profit before tax, from continuing and discontinued operations, and is adjusted to exclude amortisation of intangible assets, policyholder tax adjustments, and other one-off items as disclosed in the reconciliation in the Group's Annual Report. This APM was relabeled in 2019, to provide a more meaningful title (was previously called IFRS profit before tax (excluding policyholder tax and life tax contributions)). This metric is used as the basis for remuneration, which is explained in the Remuneration Report in the Group's Annual Report.
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 15 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 14.
Gross sales	Gross sales are the gross client cash inflows received from customers during the period and represent our ability to increase AuMA and revenue. Gross sales are disclosed by business on page 12 of the Financial review and by business and segment in the Supplementary information on pages 25 to 30.
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 on page 12 of the Financial review and by business and segment in the Supplementary information on pages 25 to 30.

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 considered to be 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 12 to 13 and is presented by business and segment in the Supplementary information on pages 25 to 30.
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 considered to be 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 13.
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 13 and is presented by business and segment in the Supplementary information on page 26.
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 14 of the Financial review and note 5(c) in the consolidated financial statements.
Net management fees	Net management fees consists of revenue generated from AuMA, fixed fee revenues including charges for policyholder tax contributions, less trail commissions payable. Net management fees are presented net of trail commission payable as trail commission is a variable cost directly linked to revenue, which is a treatment and presentation commonly used across our industry. Net management fees is 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 14 and note 5(c) in the consolidated 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 14 and note 5(c) in the consolidated financial statements.
Operating expenses	Operating expenses represent the underlying costs for the Group, which need to be 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 consolidated financial statements, and the adjusting items excluded from operating expenses are explained in note 5(b). Operating expenses are explained on page 15 of the Financial review. This APM was relabeled this year, from 'expenses' to 'operating expenses', to reflect a more meaningful title and provide a clearer distinction between the statutory expense measure and this APM.
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 18 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 assets under management during the period as a percentage of opening assets under management and administration. 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 pages 29 to 30.
NCCF/opening AuMA (excluding QLA)	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.

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 per average Restricted Financial Planner. Productivity is provided on pages 2, 13 and 29.
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 55 and note 8 in the consolidated 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 consolidated financial statements. Adjusted diluted earnings per share is referred to throughout this document, with additional details in the EPS section in the Financial review on page 16.
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 02/2015. This is calculated on a basic and diluted basis. For details of the calculation, refer to note 8 of the consolidated financial statements.

Chief Executive Officer’s statement

Execution

2020 will go down as one of the more demanding years in living memory with an unprecedented level of personal and business turmoil across the world. Our hearts go out to all those whose lives have been forever blighted by the consequences of COVID-19, whether through the passing of loved ones, financial hardship or having to deal with the personal challenges and mental health consequences of isolation during lockdown.

Against this backdrop, I have been humbled by the dedication, resilience, passion, and single-minded focus of all my colleagues across Quilter to deliver against the odds. They have not only met the expectations of all our stakeholders but have risen to the challenge of ensuring that, despite the unprecedented environment, 2020 was business-as-normal when it came to delivering for our customers, executing upon our strategic plans or just being there to support one another.

The four things that characterised Quilter through the crisis were:

- our focus on the welfare of our colleagues, advisers, customers and charitable partners;
- a focus on maintaining continuity of customer service at a high level and ensuring operational resilience;
- our financial resilience, with an unrelenting focus on costs and efficiency, coupled with strong liquidity following the sale of Quilter Life Assurance; and
- our continued strategic delivery including delivering our Platform Transformation Programme, implementing our new General Ledger and adviser payments system as well as integrating the advice acquisitions made in 2019.

I am also pleased that our work has been recognised across the industry through the various awards we have won this year. In particular, being named “Company of the Year” in the recent FT Adviser service awards, retaining Quilter Financial Planning’s spot as the UK’s number one financial advice firm and more recently, Quilter Cheviot being awarded wealth manager of the year in the Professional Adviser Wealth Partnership Awards.

2020 was a year that presented many challenges but our people have risen to them and have come through stronger with our business better positioned. The future has arrived early, and we have embraced it.

Strategic delivery

There are three strands to our strategic transformation agenda at Quilter and the more uncertain environment makes our focus on execution even more resolute:

- we will leverage the transformational power of our new UK Platform to deliver faster growth and productivity;
- we will make Quilter a simpler business, focussed on customer segments, to drive even better customer outcomes; and
- we will optimise our business by completing the cost reduction plans we set out in March 2019, to drive operational leverage.

I am delighted to report that our UK Platform Transformation Programme has been successfully completed with the final migration occurring just after year end in February 2021, during a full UK lockdown. This followed a successful initial migration of c.8% of the total platform assets in February 2020 which demonstrated that our platform technology worked well at scale and proved our ability to undertake a large migration in a safe and controlled manner. Our second migration completed in November 2020, in line with the revised timeline we set out in response to changed circumstances arising from COVID-19. That migration covered the majority (c.70%) of total platform assets and c.2,000 adviser firms. Finally, around 5,000 adviser firms were involved in the last migration in February 2021. In a number of instances, firms in this last migration do not use Quilter as a primary platform and we anticipate that their successful transfer onto our market-leading technology will be a gateway to a stronger business relationship over time.

Each migration followed the same rigorous approach:

- intense planning and validation of our readiness plans ahead of migration, incorporating a number of dry runs and dress rehearsals;
- elevated post-migration customer and adviser support in the immediate post-migration period; and
- incorporating adviser feedback to drive system improvements and embedding lessons learned from each migration into our planning for the next migration.

Successful platform migrations on this scale are rare and they are rare for a reason given their complex organisational, logistical and technological demands. We are pleased to have not only successfully completed this programme safely but to also have embedded the core competencies for a transformation project of this scale into our core business skillset.

We are delighted to have reached this milestone and our unique combination of flexible product wrappers, sophisticated management of investment solutions and range of tools, all built on robust new technology delivers an advanced platform experience for the intermediary community. We have already received excellent feedback on day-to-day usability, simplicity of portfolio management as well as our bespoke reporting features. Each of these are designed to make an adviser’s life easier. Our award-winning technical expertise has supported advisers to quickly adapt to fully use the Platform’s capability which, coupled with our commitment to service, delivers a market leading offering.

Turning to Quilter Financial Planning, our focus has been on integrating the acquisitions we made in 2019. Charles Derby was re-branded to Quilter Financial Advisers, our mass-affluent National business. The integration of Lighthouse plc (“Lighthouse”) is largely complete with advisers adopting the Quilter Financial Planners proposition, advice standards and technology. The generation of new client leads through our affinity relationships has remained strong despite the inevitable impact of COVID-19.

I appointed Stephen Gazard as CEO of Quilter Financial Planning in June with a view to repositioning the business to drive stronger net flows from a more productive base of advisers. Over the last five years we have built up a strong, hard to replicate, advice business focused on delivering good customer outcomes. Stephen's focus is straightforward: to take our existing strong franchise and simplify it to deliver cost effective, client-focused propositions that deliver good-outcomes to our customers. This makes the next stage of Quilter Financial Planning's evolution a very exciting one. While this will lead to certain advisers who are either not fully aligned with our proposition or who lack sufficient scale or strategic alignment leaving the business in 2021, we will have a simpler higher growth business delivering quality assured client outcomes to an even higher level of consistency.

In line with these plans to simplify our business and better align our resources to our principal customer groups, we will transfer Quilter Private Client Advisers into Quilter Cheviot later this year. Combining these businesses will allow us to deliver a seamless client proposition encompassing advice and bespoke investment management. Where desired, this will ensure integrated delivery of good client outcomes, while helping us maximise the growth potential within our higher net worth proposition.

I am also pleased to announce that, subject to regulatory approval, Steven Levin will be taking on an additional role as CEO of Quilter Investors while maintaining his existing responsibilities for the Quilter Investment Platform. As we seek to drive growth and efficiency across Quilter, we believe it makes sense to bring these two parts of our organisation closer together. I have tasked Steven with simplifying the client experience and ensuring a seamless approach to customer pricing and proposition development to further drive and deliver good customer outcomes.

We have also simplified and broadened the Quilter Investors product range through fund consolidation and new product launches, including our new multi-asset income suite and Cirilium Blend proposition. Both of these new investment propositions have significant assets under management and are performing well versus peers.

Our Optimisation programme continues to progress in line with plan. There are three strands to Optimisation:

- driving closer integration of capabilities across Quilter;
- rationalising technology and discretionary spend processes; and
- driving efficiency as interdependencies are streamlined.

Our net Optimisation run-rate savings increased by £22 million from the end 2019 level, to total run rate savings of £46 million to date and are ahead of where we expected to be at this point. While we delayed some staff restructuring activities at the outset of the COVID-19 situation, good progress on the overall programme has been maintained. Notably, we took completion of our new London property in August and exited all three of our legacy London sites in 2020. Although COVID-19 lockdowns have limited our ability to make the most of our new space, I am excited by the opportunities to collaborate that it will provide once we are able to return to the office.

Following the sale of Quilter Life Assurance at the end of 2019, we commenced a capital return programme to return £375 million to shareholders by way of a share buyback. Over the course of 2020 we purchased 118.3 million shares at a cost of £153 million giving an average price of 129.3 pence per share. Since year end, a further 14.3 million shares have been purchased giving an aggregate capital return of £175 million to date.

In December 2020, we announced the Board had begun a strategic review of the Isle of Man based Quilter International business. The strategic options range from a decision to retain the business through to a disposal. This review has made considerable progress but the Board is not yet in a position to reach a conclusion. We continue to note that if a disposal were to be decided upon, there is no certainty that any potential transaction would be concluded. We expect to update the market on the outcome of the strategic review by late Spring 2021.

Operational delivery

Delivering good customer outcomes through a trusted advice relationship is central to the Quilter business model. The Quilter Investment Platform is at the heart of our business, providing the investment 'wrappers' and other functionality to meet both our client and their adviser needs, while our investment solutions provide the intellectual capability to deliver the outcomes our clients seek. Confidence in our proposition is demonstrated through both the continued attraction of our solutions to independent financial advisers and the resilience of our integrated net inflows.

We experienced substantial improvement in year-on-year net flows even though gross client cash flows into the business in 2020 at £10.9 billion were around 11% lower than 2019 levels. NCCF increased to £1.6 billion versus £0.3 billion in 2019. This reflected improved persistency in client assets across each of Quilter Cheviot, Quilter International and the Quilter Investment Platform. Across the Group, overall levels of client retention improved to 92% versus 88% (90% excluding the impact of the specific team departure in Quilter Cheviot) in 2019. The overall level of DB to DC flows were broadly stable on 2019 and we welcomed the FCA announcement on plans to reform the DB transfer market which will help promote better, industry-wide, customer outcomes. I am pleased to note that our existing approach was already consistent with the FCA's announcement.

Overall AuMA increased by c.7% over the course of the year with a closing balance of £117.8 billion at 31 December 2020 compared with £110.4 billion at 31 December 2019. Average AuMA, the principal driver of net management fee revenue, of £107.9 billion for the year was modestly above the 2019 level of £105.7 billion.

I was pleased with consistent gross sales of £5.7 billion onto the Quilter Investment Platform in the period with the increase in NCCF from £0.9 billion in 2019 to £1.5 billion in 2020 while undertaking two major client asset migrations during the year. This consistency provides a solid foundation from which our new platform will be able to drive stronger flows given the wider range of products we can offer and assets we can hold.

Quilter International experienced modestly lower gross and net flows versus the prior year reflecting the nature of its business.

Over the course of the year, we recruited 137 Restricted Financial Planners, bringing our total to 1,842 net of departures. Limited net organic growth was a function of the external environment coupled with increased focus on individual adviser productivity. We expect further departures during 2021 as we reposition Quilter Financial Planning to drive better flow momentum while delivering good customer outcomes. The pipeline of firms seeking to join our network remains strong.

We have continued to add to the Quilter Cheviot investment team and our Investment Manager headcount increased to 169 at the end of 2020 from 167 in December 2019 and a low of 155 at the end of December 2018. We will to continue to selectively add to our Investment Manager headcount which will support growth in assets under management over time.

Our investment propositions continued to deliver good investment performance for clients. The medium and long-term performance at Quilter Cheviot continued to outperform relevant ARC benchmarks, remaining mainly first or second quartile, to the end of December 2020.

Quilter Investors' multi-asset solutions performance was also good, with performance on the biggest range, Cirilium Active, improving markedly to deliver second quartile outcome on a one-year view across all five active portfolios, with its longer-term performance also strong. Wealth Select continues to perform strongly over one, three and five years and we broadened access to this range by adding it to our restricted adviser panel. Cirilium Blend has performed satisfactorily since launch, remaining mostly second quartile. A notable milestone was reached with the Cirilium Passive range passing through the £2 billion AuM mark, making it Quilter Investors' third largest solution.

I was delighted to recruit Bambos Hambi as Chief Investment Officer of Quilter Investors in November from Aberdeen Standard Investments ("ASI"). At ASI, Bambos was Head of Multi-Manager Strategies and led one of the biggest fund selection teams in the UK. Bambos has a strong reputation for his down-to-earth, patient long-term investment approach – he will be a strong cultural fit with Quilter.

Business performance

I am very satisfied with our adjusted profit before tax for 2020 of £168 million, down 8% on 2019, given the broader market environment experienced during the year. Lower total net fee revenue of £682 million (2019: £712 million) reflected a decline in revenue margins as a result of the mix shift in Quilter Investors and Quilter International, as well as the planned repricing on the Quilter Investment Platform. Our overall revenue out-turn for the year has been better than we anticipated at the time of our Interim Results as a result of stronger market levels during the second half of the year. This, together with our commitment to cost discipline, has supported the profit out-turn.

In 2020 we focused strongly on cost management to protect the overall P&L from volatility in the external environment. A year ago, ahead of COVID-19 impacting markets, we were expecting a 2020 cost out-turn of around £560 million. After the sharp decline in markets at the end of March, we set a revised target of £530 million with our first quarter 2020 trading update with the intention of reducing expenditure by c.£30 million. We outperformed against this target and delivered tactical reductions in expenditure of c.£40 million versus our plan through lower variable compensation costs, reduced marketing and development spend and other short-term initiatives. As a result, full year operating expenses came in well below our revised target with a year-on-year decline of £16 million to £514 million (2019: £530 million). This was achieved despite absorbing a full year of costs from the Quilter Financial Planning acquisitions made during 2019, which added £12 million of costs including restructuring spend, as well as a £7 million higher charge for the 2020 FSCS levy and other regulatory costs. We also accommodated costs stranded from the sale of Quilter Life Assurance, and property dual-running costs in relation to the new London premises. Separately, there was a cost drag of £5 million relative to our expectations in respect of COVID-19 related expenses from support arrangements, costs of additional equipment required to enable staff to work from home and the impact of deferring certain planned redundancies until later in the year.

The decline in our operating margin for the full year was limited to a percentage point to 25% (2019: 26%, excluding Quilter Life Assurance) representing a significantly better out-turn than the 21% achieved in the first half of the year. Given more robust market levels and a better revenue outlook, the majority of the c.£40 million of tactical cost savings achieved in 2020 are expected to return to the expense line in 2021. As these savings contributed to an improvement in the operating margin of around six percentage points, underlying year-on-year progress into 2021 should be considered against a base excluding the benefit of these essentially one-time savings.

Our IFRS profit after tax from continuing operations was £89 million, compared to a loss of £21 million in 2019. The difference between this measure and our Adjusted Profit is largely due to non-cash amortisation of intangible assets, our Business Transformation costs and changes in the impact that policyholder tax positions can have on the Group's results. Business Transformation costs will remain in 2021 reflecting the final expenditure on the Platform Transformation Programme and further expenses incurred as part of our Optimisation initiatives.

Adjusted earnings per share of 8.5 pence compared with 8.6 pence from Quilter's continuing operations in 2019. On an IFRS basis, we delivered basic EPS from continuing operations of 5.1 pence versus a loss of 1.1 pence per share for the comparable period of 2019 on the same basis. Period-end shares declined by 6.2% or 118.3 million as a result of our share buyback programme.

The Board is recommending a final dividend of 3.6 pence per share which, together with the interim dividend of 1.0 pence per share, takes the proposed full year dividend to 4.6 pence per share. This compares to a 2019 dividend of 5.2 pence per share (inclusive of a distribution of 1.2 pence per share in respect of Quilter Life Assurance's profit contribution).

Finally, the provision made in respect of certain Defined Benefit ("DB") pension transfers for former British Steel Pension Scheme ("BSPS") members is unchanged since the interim results. We continue to work and co-operate with the FCA and the skilled person who has been appointed in relation to this matter, and their work will be described in more detail in the Annual Report. Whilst the relevant advice pre-dated our acquisition of Lighthouse, we have ensured that Lighthouse has responded to the situation consistent with our values.

Culture

Creating an inclusive and diverse culture where all colleagues feel they can be themselves has always been a core tenet of our cultural agenda. As much as this subject is important to all of us at Quilter, events elsewhere in 2020 really laid bare how much still needs to be done. The death of George Floyd in the US and subsequent protests in May emphasised the importance of decisive action and my own communication on the topic acted as a catalyst for colleagues opening up and demonstrated to me that, as an organisation, we had further work to do. In response, we created two new pan-Quilter employee networks for cultural diversity and LGBT+, to complement our existing gender equality network. We also launched an enhanced suite of family-friendly policies, appointed a new Head of Inclusion and Wellbeing, significantly enhanced our diversity data, implemented a diverse shortlist requirement for our most senior management roles and have begun to speak openly on these issues both internally and externally. In 2021 we will report our ethnic diversity data for the first time and set future targets. I was also pleased with our progress on the proportion of women in our senior management, meeting our target of 35% by the end of 2020. We have more room to improve and have reset our target to reach a minimum of 38% by the end of 2023. It is a priority for us to build on our progress in 2021 and I am confident that we will do so.

We monitor colleague engagement on a quarterly basis. This is an established process at Quilter that has been in place since prior to our Listing. We purposefully stepped up our communication over the period of lockdown with my Executive Committee and I sending weekly updates to colleagues across the organisation and encouraging feedback to help foster a greater spirit of involvement. I am delighted that our regular "Peakon" engagement scores across the organisation remain at a consistently high level.

We have a deep commitment to acting and investing responsibly and in 2020 we made excellent progress towards embedding environmental, social and governance (ESG) factors throughout our business. Climate change is undoubtedly the most significant challenge the world faces and tackling it is a responsibility of everyone. In 2020 we formalised our climate change strategy with the objective to reduce Quilter's contribution to climate change and support the transition to a low carbon economy. To achieve this ambition, we have developed a framework which is helping us to reduce our direct carbon footprint, embed climate considerations in our investment management and stewardship activity, offer clients climate-focused investment solutions and align with the Task Force on Climate-related Financial Disclosure. I am pleased with our progress on incorporating ESG considerations into our entire value chain. We are embedding ESG into our standard advice process to help clients invest according to their ESG preferences, and we are embedding ESG even more deeply into our standard investment management processes, both within our multi-asset investment solutions and our discretionary wealth management business. We celebrated the 10 year anniversary of our Climate Assets Fund which has benefited from increasing investor interest in ESG funds. To provide clients and advisers with greater transparency, in 2020, we incorporated ESG ratings for third-party funds available on our UK platform. Upon this solid foundation we will enhance our approach to responsible investment even further in 2021.

Outlook

Markets globally entered 2021 on an optimistic note and recent COVID-19 vaccine related news has been positive with roll-out plans progressing well in the UK. Although the full economic impact of the pandemic is only just beginning to be experienced, in terms of broader social challenges I am optimistic that the worst may be behind us. Quilter remains well positioned in an industry with secular long-term growth prospects. Completing the migration of assets onto our new UK platform in February 2021 was a watershed moment for the Group, not just because this has been a key area of focus internally and externally over the last five years but, more importantly, because the new Platform will strengthen the cohesion between our different UK business capabilities and will be a catalyst for faster growth in the future.

We are hopeful that flow momentum will continue to improve in 2021 with the year having started well in this regard. Boosting accessibility to our Wealth Select range by including it in our restricted proposition in Quilter Financial Planning will improve asset retention and integrated flows. While this may have an adverse impact on the revenue margin in Quilter Investors, these actions should be accretive to assets under management and administration which drive revenue generation.

We remain focused on controlling costs through both our Optimisation programme and other management initiatives and expect the 2021 cost out-turn to be around £560 million, assuming broadly stable markets. We need to ensure Quilter is fit for the future and so our Optimisation plans remain on track to deliver planned cost savings of £50 million by end 2021. Our work on Optimisation has also identified additional cost savings of £15 million which we intend to realise by mid-2022. To achieve this, the Group expects to incur additional Business Transformation costs of £16 million.

2020 has been an intense year with significant progress on strategic execution coupled with strong operational performance. Since we Listed, our focus has been on transformation. Our focus is now on execution, leveraging the strengths and capabilities of the modern integrated wealth manager that we have built. Now that Quilter is much closer to being the finished article, I look forward to the business reaching its full potential in 2021 and beyond.

Paul Feeney

Chief Executive Officer

Financial review

Review of financial performance

Overview

During 2020 international equity markets experienced significant volatility as a consequence of the Coronavirus pandemic. Volatility in equity market values can significantly impact the value of the Group's Assets under management and administration ("AuMA"), and therefore the Group's revenue, as the majority of the Group's revenue is based on asset levels. The FTSE-100 index ended the year down 14% on closing 2019 levels while the MSCI World index (GBP) was up 11% on the 2019 year-end index value. Between this, equity markets reached a low point towards the end of the first quarter of 2020, as indicated by the FTSE-100 index recording a low of 5,672 a drop of 25% from the start of the year, and the MSCI World Index (GBP) recording a low value of 3,586, a fall of 16% from the opening index value as the start of the year. Global equity markets recovered in the second half of the year, with the FTSE-100 index up 5% over this period and the MSCI World Index (GBP) up 10% - buoyed predominantly by the performance of technology stocks in the US.

The Group's AuMA ended the year at £117.8 billion, a 7% increase from the opening position at the start of 2020. This increase comprised £5.8 billion of positive market movements as a consequence of the equity market rally late in the year, and positive net client cash flow of £1.6 billion. Adjusted profit before tax decreased by 8% to £168 million, with a decline in overall revenue margins as a result of asset mix shifts in Quilter Investors and Quilter International, and the repricing on the Quilter Investment Platform. Generally, revenue adversely impacted by the fall in global markets in the first half of the year, had reversed in the subsequent period. The Group's IFRS profit after tax from continuing operations was £89 million, compared to a loss after tax of £21 million in 2019. The improvement was primarily due to the positive impact on policyholder tax following the decline in equity market values, which can vary year-on-year as a result of market volatility.

Adjusted diluted earnings per share from continuing operations were broadly unchanged at 8.5p (2019: 8.6p).

Alternative Performance Measures ("APMs")

We assess our financial performance using a variety of measures including APMs, as explained further on pages 5 to 7. In the headings and tables presented, these measures are indicated with an asterisk: *

Key financial highlights

Year ended 31 December 2020 Continuing operations	**Advice & Wealth Management**	**Wealth Platforms**	**Eliminations**	**Total Group**
Gross sales (£bn)*	7.1	7.3	(3.5)	**10.9**
Gross outflows (£bn)*	(6.5)	(5.5)	2.7	**(9.3)**
NCCF (£bn)*	0.6	1.8	(0.8)	**1.6**
Integrated net inflows (£bn)*	0.9	1.4	-	**2.3**
AuMA (£bn)*	48.5	84.3	(15.0)	**117.8**
NCCF/opening AuMA (%)*	1%	2%	n/a	**1%**
Asset retention (%)*	86%	93%	n/a	**92%**

Year ended 31 December 2019 Continuing operations	Advice & Wealth Management	Wealth Platforms	Eliminations	Total Group
Gross sales (£bn)*	7.5	8.0	(3.2)	12.3
Gross outflows (£bn)*	(7.8)	(6.6)	2.4	(12.0)
NCCF (£bn)*	(0.3)	1.4	(0.8)	0.3
Integrated net inflows (£bn)*	1.6	1.0	-	2.6
AuMA (£bn)*	45.8	77.7	(13.1)	110.4
NCCF/opening AuMA (%)*	(1%)	2%	n/a	-
Asset retention (%)*	81%	90%	n/a	88%

[1]Continuing operations represent Quilter plc, excluding the results of Quilter Life Assurance ("QLA") in 2019, which was sold to ReAssure on 31 December 2019.

Net client cash flow ("NCCF")*

Net client cash inflows were £1.6 billion for the year (2019: £0.3 billion), during a period where the impact of COVID-19 on the global economy has been dramatic, creating economic uncertainty and market volatility. The Group experienced slightly lower gross sales in 2020 due to the impact of the pandemic, which was more than offset by lower outflows in comparison to 2019, notably for Quilter Investment Platform, Quilter Cheviot, and Quilter International. Detailed analysis on NCCF by business is shown in the supplementary information section of this announcement.

Net inflows to Quilter Investors were down 40% on the prior year at £0.3 billion (2019: £0.5 billion), driven by a decrease in flows from Quilter Financial Planning as the pandemic environment presented advisers with less opportunity to attract new business. Cirilium Active started the year with challenged investment performance which resulted in outflows and switches to lower margin in-house solutions. Pleasingly, performance improved during the year. Quilter Financial Planning attracted net inflows into Cirilium Blend, Cirilium Passive and WealthSelect during the year and net inflows into WealthSelect via the Quilter Investment Platform were up 23% when compared to the prior year.

Quilter Cheviot attracted net inflows of £0.3 billion (2019: outflow of £0.8 billion), which was an improvement on the prior year, primarily due to lower levels of outflows linked to the Investment Managers ("IMs") who resigned in mid-2018 (2020: £0.2 billion outflow, 2019: outflows of £1.3 billion) and the loss of a £0.2 billion quasi-institutional mandate in the second quarter of 2019. Excluding the departures of IMs who resigned in the summer of 2018, NCCF was stable at £0.5 billion (2019: £0.5 billion).

Quilter Investment Platform recorded net inflows of £1.5 billion, up 67% (2019: £0.9 billion) where the year-on-year reduction in gross sales has been more than offset by the reduction in outflows. The impacts of COVID-19 reduced overall market activity as advisers spent most of the year focused on servicing existing clients rather than seeking to attract new clients given the restrictions on face-to-face meetings. Gross outflows were down 18% to £4.2 billion (2019: outflow of £5.1 billion). In addition, client led withdrawals were lower year-on-year as clients stayed invested during the worst periods of the market downturn and the UK lockdown restricted consumer spending, reducing withdrawals. Defined benefit ("DB") to defined contribution ("DC") pension scheme transfers were broadly stable with the prior year at £0.9 billion (2019: £0.8 billion).

Quilter International's net inflows were down 40% to £0.3 billion (2019: £0.5 billion) as the prior year was supported by a small number of large single investments from Hong Kong and Latin America in the fourth quarter, which totalled £0.3 billion. Excluding this, NCCF was broadly in line with the prior year.

Net flows (£bn)	**2020**	2019	% Change
Total integrated net inflows*	**2.3**	2.6	(12%)
Direct net inflows/(outflows)	**0.1**	(1.5)	-
Eliminations	**(0.8)**	(0.8)	-
Total Quilter plc NCCF*	**1.6**	0.3	433%

Integrated net inflows of £2.3 billion were down 12% from 2019 (£2.6 billion). The restricted channel of Quilter Financial Planning accounted for £0.8 billion (2019: £1.2 billion) of Quilter Investors' net flows, £1.2 billion (2019: £1.0 billion) of Quilter Investment Platforms' net flows and £0.3 billion (2019: £0.4 billion) of Quilter Cheviot net flows. The year-on-year improvement in direct net inflows was primarily driven by outflows related to the departure of a specific IM team at Quilter Cheviot not recurring in 2020, together with an increase in the performance of direct flows to the Wealth Platforms businesses.

Total Restricted Financial Planner ("RFP") headcount was 1,842 at 31 December 2020, up by 2% from 1,799 at 31 December 2019. Organic growth for the year was limited as a result of the external environment coupled with a scaling back of acquisitions in Quilter Private Client Advisers as a consequence of the ongoing pandemic. Productivity* for Quilter Financial Planning was £1.3 million per RFP for the year (2019: restated to £1.6 million) as a result of reduced net inflows to Quilter Investors and Quilter Cheviot in light of the challenging market environment. Net inflows to Quilter Investment Platform performed well, up 20% year-on-year, emphasising the strength of Quilter's platform proposition and realising benefits from the acquisitions made in 2019.

Asset retention* has increased to 92% (2019: 88%), predominantly as a result of lower outflows from Quilter Investment Platform and Quilter Cheviot.

Assets under Management/Administration*

AuMA was £117.8 billion at 31 December 2020, up 7% from 31 December 2019 (£110.4 billion), driven by positive market movements of £5.8 billion and £1.6 billion of net inflows.

Quilter Investors' AuM was £23.2 billion, up 7% since the start of the year (2019: £21.6 billion). The Cirilium fund range AuM increased by 11% to £12.3 billion at 31 December 2020 (2019: £11.1 billion), with £0.1 billion of net outflows and £1.3 billion of positive market movements. Within the Cirilium fund range, net outflows from Cirilium Active to Cirilum Passive and Cirilium Blend solutions was a notable characteristic during the year, with the COVID-19 environment adding some acceleration to the trend experienced during 2019. The WealthSelect fund range AuM increased by 18% to £7.9 billion at the end of December 2020 (2019: £6.7 billion) with £0.7 billion of net inflows and £0.5 billion of positive market movement. Quilter Cheviot AuM of £25.3 billion increased by 5% in the year, primarily as a result of positive market movements. Quilter Investment Platforms' AuA increased by 9% to £62.5 billion, driven by increases in the market value of assets and net inflows. Net inflows of £1.2 billion were received from Quilter Financial Planning and total assets held by Quilter Financial Planning clients on the platform was £9.7 billion. Net inflows of £0.3 billion were received from Independent Financial Advisers during the year (2019: outflow of £0.2 billion). Quilter International AuA of £21.8 billion was a 6% increase on the prior year (2019: £20.5 billion) primarily due to exposure to rebounding US and international markets, low surrender rates and broadly stable sales levels, partially offset by unfavourable exchange rate market movements.

IFRS profit after tax

The Group's IFRS profit after tax was £88 million for 2020, compared to £146 million in the prior year. 2019 included profit after tax from discontinued operations of £167 million, which related to the QLA business that was sold on 31 December 2019.

IFRS profit after tax from continuing operations was £89 million in 2020, compared to a loss after tax of £21 million in 2019, primarily due to the impact of a decrease in policyholder tax, which can vary significantly year-on-year as a result of market volatility, and a reduction in IFRS operating and administrative expenses during 2020 driven by the costs associated with the delivery of the Optimisation programme and the Platform Transformation Programme.

The Group's IFRS income and total expenses are impacted by the unit-linked investment contracts within Quilter Investment Platform and Quilter International, where the investment return on the underlying portfolio of assets is offset by a corresponding movement in policyholder liabilities. Consequently, the decrease of £2.7 billion in IFRS income from £7.4 billion in 2019 to £4.7 billion in 2020 is offset by a corresponding decrease in IFRS total expenses, which was £4.6 billion in 2020, reduced from £7.4 billion in the prior year.

Adjusted profit before tax*

Adjusted profit before tax reflects the Board's view of the underlying performance of the Group and is used for management decision making and internal performance management. Adjusted profit before tax is a non-GAAP measure which adjusts IFRS profit for specific items, as detailed in note 5 of the consolidated financial statements on page 44, and is the profit measure presented for the Group's segmental reporting.

Adjusted profit before tax was £168 million for the year, 8% lower than the prior year (2019: £182 million). Adjusted profit before tax for the Advice and Wealth Management segment decreased by 13% year-on-year and the Wealth Platforms segment increased by 2% compared to the prior year.

Total net fee revenue was £682 million, 4% lower than the prior year (2019: £712 million). Net management fees of £552 million were lower than those of the prior year (2019: £579 million) predominantly due to market volatility, reduced new client activity as a consequence of COVID-19, and the decline in overall revenue margins as a result of anticipated asset mix changes. The revenue margin was reduced following the Quilter Investment Platform reprice in April 2020, a continuation of the trend of clients switching from Cirilium Active to the lower margin Cirilium Passive and Cirilium Blend funds, the non-recurrence of the 2019 revenue provision release within Quilter Investors, and the anticipated trend in Quilter International where the proportion of assets on older-style pricing structures was reducing relative to the size of the overall book. The revenue margin within Quilter Cheviot remained broadly stable year-on-year. Other revenue of £130 million was down marginally against prior year (2019: £133 million), primarily due to the impact of adverse FX movements and lower interest rates and improved surrender experience for Quilter International, which were partially offset by higher advisory revenues generated by Quilter Financial Planning as a result of acquisitions made in 2019.

Operating expenses for the Group decreased from £530 million in 2019 to £514 million, primarily due to c.£40 million of tactical cost savings made during the year, with lower variable compensation costs, decreased marketing spend, and delayed development spend, which were partially offset by increased FSCS levies and regulatory costs, expenses incurred to prepare the business for remote working and providing a safe COVID-19 workplace, and higher one-off costs in relation the London office move during the year.

The Group's overall operating margin has decreased to 25% (2019: 26%) as a result of the reduction in revenue.

Financial performance from continuing operations 2020 (£m)	**Advice & Wealth Management**	**Wealth Platforms**	**Head Office**	**Total Group**
Net management fees*	279	273	-	**552**
Other revenue*	117	12	1	**130**
Total net fee revenue*	**396**	**285**	**1**	**682**
Operating expenses*	**(306)**	**(171)**	**(37)**	**(514)**
Adjusted profit before tax*	**90**	**114**	**(36)**	**168**
Tax				**(16)**
Adjusted profit after tax				**152**
Operating margin (%)*	23%	40%		**25%**
Revenue margin (bps)*	63	36		**51**

Financial performance from continuing operations 2019 (£m)	Advice & Wealth Management	Wealth Platforms	Head Office	Total Group
Net management fees*	296	283	-	579
Other revenue*	111	19	3	133
Total net fee revenue*	407	302	3	712
Operating expenses*	(304)	(190)	(36)	(530)
Adjusted profit before tax*	103	112	(33)	182
Tax				(22)
Adjusted profit after tax				160
Operating margin (%)*	25%	37%		26%
Revenue margin (bps)*	67	38		55

Total net fee revenue*

The Group's total net fee revenue decreased by 4% to £682 million (2019: £712 million) due to the mix shift within Quilter Investors and Quilter International to lower margin products, and the repricing of the Quilter Investment Platform resulting in the blended revenue margin for the Group to decrease by 4 bps to 51 bps. Generally, revenue adversely impacted by the fall in global markets in the first half of the year reversed in the subsequent period and average AuMA for the year was £107.9 billion (2019: £105.7 billion).

Total net fee revenue for the Advice and Wealth Management segment decreased by 3% during the year, to £396 million (2019: £407 million). Quilter Investors' net management fee revenue decreased by £12 million from the prior year as a result of a non-recurring revenue provision release of c.£8 million in 2019 and the earlier referenced mix shift to lower margin products. Total net fee revenue within Quilter Cheviot was 4% lower at £171 million (2019: £178 million) as average AuM was 1% lower than prior year and reduced revenues were earned following the reduction in base interest rates in March 2020. Other revenue increased to £117 million (2019: £111 million), principally due to the increase in advice fees in Quilter Financial Planning as a result of the acquisitions in 2019. Within the revenue generated by advice, recurring and fixed fees increased by £10 million against prior year, of which £8 million related to the increase of acquisitions in the prior year, while revenues generated through initial fees reduced marginally on that of the prior year.

Total net fee revenue for the Wealth Platforms segment was £285 million, down 6% from £302 million in 2019. Quilter Investment Platforms' net fee revenue decreased by £10 million, down 6% to £167 million, despite higher average asset levels, due to the continuing trend of new business margins being lower than the existing back book rates, an increase in the proportion of assets for Quilter Financial Planning clients, and the platform reprice implemented in April 2020. Quilter International's net fee revenue was £7 million lower than the prior year at £118 million, mainly as a result of the impact of adverse FX movements, lower interest rates and improved surrender experience, which is reflected in the decrease in other revenue.

The revenue margin for Advice and Wealth Management of 63 bps was 4 bps lower in comparison to the prior year. This decline was predominantly due to a 7 bps decrease in the average revenue margin for Quilter Investors to 53 bps, driven by the strategy to build out and develop a fuller suite of investment propositions. As previously reported, the comparative period margin included the impact of non-recurring revenue provision releases in 2019. Quilter Cheviot's revenue margin remained stable with that of the prior year at 72 bps. The revenue margin for Wealth Platforms decreased by 2 bps to 36 bps, due to the anticipated trend for lower margin products for new business written into Quilter International, and the charging structure reprice from April 2020 within Quilter Investment Platform.

The Group's revenue margin* of 51 bps was 4 bps lower than prior year (2019: 55 bps).

Operating expenses*

Operating expenses decreased by £16 million to £514 million during the year (2019: £530 million). The Group incurred £7 million of additional FSCS levy and regulatory fee costs compared to the prior year, the acquisitions made by Quilter Financial Planning in 2019 increased operating expenses by £12 million in 2020, and property dual-running costs in relation to the new London premises of £10 million. These cost increases, and those arising from inflation, were more than offset by c.£40 million of tactical cost savings, which included lower variable compensation costs, decreased marketing spend, and delayed development spend. Continued cost discipline was also achieved through further savings from the Optimisation programme, where additional in-year benefits of £13 million were realised in 2020 compared to 2019. Further details on the Optimisation programme expense savings are provided further in the Financial review.

Operating expense split (£m)	**2020**	2019[1]
Front office and operations	**226**	211
IT	**85**	86
Development	**9**	20
Support functions	**70**	85
Property	**43**	28
Regulatory fees and levies	**22**	15
Variable compensation	**59**	85
Operating expenses*	**514**	530

[1]For the 2019 comparatives, some costs have been reallocated between categories to align with current year presentation.

Front office and operations expenses increased by 7% to £226 million (2019: £211 million), primarily due to the impact of the Quilter Financial Planning acquisitions made during the course of 2019 resulting in a full year run-rate of costs during 2020, including one-off integration costs.

IT expenses decreased by 1% to £85 million (2019: £86 million), driven by savings realised as part of the Optimisation programme, which were partially offset by increased information security costs.

Development expenses decreased by 55% to £9 million (2019: £20 million). The decrease was mainly due to lower development costs due to a reduction in regulatory change requirements in 2020 compared to the prior year, and postponed change activity as a consequence of COVID-19.

Support functions expenses decreased by 18% to £70 million (2019: £85 million) driven by continued savings realised as part of the Optimisation programme, partially offset by increased costs in relation to the COVID-19 pandemic to mobilise remote working across the business.

Property costs increased to £43 million (2019: £28 million). This is driven by the property dual-run and exit costs associated with the London office move of approximately £10 million as previously guided, and increased facilities costs incurred to provide a COVID-19 secure environment.

Regulatory fees and levies, which includes the Group's FSCS levies and FCA fees, have increased by 47% to £22 million (2019: £15 million) driven by increased claims experience across the financial services industry in the UK, which is levied by the FCA. Recent announcements by the FCA indicate that the industry FSCS levy may increase to over £1 billion in 2021/22 – an increase of 48% on that of the disclosed final levy in 2020/21. Accordingly, it is anticipated that the FSCS levy cost to the Group will continue to increase in 2021.

Variable compensation costs decreased by 31% to £59 million as a result of the impact of COVID-19 on the achievement of the Group's planned adjusted profit before tax for the year. Management anticipate that variable compensation costs will increase to more normalised levels in future periods if current equity market levels are maintained, with the extent of the cost increase predominantly dependent upon the adjusted profit generated by the business.

Total operating expenses for 2021 are expected to be broadly in line with our original expectations for 2020, at around £560 million, as variable compensation, marketing and development spend return to more normalised levels as the impact of COVID-19 and the associated restrictions are eased, along with an anticipated increase in regulatory levies. Offsetting the increase will be further benefits arising from the Optimisation programme.

Taxation

The effective tax rate ("ETR") on adjusted profit before tax was 10% (2019: 11%). The Group's ETR is lower than the UK corporation tax rate of 19% principally due to profits from Quilter International being taxed at lower rates than the UK, and the change in the UK corporation tax rate from 1 April 2020 from 17% to 19% which resulted in a rebase in the Group's deferred tax assets and liabilities, and had a net positive impact to the tax expense. The Group's ETR is dependent upon a number of factors including the level of Quilter International profits, as well as the UK corporation tax rate.

The Group's IFRS income tax expense on continuing business was a credit of £3 million for the year ended 31 December 2020, compared to a charge of £66 million for the prior year. The primary reason for the IFRS income tax credit for the year is due to first-time recognition of a deferred tax asset in relation to accrued interest expense. The income tax expense or credit can vary significantly year-on-year as a result of market volatility and the impact market movements have on policyholder tax. The recognition of the income received from policyholders (which is included within the Group's IFRS revenue) to fund the policyholder tax liability can vary in timing to the recognition of the corresponding policyholder tax expense, creating volatility to the Group's IFRS profit or loss before tax attributable to equity holders. An adjustment is made to adjusted profit before tax to remove these distortions, as explained further on page 18 and in note 5(b) of the consolidated financial statements.

Earnings Per Share ("EPS")

Basic EPS for 2020 was 5.0 pence (2019: 8.0 pence). Basic EPS is based on the Group's IFRS profit and reported including both continuing and discontinued operations. For 2020, the basic EPS from continuing operations was 5.1 pence (2019: (1.1) pence), and (0.1) pence relates to discontinued operations (2019: 9.1 pence). Discontinued operations in 2019 included profit attributable to the QLA business, and the gain on sale, whilst 2020 only includes a residual amount of costs associated with business disposals. During the year, the average number of shares in issue decreased to 1,842 million (2019: 1,902 million). The average number of shares in issue used for the basic EPS calculation was 1,760 million (2019: 1,835 million), after the deduction of own shares held in Employee Benefit Trusts and consolidated funds of 82 million (2019: 67 million). The reduction in the number of shares in issue in the year is due to the share buyback programme, which commenced in 2020, with 118 million shares bought and cancelled during the year. The decrease in shares in issue as a result of the buyback, and the corresponding impact on the average number of shares in issue used for the EPS calculation, led to an increase of 0.2 pence in the basic EPS for 2020.

The average number of shares in issue used for the diluted EPS calculation was 1,797 million (December 2019: 1,863 million). This includes the dilutive effect of shares and options awarded to employees under share-based payment arrangements of 37 million (December 2019: 28 million). The dilutive effect of share awards has continued to increase due to more share options being awarded to employees.

Optimisation

The Optimisation programme has delivered notable efficiencies and improvements in operational performance for the Group through greater technology utilisation and integration activity. Our technology enabled transformation over 2020 included successful deployment of new finance and procurement modules as part of our general ledger consolidation and modernisation activity effective from January 2021. The HR module, efficiency gains and further technical releases will follow in 2021. The automation of manual operational processes within Quilter International using robotics has continued and only a few deployments remain in what has been a transformational initiative for the business. Further potential deployment of robotics in the wider Quilter business is under assessment.

Quilter continued to leverage support function centres of excellence to achieve cost savings and reduce spend across the business by introducing tighter supplier management practices, insourcing capabilities and rationalising and consolidating technology and other suppliers across the Group.

In addition to benefits arising from prior years, the Group delivered a further £13 million of cost reduction in 2020 against the 2018 cost base, with £22 million of run-rate benefit bringing the total delivered run-rate to £46 million and associated implementation costs since inception of £56 million. Given COVID-19, management made the decision to delay certain planned activities in the short term which marginally reduced the timing of the realised benefit profile in 2020. The Optimisation programme remains on track to deliver the initial expected cost reductions.

Quilter will continue to transform with focus turning now towards operational and customer-facing areas of the business as the Group seeks to integrate further, drive efficiencies and improve both the adviser and customer experience whilst also pursuing benefits within support function centres of excellence post technology implementations. Therefore, in addition to the benefits and costs previously announced, the Group has extended the Optimisation business transformation with additional optimisation annualised run-rate savings of c.£15 million identified with costs to achieve of c.£16 million expected to be realised by mid-2022. At the outset of the Optimisation project the Group indicated that certain business activities were out of scope due to our focus on delivering a successful platform migration and to limit disruption to those parts of the business responsible for revenue generation. With the Platform migration now complete, the Group is now considering the potential for a final phase of Optimisation efficiencies and expects to provide an update on this in the latter part of the year.

Lighthouse pension transfer advice provision

As reported in the Group's 2019 Annual Report, a provision was recognised in relation to a number of complaints received on pension transfer advice provided by Lighthouse 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 and, as such, the provision was established within the fair value of the Lighthouse assets and liabilities acquired with a corresponding increase in goodwill.

A total provision of £28 million (31 December 2019: £12 million) has been calculated for the potential redress of all British Steel cases, including anticipated costs of legal and professional fees associated with the redress activity. The provision was increased during 2020 following the publication of the FCA thematic review and additional client complaints being received.

The recognition of the total provision of £28 million has been apportioned between the fair value of net assets of Lighthouse at acquisition and the expenses of the Group. £24 million (31 December 2019: £12 million) is recognised within the fair value of net assets acquired and impacts the goodwill balance recognised upon acquisition. The impact on the goodwill balance was partially offset by the recognition of an insurance recovery asset of £3 million, and a deferred tax asset of £2 million, resulting in a net increase to goodwill of £19 million.

The increase in the provision subsequent to acquisition of £5 million has been recognised within expenses of the Group, with £1 million of this provision utilised during the year.

The final costs of redress for cases upheld will depend on specific calculations on a case-by-case basis, and will be 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 4(a), 17 and 18 to the financial statements

Reconciliation of adjusted profit before tax* to IFRS profit

Adjusted profit before tax for the Group was £168 million (2019: £182 million from continuing operations excluding Quilter Life Assurance which was sold 31 December 2019).

The Group's IFRS profit after tax from continuing operations was £89 million, compared to a loss after tax of £(21) million in 2019, primarily due to the change in policyholder tax, which can vary significantly year-on-year as a result of market volatility. The table below provides the reconciliation of the Group's adjusted profit before tax to the IFRS profit/(loss) after tax for 2020 and 2019.

Reconciliation of adjusted profit before tax to IFRS profit/(loss) after tax	**For the year ended 31 December 2020**			For the year ended 31 December 2019		
£m	**Continuing Operations**	**Discontinued operations[1]**	**Total**	Continuing Operations	Discontinued operations[1]	Total
Advice and Wealth Management	**90**	**-**	**90**	103	-	103
Wealth Platforms	**114**	**-**	**114**	112	53	165
Head Office	**(36)**	**-**	**(36)**	(33)	-	(33)
Adjusted profit before tax*	**168**	**-**	**168**	182	53	235
Reallocation of QLA costs	**-**	**-**	**-**	(26)	26	-
Adjusted profit before tax after reallocation*	**168**	**-**	**168**	156	79	235
Adjusting for the following:						
Impact of acquisition and disposal related accounting	**(42)**	**-**	**(42)**	(54)	-	(54)
(Loss)/profit on business disposals	**-**	**(1)**	**(1)**	-	103	103
Business transformation costs	**(70)**	**-**	**(70)**	(77)	-	(77)
Managed Separation costs	**-**	**-**	**-**	(6)	-	(6)
Finance costs	**(10)**	**-**	**(10)**	(10)	-	(10)
Policyholder tax adjustments	**9**	**-**	**9**	(62)	(12)	(74)
Customer remediation	**(5)**	**-**	**(5)**	-	10	10
Total adjusting items before tax	**(118)**	**(1)**	**(119)**	(209)	101	(108)
Profit/(loss) before tax attributable to equity holders*	**50**	**(1)**	**49**	(53)	180	127
Tax attributable to policyholder returns	**36**	**-**	**36**	98	76	174
Income tax credit/(expense)	**3**	**-**	**3**	(66)	(89)	(155)
Profit/(loss) after tax[2]	**89**	**(1)**	**88**	(21)	167	146

[1]Discontinued operations includes the results of the Quilter Life Assurance ("QLA") business in 2019.
[2]IFRS profit/(loss) 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 consolidated financial statements.

The 'impact of acquisition and disposal related accounting' costs of £42 million (2019: £54 million) include amortisation of acquired intangible assets of £45 million (2019: £45 million), acquisition and disposal related costs, including the unwinding of discounting on contingent consideration of £1 million (2019: £9 million), partially offset by fair value gains on the revaluation of contingent consideration of £4 million (2019: £nil). These costs have decreased in 2020, principally due to the impact of no material acquisitions being made during the year.

The loss on business disposals of £1 million (2019: profit of £103 million) represents transaction and separation costs recognised during the year, which relate to the sale of the QLA and Single Strategy businesses in prior years. The Group recognised a profit on disposal of £103 million in the prior year in relation to the sale of QLA to ReAssure on 31 December 2019.

Business transformation costs of £70 million (2019: £77 million) include £38 million (2019: £57 million) incurred on the UK Platform Transformation Programme and £33 million of costs (2019: £18 million) in relation to the Optimisation programme. In 2020, a credit of £1 million has been recognised in relation to the separation of Quilter Investors as a result of the sale of the Single Strategy business, and in 2019 restructuring costs of £3 million were incurred as a result of the sale of QLA.

Managed Separation costs were nil (2019: £6 million), reflecting costs associated with our successful separation from Old Mutual plc and Listing in June 2018. In 2019, this cost was primarily incurred on the rebranding activities within the business, with residual costs expected to be incurred in early 2021 for the final rebranding activity of the UK Platform business following the final client asset migration.

Finance costs were £10 million (2019: £10 million) wholly related to the interest and amortisation of setup fees on the Tier 2 bond and Revolving Credit Facility.

Policyholder tax adjustments from continuing operations were a credit of £9 million for 2020 (2019: debit of £74 million) in relation to the removal of distortions arising from market volatility that can, in turn, lead to volatility in the policyholder tax charge between periods. The recognition of the income received from policyholders (which is included within the Group's IFRS revenue) to fund the policyholder tax liability can vary in timing to the recognition of the corresponding tax expense, creating volatility to the Group's IFRS profit/(loss) before tax attributable to equity holders.

The customer remediation adjustment of £5 million in 2020 relates to the impact of post-acquisition market movements on the British Steel complaints provision relating to Lighthouse. The £10 million credit in the prior period relates to the release of the voluntary customer remediation provision in QLA associated with certain legacy products.

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 86% of adjusted profit after tax over 2020 (2019: 85%, restated for continuing business only following the disposal of QLA).

Review of financial position

Capital and liquidity

Solvency II

The Group's Solvency II surplus is £1,021 million at 31 December 2020 (31 December 2019: £1,168 million), representing a Solvency II ratio of 217% (31 December 2019: 221%). The Solvency II information for the year to 31 December 2020 contained in this results disclosure has not been audited.

The Group's Solvency II capital position is stated after allowing for the impact of the recommended final dividend payment of £61 million (2019: £64 million).

Group regulatory capital (£m)	**At 31 December 2020[1]**	At 31 December 2019[2]
Own funds	**1,897**	2,132
Solvency capital requirement ("SCR")	**876**	964
Solvency II surplus	**1,021**	1,168
Solvency II coverage ratio	**217%**	221%

[1]Filing of annual regulatory reporting forms due by 20 May 2021.
[2]As represented within the Quilter plc Group Solvency and Financial Condition Report for the year ended 31 December 2019.

The 4 percentage point decrease in the Group Solvency II ratio from the 2019 position is primarily due to the capital movements associated with the Odd-lot Offer and Tranches 1 and 2 of the share buyback net of profit recognised in the year 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, including the UK Platform Transformation Programme. 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 arising from the sale of QLA that is still intended to be returned to shareholders via further share buybacks.

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 31 December 2020**	At 31 December 2019
Tier 1[1]	**1,688**	1,925
Tier 2[2]	**209**	207
Total Group Solvency II own funds	**1,897**	2,132

[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 193% of the Group SCR of £876 million. Tier 1 capital represents 89% of Group Solvency II own funds. Tier 2 capital represents 11% of Group Solvency II own funds and 20% of the Group surplus.

Dividend

The Board has recommended a final dividend of 3.6 pence per share at a total cost of £61 million. Subject to shareholder approval, the recommended final dividend will be paid on 17 May 2021 to shareholders on the UK and South African share registers on 9 April 2021. For shareholders on our South African share register a dividend of 76.88786 South African cents per share will be paid on 17 May 2021, using an exchange rate of 21.35774. This will bring the dividend for the full year to 4.6 pence per share (2019: 5.2 pence per share).

Holding company cash

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

The holding company cash statement illustrates cash received from the key trading entities within the business 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	2020	2019
Opening cash at holding companies at 1 January	**815**	416
Quilter Life Assurance business sale – cash proceeds	-	446
Quilter Life Assurance business sale - costs of disposal	(24)	(7)
Single Strategy business sale – deferred consideration received	7	-
Share repurchase and Odd-lot Offer	(198)	-
Dividends paid	(81)	(92)
Net capital movements	**(296)**	347
Head Office costs and Optimisation programme funding	(74)	(49)
Interest costs	(9)	(9)
Net operational movements	**(83)**	(58)
Cash remittances from subsidiaries	170	307
Net capital contributions and investments	(94)	(200)
Other net movements	5	3
Internal capital and strategic investments	**81**	110
Closing cash at holding companies at end of period	**517**	815

Net capital movements

Net capital movements in the year were an outflow of £296 million. This includes £157 million relating to the share repurchase programme (including £4 million of costs), £21 million for the Odd-lot Offer and £20 million in respect of additional share repurchases to cover future vesting awards, and two dividend payments made to shareholders of £64 million on 18 May 2020 and £17 million on 21 September 2020. £24 million of costs relating to the disposal of the QLA business were also incurred during the year in line with expectations, with £7 million received in respect of final proceeds from the Single Strategy business sale.

Net operational movements

Net operational movements were an outflow of £83 million for the year and includes £74 million of corporate and business transformation costs. Interest paid of £9 million relates to coupon payments on the Tier 2 bond and non-utilisation fees for the revolving credit facility.

Internal capital and strategic investments

The net inflow of £81m is principally due to £170 million of cash remittances from the trading businesses partially offset by £94 million of capital contributions distributed to support business operational activities, particularly due to the impact of COVID-19 and funding provided for the Platform Transformation Programme.

Balance Sheet

Summary balance sheet (£m)	At 31 December 2020 Total	At 31 December 2019 (restated)[1] Total	At 1 January 2019 (restated)[1] Total
Assets			
Financial investments	**63,274**	57,207	58,054
Contract costs/deferred acquisition costs	**413**	455	551
Cash and cash equivalents	**1,921**	2,253	2,305
Reinsurers' share of insurance policyholder liabilities[2]	**-**	-	2,162
Goodwill and intangible assets	**556**	592	550
Trade, other receivables and other assets	**701**	605	718
Other assets	**507**	439	371
Total assets	**67,372**	61,551	64,711
Equity	**1,878**	2,071	2,005
Liabilities			
Investment contract liabilities	**57,407**	52,455	56,450
Insurance contract liabilities[2]	**-**	-	602
Third-party interests in consolidated funds	**6,513**	5,318	3,833
Contract liabilities/deferred revenue	**379**	403	456
Borrowings-sub-ordinated debt	**199**	198	197
Lease liabilities	**120**	137	-
Trade, other payables and other liabilities	**672**	801	979
Other liabilities	**204**	168	189
Total liabilities	**65,494**	59,480	62,706
Total equity and liabilities	**67,372**	61,551	64,711

[1]See note 3(b) for details of changes to comparative amounts.
[2]The consolidated statement of financial position at 1 January 2019 includes balances for Deferred acquisition costs, Reinsurers' share of insurance policyholder liabilities and Insurance contract liabilities relating to the Quilter Life Assurance ("QLA") business that was sold on 31 December 2019.

The Group balance sheet at 31 December 2020 has total equity of £1,878 million (31 December 2019: £2,071 million). Total equity has decreased by £193 million during the year, predominantly due to the payment of dividends totalling £81 million in the year (2019: £92 million) and a reduction of £179 million in relation to the Group's share buyback programme, partially offset by the recognition of £88 million of statutory IFRS profit after tax.

Financial investments increased from £57,207 million at 31 December 2019 to £63,274 million at 31 December 2020, predominantly due to positive market performance, following the recovery from COVID-19 related market losses in Q1 2020, and positive net client cash flows in Quilter Investment Platform and Quilter International. The corresponding impact is reflected in Investment contract liabilities (an increase from £52,455 million at 31 December 2019 to £57,407 million at 31 December 2020).

Cash and cash equivalents of £1,921 million decreased by £332 million from £2,253 million at 31 December 2019. The decrease includes £198 million of payments made in respect of the Group's share buyback programme, odd-lot-offer and other share purchases, together with dividend payments of £81 million. Included within this balance are cash investments due to policyholders, and cash to support the capital and funding requirements of the business.

Goodwill and intangible assets decreased by £36 million to £556 million at 31 December 2020. The decrease is largely due to the amortisation of intangible assets of £47 million, partially offset by a £7 million increase in the Lighthouse goodwill balance, which is £40 million at 31 December 2020 (31 December 2019: £33 million).

Trade, other receivables and other assets increased by £96 million to £701 million, mainly due to an increase in unsettled trades across the business at the balance sheet date.

Other assets of £507 million increased by £68 million from £439 million at 31 December 2019. The balance is comprised of property, plant and equipment, loans and advances, deferred and current tax assets and derivative assets. Movement in the year principally relates to an increase in deferred tax assets and a higher derivative asset balance associated with the consolidation of funds.

Trade, other payables and other liabilities decreased by £129 million to £672 million at 31 December 2020. The decrease includes the impact of a reduction in outstanding death claims and surrenders recognised at the year end, together with a decrease in other liabilities associated with the consolidation of funds.

Other liabilities have increased from £36 million to £204 million primarily due to an increase in provisions, deferred tax liabilities and in derivative liabilities associated with the consolidation of funds.

Changes to comparative amounts

Following a review 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 comparative amounts have been accordingly reflected in this year's financial statements. There has been no impact on the Group's profit for the current or prior year, including the Group's KPIs and alternative performance measures, and no impact on equity for any of the periods presented. In accordance with the requirements under the accounting standards, an additional balance sheet has been presented as at 1 January 2019, as the opening balance sheet for the comparative year, which reflects the changes (as also presented in the balance sheet section above). Full details, and the financial line items impacted, are included in note 3(b) on page 40 of the consolidated 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.

2020 has been a truly unprecedented year, as the world has grappled with the COVID-19 pandemic which has caused disruption on an unparalleled scale. Quilter, and its key third party partners, have adapted well to these challenges, with operations and key programmes continuing, many in a largely virtual manner. Key successes, including two client migrations within the Platform Transformation Programme, have evidenced that Quilter has been able to implement complex change in challenging circumstances.

Quilter's principal revenue streams are asset value based. A significant market fall was experienced in Q1 2020, with a recovery experienced in most markets through the remainder of the year, with Quilter's Assets under Management and Administration increasing by c.7% during 2020 as a result of market movement and net inflows. The evolving COVID-19 pandemic continues to expose Quilter to risks associated with equity market volatility and adverse investor sentiment. While the length and severity of the impact remains unclear, the Group would not expect these to adversely affect the underlying medium to long-term prospects of the business. Beyond COVID-19, the agreement of the UK-EU Trade and Cooperation Agreement has reduced the geopolitical risk profile and should lesson investor concerns, although the full impacts of the end of the Brexit transition period are yet to be seen.

As announced in June 2020, the FCA has initiated a skilled persons (s.166) review into historic advice given by Lighthouse, prior to its acquisition, as announced in June 2020. In addition, as previously announced, the FCA has also commenced an enforcement investigation into whether Lighthouse has 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. Even though 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 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 resulting in market volatility. These conditions are expected to continue into 2021, alongside residual uncertainty in relation to the full impacts of the implementation of the UK-EU Trade and Cooperation Agreement. 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	The challenging external environment experienced in 2020 is set to continue to impact net flows, revenues and profitability into 2021, with margin compression also set to be expedited by the current conditions. Prudent cost management, both through tactical in year savings, and longer-term optimisation initiatives, has reduced the cost base, though increasing Financial Services Compensation Scheme levies present a further cost challenge. An 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.
Investment performance	Strong investment performance within Quilter Investors' fund management proposition and within Quilter Cheviot's discretionary fund management proposition are key to enable Quilter to meet customer expectations and to grow its customer base, and assets under management. Weaker short-term performance of Quilter Investors' Cirilium Active range was noted during volatile markets in the first quarter of 2020, with a range of management actions ongoing to support stronger performance. Stronger performance has been observed for the remainder of the year as these management actions have been implemented. Longer term under-performance of core investment management propositions could have a material effect on Quilter's business, financial performance and reputation.
Change	Quilter continues to be subject to material change programmes, as a series of long-running programmes are due to be completed during 2021, including the Platform Transformation Programme (PTP). A series of new business change programmes including the work to strengthen controls at Quilter Financial Planning, and several key digital and data initiatives will be ongoing in 2021. This delivery profile carries a delivery risk, a risk of implementation issues, and a dependence on key individuals. As 2021 progresses 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 during 2020 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 mean there is 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. In 2020 the COVID-19 operating conditions has posed further people challenges, although a strong focus on supporting staff through this difficult time has reduced its impact. 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 will increase as the Platform Transformation Programme concludes and results in significant business process and technology outsourcing to FNZ. If Quilter does not effectively oversee its third-party providers, they do not perform as anticipated, or Quilter experiences technological or other problems with a third party, 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 this crisis period. Following the maturing of crisis management protocols, the focus in 2021 will switch to reviewing standards for articulating critical processes and dependencies, 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.

Quilter monitors its emerging risk profile on a regular basis, with the risk profile being regularly reviewed by the Board Risk Committee and Board. The current emerging risks being tracked are:

Emerging risks

Near term

Pandemic evolution	Pandemic evolution
Cyber threat developments	Cyber threat developments
Margin pressure	Margin pressure

Medium term

Political and regulatory change	Political and regulatory change
Climate change / Environmental, Social and Governance (ESG) considerations	Climate change / Environmental, Social and Governance (ESG) considerations
Disruptive competition	Disruptive competition

Longer term

Generational shifts	Generational shifts

Shareholder information

The Board has agreed to recommend to shareholders the payment of a final dividend of 3.6 pence per share. This will be considered at the Quilter plc Annual General Meeting, which will be held on Thursday 13 May 2021. The final dividend will be paid on Monday 17 May 2021 to shareholders on the UK and South African share registers on Friday 9 April 2021

Dividend Timetable

Dividend announcement in pounds sterling with South Africa ZAR Equivalent	Wednesday 10 March 2021
Last day to trade cum dividend in South Africa	Tuesday 6 April 2021
Shares trade ex-dividend in South Africa	Wednesday 7 April 2021
Shares trade ex-dividend in the UK	Thursday 8 April 2021
Record Date in UK and South Africa	Friday 9 April 2021
Annual General Meeting	Thursday 13 May 2021
Final dividend payment date	Monday 17 May 2021

From the opening of trading on Wednesday 10 March 2021 until the close of business on Friday 9 April 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 7 April and Friday 9 April 2021, both dates inclusive.

Additional information

For shareholders on our South African share register a dividend of 76.88786 South African cents per share will be paid on Monday 17 May 2021, based on an exchange rate of 21.35774. Dividend Tax will be withheld at the rate of 20% from the amount of the gross dividend of 76.88786 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 61.51029 South African cents per share. The Company had a total of 1,769,610,747 shares in issue at today's date.

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

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 with over 43 million shares repurchased.
- A further tranche of the Programme of up to £75 million commenced on Thursday 25 June 2020 and completed on Wednesday 30 September 2020.
- The most recent tranche of up to £50 million commenced on Tuesday 13 October 2020 and completed on Tuesday 9 March 2021.

As at Tuesday 9 March 2021 a total of c.132.6 million shares have been purchased and cancelled at an average price of 132 pence under the Programme.

The Programme is subject to staged regulatory approval and the Board will continue to keep the Programme under review to make sure it remains prudent including ongoing consideration of the financial position and prospects of the business given the market environment, and the most efficient and effective means of returning capital to shareholders.

Odd-lot Offer

In March 2020, as part of our drive for greater efficiency and in line with our desire to act in the best interests of all our shareholders, the Board launched an Odd-lot Offer for shareholders on the London and Johannesburg Stock Exchanges. The Odd-lot Offer was a way of offering shareholders who held fewer than 100 Ordinary Shares the opportunity to sell their shares at a 5% premium to the market price (the 'Offer Price'), without incurring any dealing costs. Odd-lot Holders could choose to sell all of their shares at the Offer Price or they could choose to keep their shareholding in Quilter.

The Odd-lot Offer closed on Friday 15 May 2020. Quilter purchased a total of 16,263,364 of its own ordinary shares of 7 pence each. Following the implementation of the Odd-lot Offer, the Company's shareholder base has been reduced by circa 45% (209,282 shareholders). This reduction will reduce administrative costs, including, for example, the costs of printing and distributing financial statements, circulars and notices.

The Odd-lot Shares were held in Treasury and subsequently on Monday 1 June 2020 were transferred to the Company’s Employee Benefit Trust to satisfy awards under employee share schemes.

Supplementary information

Alternative Performance Measures ("APMs")

We assess our financial performance using a variety of measures including APMs, as explained further on pages 5 to 7. These measures are indicated with an asterisk: *.

For the year ended 31 December 2020

1. Key financial data

Gross sales* (£bn)	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2020 FY	Change (FY 2020 vs FY 2019) %	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2019 FY
Quilter Investors[1]	1.5	1.2	1.1	1.2	**5.0**	2%	1.0	1.0	0.9	2.0	4.9
Quilter Cheviot	0.7	0.5	0.5	0.4	**2.1**	(19%)	0.7	0.5	0.7	0.7	2.6
Advice & Wealth Management	**2.2**	**1.7**	**1.6**	**1.6**	**7.1**	**(5%)**	1.7	1.5	1.6	2.7	7.5
Quilter Investment Platform	1.7	1.3	1.2	1.5	**5.7**	(5%)	1.6	1.4	1.4	1.6	6.0
Quilter International	0.4	0.4	0.3	0.5	**1.6**	(20%)	0.4	0.4	0.4	0.8	2.0
Wealth Platforms	**2.1**	**1.7**	**1.5**	**2.0**	**7.3**	**(9%)**	2.0	1.8	1.8	2.4	8.0
Elimination of intra-Group items	**(1.0)**	**(1.3)**	**(0.4)**	**(0.8)**	**(3.5)**	**-**	(0.6)	(0.4)	(0.6)	(1.6)	(3.2)
Quilter plc	**3.3**	**2.1**	**2.7**	**2.8**	**10.9**	**(11%)**	3.1	2.9	2.8	3.5	12.3
Quilter Life Assurance	-	-	-	-	-	-	0.1	0.1	0.2	-	0.4

[1]Quilter Investors' gross sales in Q2 2020 was restated from £1.6 billion due to Managed Portfolio Service fund rebalance.

NCCF* (£bn)	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2020 FY	% of opening AuMA	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2019 FY
Quilter Investors	0.2	0.1	-	-	0.3	1%	0.2	0.2	-	0.1	0.5
Quilter Cheviot	0.1	0.1	-	0.1	0.3	1%	0.1	(0.5)	(0.4)	-	(0.8)
Advice & Wealth Management	**0.3**	**0.2**	**-**	**0.1**	**0.6**	**1%**	0.3	(0.3)	(0.4)	0.1	(0.3)
Quilter Investment Platform	0.5	0.5	0.1	0.4	1.5	3%	0.4	0.1	0.1	0.3	0.9
Quilter International	0.1	0.1	-	0.1	0.3	1%	0.1	-	0.1	0.3	0.5
Wealth Platforms	**0.6**	**0.6**	**0.1**	**0.5**	**1.8**	**2%**	0.5	0.1	0.2	0.6	1.4
Elimination of intra-Group items	**(0.4)**	**(0.2)**	**-**	**(0.2)**	**(0.8)**	**-**	(0.3)	-	(0.3)	(0.2)	(0.8)
Quilter plc	**0.5**	**0.6**	**0.1**	**0.4**	**1.6**	**1%**	0.5	(0.2)	(0.5)	0.5	0.3
Quilter Life Assurance	-	-	-			-	(0.8)	(0.4)	(1.1)	(1.2)	(3.5)
Integrated net inflows*	**0.8**	**0.6**	**0.4**	**0.5**	**2.3**	**-**	0.6	0.8	0.4	0.8	2.6

AuMA* (£bn)	Q1	H1	Q3	2020 FY	Change (FY 2020 vs FY 2019) %	2019 Q1	H1	Q3	FY
Quilter Investors	18.1	20.8	21.3	**23.2**	7%	19.8	20.7	21.0	21.6
Quilter Cheviot	20.7	23.3	23.6	**25.3**	5%	23.6	24.0	23.8	24.2
Advice & Wealth Management	**38.8**	**44.1**	**44.9**	**48.5**	**6%**	43.4	44.7	44.8	45.8
Quilter Investment Platform	49.5	56.2	57.7	**62.5**	9%	52.6	54.8	55.7	57.2
Quilter International	18.4	20.4	20.6	**21.8**	6%	19.2	20.0	20.2	20.5
Wealth Platforms	**67.9**	**76.6**	**78.3**	**84.3**	**8%**	71.8	74.8	75.9	77.7
Elimination of intra-Group assets	**(11.4)**	**(13.3)**	**(13.7)**	**(15.0)**	**15%**	(11.6)	(12.2)	(12.5)	(13.1)
Quilter plc	**95.3**	**107.4**	**109.5**	**117.8**	**7%**	103.6	107.3	108.2	110.4
Quilter Life Assurance	-	-	-	**-**	**-**	11.2	11.1	10.3	-

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

	AuMA as at 31 December 2019*	**Gross sales***	**Gross outflows***	**NCCF***	**Market and other movements**	**AuMA as at 31 December 2020***
Quilter Investors	21.6	5.0	(4.7)	0.3	1.3	23.2
Quilter Cheviot	24.2	2.1	(1.8)	0.3	0.8	25.3
Advice & Wealth Management	**45.8**	**7.1**	**(6.5)**	**0.6**	**2.1**	**48.5**
Quilter Investment Platform	57.2	5.7	(4.2)	1.5	3.8	62.5
Quilter International	20.5	1.6	(1.3)	0.3	1.0	21.8
Wealth Platforms	**77.7**	**7.3**	**(5.5)**	**1.8**	**4.8**	**84.3**
Elimination of intra-group assets	**(13.1)**	**(3.5)**	**2.7**	**(0.8)**	**(1.1)**	**(15.0)**
Quilter plc	**110.4**	**10.9**	**(9.3)**	**1.6**	**5.8**	**117.8**

	AuMA as at 31 December 2018*	Gross Sales*	Gross Outflows*	NCCF*	Market and other movements	AuMA as at 31 December 2019*
Quilter Investors	18.5	4.9	(4.4)	0.5	2.6	21.6
Quilter Cheviot	22.2	2.6	(3.4)	(0.8)	2.8	24.2
Advice & Wealth Management	40.7	7.5	(7.8)	(0.3)	5.4	45.8
Quilter Investment Platform	49.4	6.0	(5.1)	0.9	6.9	57.2
Quilter International	18.3	2.0	(1.5)	0.5	1.7	20.5
Wealth Platforms	67.7	8.0	(6.6)	1.4	8.6	77.7
Elimination of intra-group assets	(10.7)	(3.2)	2.4	(0.8)	(1.6)	(13.1)
Quilter plc	97.7	12.3	(12.0)	0.3	12.4	110.4

Estimated asset allocation (%) **Fund profile by Investment type**	**2020 Total client AuMA**	2019 Total client AuMA
Quilter		
Fixed interest	24%	26%
Equities	65%	64%
Cash	5%	4%
Property and alternatives	6%	6%
Total	**100%**	100%

Total net fee revenue* 2020 (£m)	Quilter Investors	Quilter Cheviot	Quilter Financial Planning	**Advice & Wealth Management**	Quilter Investment Platform	Quilter International	**Wealth Platforms**	**Head Office**	**Group**
Net management fee*	111	168	**-**	279	167	106	**273**	-	**552**
Other revenue*	-	3	114	117	-	12	**12**	1	**130**
Total net fee revenue*	**111**	**171**	**114**	**396**	**167**	**118**	**285**	**1**	**682**

Total net fee revenue* 2019 (£m)	Quilter Investors	Quilter Cheviot	Quilter Financial Planning	Advice & Wealth Management	Quilter Investment Platform	Quilter International	Wealth Platforms	Head Office	Group
Net management fee*	123	171	2	296	173	110	283	-	579
Other revenue*	1	7	103	111	4	15	19	3	133
Total net fee revenue*	124	178	105	407	177	125	302	3	712

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	**2020**	2019	**% change**
Quilter Financial Planning			
Net management fees (£m)*	-	2	(100%)
Other revenue (£m)*	114	103	11%
Total net fee revenue (£m)*	**114**	105	9%
RFPs + PCA (#)	1,842	1,799	2%
Productivity (£m)*	1.3	1.6	(19%)
Quilter Investors			
Net management fees (£m)*	111	123	(10%)
Other revenue (£m)*	-	1	(100%)
Total net fee revenue (£m)*	**111**	124	(10%)
NCCF (£bn)*	0.3	0.5	(40%)
Closing AuM (£bn)*	23.2	21.6	7%
Average AuM (£bn)*	21.0	20.4	3%
Revenue margin (bps)*	53	60	(7) bps
Asset retention (%)*	78%	75%	3 pp
Quilter Cheviot			
Net management fees (£m)*	168	171	(2%)
Other revenue (£m)*	3	7	(57%)
Total net fee revenue (£m)*	**171**	178	(4%)
NCCF (£bn)*	0.3	(0.8)	-
Closing AuM (£bn)*	25.3	24.2	5%
Average AuM (£bn)*	23.3	23.6	(1%)
Revenue margin (bps)*	72	72	-
Asset retention (%)*	93%	85%	8 pp
Investment managers (#)	169	167	1%

3. Wealth Platforms

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

Key financial highlights	**2020**	2019	**% change**
Quilter Investment Platform			
Net management fees (£m)*	167	173	(3%)
Other revenue (£m)*	-	4	(100%)
Total net fee revenue (£m)*	**167**	177	(6%)
NCCF (£bn)*	1.5	0.9	67%
Closing AuA (£bn)*	62.5	57.2	9%
Average AuA (£bn)*	56.5	54.1	4%
Revenue margin (bps)*	29	31	(2) bp
Asset retention (%)*	93%	90%	3 pp
Quilter International			
Net management fees (£m)*	106	110	(4%)
Other revenue (£m)*	12	15	(20%)
Total net fee revenue (£m)*	**118**	125	(6%)
NCCF (£bn)*	0.3	0.5	(40%)
Closing AuA (£bn)*	21.8	20.5	6%
Average AuA (£bn)*	20.3	19.6	4%
Revenue margin (bps)*	52	56	(4) bp
Asset retention (%)*	94%	92%	2 pp

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For the year ended 31 December 2020

Group condensed consolidated financial statements

Basis of Preparation

Notes to the condensed consolidated financial statements

Statement of Directors' responsibilities

in respect of the preliminary announcement of the Annual Report and the financial statements

The Directors confirm to the best of their knowledge:

- The results in this preliminary announcement have been taken from the Group's 2020 Annual report, which will be available on the Company's website on 25 March 2021; and
- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group.

Signed on behalf of the Board

Paul Feeney
Chief Executive Officer

Mark Satchel
Chief Financial Officer

10 March 2021

Consolidated income statement

For the year ended 31 December 2020

	Notes	Year ended 31 December 2020 £m	Year ended 31 December 2019 restated[1] £m
Income			
Fee income and other income from service activities	6(d)	**795**	837
Investment return		**3,896**	6,566
Other income		**20**	16
Total income		**4,711**	7,419
Expenses			
Insurance contract claims and changes in liabilities		**(1)**	(1)
Change in investment contract liabilities	16	**(3,328)**	(5,810)
Fee and commission expenses, and other acquisition costs		**(147)**	(167)
Change in third party interest in consolidated funds		**(440)**	(634)
Other operating and administrative expenses		**(692)**	(745)
Finance costs		**(17)**	(17)
Total expenses		**(4,625)**	(7,374)
Profit before tax from continuing operations		**86**	45
Tax expense attributable to policyholder returns	7(a)	**(36)**	(98)
Profit/(loss) before tax attributable to equity holders from continuing operations		**50**	(53)
Income tax credit/(expense)	7(a)	**3**	(66)
Less: tax expense attributable to policyholder returns		**36**	98
Tax credit attributable to equity holders		**39**	32
Profit/(loss) after tax from continuing operations		**89**	(21)
(Loss)/profit after tax from discontinued operations	4(c)	**(1)**	167
Profit after tax		**88**	146
Attributable to:			
Equity holders of Quilter plc		**88**	146
Earnings per Ordinary Share on profit attributable to Ordinary Shareholders of Quilter plc			
Basic			
From continuing operations (pence)	8(b)	**5.1**	(1.1)
From discontinued operations (pence)	4(c)	**(0.1)**	9.1
Basic earnings per Ordinary Share (pence)	8(b)	**5.0**	8.0
Diluted			
From continuing operations (pence)	8(b)	**5.0**	(1.1)
From discontinued operations (pence)	4(c)	**(0.1)**	8.9
Diluted earnings per Ordinary Share (pence)	8(b)	**4.9**	7.8

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

Consolidated statement of comprehensive income

For the year ended 31 December 2020

	Note	Year ended 31 December 2020	Year ended 31 December 2019
			£m
Profit after tax		**88**	146
Exchange losses on translation of foreign operations		**-**	(1)
Items that may be reclassified subsequently to income statement		**-**	(1)
Measurement movements on defined benefit plans		**-**	(7)
Tax on amounts related to defined benefit pension plans		**-**	1
Items that will not be reclassified subsequently to income statement		**-**	(6)
Total other comprehensive expense, net of tax		**-**	(7)
Total comprehensive income		**88**	139
Attributable to:			
Continuing operations		**89**	(28)
Discontinued operations	4(d)	**(1)**	167
Equity holders of Quilter plc		**88**	139

Consolidated statement of changes in equity

For the year ended 31 December 2020

31 December 2020	Notes	Share capital	Share premium	Capital redemption reserve	Merger reserve	Share-based payments reserve	Other reserves	Retained earnings	Total share-holders' equity
									£m
Balance at 1 January 2020		**133**	**58**	**-**	**149**	**45**	**1**	**1,685**	**2,071**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**88**	**88**
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**88**	**88**
Dividends	9	**-**	**-**	**-**	**-**	**-**	**-**	**(81)**	**(81)**
Shares repurchased in the buyback programme[1]	15	**(8)**	**-**	**8**	**-**	**-**	**-**	**(179)**	**(179)**
Movement in own shares[2]		**-**	**-**	**-**	**-**	**-**	**-**	**(44)**	**(44)**
Equity share-based payment transactions		**-**	**-**	**-**	**-**	**(3)**	**-**	**28**	**25**
Dividend equivalents paid on vested shares		**-**	**-**	**-**	**-**	**-**	**-**	**(2)**	**(2)**
Total transactions with the owners of the Company		**(8)**	**-**	**8**	**-**	**(3)**	**-**	**(278)**	**(281)**
Balance at 31 December 2020		**125**	**58**	**8**	**149**	**42**	**1**	**1,495**	**1,878**

31 December 2019	Notes	Share capital	Share premium	Merger reserve	Share-based payments reserve	Other reserves	Retained earnings	Total share-holders' equity
Shareholders' equity at beginning of the year		133	58	588	34	1	1,191	2,005
Adjustment on initial application of IFRS 16 (net of tax)		-	-	-	-	-	(5)	(5)
Balance at 1 January 2019		133	58	588	34	1	1,186	2,000
Profit for the year		-	-	-	-	-	146	146
Other comprehensive expense		-	-	-	-	-	(7)	(7)
Total comprehensive income		-	-	-	-	-	139	139
Dividends	9	-	-	-	-	-	(92)	(92)
Release of merger reserve		-	-	(439)	-	-	439	-
Movement in own shares		-	-	-	-	-	(2)	(2)
Equity share-based payment transactions		-	-	-	11	-	15	26
Total transactions with the owners of the Company		-	-	(439)	11	-	360	(68)
Balance at 31 December 2019		133	58	149	45	1	1,685	2,071

[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 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 have 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 remaining share buyback for which irrevocable instruction had been provided by the Board, of £22 million was accrued as a liability against retained earnings.
[2]Movement in own shares includes 16.3 million shares repurchased for total consideration of £21 million in respect of the previously announced Odd-lot Offer.

Consolidated statement of financial position

At 31 December 2020

	Notes	31 December 2020	31 December 2019 restated[1]	1 January 2019 restated[1]
				£m
Assets				
Goodwill and intangible assets	10	**556**	592	550
Property, plant and equipment		**142**	143	17
Investments in associated undertakings		**1**	1	2
Deferred acquisition costs[2]		**-**	-	11
Contract costs		**413**	455	551
Loans and advances		**219**	217	222
Financial investments	11	**63,274**	57,207	58,054
Reinsurers' share of insurance policyholder liabilities[2]		**-**	-	2.162
Deferred tax assets		**78**	43	38
Current tax receivable		**24**	13	47
Trade, other receivables and other assets		**701**	605	718
Derivative assets		**43**	22	34
Cash and cash equivalents	14	**1,921**	2,253	2,305
Total assets		**67,372**	61,551	64,711
Equity and liabilities				
Equity				
Ordinary Share capital	15	**125**	133	133
Ordinary Share premium reserve	15	**58**	58	58
Capital redemption reserve	15	**8**	-	-
Merger reserve		**149**	149	588
Share-based payments reserve		**42**	45	34
Other reserves		**1**	1	1
Retained earnings		**1,495**	1,685	1,191
Total equity		**1,878**	2,071	2,005
Liabilities				
Insurance contract liabilities[2]		**-**	-	602
Investment contract liabilities	16	**57,407**	52,455	56,450
Third-party interests in consolidated funds		**6,513**	5,318	3,833
Provisions	17	**77**	64	94
Deferred tax liabilities		**106**	88	59
Current tax payable		**1**	6	5
Borrowings and lease liabilities		**319**	335	197
Trade, other payables and other liabilities		**672**	801	979
Contract liabilities		**379**	403	456
Derivative liabilities		**20**	10	31
Total liabilities		**65,494**	59,480	62,706
Total equity and liabilities		**67,372**	61,551	64,711

[1]See note 3(b) for details of changes to comparative amounts.
[2]The consolidated statement of financial position at 1 January 2019 includes balances for Deferred acquisition costs, Reinsurers' share of insurance policyholder liabilities and Insurance contract liabilities relating to the Quilter Life Assurance ("QLA") business that was sold on 31 December 2019.

Approved by the Board of Directors and authorised for issue on 10 March 2021 and signed on its behalf:

Paul Feeney
Chief Executive Officer

Mark Satchel
Chief Financial Officer

Consolidated statement of cash flows

For the year ended 31 December 2020

The cash flows presented in this statement cover all the Group's activities (including cash flows within the Group's discontinued operations) 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(a)).

	Notes	Year ended 31 December 2020 £m	Year ended 31 December 2019 restated[1] £m
Cash flows from operating activities			
Cash flows from/(used in) operating activities		**1,473**	(2,035)
Taxation paid		**(28)**	(37)
Total net cash from/(used in) operating activities	14(b)	**1,445**	(2,072)
Cash flows from investing activities			
Net (acquisitions)/disposals of financial investments		**(1,419)**	2,159
Acquisition of property, plant and equipment		**(28)**	(8)
Acquisition of intangible assets	10(a)	**(4)**	(5)
Acquisition of interests in subsidiaries[2]	4(a)	**(20)**	(87)
Net (payments)/proceeds from the disposal of interests in subsidiaries		**(3)**	78
Total net cash (used in)/from investing activities		**(1,474)**	2,137
Cash flows from financing activities			
Dividends paid to ordinary equity holders of the Company	9	**(81)**	(92)
Finance costs on external borrowings		**(10)**	(10)
Payment of interest on lease liabilities		**(2)**	(3)
Payment of principal lease liabilities		**(14)**	(13)
Repurchase of shares[3]		**(41)**	-
Repurchase and cancellation of shares[4]		**(157)**	-
Total net cash used in financing activities		**(305)**	(118)
Net increase in cash and cash equivalents		**(334)**	(53)
Cash and cash equivalents at the beginning of the year		**2,253**	2,305
Effects of exchange rate changes on cash and cash equivalents		**2**	1
Cash and cash equivalents at end of the year	14(a)	**1,921**	2,253

[1]See note 3(b) for details of changes to comparative amounts.
[2]The acquisition of interests in subsidiaries balance includes £20 million of contingent consideration payments relating to historical acquisitions (31 December 2019: £21 million).
[3]Repurchase of shares includes shares acquired under the Odd-lot Offer as explained in the consolidated statement of changes in equity, together with other shares acquired for use within the Group's employee share schemes.
[4]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.

Notes to the condensed consolidated financial statements

For the year ended 31 December 2020

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

The results in this preliminary announcement have been taken from the Group's 2020 Annual report which will be available on the Company's website on 25 March 2021. These condensed consolidated financial statements of Quilter plc for the year ended 31 December 2020 have been 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. In addition to complying with international accounting standards in conformity with the requirements of the Companies Act 2006, the condensed consolidated financial statements also comply with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

These condensed consolidated financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial instruments, and are presented in pounds sterling, which is the currency of the primary economic environment in which the Group operates.

Going concern

The Directors have considered the resilience of the Group, taking into account its current financial position, the principal risks facing the business and the effectiveness of the mitigating strategies which are or could be applied. This included an assessment of capital, liquidity and solvency over a three-year planning period, which considered the impact of COVID-19, and concluded that the Group can withstand a severe but plausible downside scenario for at least the next 12 months after the date of signing the 2020 financial statements. This assessment incorporated a number of stress tests covering a broad range of scenarios, including economic and market shocks, new business growth scenarios, severe business interruption, and a progression of the COVID-19 pandemic, equivalent to 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 have sufficient financial resources to continue in business for a period of at least 12 months from the date of approval of the consolidated financial statements, and continue to adopt the going concern basis in preparing the consolidated financial statements.

Critical accounting estimates and judgements

The preparation of financial statements requires management to exercise judgement in applying the Group's significant accounting policies and make estimates and assumptions that affect the reported amounts of 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 detailed below and 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.

Area	Critical accounting judgements	Related notes
Recognition of insurance recovery asset in respect of Lighthouse defined benefit pension advice	For Lighthouse DB pension transfer advice provided, management has applied judgement in order to determine whether an asset can be reasonably estimated, and the measurement of such asset, in relation to an insurance recovery under Lighthouse's professional indemnity policies ("PI Policies"). Under the PI Policies, Lighthouse is entitled to be indemnified for a "Claim" (and defence costs) in respect of legal liabilities arising in connection with Lighthouse's DB pension transfer advice activities; however, at the current time the insurers have not confirmed coverage for legal liabilities.	17

The Group's critical accounting estimates are shown below and involve the most complex or subjective assessments and assumptions, which have a significant risk of resulting in material adjustment to the 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.

Area	Critical accounting estimates	Related notes
Provision for cost of Lighthouse defined benefit pension advice	An estimation of the provision required for the British Steel DB pension transfer redress was determined based upon calculations performed as part of the skilled person review, which was considered representative of the broader population to form a reasonable estimate. The estimation per case is based upon FCA guidelines and modelling performed, and factors including pension transfer value, date of retirement, discount rate, and retail price indexation. The calculations were then extrapolated to the entire population of British Steel DB cases that were advised on by Lighthouse advisers. The proportion of cases to be upheld, and therefore which requires redress payments to be made, was estimated based upon the current position of the review performed by the skilled person of the Lighthouse DB pension transfers.	17
Insurance recovery asset in respect of Lighthouse defined benefit pension advice	For Lighthouse DB pension transfer advice provided, management has determined its best estimate of the insurance recovery asset under Lighthouse's professional indemnity policies. Under the PI Policies, Lighthouse is entitled to be indemnified for a "Claim" (and defence costs) in respect of legal liabilities arising in connection with Lighthouse's DB pension transfer advice activities; however, at the current time the insurers have not confirmed coverage for legal liabilities.	17
Measurement of deferred tax	The estimation of future taxable profits is performed as part of the annual business planning process, and is based on estimated levels of AuMA, which are subject to a large number of factors including global stock market movements, related movements in foreign exchange rates and net client cash flow, together with estimates of expenses and other charges. The business plan, adjusted for known and estimated tax sensitivities, is used to determine the extent to which deferred tax assets are recognised. In general the Group assesses recoverability based on estimated taxable profits over a three-year planning horizon. Where credible longer-term profit forecasts are available, the specific entity may assess recoverability over a longer period, subject to a higher level of sensitivity testing. Following the impact that COVID-19 has had on global markets and, in particular, on the Group's expected future levels of AuMA, management have reassessed the sensitivity on the recoverability of deferred tax assets based on the latest forecast cash flows.	n/a

Other principal estimates

The Group's assessment of goodwill and intangible assets for impairment uses the latest cash flow forecasts from the Group's three-year business plan. These forecasts include estimates relating to equity market levels and growth in AuMA in future periods, together with levels of new business growth, net client cash flow, revenue margins, and future expenses and discount rates (see note 10). Management do not believe that the use of these estimates have a significant risk of causing a material adjustment to the carrying amount of the assets within the next financial year.

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 2020.

Amendments to standards:

The following amendments to the accounting standards, issued by the International Accounting Standards Board ("IASB") and in conformity with the requirements of the Companies Act 2006, the condensed consolidated financial statements also comply with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, have been adopted by the Group from 1 January 2020 with no material impact on the Group's consolidated results, financial position or disclosures:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3 *Business Combinations* - Definition of a Business
- Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* - Definition of Material
- Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures* - Interest Rate Benchmark Reform
- Amendments to IFRS 16 *Leases* – COVID-19-Related Rent Concessions

3: Significant changes in the year

3(a): Impacts of COVID-19

The Group's focus in managing the response to COVID-19 has been to ensure colleagues' health and safety, maintain operational resilience with high levels of client service, and provide good outcomes for shareholders. When the scale of the COVID-19 pandemic became apparent, the Group responded quickly to the challenges faced, with 98% of the Group's colleagues working remotely from late March 2020 and the accelerated delivery of IT and remote telephony solutions allowing Quilter to maintain high client service levels and to support customers and advisers.

The Group reviewed its financial budgets and operating plans in response to the challenges arising from COVID-19 and the unpredictable operating outlook. The Group is operationally resilient and remains focused on completing its principal strategic projects. The continued volatility in financial markets and the impact of more limited face-to-face contact within the advice segment is creating a challenging revenue environment and the Group has updated its future cash flows accordingly. Against this backdrop, the Group has undertaken a number of management actions to reduce expenses but has acknowledged that future operating margin outcomes will likely be below previous target guidance provided by management. The Group did not use the support measures made available to companies by the UK Government.

An impairment assessment of the Group's goodwill was performed at 30 June 2020, as the impact of COVID-19 was deemed to be an indicator of impairment, and again at 31 December 2020 as part of the annual impairment assessment. The assessments were carried out using the most recent Board approved forecasts which incorporated market levels and future assumptions considered relevant in the current market conditions. The assessment concluded that no impairment was required. A sensitivity analysis demonstrated that further significant changes to key assumptions would be necessary before an impairment is required. Full details are included in note 10.

The Group has assessed the recoverable amount of deferred tax assets based on the taxable profits contained in the most recent Board approved three-year forecasts which, as noted above, incorporate market levels and assumptions that reflect the impact of COVID-19 and concluded that the Group has sufficient future taxable profits and reversal of taxable temporary differences to support the £78 million deferred tax asset recognised at 31 December 2020. Further details are included in note 29 of the Group's 2020 Annual report.

There have been no major changes to the Group's capital and financial risk management as a result of COVID-19. Full capital and financial risk management disclosures are included within note 19.

Detailed discussion of the Group's performance and financial position to 31 December 2020 are included in the Financial Review.

Notes to the condensed consolidated financial statements

For the year ended 31 December 2020

3(b): Prior year restatements

3(b): Changes to comparative amounts

Changes to comparative amounts have been made in respect of consolidated investment funds and fee income receivable. The changes are explained in detail in notes 3(b)(i) and 3(b)(ii) respectively, with no impact to the Group's profit, equity or alternative performance measures. The changes to the statement of financial position for the prior periods presented are shown below:

Consolidated statement of financial position (extract)

	31 December 2019				1 January 2019			
	As Reported £m	Consolidated funds Note 3(b)(i) £m	Fee income receivable Note 3(b)(ii) £m	Restated £m	As Reported £m	Consolidated funds Note 3(b)(i) £m	Fee income receivable Note 3(b)(ii) £m	Restated £m
Financial investments	59,345	(2,138)	-	57,207	59,219	(1,165)	-	58,054
Trade, other receivables and other assets	424	(31)	212	605	530	(42)	230	718
Derivative assets	32	(10)	-	22	46	(12)	-	34
Cash and cash equivalents	2,473	(220)	-	2,253	2,395	(90)	-	2,305
Other[1]	1,464	-	-	1,464	3,600	-	-	3,600
Total assets	**63,738**	**(2,399)**	**212**	**61,551**	**65,790**	**(1,309)**	**230**	**64,711**
Third-party interests in consolidated funds	7,675	(2,357)	-	5,318	5,116	(1,283)	-	3,833
Trade, other payables and other liabilities	836	(35)	-	801	999	(20)	-	979
Contract liabilities	191	-	212	403	226	-	230	456
Derivative liabilities	17	(7)	-	10	37	(6)	-	31
Other[1]	52,948	-	-	52,948	57,407	-	-	57,407
Total liabilities	**61,667**	**(2,399)**	**212**	**59,480**	**63,785**	**(1,309)**	**230**	**62,706**
Total equity	**2,071**	**-**	**-**	**2,071**	**2,005**	**-**	**-**	**2,005**

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

Changes in respect of consolidated investment funds have also impacted the Group's consolidated income statement in the prior year. There are no prior year income statement impacts arising from the fee income receivable reclassification.

Consolidated income statement (extract)

	Year ended 31 December 2019		
	As reported £m	Consolidated funds Note 3(b)(i) £m	Restated £m
Fee income and other income from service activities	936	(99)	837
Investment return	6,866	(300)	6,566
Other income	22	(6)	16
Total income	**7,824**	**(405)**	**7,419**
Fee and commission expenses and other acquisition costs	(294)	127	(167)
Change in third-party interest in consolidated funds	(917)	283	(634)
Other operating and administrative expenses	(740)	(5)	(745)
Other[1]	(5,828)	-	(5,828)
Total expenses	**(7,779)**	**(405)**	**(7,374)**
Profit before tax from continuing operations	**45**	**-**	**45**

[1] '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 year is shown below. There are no prior year cash flow statement impacts arising from the fee income receivable reclassification.

Consolidated statement of cash flows (extract)

	Year ended 31 December 2019		
	As reported £m	Consolidated funds Note 3(b)(i) £m	Restated £m
Cash flows used in operating activities	(2,006)	(29)	(2,035)
Total net cash used in operating activities	**(2,043)**	**(29)**	**(2,072)**
Net (acquisitions)/disposals of financial investments	2,260	(101)	2,159
Total net cash from/(used in) investing activities	**2,238**	**(101)**	**2,137**
Net increase/(decrease) in cash and cash equivalents	77	(130)	(53)
Cash and cash equivalents at the beginning of the year	2,395	(90)	2,305
Cash and cash equivalents at end of the year	**2,473**	**(220)**	**2,253**

3(b)(i): Consolidated funds

Following a review of the Group's consolidated investment funds methodology, 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 de-consolidate 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 have resulted in changes to a number of line items in the Group's consolidated income statement for the year ending 31 December 2019, as shown in the table above.
- In addition, fund management fee income received from consolidated funds and 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.

3(b)(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 prior year, the Group's FIR (all written within investment contracts in the Group's International business which is part of the Group's Wealth Platforms segment) 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.

Following a review performed during the year, these FIR balances have been 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 year balance has been restated accordingly. This has no impact upon equity at the beginning or end of the prior year.

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

4: Acquisitions, disposals and discontinued operations

4(a): Business acquisitions

Business acquisitions completed during the year ended 31 December 2020

There have been no material acquisitions during the year ended 31 December 2020.

Business acquisitions completed during the year ended 31 December 2019

Charles Derby Group Limited ("CDG") acquisition on 14 February 2019

The purchase price of £31 million was allocated based on the fair value of net assets acquired at the date of acquisition, determined in accordance with IFRS 3 *Business Combinations*. These allocations are now final and the Group recognised goodwill of £23 million in relation to this acquisition.

Lighthouse Group plc ("Lighthouse") acquisition on 12 June 2019

The estimated fair value of net assets acquired in Lighthouse of £13 million included a provision of £12 million in respect of pension transfer advice provided to certain Lighthouse clients between 2016 and 2018, prior to the Group's acquisition of Lighthouse in June 2019.

As a result of an investigation by the FCA into defined benefit ("DB") pension transfer advice, including advice provided to British Steel employees by Lighthouse, and an additional number of complaints received during 2020, the Group increased its scope for the provision to include all British Steel customers, rather than only those who have raised a complaint, and performed a detailed case review (further details of which are included in note 17). This resulted in an increase to the provision at acquisition of a further £12 million, which brought the provision balance to £24 million. An insurance recovery asset of £3 million related to the provision was recognised at 30 June 2020, representing management's assessment of the fair value on a best estimate basis. Discussions with Lighthouse's insurers remain ongoing. A further review of the tax treatment resulted in the recognition of a deferred tax asset of £2 million. The impact upon the fair value of net assets acquired as a result of the British Steel DB pension transfer advice provision, insurance recovery asset and deferred tax asset at acquisition is a net liability of £19 million, which is an increase in the net liability of £7 million from the £12 million estimated balance reported recognised at 31 December 2019.

The final determination of the fair value of net assets acquired in Lighthouse is assessed as £6 million, and the Group has recognised goodwill of £40 million in relation to this acquisition, which is an increase in goodwill of £7 million from the estimated balance recognised at 31 December 2019. No further adjustments can be made to the fair value of net assets acquired as the Group is now beyond the 12-month post-acquisition period permitted for such entries under IFRS 3 *Business Combinations*.

Contingent consideration arising from business combinations

The table below details the movements in the contingent consideration balance during the current and prior year arising from the business acquisitions in earlier years detailed above.

		£m
	31 December 2020	31 December 2019
Opening balance	**39**	37
Acquisitions during the year	**-**	22
Payments	**(20)**	(21)
Financing interest charge	**2**	3
Other movements	**(5)**	(2)
Closing balance	**16**	39

Contingent consideration represents management's best estimate of the amount payable in relation to each acquisition discounted to net present value. The basis of each acquisition varies but includes payments based upon a percentage of the level of assets under administration, funds under management and levels of on-going fee income at future dates. Management estimate that a 20% increase/(decrease) in these key underlying assumptions would have resulted in a £3 million/£(4) million movement in the year-end contingent consideration balance.

4(b): Business disposals

Year ended 31 December 2020

There have been no disposals during the year ended 31 December 2020.

Year ended 31 December 2019

On 31 December 2019, the Group completed the sale of the Quilter Life Assurance ("QLA") business (consisting two of the Group's subsidiary undertakings: Old Mutual Wealth Life Assurance Limited and Old Mutual Wealth Pensions Trustee Limited) to ReAssure Group for total consideration of £446 million. The Group recognised a profit on the disposal of QLA of £103 million. Provisions established in respect of this disposal are shown in note 17.

4: Acquisitions, disposals and discontinued operations *continued*

4(b): Business disposals *continued*

(Loss)/profit on sale of operations

	Year ended 31 December 2020	Year ended 31 December 2019
£m	**Quilter Life Assurance and Single Strategy business**	Quilter Life Assurance
Consideration received	**-**	446
Less: transaction and separation costs[1]	**(1)**	(19)
Net (costs)/proceeds from sale	**(1)**	427
Carrying value of net assets disposed	**-**	(294)
Goodwill allocated and disposed	**-**	(30)
(Loss)/profit on sale of operations after tax	**(1)**	103

[1]An additional £1 million of transaction and separation costs relating to the historical sales of the QLA and Single Strategy businesses have been recognised in the year ended 31 December 2020.

4(c): Discontinued operations – income statement

The Group's discontinued operations principally relate to the QLA business that was disposed of on 31 December 2019 and the associated profit on sale.

£m	Notes	**Year ended 31 December 2020**	Year ended 31 December 2019
Income			
Gross earned premiums		**-**	145
Premiums ceded to reinsurers		**-**	(86)
Net earned premiums		**-**	59
Fee income and other income from service activities	6(d)	**-**	164
Investment return		**-**	1,386
Total income		**-**	1,609
Expenses			
Claims and benefits paid		**-**	(98)
Reinsurance recoveries		**-**	72
Net insurance claims and benefits incurred		**-**	(26)
Change in reinsurance assets and liabilities		**-**	121
Change in insurance contract liabilities		**-**	(134)
Change in investment contract liabilities	16	**-**	(1,364)
Fee and commission expenses, and other acquisition costs		**-**	(45)
Other operating and administrative expenses		**-**	(8)
Total expenses		**-**	(1,456)
(Loss)/profit on sale of operations before tax	4(b)	**(1)**	103
(Loss)/profit before tax from discontinued operations		**(1)**	256
Tax expense attributable to policyholder returns	7(a)	**-**	(76)
(Loss)/profit before tax attributable to equity holders from discontinued operations		**(1)**	180
Income tax expense	7(a)	**-**	(89)
Less: tax expense attributable to policyholder returns		**-**	76
Tax expense attributable to equity holders		**-**	(13)
(Loss)/profit after tax from discontinued operations		**(1)**	167
Attributable to:			
Equity holders of Quilter plc		**(1)**	167

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

Basic - from discontinued operations (pence)	8(b)	**(0.1)**	9.1
Diluted - from discontinued operations (pence)	8(b)	**(0.1)**	8.9

Notes to the condensed consolidated financial statements

For the year ended 31 December 2020

4: Acquisitions, disposals and discontinued operations *continued*

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

	Year ended 31 December 2020	Year ended 31 December 2019
		£m
(Loss)/profit after tax	**(1)**	167
Total comprehensive (expense)/income for the period from discontinued operations	**(1)**	167

4(e): Discontinued operations - Net cash flows

	Year ended 31 December 2020	Year ended 31 December 2019
		£m
Total net cash flows used in operating activities	**-**	(3,789)
Total net cash (used in)/from investing activities	**(10)**	3,765
Total net cash used in financing activities	**-**	(130)
Net decrease in cash and cash equivalents	**(10)**	(154)

5: Alternative performance measures ("APMs")

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

Basis of preparation of adjusted profit

Adjusted profit is one of the Group's Alternative Performance Measures and reflects the Directors' view of the underlying performance of the Group. It is used for management decision making and internal performance management and is the profit measure presented in the Group's segmental reporting. Adjusted profit is a non-GAAP measure which adjusts the Group's IFRS profit for specified items as detailed in note 5(b). The definition of adjusted profit is unchanged from the last annual financial statements.

		Year ended 31 December 2020			Year ended 31 December 2019		£m
	Notes	**Continuing operations**	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations[1]	Total
Advice and Wealth Management		**90**	**-**	**90**	103	-	103
Wealth Platforms		**114**	**-**	**114**	112	53	165
Head Office		**(36)**	**-**	**(36)**	(33)	-	(33)
Adjusted profit before tax		**168**	**-**	**168**	182	53	235
Reallocation of QLA costs		**-**	**-**	**-**	(26)	26	-
Adjusted profit before tax after reallocation	6(b)	**168**	**-**	**168**	156	79	235
Adjusting items:							
Impact of acquisition and disposal related accounting	5(b)(i)	**(42)**	**-**	**(42)**	(54)	-	(54)
(Loss)/profit on business disposals	4(b)	**-**	**(1)**	**(1)**	-	103	103
Business transformation costs	5(b)(ii)	**(70)**	**-**	**(70)**	(77)	-	(77)
Managed Separation costs	5(b)(iii)	**-**	**-**	**-**	(6)	-	(6)
Finance costs	5(b)(iv)	**(10)**	**-**	**(10)**	(10)	-	(10)
Policyholder tax adjustments	5(b)(v)	**9**	**-**	**9**	(62)	(12)	(74)
Customer remediation	5(b)(vi)	**(5)**	**-**	**(5)**	-	10	10
Total adjusting items before tax		**(118)**	**(1)**	**(119)**	(209)	101	(108)
Profit/(loss) before tax attributable to equity holders		**50**	**(1)**	**49**	(53)	180	127
Tax attributable to policyholder returns	7(a)	**36**	**-**	**36**	98	76	174
Income tax credit/(expense)	7(a),(b)	**3**	**-**	**3**	(66)	(89)	(155)
Profit/(loss) after tax[2]		**89**	**(1)**	**88**	(21)	167	146

[1]Discontinued operations includes the results of the Quilter Life Assurance ("QLA") business in 2019.
[2]IFRS profit/(loss) after tax.

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.

5: Alternative performance measures (“APMs”) *continued*

5(b): Adjusting items *continued*

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

	Note	**Year ended 31 December 2020**	Year ended 31 December 2019
			£m
Amortisation of other acquired intangible assets	10(a)	**45**	45
Fair value gains on revaluation of contingent consideration		**(4)**	-
Acquisition and disposal related (income)/costs[1]		**(1)**	6
Unwinding of discount on contingent consideration		**2**	3
Total impact of acquisition and disposal related accounting		**42**	54

[1]Acquisition and disposal related (income)/costs in the year ended 31 December 2020 includes a £(1)m 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. Other acquisition and disposal related (income)/costs include items such as transaction costs or deferred incentives arising on the acquisition of businesses.

5(b)(ii): Business transformation costs

Business transformation costs include four items: costs associated with the UK Platform Transformation Programme, build out costs incurred within Quilter Investors as a result of the sale of the Single Strategy business, Optimisation Programme costs, and restructuring costs incurred as a result of the sale of Quilter Life Assurance. All items are within the Group’s continuing operations. For the year ended 31 December 2020, these costs totalled £70 million (31 December 2019: £77 million) in aggregate, the principal components of which are described below:

UK Platform Transformation Programme – 31 December 2020: £38 million, 31 December 2019: £57 million

The second major migration of client assets completed in November 2020 and the final migration completed successfully in February 2021 with all Quilter Investment Platform assets now live on the new platform. The total costs of the programme are expected to be approximately £200 million, in line with previous guidance.

Optimisation Programme costs – 31 December 2020: £33 million, 31 December 2019: £18 million

The Optimisation programme has delivered notable efficiencies and improvements in operational performance for the Group through greater technology utilisation and integration activity. Technology enabled transformation over 2020 included successful deployment of new finance and procurement modules as part of our general ledger consolidation and modernisation activity effective from January 2021, with £33 million of total costs for the Optimisation programme incurred for the year ended 31 December 2020. The Group also continued to leverage support function centres of excellence to achieve cost savings and reduce spend across the business by introducing tighter supplier management practices, insourcing capabilities and rationalising and consolidating technology and other suppliers across the Group.

Quilter Investors’ build out costs – 31 December 2020: £(1) million, 31 December 2019: £(1) million

As part of the Group’s strategy to separate from Old Mutual plc in 2018, the Group incurred build out costs to develop Quilter Investors as a separate business distinct from the Single Strategy business, which was subsequently sold on 29 June 2018. The build was substantially completed in 2019, resulting in the release of £1m of the provision established to complete the build in 2019, with a further £1m release in 2020.

Restructuring costs following disposal of Quilter Life Assurance – 31 December 2020: £nil, 31 December 2019: £3 million

As a result of the disposal of QLA on 31 December 2019, the Group recognised £3 million as an adjusting item principally in respect of redundancy costs. The Group expects to incur further restructuring costs during the following 12 months, including the cost of decommissioning IT systems, as the Transitional Service Agreement with ReAssure (the acquirer) runs off during 2021 and the remaining Quilter business is restructured following the disposal.

5(b)(iii): Managed Separation costs

One-off costs related to the Managed Separation from Old Mutual plc have been excluded from adjusted profit on the basis that they relate to a fundamental restructuring of the Group are therefore not representative of the operating activity of the Group. For the year ended 31 December 2020 these costs were £0.1 million (31 December 2019: £6 million). The costs incurred in 2020 were in respect of rebranding and further rebranding costs are expected to be incurred in 2021.

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 31 December 2020 finance costs were £10 million (31 December 2019: £10 million).

5(b)(v): Policyholder tax adjustments

For the year ended 31 December 2020 the total policyholder tax adjustments to adjusted profit is £9 million (31 December 2019: £(74) million) relating to both continuing and discontinued operations, as shown in note 7(c). Adjustments to policyholder tax are made to remove distortions arising from market volatility that can, in turn, lead to volatility in the policyholder tax charge between periods. The recognition of the income received from policyholders (which is included within the Group’s 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.

Notes to the condensed consolidated financial statements

For the year ended 31 December 2020

5: Alternative performance measures ("APMs") *continued*

5(b): Adjusting items *continued*

5(b)(vi): Customer remediation

Lighthouse pension transfer advice provision – 31 December 2020 £5 million, 31 December 2019 £nil

With regard to the provision for redress payable and related costs established within the fair value of the Lighthouse assets and liabilities acquired in June 2019 in relation to advice provided to British Steel pension members, a further £5 million (31 December 2019: £nil) increase in the provision has been recognised in the income statement in the year ended 31 December 2020, reflecting the impact of post-acquisition market and discount rate movements. This has been excluded from adjusted profit on the basis that the costs are not representative of the operating activity of the Group. Further details of the provision are provided in note 17.

QLA voluntary client remediation provision – 31 December 2020 £nil, 31 December 2019 £10 million

Within QLA (disposed of on 31 December 2019), a voluntary customer remediation provision was established in 2017 following product reviews and consistent with recommendations from the Financial Conduct Authority's ("FCA") thematic review and the FCA's guidance FG16/8 *Fair treatment of long-standing customers in the life assurance sector*. During 2019, £10 million of the provision was released (as detailed 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 pages 5 to 7 and form the Group's adjusted profit 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.

							£m
Year ended 31 December 2020	**Net mgmt fees[1]**	**Other revenue[1]**	**Total net fee revenue[1]**	**Operating Expenses[1]**	**Adjusted profit before tax**	**Consol. of funds[2]**	**IFRS income statement**
Fee income and other income from service activities	680	195	875	-	875	(80)	795
Investment return	-	3,340	3,340	-	3,340	556	3,896
Other income	-	1	1	15	16	4	20
Total income	680	3,536	4,216	15	4,231	480	4,711
Expenses							-
Insurance contract claims and changes in liabilities	-	(1)	(1)	-	(1)	-	(1)
Change in investment contract liabilities	-	(3,328)	(3,328)	-	(3,328)	-	(3,328)
Fee and commission expenses, and other acquisition costs	(70)	(74)	(144)	-	(144)	(3)	(147)
Change in third party interest in consolidated funds	-	-	-	-	-	(440)	(440)
Other operating and administrative expenses	(13)	(2)	(15)	(640)	(655)	(37)	(692)
Finance costs[3]	-	(1)	(1)	(16)	(17)	-	(17)
Total expenses	(83)	(3,406)	(3,489)	(656)	(4,145)	(480)	(4,625)
Tax expense attributable to policyholder returns	(36)	-	(36)	-	(36)	-	(36)
Profit/(loss) before tax attributable to equity holders from continuing operations	561	130	691	(641)	50	-	50
Adjusting items:							
Impact of acquisition and disposal related accounting	-	-	-	42	42		
Business transformation costs	-	-	-	70	70		
Finance costs	-	-	-	10	10		
Customer remediation	-	-	-	5	5		
Policyholder tax adjustments	(9)	-	(9)	-	(9)		
Adjusting items	(9)	-	(9)	127	118		
Total Group - continuing operations	552	130	682	(514)	168		

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*

In the Group's 2019 Annual Report, the reconciliation for year ended 31 December 2019 includes the results of the QLA business within adjusted profit before tax. QLA is now excluded from this reconciliation for comparability with the current period following its disposal on 31 December 2019, which now presents continuing operations only.

							£m
Year ended 31 December 2019	Net mgmt fees[1]	Other revenue[1]	Total net fee revenue[1]	Operating Expenses[1]	Adjusted profit before tax	Consol. of funds[2,3]	IFRS income statement[3]
Income							
Fee income and other income from service activities	689	230	919	-	919	(82)	837
Investment return	40	5,795	5,835	-	5,835	731	6,566
Other income	-	1	1	-	1	15	16
Total income	729	6,026	6,755	-	6,755	664	7,419
Expenses							
Insurance contract claims and changes in liabilities	-	(1)	(1)	-	(1)	-	(1)
Change in investment contract liabilities	-	(5,810)	(5,810)	-	(5,810)	-	(5,810)
Fee and commission expenses, and other acquisition costs	(100)	(77)	(177)	-	(177)	10	(167)
Change in third party interest in consolidated funds	-	-	-	-	-	(634)	(634)
Other operating and administrative expenses	(14)	(1)	(15)	(690)	(705)	(40)	(745)
Finance costs[4]	-	(4)	(4)	(13)	(17)	-	(17)
Total expenses	(114)	(5,893)	(6,007)	(703)	(6,710)	(664)	(7,374)
Tax expense attributable to policyholder returns	(98)	-	(98)	-	(98)	-	(98)
Profit/(loss) before tax attributable to equity holders from continuing operations	517	133	650	(703)	(53)	-	(53)
Adjusting items:							
Impact of acquisition and disposal related accounting	-	-	-	54	54		
Business transformation costs	-	-	-	77	77		
Managed Separation costs	-	-	-	6	6		
Finance costs	-	-	-	10	10		
Policyholder tax adjustments	62	-	62	-	62		
Adjusting items	62	-	62	147	209		
Adjusted profit before tax after reallocation	579	133	712	(556)	156		
Reallocation of QLA costs	-	-	-	26	26		
Total Group - continuing operations	579	133	712	(530)	182		

[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. This grossing up is excluded from the Group's adjusted profit.
[3]See note 3(b) for details of changes to comparative amounts.
[4]During the year ended 31 December 2020, management reassessed the presentation of lease interest expenses within the adjusted profit analysis in the table above. These expenses have historically been reported within "Other revenue" and are now reported within "Operating expenses" for adjusted profit.

6: Segmental information

6(a): Segmental presentation

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

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

Consistent with internal reporting, assets, liabilities, 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(d).

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.

6: Segmental presentation *continued*

6(a): Segmental presentation *continued*

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.

Wealth Platforms

This segment comprises Quilter Investment Platform ("QIP") and Quilter International.

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.

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.

Head office

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

Discontinued operations:

The disposal of Quilter Life Assurance ("QLA") on 31 December 2019, previously part of the Wealth Platforms operating segment, resulted in that business being classified as a discontinued operation. The results of that business, along with the profit on disposal, have been presented as discontinued operations. See note 4 for further information.

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

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

						£m
		Operating segments				
	Notes	Advice and Wealth Management	Wealth Platforms	Head Office	Consolidation adjustments[1]	Consolidated income statement
Income						
Fee income and other income from service activities	6(d)	456	426	-	(87)	**795**
Investment return		4	3,335	1	556	**3,896**
Other income		4	117	5	(106)	**20**
Segmental income		**464**	**3,878**	**6**	**363**	**4,711**
Expenses						
Insurance contract claims and changes in liabilities		-	(1)	-	-	**(1)**
Change in investment contract liabilities	16	-	(3,328)	-	-	**(3,328)**
Fee and commission expenses, and other acquisition costs		(50)	(101)	-	4	**(147)**
Change in third party interest in consolidated funds		-	-	-	(440)	**(440)**
Other operating and administrative expenses		(370)	(324)	(71)	73	**(692)**
Finance costs		(3)	(4)	(10)	-	**(17)**
Segmental expenses		**(423)**	**(3,758)**	**(81)**	**(363)**	**(4,625)**
Profit/(loss) before tax from continuing operations		**41**	**120**	**(75)**	**-**	**86**
Tax attributable to policyholder returns		-	(36)	-	-	**(36)**
Profit/(loss) before tax attributable to equity holders from continuing operations		**41**	**84**	**(75)**	**-**	**50**
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 - continuing operations		**90**	**114**	**(36)**	**-**	**168**

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

6: Segmental information *continued*

6(b)(ii): Adjusted profit statement - segmental information for the year ended 31 December 2019

£m

	Notes	Operating segments Advice and Wealth Management	Wealth Platforms	Head Office	Reallocation of QLA costs[1]	Consolidation adjustments[2,3]	Consolidated income statement[3]
Income							
Fee income and other income from service activities	6(d)	486	438	-	-	(87)	837
Investment return		10	5,823	3	-	730	6,566
Other income		1	160	6	-	(151)	16
Segmental income		497	6,421	9	-	492	7,419
Expenses							
Insurance contract claims and changes in liabilities		-	(1)	-	-	-	(1)
Change in investment contract liabilities	16	-	(5,810)	-	-	-	(5,810)
Fee and commission expenses, and other acquisition costs		(73)	(110)	-	-	16	(167)
Change in third party interest in consolidated funds		-	-	-	-	(634)	(634)
Other operating and administrative expenses		(368)	(409)	(68)	(26)	126	(745)
Finance costs		(4)	(3)	(10)	-	-	(17)
Segmental expenses		(445)	(6,333)	(78)	(26)	(492)	(7,374)
Profit/(loss) before tax from continuing operations		52	88	(69)	(26)	-	45
Tax attributable to policyholder returns		-	(98)	-	-	-	(98)
Profit/(loss) before tax attributable to equity holders from continuing operations		52	(10)	(69)	(26)	-	(53)
Adjusted for non-operating items:							
Impact of acquisition and disposal related accounting	5(b)(i)	52	1	1	-	-	54
Business transformation costs	5(b)(ii)	(1)	58	20	-	-	77
Managed Separation costs	5(b)(iii)	-	1	5	-	-	6
Finance costs	5(b)(iv)	-	-	10	-	-	10
Policyholder tax adjustments	5(b)(v)	-	62	-	-	-	62
Adjusting items before tax		51	122	36	-	-	209
Adjusted profit/(loss) before tax after reallocation[1]		103	112	(33)	(26)	-	156
Reallocation of QLA costs[1]		-	-	-	26	-	26
Adjusted profit/(loss) before tax - continuing operations		103	112	(33)	-	-	182

[1]As disclosed in the Group's 2019 Annual Report, Reallocation of QLA costs includes £26 million of costs previously reported as part of the QLA business which was reclassified from discontinued to continuing operations as these costs did not transfer to ReAssure on disposal at 31 December 2019.
[2]Consolidation adjustments comprise the elimination of inter-segment transactions and the consolidation of funds.
[3]See note 3(b) for changes to comparative amounts.

6: Segmental information *continued*

6(c)(i): Statement of financial position – segmental information at 31 December 2020

	Notes	Advice & Wealth Management	Wealth Platforms	Head Office	Consolidation Adjustments[1]	Total
						£m
Assets						
Goodwill and intangible assets	10	423	133	-	-	**556**
Property, plant and equipment		13	129	-	-	**142**
Investments in associated undertakings		-	-	1	-	**1**
Contract costs		-	413	-	-	**413**
Loans and advances		33	186	-	-	**219**
Financial investments	11	-	57,162	-	6,112	**63,274**
Deferred tax assets		10	25	43	-	**78**
Current tax receivable		-	10	14	-	**24**
Trade, other receivables and other assets		228	430	2	41	**701**
Derivative assets		-	-	-	43	**43**
Cash and cash equivalents	14	310	690	614	307	**1,921**
Inter-segment funding - assets		63	34	20	(117)	**-**
Total assets		1,080	59,212	694	6,386	**67,372**
Liabilities						
Investment contract liabilities	16	-	57,407	-	-	**57,407**
Third-party interests in consolidated funds		-	-	-	6,513	**6,513**
Provisions	17	53	15	9	-	**77**
Deferred tax liabilities		36	70	-	-	**106**
Current tax payable/(receivable)[2]		21	(12)	(8)	-	**1**
Borrowings and lease liabilities		15	105	199	-	**319**
Trade, other payables and other liabilities		268	396	34	(26)	**672**
Contract liabilities		-	379	-	-	**379**
Derivative liabilities		-	-	-	20	**20**
Inter-segment funding - liabilities		-	20	97	(117)	**-**
Total liabilities		393	58,380	331	6,390	**65,494**
Total equity						**1,878**
Total equity and liabilities						**67,372**

[1]Consolidation adjustments comprise the elimination of inter-segment transactions and the consolidation of funds.
[2]Current tax payable/(receivable) includes Group relief payable and receivable that net to £nil on a consolidated basis but may appear as a receivable within individual segments.

6: Segmental information *continued*

6(c)(ii): Statement of financial position – segmental information at 31 December 2019 restated[3]

£m	Notes	Advice & Wealth Management	Wealth Platforms restated[3]	Head Office	Consolidation Adjustments[1]	Total restated[3]
Assets						
Goodwill and intangible assets	10	458	134	-	-	**592**
Property, plant and equipment		30	111	2	-	**143**
Investments in associated undertakings		-	-	1	-	**1**
Contract costs		-	455	-	-	**455**
Loans and advances		31	180	6	-	**217**
Financial investments	11	1	52,249	-	4,957	**57,207**
Deferred tax assets		11	22	10	-	**43**
Current tax receivable		-	-	13	-	**13**
Trade, other receivables and other assets[3]		207	389	3	6	**605**
Derivative assets		-	-	-	22	**22**
Cash and cash equivalents	14	383	725	838	307	**2,253**
Inter-segment funding - assets		-	12	-	(12)	**-**
Total assets		1,121	54,277	873	5,280	**61,551**
Liabilities						
Investment contract liabilities	16	-	52,455	-	-	**52,455**
Third-party interests in consolidated funds		-	-	-	5,318	**5,318**
Provisions	17	28	26	10	-	**64**
Deferred tax liabilities		38	50	-	-	**88**
Current tax payable/(receivable)[2]		1	(7)	12	-	**6**
Borrowings		26	108	201	-	**335**
Trade, other payables and other liabilities		322	477	37	(35)	**801**
Contract liabilities[3]		1	402	-	-	**403**
Derivative liabilities		-	-	-	10	**10**
Inter-segment funding - liabilities		-	-	12	(12)	**-**
Total liabilities		416	53,511	272	5,281	**59,480**
Total equity						**2,071**
Total equity and liabilities						**61,551**

[1]Consolidation adjustments comprise the elimination of inter-segment transactions and the consolidation of funds.
[2]Current tax payable/(receivable) includes Group relief payable and receivable that net to £nil on a consolidated basis but may appear as a receivable within individual segments.
[3]See note 3(b) for details of changes to comparative amounts

6(d): 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.

	UK			International		£m	£m UK
Year ended 31 December 2020	**Advice and Wealth Management**	**Wealth Platforms**	**Head Office**	**Wealth Platforms**	**Consolidation adjustments**	**Total continuing operations**	**Discontinued operations**
Premium based fees	**113**	**-**	**-**	**70**	**-**	**183**	**-**
Fund based fees[1]	**343**	**168**	**-**	**88**	**(93)**	**506**	**-**
Retrocessions received, intragroup	**-**	**2**	**-**	**6**	**(8)**	**-**	**-**
Fixed fees	**-**	**2**	**-**	**29**	**-**	**31**	**-**
Exit fees	**-**	**-**	**-**	**13**	**-**	**13**	**-**
Other fee and commission income	**-**	**48**	**-**	**-**	**14**	**62**	**-**
Fee income and other income from service activities	**456**	**220**	**-**	**206**	**(87)**	**795**	**-**
Investment return	**4**	**2,273**	**2**	**1,062**	**555**	**3,896**	**-**
Other income	**4**	**143**	**5**	**-**	**(132)**	**20**	**-**
Total income	**464**	**2,636**	**7**	**1,268**	**336**	**4,711**	**-**

6: Segmental information *continued*

6(d): Geographic segmental information *continued*

	UK			International			UK
Year ended 31 December 2019	Advice and Wealth Management	Wealth Platforms	Head Office	Wealth Platforms	Consolidation adjustments[2]	Total continuing operations	Discontinued operations
							£m
Gross earned premiums	-	-	-	1	-	1	145
Premiums ceded to reinsurers	-	-	-	(1)	-	(1)	(86)
Net earned premiums	-	-	-	-	-	-	59
Premium based fees	103	-	-	72	-	175	11
Fund based fees[1]	383	175	-	101	(95)	564	65
Retrocessions received, intragroup	-	2	-	2	(4)	-	10
Fixed fees	-	3	-	28	-	31	2
Exit fees	-	-	-	16	-	16	1
Other fee and commission income	-	39	-	-	12	51	75
Fee income and other income from service activities	486	219	-	219	(87)	837	164
Investment return[2]	10	3,825	3	1,998	730	6,566	1,386
Other income	1	161	6	(1)	(151)	16	-
Total income	497	4,205	9	2,216	492	7,419	1,609

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

7: Tax

7(a): Tax charged to the income statement

	Note	**Year ended 31 December 2020**	Year ended 31 December 2019
			£m
Current tax			
United Kingdom		**18**	33
International		**2**	5
Adjustments to current tax in respect of prior years		**(7)**	(11)
Total current tax charge		**13**	27
Deferred tax			
Origination and reversal of temporary differences		**(20)**	40
Effect on deferred tax of changes in tax rates		**-**	2
Adjustments to deferred tax in respect of prior years		**4**	(3)
Total deferred tax (credit)/charge		**(16)**	39
Total tax (credited)/charged to income statement - continuing operations		**(3)**	66
Total tax charged to income statement - discontinued operations	4(c)	**-**	89
Total tax (credited)/charged to income statement		**(3)**	155
Attributable to policyholder returns - continuing operations		**36**	98
Attributable to equity holders - continuing operations		**(39)**	(32)
Total tax (credited)/charged to income statement - continuing operations		**(3)**	66
Attributable to policyholder returns - discontinued operations	4(c)	**-**	76
Attributable to equity holders - discontinued operations		**-**	13
Total tax charged to income statement - discontinued operations		**-**	89
Total tax (credited)/charged to income statement		**(3)**	155

Policyholder tax

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

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

The Group's income tax credit on continuing operations was £(3) million for the year ended 31 December 2020, compared to an expense of £66 million for the prior year. This income tax (credit)/expense 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).

7: Tax *continued*

7(a): Tax charged to the income statement *continued*

Market movements during the year ended 31 December 2020 resulted in investment gains of £170 million on products subject to policyholder tax. The gain is a component of the total "investment return" gain of £3,896 million shown in the income statement. The impact of the £3,896 million investment return gain is the primary reason for the £36 million tax expense attributable to policyholder returns in respect of the continuing operations for the year ended 31 December 2020 (31 December 2019: £98 million expense in respect of continuing operations and £76 million expense in respect of discontinued operations).

First time recognition of deferred tax asset on accrued interest expense

Within the £(16) million total deferred tax credit and the £ (39) million tax credit attributable to equity holders (continuing operations) above, the Group has recognised a £(39) million deferred tax credit for the first time in respect of accrued interest expense. At December 2019, acknowledging the fact that the tax authorities may challenge the Group's tax treatment, management exercised judgement concluding that the tax treatment of the accrued interest expense was an uncertain tax position. Following full disclosure to the tax authorities and after assessing recoverability against forecast future profits the Group reassessed the accounting tax position at 31 December 2020 and recognised a deferred tax asset.

7(b): Reconciliation of total income tax expense

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

	Note	**Year ended 31 December 2020**	Year ended 31 December 2019
			£m
Profit before tax from continuing operations		**86**	45
Tax at UK standard rate of 19% (2019: 19%)		**16**	9
Different tax rate or basis on overseas operations		**(8)**	(6)
Untaxed and low taxed income		**(1)**	1
Expenses not deductible for tax		**2**	3
Adjustments to current tax in respect of prior years		**(7)**	(11)
Net movements on unrecognised deferred tax assets[1]		**(39)**	(11)
Effect on deferred tax of changes in tax rates		**-**	2
Adjustments to deferred tax in respect of prior years		**4**	(3)
Income tax attributable to policyholder returns (net of tax relief)		**30**	82
Total tax (credited)/charged to income statement - continuing operations		**(3)**	66
Total tax charged to income statement - discontinued operations	4(c)	**-**	89
Total tax (credited)/charged to income statement		**(3)**	155

[1]Includes first time recognition of accrued interest expense as explained in note 7(a).

7: Tax *continued*

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

	Notes	£m Year ended 31 December 2020	Year ended 31 December 2019
Income tax (credit)/expense on continuing operations[1]		**(3)**	66
Reversal of income tax credit on the reallocation of QLA costs		**-**	5
Income tax (credit)/expense on continuing operations before the reallocation of QLA costs		**(3)**	71
Tax on adjusting items			
Impact of acquisition and disposal related accounting		**3**	8
Business transformation costs		**13**	14
Managed Separation costs		**-**	1
Finance costs		**2**	2
Customer remediation		**1**	-
Tax adjusting items			
Policyholder tax adjustments	5(b)(v)	**9**	(62)
Other shareholder tax adjustments[2]		**36**	24
Tax on adjusting items - continuing operations		**64**	(13)
Less: tax attributable to policyholder returns within adjusted profit - continuing operations[3]		**(45)**	(36)
Tax charged on adjusted profit - continuing operations		**16**	22
Income tax credit on the reallocation of QLA costs		**-**	(5)
Tax charged on adjusted profit - continuing operations after the reallocation of QLA costs		**16**	17
Income tax expense on discontinued operations[1]	4(c)	**-**	89
Reversal of income tax expense on the reallocation of QLA costs		**-**	(5)
Income tax expense on discontinued operations before the reallocation of QLA costs		**-**	84
Tax on adjusting items			
Customer remediation		**-**	(2)
Tax adjusting items			
Policyholder tax adjustments	5(b)(v)	**-**	(12)
Other shareholder tax adjustments[2]		**-**	(3)
Tax on adjusting items - discontinued operations		**-**	(17)
Less: Tax attributable to policyholder returns within adjusted profit - discontinued operations[3]		**-**	(64)
Tax charged on adjusted profit - discontinued operations		**-**	3
Income tax expense on the reallocation of QLA costs		**-**	5
Tax charged on adjusted profit - discontinued operations after the reallocation of QLA costs		**-**	8
Tax charged on total adjusted profit		**16**	25

[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 QLA 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.

8: Earnings per share *continued*

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 1/2019 *Headline Earnings*. Disclosure of HEPS is not a requirement of IFRS, but it is a commonly used measure of earnings in South Africa.

	Source of guidance	Notes	**Pence** **Year ended 31 December 2020**	Year ended 31 December 2019
Basic earnings per share	IFRS	8(b)	**5.0**	8.0
Diluted basic earnings per share	IFRS	8(b)	**4.9**	7.8
Adjusted basic earnings per share	Group policy	8(b)	**8.6**	11.4
Adjusted diluted earnings per share	Group policy	8(b)	**8.5**	11.3
Headline basic earnings per share (net of tax)	JSE Listing Requirements	8(c)	**5.2**	2.3
Headline diluted earnings per share (net of tax)	JSE Listing Requirements	8(c)	**5.1**	2.3

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 **Year ended 31 December 2020**	Year ended 31 December 2019
Weighted average number of Ordinary Shares	**1,842**	1,902
Treasury shares including those held in EBTs	**(82)**	(67)
Basic weighted average number of Ordinary Shares	**1,760**	1,835
Adjustment for dilutive share awards and options	**37**	28
Diluted weighted average number of Ordinary Shares	**1,797**	1,863

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

		Year ended 31 December 2020			Year ended 31 December 2019		**£m**
	Notes	**Continuing operations**	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total
Profit/(loss) after tax		**89**	**(1)**	**88**	(21)	167	146
Total adjusting items before tax	5(a)	**118**	**1**	**119**	209	(101)	108
Tax on adjusting items	7(c)	**(64)**	**-**	**(64)**	13	17	30
Less: Policyholder tax adjustments	7(c)	**9**	**-**	**9**	(62)	(12)	(74)
Adjusted profit after tax after reallocation		**152**	**-**	**152**	139	71	210
Reversal of:							
Reallocation of QLA costs[1]		**-**	**-**	**-**	26	(26)	-
Income tax on reallocation of QLA costs	7(c)	**-**	**-**	**-**	(5)	5	-
Adjusted profit after tax		**152**	**-**	**152**	160	50	210

[1]Reallocation of QLA costs included £26 million of costs previously reported as part of the QLA business which were reclassified from discontinued to continuing operations in 2019 as these costs did not transfer to ReAssure (the acquirer) on disposal at 31 December 2019.

		Year ended 31 December 2020			Year ended 31 December 2019		
		Continuing operations	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total
	Post-tax profit measure used	**Pence**	**Pence**	**Pence**	Pence	Pence	Pence
Basic EPS	IFRS profit	**5.1**	**(0.1)**	**5.0**	(1.1)	9.1	8.0
Diluted EPS	IFRS profit	**5.0**	**(0.1)**	**4.9**	(1.1)	8.9	7.8
Adjusted basic EPS	Adjusted profit	**8.6**	**-**	**8.6**	8.7	2.7	11.4
Adjusted diluted EPS	Adjusted profit	**8.5**	**-**	**8.5**	8.6	2.7	11.3
Adjusted basic EPS after reallocation[1]	Adjusted profit after reallocation	**N/A**	**N/A**	**N/A**	7.5	3.9	11.4
Adjusted diluted EPS after reallocation[1]	Adjusted profit after reallocation	**N/A**	**N/A**	**N/A**	7.5	3.8	11.3

[1]Reallocation of QLA costs included £26 million of costs previously reported as part of the QLA business which were reclassified from discontinued to continuing operations in 2019 as these costs did not transfer to ReAssure (the acquirer) on disposal at 31 December 2019.

8: Earnings per share *continued*

8(c): Headline earnings per share

					£m
		Year ended 31 December 2020		Year ended 31 December 2019	
	Note	**Gross**	**Net of tax**	Gross	Net of tax
Profit attributable to ordinary equity holders			**88**		146
Adjusted for:					
Loss/(profit) on business disposals	4(b)	**1**	**1**	(103)	(103)
Impairment loss on right-of-use assets		**3**	**2**	-	-
Headline earnings			**91**		43
Headline basic EPS (pence)			**5.2**		2.3
Headline diluted EPS (pence)			**5.1**		2.3

9: Dividends

			£m
	Payment date	**Year ended 31 December 2020**	Year ended 31 December 2019
2018 Final dividend paid - 3.3p per Ordinary Share	20 May 2019	**-**	61
2019 Interim dividend paid - 1.7p per Ordinary Share	20 September 2019	**-**	31
2019 Final dividend paid - 3.5p per Ordinary Share	18 May 2020	**64**	-
2020 Interim dividend paid - 1.0p per Ordinary Share	21 September 2020	**17**	
Dividends paid to Ordinary Shareholders		**81**	92

Subsequent to year ended 31 December 2020, the Directors proposed a final dividend for 2020 of 3.6 pence per Ordinary Share amounting to £61 million in total. Subject to approval by shareholders at the AGM, the dividend will be paid on 17 May 2021. In compliance with the rules issued by the Prudential Regulation Authority (“PRA”) in relation to the implementation of the Solvency II regime and other regulatory requirements to which the Group is subject, the dividend is required to remain cancellable at any point prior to it becoming due and payable on 17 May 2021 and to be cancelled if, prior to payment, the Group ceases to hold capital resources equal to or in excess of its Solvency Capital Requirement, or if that would be the case if the dividend was paid. The Directors have no intention of exercising this cancellation right, other than where required to do so by the PRA or for regulatory capital purposes. Final and interim dividends paid to Ordinary Shareholders are calculated using the number of shares in issue at the record date less own shares held in Employee Benefit Trusts.

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 2019	314	100	380	794
Acquisitions through business combinations	68	-	49	117
Additions	-	5	-	5
Disposals	(30)	(4)	(4)	(38)
Other movements[1]	(2)	-	3	1
31 December 2019	350	101	428	879
Acquisitions through business combinations[2]	6	-	1	7
Additions	-	4	-	4
31 December 2020	**356**	**105**	**429**	**890**
Accumulated amortisation and impairment losses				
1 January 2019	-	(95)	(149)	(244)
Amortisation charge for the year	-	(2)	(45)	(47)
Disposals	-	4	4	8
Other movements[1]	-	-	(4)	(4)
31 December 2019	-	(93)	(194)	(287)
Amortisation charge for the year	-	(2)	(45)	(47)
31 December 2020	**-**	**(95)**	**(239)**	**(334)**
Carrying amount				
31 December 2019	350	8	234	592
31 December 2020	**356**	**10**	**190**	**556**

[1]During 2019, there was a gross up of fully amortised intangible assets in the Quilter Financial Planning and Quilter Cheviot businesses arising from previous business combinations.
[2]During 2020, there have been fair value adjustments of £7 million made to the net assets acquired in Lighthouse, with corresponding movements in goodwill of £7 million, other intangible assets of £1 million and associated deferred tax liabilities of £(1) million. Refer to note 4(a) for further details. Other fair value adjustments of £(1) million have been made to goodwill in relation to acquisitions within the Quilter Private Client Adviser business.

10(b): Analysis of other intangible assets

		£m		
	31 December 2020	31 December 2019	Average estimated useful life	Average period remaining
Net carrying value				
Distribution channels - Quilter Financial Planning	**15**	22	8 years	3 years
Customer relationships				
Quilter Cheviot	**114**	141	10 years	4 years
Quilter Financial Planning	**54**	61	8 years	6 years
Other	**7**	9	8 years	4 years
Brand - Quilter Cheviot	**-**	1	n/a	n/a
Total other intangible assets	**190**	234		

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
	31 December 2020	31 December 2019
Goodwill (net carrying amount)		
Advice and Wealth Management	**225**	219
Wealth Platforms	**131**	131
Total goodwill	**356**	350

10: Goodwill and intangible assets *continued*

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

Impairment review

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

The significant volatility in global financial markets resulting from the COVID-19 pandemic and the effect this has on the Group's AuMA and revenue, provided an indicator of impairment at 30 June 2020 and consequently the goodwill balance was assessed, concluding that, whilst there was a reduction in the surplus of the recoverable amount over the carrying value since 31 December 2019, no impairment was required.

At 31 December 2020, the annual impairment assessment was performed, using the latest cash flow forecasts from the Group's three-year business plan, approved by the Board. The Group's business plan takes into consideration the partial recovery in equity markets experienced in H2 2020, which has resulted in an increase in the Group's AuMA and revenue. As a result, the surplus of the recoverable amount of the CGUs over the carrying amount has increased since the previous impairment test was carried out at 30 June 2020.

The following table details the separate percentage change required in each key assumption before the carrying value would exceed the recoverable amount, assuming all other variables remain the same. There has been an increase in the percentage changes required since 30 June 2020, reflecting the impact of the partial recovery in equity markets. The table continues to demonstrate that further adverse movements to the key assumptions used in the CGU value-in-use calculation would be required before impairment is indicated.

	Advice and Wealth Management	**Wealth Platforms**
Reduction in forecast cash flows	46%	69%
Increase in discount rate required	21% (from 9% to 30%)	27% (from 9% to 36%)

Forecast cash flows are impacted by movements in underlying assumptions, including equity market levels, revenue margins and NCCF. The Group considers that forecast cash flows are most sensitive to movements in equity markets because they have a direct impact on the level of the Group's fee income, as demonstrated by the recent volatility resulting from COVID-19. The most significant impact is seen within the Advice and Wealth Management segment, where AuMA is more correlated to equity market levels and is the key driver for future cash flows.

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

Value-in-use methodology

The value-in-use calculations for life assurance operations are determined as the sum of net tangible assets, the expected future cash flows arising from the in-force business, together with the expected cash flows from future new business derived from the business plans. Future cash flow elements allow for the cost of capital needed to support the business.

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

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

The cash flows that have been used to determine the value-in-use of the CGUs are based on the most recent management approved three-year profit forecasts, which incorporate the impact of COVID-19 and anticipated equity market growth on the Group's future cash flows. These cash flows change at different rates because of the different strategies of the CGUs. In cases where the CGUs have made significant acquisitions in the recent past, the cash flows are forecast to grow faster than the more mature businesses. Post the three-year forecasts, the growth rate used to determine the terminal value of the CGUs in the annual assessment approximates to the UK long-term growth rate of 0.6% (2019: 1.7%). Market share and market growth information are also used to inform the expected volumes of future new business.

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

The Group uses a single cost of capital of 9.0% (2019: 10.0%) to discount future expected business plan cash flows across its two groups of CGUs because they are perceived to present a similar level of risk and are integrated. Capital is provided to the Group predominantly by shareholders with a small amount of debt. The cost of capital is the weighted average of the cost of equity (return required by shareholders) and the cost of debt (return required by bond and property lease holders). When assessing the systematic risk (i.e. beta value) within the calculation of the cost of equity, a triangulation approach is used that combines beta values obtained from historical data, a forward-looking view on the progression of beta values and the external views of investors.

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
	31 December 2020	31 December 2019 restated[1]
Government and government-guaranteed securities	**632**	558
Other debt securities, preference shares and debentures	**1,952**	1,897
Equity securities	**14,163**	8,560
Pooled investments	**46,518**	46,177
Short-term funds and securities treated as investments	**9**	15
Total financial investments	**63,274**	57,207
Recoverable within 12 months	**63,274**	57,206
Recoverable after 12 months	**-**	1
Total financial investments	**63,274**	57,207

[1]See note 3(b) 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 note 19.

31 December 2020

	Fair value				£m
Measurement basis	**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.

12: Categories of financial instruments *continued*

31 December 2019 (restated)[3]

Measurement basis	Fair value				£m
	Mandatorily at FVTPL	Designated at FVTPL[2]	Amortised cost	Non-financial assets and liabilities[2]	Total
Assets					
Investments in associated undertakings[1]	-	-	-	1	1
Loans and advances	180	-	37	-	217
Financial investments	57,205	2	-	-	57,207
Trade, other receivables and other assets[2]	-	-	342	263	605
Derivative assets	22	-	-	-	22
Cash and cash equivalents	1,159	-	1,094	-	2,253
Total assets that include financial instruments	58,566	2	1,473	264	60,305
Total other non-financial assets	-	-	-	1,246	1,246
Total assets	58,566	2	1,473	1,510	61,551
Liabilities					
Investment contract liabilities[2]	-	52,455	-	-	52,455
Third-party interests in consolidation of funds	5,318	-	-	-	5,318
Borrowings and lease liabilities	-	-	335	-	335
Trade, other payables and other liabilities	-	-	695	106	801
Derivative liabilities	10	-	-	-	10
Total liabilities that include financial instruments	5,328	52,455	1,030	106	58,919
Total other non-financial liabilities	-	-	-	561	561
Total liabilities	5,328	52,455	1,030	667	59,480

[1]Investments in associated undertakings classified as non-financial assets and liabilities are equity accounted.
[2]Following a review of the Group's presentation of financial liabilities held at FVTPL, 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.
[3]See note 3(b) for details of changes to comparative amounts.

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.

13: Fair value methodology *continued*

13(a): Determination of fair value *continued*

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 policyholders' 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.

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, management have 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 £9 million from Level 1 to Level 2 during the year (31 December 2019: £139 million). There were transfers of financial investments of £3 million from Level 2 to Level 1 during the year (31 December 2019: £76 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.

13: Fair value methodology *continued*

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

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).

	31 December 2020		31 December 2019 restated[1]	
	£m	**%**	£m	%
Financial assets measured at fair value				
Level 1	**56,927**	**88.2%**	48,009	82.0%
Level 2	**5,793**	**9.0%**	8,842	15.1%
Level 3	**1,822**	**2.8%**	1,717	2.9%
Total	**64,542**	**100.0%**	58,568	100.0%
Financial liabilities measured at fair value				
Level 1	**55,135**	**86.3%**	50,315	87.0%
Level 2	**6,985**	**10.9%**	5,751	10.0%
Level 3	**1,820**	**2.8%**	1,717	3.0%
Total	**63,940**	**100.0%**	57,783	100.0%

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

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
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**

13: Fair value methodology *continued*

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

31 December 2019 (restated)[1]	Level 1	Level 2	Level 3	Total £m
Financial assets measured at fair value				
Mandatorily (fair value through profit or loss)	48,007	8,842	1,717	58,566
Loans and advances[2]	180	-	-	180
Financial investments	46,668	8,820	1,717	57,205
Cash and cash equivalents	1,159	-	-	1,159
Derivative assets	-	22	-	22
Designated (fair value through profit or loss)	2	-	-	2
Financial investments	2	-	-	2
Total assets measured at fair value	48,009	8,842	1,717	58,568
Financial liabilities measured at fair value				
Mandatorily (fair value through profit or loss)	-	5,328	-	5,328
Third-party interests in consolidated funds	-	5,318	-	5,318
Derivative liabilities	-	10	-	10
Designated (fair value through profit or loss)	50,315	423	1,717	52,455
Investment contract liabilities[3]	50,315	423	1,717	52,455
Total liabilities measured at fair value	50,315	5,751	1,717	57,783

[1]See note 3(b) 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 held at FVTPL, 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.

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 year ended 31 December 2020, Level 3 assets also include a shareholder investment in suspended funds to the value of £2 million (31 December 2019: £nil); this is not matched by a corresponding liability and therefore any changes in market value are recognised in the Group's consolidated income statement. The table below reconciles the opening balance of Level 3 financial assets to the closing balance at each year end:

£m	**31 December 2020**	31 December 2019
At beginning of the year[1]	**1,717**	1,154
Fair value losses charged to income statement	**(121)**	(20)
Purchases	**16**	314
Sales	**(8)**	(24)
Transfers in	**930**	369
Transfers out	**(714)**	(71)
Foreign exchange and other	**2**	(5)
Total Level 3 financial assets	**1,822**	1,717
Unrealised fair value losses charged to income statement relating to assets held at the year end	**(110)**	(20)

[1]The opening balance for 2019 includes a £3 million shareholder investment in an unlisted equity, the Charles Derby Group; this was not matched by a corresponding liability and therefore any changes in market value were recognised in the Group's income statement. Following the acquisition of the Charles Derby Group in 2019, the Group's investment is no longer held as a Level 3 financial investment, but instead as an investment in subsidiary which is eliminated on consolidation.

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

Transfers into Level 3 assets in the current year total £930 million (31 December 2019: £369 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 a significant increase in suspended funds previously shown within Level 1, predominately due to the COVID-19 pandemic resulting in a number of property fund suspensions. Suspended funds are valued based on external valuation reports received from fund managers. Transfers out of Level 3 assets in the current year of £714 million (31 December 2019: £71 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 following the market recovery during the second half of the year. During 2020 a suspended fund with a value of £85 million has been wound up and cash returned to policyholders, resulting in the cash being placed in a cash fund within Level 1 assets.

13: Fair value methodology *continued*

13(e): Level 3 fair value hierarchy disclosure *continued*

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

		£m
	31 December 2020	31 December 2019
Pooled investments	**522**	361
Unlisted and stale price pooled investments	**87**	133
Suspended funds	**435**	228
Private equity investments	**1,300**	1,356
Total Level 3 financial assets	**1,822**	1,717

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

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

		£m
	31 December 2020	31 December 2019
At beginning of the year	**1,717**	1,151
Fair value losses charged to income statement	**(120)**	(20)
Purchases	**16**	314
Sales	**(8)**	(24)
Transfers in	**927**	369
Transfers out	**(714)**	(71)
Foreign exchange and other	**2**	(2)
Total Level 3 financial liabilities	**1,820**	1,717
Unrealised fair value losses charged to income statement relating to liabilities held at the year end	**(110)**	(20)

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 management therefore performs a sensitivity test of an aggregate 10% change in the value of the financial asset or liability (31 December 2019: 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 £182 million to the reported fair value of Level 3 assets, both favourable and unfavourable (31 December 2019: £172 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

14(a): Analysis of cash and cash equivalents

	31 December 2020 £m	31 December 2019 restated[1] £m
Cash at bank	**550**	787
Money market funds	**1,064**	1,159
Cash and cash equivalents in consolidated funds	**307**	307
Total cash and cash equivalents per statement of financial position	**1,921**	2,253

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

Except for cash and cash equivalents subject to consolidation of funds of £307 million (2019: £307 million), management do not consider that there are any material amounts of cash and cash equivalents which are not available for use in the Group's day-to-day operations.

14(b): Analysis of net cash flows from operating activities:

	Notes	31 December 2020 £m	31 December 2019 restated[1] £m
Cash flows from operating activities			
Profit before tax from continuing operations		**86**	45
(Loss)/profit before tax from discontinued operations	4(c)	**(1)**	256
		85	301
Adjustments for			
Depreciation and impairment of property, plant and equipment		**23**	19
Movement on deferred acquisition and contract costs		**44**	57
Movement on contract liabilities and fee income receivable		**(7)**	(13)
Amortisation and impairment of intangibles	10	**47**	48
Fair value and other movements in financial assets		**(3,319)**	(7,650)
Fair value movements in investment contract liabilities	16	**2,632**	6,518
Other change in investment contract liabilities		**2,187**	(1,209)
Loss/(profit) on sale of subsidiaries	4(b)	**1**	(103)
Other movements		**40**	65
		1,648	(2,268)
Net changes in working capital			
Increase in derivatives		**(11)**	(10)
(Increase)/decrease in loans and advances		**(5)**	5
Increase/(decrease) in provisions	17	**1**	(28)
Movement in other assets/liabilities[2]		**(245)**	(35)
		(260)	(68)
Taxation paid		**(28)**	(37)
Net cash flows from/(used in) operating activities		**1,445**	(2,072)

[1]See note 3(b) for details of changes to comparative amounts.
[2]Working capital changes in respect of other assets and liabilities primarily relate to consolidated funds.

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 1,783,969,051 Ordinary Shares of 7p each with an aggregated nominal value of £124,877,834 (31 December 2019: 1,902,251,098 Ordinary Shares of 7p each with an aggregated nominal value of £133,157,577).

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

	Number of shares	Nominal value £m	Share premium £m
At 1 January 2019	1,902,251,098	133	58
At 31 December 2019	1,902,251,098	133	58
Shares cancelled through share buyback programme	(118,282,047)	(8)	-
At 31 December 2020	**1,783,969,051**	**125**	**58**

On 11 March 2020 the Company announced a share buyback programme to purchase shares up to a maximum value of £375 million, in order to 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 have 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, the committed remainder of £22 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
	31 December 2020			31 December 2019		
	Gross	**Re-insurance**	**Net**	Gross	Re-insurance	Net
Carrying amount at 1 January	**52,455**	**-**	**52,455**	56,450	(1,671)	54,779
From continuing operations						
Fair value movements	2,632	-	2,632	5,091	-	5,091
Investment income	696	-	696	719	-	719
Movements arising from investment return	3,328	-	3,328	5,810	-	5,810
From discontinued operations						
Fair value movements	-	-	-	1,427	(205)	1,222
Investment income	-	-	-	142	-	142
Movements arising from investment return	**-**	**-**	**-**	1,569	(205)	1,364
Contributions received	4,871	-	4,871	5,718	1,148	6,866
Maturities	(97)	-	(97)	(166)	-	(166)
Withdrawals and surrenders	(3,226)	-	(3,226)	(7,419)	-	(7,419)
Claims and benefits	(59)	-	(59)	(205)	-	(205)
Other movements	2	-	2	2	(1)	1
Change in liability	**4,819**	**-**	**4,819**	5,309	942	6,251
Currency translation loss/(gain)	**133**	**-**	**133**	(121)	-	(121)
Disposal of subsidiaries	**-**	**-**	**-**	(9,183)	729	(8,454)
Investment contract liabilities	**57,407**	**-**	**57,407**	52,455	-	52,455

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

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

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

The reinsurers' share of policyholder liabilities relating to investment contract liabilities reduced to £nil in 2019 due to the disposal of QLA.

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.

Following the sale of QLA in 2019 (see note 4(b)) the Group no longer has any pure insurance contracts. Within the Group's International business, insurance contracts are unbundled. The insurance component does not give rise to any future liabilities and the deposit component is presented in investment contract liabilities. As a result, the Group no longer has any insurance liabilities or reinsurance assets. In the year ended 31 December 2020 unbundled insurance premiums of £1 million (31 December 2019: £1 million) are offset by £(1) million (31 December 2019: £(1) million) of premiums ceded to reinsurers.

17: Provisions

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	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[1]	-	-	-	14	14
Balance at 31 December 2020	**42**	**3**	**7**	**25**	**77**

31 December 2019	Compensation provisions	Sale of QLA	Sale of Single Strategy business	Clawback and other provisions	Total
					£m
Balance at beginning of the year	54	-	20	20	94
Adjustment on initial application of IFRS 16	-	-	-	(5)	(5)
Additions from business combinations	14	-	-	1	15
Charge to income statement[2]	9	6	1	7	23
Utilised during the year	(19)	-	(11)	(1)	(31)
Unused amounts reversed	(13)	-	-	(4)	(17)
Disposals	(11)	-	-	(1)	(12)
Reclassification within statement of financial position	(3)	-	-	-	(3)
Balance at 31 December 2019	31	6	10	17	64

[1]Clawback provision was disclosed on a net basis in 2019. In 2020 the balance has been reclassified, with the liability due to product providers on indemnity commission disclosed within provisions and the recoverable amount from brokers disclosed within receivables.
[2]Part of the charge to income statement in 2019 is included within the discontinued operations income statement.

Compensation provisions

Compensation provisions total £42 million (31 December 2019: £31 million), and are comprised of the following:

Lighthouse pension transfer advice provision of £28 million (31 December 2019: £12 million)

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 was higher than those for other pension scheme transfers in their sample. The FCA review included a sample of British Steel pension transfer advice provided by Lighthouse. Additionally, approximately 45 further complaints have been received from British Steel pension scheme members subsequent to the publication of the Group's 2019 Annual Report. As such, the Group has 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 payable.

In April 2020, the Group was informed by the FCA that it would be required to appoint a skilled person to review the British Steel pension transfers. A skilled person has been appointed, and they have performed provisional redress calculations on a significant portion of the British Steel complaints received by Lighthouse where the advice given was not suitable. The redress calculated on the complaints has been extrapolated to the entire population of British Steel transfers, by subdividing the population into cohorts with similar characteristics, including dividing into transfers pre and post June 2017 when the Trustees of the British Steel pension fund 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 redress 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 overall population of cases where advice was provided, and that advice was then acted upon. The methodology employed to assess the calculated redress payable uses assumptions and estimation techniques which are consistent with principles under the FCA's FG17/9 *"Guidance for firms on how to calculate redress for unsuitable defined benefit pension transfers*".

A total provision of £28 million (31 December 2019: £12 million) has been calculated for the potential redress of all British Steel cases, including anticipated costs associated with the redress activity. This is comprised of two parts:

(a) Client redress provision of £25 million (31 December 2019: £9 million). As noted above, this provision was increased during 2020 following the publication of the FCA thematic review and additional client complaints received.
(b) Anticipated costs associated with redress activity of £3 million (31 December 2019: £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 management believe may have similar characteristics. £1 million of the legal and professional fees provision has been utilised during the year, and the provision was increased by a further £1 million during the year.

17: Provisions *continued*

The recognition of the total provision before utilisation of £29 million has been further apportioned between the fair value of net assets of Lighthouse at acquisition and the expenses of the Group:

(a) £24 million (31 December 2019: £12 million) is recognised within the fair value of net assets acquired and impacts the goodwill balance recognised upon acquisition.
(b) The increase in the provision subsequent to acquisition of £5 million has been recognised within expenses of the Group.

The table below shows the change in this provision and how the amounts have been recognised:

	Notes	31 December 2020	Utilised during the year	Balance before utilisation	Increase in 2020	31 December 2019
						£m
Client redress provision		**25**	-	25	16	9
Anticipated costs		**3**	(1)	4	1	3
Total Lighthouse pension transfer advice complaints provision		**28**	(1)	29	17	12
Recognised within fair value of acquired net assets	4(a)	**24**		**24**	12	12
Recognised within expenses	5(b)(vi)	**5**		**5**	5	-

Additionally, the recognition of the fair value of acquired assets has been increased by management's estimate of the fair value of the insurance recoverable of £3 million and the deferred tax asset receivable of £2 million (both described in note 4(a)) which, taken together with the £12 million increase in client redress provision described above, results in a net decrease of £7 million to the fair value of the acquired net assets, which has been recognised as an increase in the goodwill balance in the year ending 31 December 2020.

Management has not changed the £3 million insurance recoverable that has been included in the fair value of the acquired net assets of Lighthouse. Discussion with insurers is ongoing and management will review the recoverable amount as and when they receive further certainty. The insurance asset at 31 December 2020 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 are 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 second half of 2021, after which settlements to customers will be made.

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 31 December 2020 as a result of movements in the key assumptions:

		£m
	31 December 2020	
	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.

Compensation provisions (other) of £14 million (31 December 2019: £19 million)

Other compensation provisions of £14 million are all held within the Group's continuing operations and include amounts relating to the cost of correcting deficiencies in policy administration systems, including restatements, any associated litigation costs and the related costs to compensate previous or existing policyholders and customers. This provision represents management's best estimate of expected outcomes based upon previous experience, and a review of the details of each case. Due to the nature of the provision, the timing of the expected cash outflows is uncertain. The best estimate of timing of outflows is that the majority of the balance is expected to be settled within 12 months. Estimates are reviewed annually and adjusted as appropriate for new circumstances. Management estimate a reasonably possible change of +/- £4 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 (see note 4(b)), resulting in a number of provisions totalling £6 million being established in respect of the costs of disposing the business and the related costs of business separation.

The costs of business separation arise from the process to separate QLA's infrastructure, which is complex and covers a wide range of areas including people, IT systems, data, contracts and facilities. A programme team has been established to ensure the transition of these areas to the acquirer. These provisions have been based on external quotations and estimations, together with 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 has taken place during 2020 and will continue into 2021. Calculation of the provision is based on management's best estimate of the work required, the time it is expected to take, the number and skills of the staff required and their cost, and the cost of related external IT services to support the work. In reaching these judgements and estimates, management have made use of their past experience of previous IT migrations following business disposals. Management estimate a reasonably possible change of +/- £1 million, based upon the time it takes to complete the work, which is expected to conclude in 2021.

During the year £3 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 provision includes those costs directly related to replacing and restoring the operational capability that previously underpinned and supported both parts of the asset management business. Key parts of this capability had either been disposed of or disrupted as a consequence of the sale. The provision established for restructuring was £19 million, of which £5 million was utilised during 2018 and a further £11 million utilised in 2019. During 2020, further utilisation of £1 million has been incurred, and £2 million has been reversed, and therefore the provision at year end 31 December 2020 is £nil.

Additional provisions totalling £6 million were also made in the year ended 31 December 2018 as a consequence of the sale of the Single Strategy Asset Management business. These were in relation to various sale related future commitments, the outcome of which was uncertain at the time of the sale and the most significant of which is in relation to the guarantee of revenues for the seller in future years arising from funds invested by customers of Quilter. A further £1 million was added to the provision during 2019, bringing the closing balance to £7 million at 31 December 2019. The balance remains at £7 million at 31 December 2020.

The provision considers sensitivities including potential scenarios which would result in a reduction in Group assets under management held in Merian (Single Strategy Asset Management business) funds, leading to a reduction in the management fees paid to Merian. The scenarios are based upon assumptions determined considering historical outflows over the past three years, expectation of outflows in the next 2 years and the latest information received from Merian. Per the conditions of the sale agreement, the maximum remaining potential exposure is £17 million, based on business periods between 2020 and 2022. The expected range of payments based upon the latest information received from Merian and management's reasonable expectations of AUM invested within Merian funds during the assessment periods varies from £5 million to £12 million.

Of the total £7 million provision outstanding, £2 million is expected to be settled in the first half of 2021 related to the 2020 measurement year, and the remaining £5 million (2019: £3 million) 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 in 2020 is £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 31 December 2020, an associated balance of £13 million recoverable from brokers is included within "Trade, other receivables and other assets". At 31 December 2019 the associated asset of £14 million was offset within the provision balance.

Management estimate 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 £25 million provision outstanding, £13 million is estimated to be payable within one year (2019: £17 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 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 will cover 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, following the FCA's FG17/9 *"Guidance for firms on how to calculate redress for unsuitable defined benefit pension transfers*" guidance. The skilled person will also review the redress methodology applied by Lighthouse to any complaints already upheld. The skilled person's final report is expected to be submitted to the FCA in the third quarter of 2021.

For the British Steel cases, management currently consider that the likelihood of redress is probable on the majority 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 the non-British Steel cases, it is possible that further costs of redress may be incurred following the outcome of the skilled person review. At present, there is no indication of redress payable in relation to non-British Steel cases.

Any further redress costs related to non-British Steel cases, and any differences between the provision and final payment to be made for British Steel cases, will be recognised as an expense or credit in the Income Statement, following the finalisation of the acquisition balance sheet of Lighthouse in June 2020.

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

18: Contingent liabilities *continued*

which they operate. All interpretations made by management are made with reference to the specific facts and circumstances of the transaction and the relevant legislation.

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

Due to the level of estimation required in determining tax provisions, amounts eventually payable may differ from the provision recognised. This may include amounts relating to first time recognition of a deferred tax asset on accrued interest expenses, as explained in note 7(a).

Complaints and disputes

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

19: Capital and financial risk management

19(a): Capital management

The Group manages its capital with a focus on capital efficiency and effective risk management. The capital management objectives are to maintain the Group's ability to continue as a going concern while supporting the optimisation of return relative to the risks. The Group ensures that it can meet its expected capital and financing needs at all times having regard to the Group's business plans, forecasts, strategic initiatives and regulatory requirements in all businesses in the Group. Capital forecasts have been reviewed regularly during 2020 in response to the emerging impacts of the COVID-19 pandemic which has evolved over the year and, where appropriate, management actions have been taken in response to these forecasts.

The Group's overall capital risk appetite is set with reference to the requirements of the relevant stakeholders and seeks to:

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

The primary sources of capital used by the Group are equity shareholders' funds of £1,878 million (31 December 2019: £2,071 million) and subordinated debt which was issued at £200 million in February 2018. Alternative resources are utilised where appropriate. Risk appetite has been defined for the level of capital, liquidity and debt within the Group. The risk appetite includes long-term targets, early warning thresholds and risk appetite limits. The dividend policy sets out the target dividend level in relation to profits.

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

19(a)(i): Regulatory capital (unaudited)

The Group is subject to Solvency II group supervision by the PRA. The Central Bank of Ireland is Quilter's lead supervisor within the European Union and exercises a limited form of Solvency II group supervision over the Group. The Group is required to measure and monitor its capital resources under the Solvency II regulatory regime.

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

The Group's Solvency II surplus is £1,021 million at 31 December 2020 (2019: £1,168 million), representing a Solvency II ratio of 217% (2019: 221%) calculated under the standard formula. The Solvency II regulatory position for the year ended 31 December 2020 allows for the impact of the recommended final dividend payment of £61 million (2019: £64 million). The disclosure does not include the impact of Tranche 3 of the share buyback which has yet to be approved by the Group's regulators at the reporting date.

The Solvency II results for the year ended 31 December 2020 (unaudited estimate) and 31 December 2019 were as follows:

		£m
	31 December 2020[1]	31 December 2019[2]
Own funds	**1,897**	2,132
Solvency capital requirement (SCR)	**876**	964
Solvency II surplus	**1,021**	1,168
Solvency II coverage ratio	**217%**	221%

[1]Based on preliminary estimates. Filing of annual regulatory reporting forms due by 20 May 2021.
[2]As represented within the Quilter plc Group Solvency and Financial Condition Report for the year ended 31 December 2019.

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.

		£m
Group own funds	**31 December 2020**	31 December 2019
Tier 1[1]	**1,688**	1,925
Tier 2[2]	**209**	207
Total Group Solvency II own funds	**1,897**	2,132

[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.

19: Capital and financial risk management *continued*

19(a): Capital management *continued*

The Group's insurance subsidiaries based in the UK and Ireland are also subject to Solvency II at entity level. Other regulated entities in the Group are subject to the locally applicable entity-level capital requirements in the jurisdictions in which they operate. In addition, the Group's asset management and advice businesses are subject to group supervision by the FCA under the CRD IV regime.

The solvency and capital requirements for the Group and its regulated subsidiaries are reported and monitored through monthly Capital Management Forum meetings. Throughout 2020, the Group has complied with the regulatory capital requirements that apply at a consolidated level and Quilter's insurance undertakings and investment firms have complied with the regulatory capital requirements that apply at entity level.

19(a)(ii): Loan covenants

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

	£m	
	31 December 2020	31 December 2019
Total external borrowings of the Company	**199**	198
Less: cash and cash equivalents of the Company	**(314)**	(559)
Total net external borrowings of the Company	**(115)**	(361)
Total shareholders' equity of the Group	**1,878**	2,071
Tier 2 bond	**199**	198
Total Group equity (including Tier 2 bond)	**2,077**	2,269
Ratio of Company net external borrowings to Group equity	**-0.055**	-0.159

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

19(a)(iii): Own Risk and Solvency Assessment ("ORSA") and Internal Capital Adequacy Assessment Process ("ICAAP")

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

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

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

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

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

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

19(b): Credit risk

Overall exposure to credit risk

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

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

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

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

The credit risk exposures of the Group are monitored regularly to ensure that counterparties remain creditworthy, to ensure there is appropriate diversification of counterparties and to ensure that exposures are within approved limits. At 31 December 2020, the Group's material credit exposures were to financial institutions (primarily through the investment of shareholder funds), corporate entities (including external fund managers and reinsurers) and individuals (primarily through fund management trade settlement activities).

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

19: Capital and financial risk management *continued*

19(b): Credit risk *continued*

Other credit risks

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

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

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

Impact of credit risk on fair value

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

Maximum exposure to credit risk

The Group's maximum exposure to credit risk does not differ from the carrying value disclosed in the relevant notes to the financial statements.

Loans and advances subject to 12 month expected credit losses ("12 month ECL") are £31 million (2019: £37 million) and other receivables subject to lifetime expected credit losses ("lifetime ECL") are £525 million (2019 restated - see note 3(b): £458 million). These balances are not rated; they represent the pool of counterparties that do not require a rating. These counterparties individually generate no material credit exposure and this pool is highly diversified, monitored and subject to limits.

Exposure arising from financial instruments not recognised on the statement of financial position is measured as the maximum amount that the Group would have to pay, which may be significantly greater than the amount that would be recognised as a liability. The Group does not have any significant exposure arising from items not recognised on the statement of financial position.

The table below represents the Group's exposure to credit risk from cash and cash equivalents.

							£m
	Credit rating relating to cash and cash equivalents that are neither past due nor impaired						
31 December 2020	**AAA**	**AA**	**A**	**BBB**	**<BBB**	**Not rated[1]**	**Carrying value**
Cash at amortised cost, subject to 12 month ECL	**-**	**81**	**464**	**1**	**4**	**307**	**857**
Money market funds at FVTPL	**1,062**	**-**	**-**	**-**	**2**	**-**	**1,064**
Total cash and cash equivalents	**1,062**	**81**	**464**	**1**	**6**	**307**	**1,921**

							£m
	Credit rating relating to cash and cash equivalents that are neither past due nor impaired						
31 December 2019 (restated[2])	AAA	AA	A	BBB	<BBB	Not rated[1]	Carrying value
Cash at amortised cost, subject to 12 month ECL	-	272	511	2	2	307	1,094
Money market funds at FVTPL	1,156	-	-	3	-	-	1,159
Total cash and cash equivalents	1,156	272	511	5	2	307	2,253

[1]Cash included in the consolidation of funds is not rated (see note 14(a)).

[2]See notes 3(b) for details of changes to comparatives.

Impairment allowance

Assets that are measured and classified at amortised cost are monitored for any expected credit loss ("ECL") on either a 12 month or lifetime ECL model. The majority of such assets within the Group are measured on the lifetime ECL model, with the exception of some specific loans that are on the 12 month ECL model.

Impairment allowance	**£m**
Balance at 1 January 2019	(0.9)
Additions due to increased broker loans	(0.3)
31 December 2019	(1.2)
Reduction due to reassessment of broker loans impairment modelling	**0.4**
31 December 2020	**(0.8)**

19(c): Market risk

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

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

19: Capital and financial risk management *continued*

19(c): Market risk *continued*

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

19(c)(i): Equity and property price risk

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

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

The above exposures are not material to the Group.

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

Equity and property price sensitivity testing

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

		£m
	Impact on profit after tax and shareholder's equity	
	31 December 2020	31 December 2019
Impact of 10% increase in equity and property prices	**32**	32
Impact of 10% decrease in equity and property prices	**(32)**	(32)

19(c)(ii): Interest rate risk

Interest rate risk arises primarily from bank balances held with financial institutions. A small amount of the Group's assets are held in fixed interest UK government bonds, which are exposed to fluctuations in interest rates.

Fixed interest UK government bonds are mainly held to match liabilities by durations and so the exposure to interest rate risk is not material.

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

Conversely, a reduction in interest rates would cause a rise in the value of investments in fixed income securities within unit-linked funds. It would also reduce the interest rate earned on bank balances, and could potentially result in the Group incurring interest charges on these balances, if interest rates become negative.

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

Interest rate sensitivity testing

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

		£m
	Impact on profit after tax and shareholder's equity	
	Year ended 31 December 2020	Year ended 31 December 2019
Impact of 1% increase in interest rates	**16**	16
Impact of 1% decrease in interest rates	**(8)**	(12)

19(c)(iii): Currency translation risk

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

19: Capital and financial risk management *continued*

19(d): Liquidity risk

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

- maintaining adequate high quality liquid assets and banking facilities, the level of which is informed through appropriate liquidity stress testing;
- continuously monitoring forecast and actual cash flows; and
- monitoring a number of key risk indicators to help in the identification of a liquidity stress.

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

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

Throughout the Covid-19 pandemic experienced in 2020 all of the subsidiaries and the Group Holding Companies have operated above their individual liquidity targets and there were no new liquidity stresses identified over this period to include in the liquidity monitoring process. Daily liquidity monitoring continues across the group to enable timely identification of any emerging issues.

The Group maintains contingency funding arrangements to provide liquidity support to businesses in the event of liquidity stresses that are greater than their risk appetite. Contingency Funding Plans are in place for each individual business in order to set out the approach and management actions that would be taken should liquidity levels fall below minimum liquidity requirements. The plans undergo an annual review and testing cycle to ensure they are fit for purpose and can be relied upon during a liquidity stress.

Information on the nature of the investments and securities held is given in note 11.

The Group has a £125 million five year Revolving Credit Facility with a five bank club that represents a form of contingency liquidity for the Group. No drawdown on this facility has been made since inception or through the period of the COVID-19 pandemic. The Group has exercised the option to extend the facility for a further two year period, to February 2025, and has continued to meet all the covenants attached to its financing arrangements.

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

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

19(e): Insurance Risk

19(e)(i): Overview

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

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

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

- Underwriting and Claims Standard;
- Reinsurance Standard; and
- Technical Provisions Standard.

The sensitivity of the Group's earnings and capital position to insurance risks is monitored through the Group's capital management processes.

The Group manages its insurance risks through the following mechanisms:

- management of expense levels relative to approved budgets;
- pricing of insurance contracts utilising analysis of mortality, persistency and expense experience;
- underwriting of mortality risks;
- reinsurance, which is used to limit the Group's exposure to large single claims and catastrophes through transfer of mortality risk exposures; and
- the Group does not offer group insurance business in order to avoid risk concentrations of insurance risk.

Mortality

Mortality risk is the risk that death claims experience is higher than the rates assumed when pricing contracts.

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

Persistency

Persistency risk is the risk that the level of surrenders or withdrawals on insurance policies occur at levels that are different to the levels assumed in the pricing process and relative to the levels assumed in determination of technical provisions. Persistency statistics are monitored monthly and a detailed persistency analysis at a product group level is carried out on an annual basis. Management actions may be triggered if persistency statistics indicate significant adverse movement or emerging trends in experience.

19: Capital and financial risk management *continued*

19(e): Insurance Risk *continued*

Expenses

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

19(e)(ii): Sensitivity analysis.

Sensitivity analysis has been performed by applying the following parameters to the statement of financial position and income statement as at 31 December 2020 and 31 December 2019. Interest rate and equity and property price sensitivities are included within the Group market sensitivities above.

Expenses

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

An increase in expenses of 10% would have decreased profit by £11 million after tax (2019: £13 million).

Mortality

Mortality risk is not material as the Group does not provide material mortality insurance on its products and mortality benefits are reinsured.

19(f): Operational risk

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

Operational risk includes the effects of failure of administration processes, IT and Information Security maintenance and development processes, investment processes (including settlements with fund managers, fund pricing and matching and dealing), product development and management processes, legal risks (e.g. risk of inadequate legal contract with third parties), poorly managed responses to regulatory change, which in the future may include transitional financial risks from climate change, risks relating to the relationship with third party suppliers and outsourcers, and the consequences of financial crime and business interruption events.

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

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

19(g): Contractual maturity analysis

Investment contract policyholders have the option to terminate or transfer their contracts at any time and to receive the surrender or transfer value of their policies, and these liabilities are therefore classified as less than three months maturity. Although these liabilities are payable on demand, the Group does not expect that all liabilities will be settled within this period. Following the sale of QLA at the end of 2019 the Group has no pure insurance contracts (unbundled elements of linked investment contracts are included within “unit linked investment contracts and similar contracts”).

20: Related party transactions

In the normal course of business, the Group enters into transactions with related parties. Loans to related parties are conducted on an arm’s length basis and are not material to the Group’s results. There were no transactions with related parties during the current and prior year which had a material effect on the results or financial position of the Group. Full details of transactions with related parties, including key management personnel compensation is included within note 39 of the financial statements within the Group’s 2020 Annual report. The Group’s interest in subsidiaries and related undertakings are set out in Appendix B of the financial statements within the Group’s 2020 Annual report.