Quilter

News release

8 March 2023

Quilter plc preliminary results for the year ended 31 December 2022

Robust outturn for 2022 in a challenging market – key strategic priorities improving growth and higher profitability

Steven Levin, Chief Executive Officer, said:

"Delivering a broadly similar 2022 operating performance to 2021 was a pleasing outturn given more challenging market conditions during the year. Since my appointment as Chief Executive in November 2022, I have been focussing on what more we need to do to realise Quilter's potential. While we are well positioned across the UK wealth industry, I believe we can go further to improve performance. My plan is to build on our existing distribution strengths, enhance our client propositions and drive greater efficiency across our business to ensure we deliver faster growth and higher profitability".

Key financial highlights

We assess our financial performance using a variety of measures including alternative performance measures ("APMs"), as explained further on pages 18 to 20. In the headings and tables presented, these measures are indicated with an asterisk: *.

Quilter highlights from continuing operations[1]	2022	2021
Assets and flows		
AuMA* (£bn)[2]	**99.6**	111.8
Gross flows* (£bn)[2]	**10.5**	13.2
Net inflows* (£bn)[2]	**1.8**	4.0
Net inflows/opening AuMA*[2]	**2%**	4%
Profit and loss		
IFRS profit before tax from continuing operations attributable to equity holders* (£m)[2]	**199**	12
IFRS profit after tax from continuing operations (£m)	**175**	23
Adjusted profit before tax* (£m)[2]	**134**	138
Operating margin*[2]	**22%**	22%
Revenue margin* (bps)[2]	**47**	48
Adjusted diluted EPS from continuing operations* (pence)[2]	**7.9**	7.4
Recommended total dividend per share from continuing operations (pence)	**4.5**	4.0
Basic earnings per share from continuing operations (pence)	**12.2**	1.4

[1]Continuing operations represent Quilter plc, excluding the results of Quilter International. Adjusted profit before tax for Quilter International in 2021 was £50 million. Adjusted diluted EPS from Quilter International in 2021 was 3.0 pence per share.
[2]Alternative Performance Measures ("APMs") are detailed and defined on pages 18 to 20.

Highlights - Continuing business (excluding Quilter International for comparative data)

- Assets under Management and Administration ("AuMA") of £99.6 billion at the end of December 2022, a decrease of 11% from 31 December 2021 (£111.8 billion) principally due to adverse market movements of £14.0 billion and:
  - Quilter Investment Platform net inflows of £2.2 billion (2021: £3.5 billion) representing 3% of opening AuMA (2021: 5%), reflecting an industry wide slowdown in gross flows.
  - Quilter High Net Worth net inflows of £0.9 billion (2021: £1.1 billion) representing 3% of opening AuMA (2021: 4%).
  - Net outflows of £1.1 billion (2021: net outflows £0.6 billion) of assets held on third-party platforms reflecting non-core, legacy business in run-off partially offset by the transition of assets advised by Quilter Financial Planning on other platforms to the Quilter Investment Platform.
- Broadly stable revenues of £606 million (2021: £618 million) largely supported by net interest income on corporate cash balances coupled with strong expense discipline delivering a reduction in costs, despite inflationary pressures. We delivered adjusted profit before tax of £134 million (2021: £138 million) and a stable operating margin of 22%.
- Excellent progress made on plans to deliver additional cost efficiencies and proposition enhancements.
- Final Dividend of 3.3 pence per share versus 2.8 pence for 2021, bringing the recommended total dividend for the year to 4.5 pence per share, an increase of 13% on the continuing business dividend for 2021 of 4.0 pence per share.
- Special capital return of £328 million to shareholders from the sale of Quilter International through a B share issue coupled with share consolidation. Our total share count has declined by c.25% since our Listing in 2018.
- Adjusted diluted earnings per share from continuing operations of 7.9 pence (2021: 7.4 pence).
- Basic earnings per share from continuing operations of 12.2 pence (2021: 1.4 pence).
- Solvency II ratio of 230% after payment of the recommended Final Dividend (December 2021: 275%).

Investor Relations

John-Paul Crutchley	UK	+44 77 4138 5251

Media

Tim Skelton-Smith	UK	+44 78 2414 5076

Camarco

Geoffrey Pelham-Lane	UK	+44 77 3312 4226

Steven Levin, CEO, and Mark Satchel, CFO, will host a presentation and Q&A session via webcast at 08:30am (GMT) today, 8 March 2023.

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

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

Disclaimer

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

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

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

Chief Executive Officer's statement

Before I get into the detail of our performance in 2022, I should extend my thanks to my predecessor, Paul Feeney, for his decade of service to Quilter as well as his long-standing support for me personally.

Turning now to the business, clearly, the operating environment has a meaningful influence on the flows we can attract and revenues we generate from the assets we manage and administer on behalf of our clients. 2022 was a particularly challenging year for the entire wealth management industry due to lower equity markets and higher bond yields. In that context, I am pleased we delivered a resilient adjusted profit outturn of £134 million (2021: £138 million) and a stable operating margin of 22% during the year.

Current market conditions are very different from those we anticipated at our Capital Markets Day in late 2021, prior to the war in Ukraine. This has led us to rebase some of the targets we set out then. Notwithstanding this, my focus will always be on managing the things within our control to deliver the best outcomes we can for all our stakeholders and, as I discuss below, my priority is on improving the revenue momentum and cost efficiency of our business.

Business Strategy and Transformation

Over the last ten-years, we have built a business that covers the full spectrum of the UK wealth industry. While we are well-positioned to meet the needs and provide good customer outcomes to our High Net Worth and Affluent clients, my initial assessment is that there is more to be done to ensure we are delivering on our potential as a business. We have three core channels through which we serve clients, each of which generated around £200 million of revenues per annum in 2022:

- Our High Net Worth segment operates under the Quilter Cheviot and Quilter Private Client Advisers brands. This business continues to perform well. While the growth rate of this business in terms of new flows has been good relative to peers, I believe we have the capacity to perform better. We will continue to drive our growth plans by improving productivity, as well as adding investment managers and dedicated financial advisers to enhance the support and value we provide to clients.

We serve Affluent clients through two channels:

- First, our Quilter Channel where we provide platform and investment solutions through our restricted adviser network. While there is understandably a focus on absolute adviser numbers as a proxy for growth in this business, it is more important to me that we have a productive adviser force which is fully aligned with our propositions, that the business continues to deliver good customer outcomes and that we deliver an appropriate return to shareholders.
- Second, the IFA Channel where our platform business provides investment administration and investment solutions to the IFA market. The enhanced capability of our new platform allows us to support a wider range of IFA firms and to meet a broader spectrum of customer needs than has historically been the case. We continue to add new firms and generating stronger flows from this channel is a key priority for me.

Since my appointment as Chief Executive Officer on 1 November 2022, I have been reviewing what we have done well and what we need to do better.

In terms of what has gone well, we have successfully reshaped our business since Listing, transformed our platform technology, delivered significant cost reduction programmes, paid around £1 billion to shareholders through special capital returns, enhanced our investment propositions to include ESG overlays as well as variants to meet client risk and style preferences, and maintained excellent levels of service to our clients and advisers.

But we can do better. This is a business with a huge amount of potential, and we are not yet delivering the growth of which we are capable. To drive improvement in our business, with customer outcomes at the core of this, my focus is on **building distribution, enhancing propositions**, and **driving efficiency,** and for these to deliver better customer outcomes and a significant increase in profitability. Taking each in turn:

- **Distribution** – one of the core strengths of Quilter is our two large scale distribution channels: IFAs and our own Quilter Channel advisers. We are strongly positioned in each channel, but we recognise the market in which we operate has evolved with sponsor-backed consolidation becoming an increasingly disruptive force.

  This has had two implications for Quilter. First, where IFAs who use our platform have been acquired, it can lead to outflows from our business as they consolidate their business elsewhere. Secondly, in the Quilter Channel we have lost some of our own advisers to consolidators. On the former, our counter is to leverage our new platform by growing our franchise with larger IFA firms. Progress is in line with expectations, but it is, by nature, a gradual build. On the latter, we are continuing to look at ways to ensure Quilter is attractive to advisers and that they are aligned with our propositions to provide good customer outcomes. We are also finessing our exit proposition for retiring advisers to protect our core franchise and ensure the Quilter proposition remains attractive compared to our peers.

- **Proposition** – here we need to be more agile, responsive and both customer and market focussed. Quilter Investors performance was strong in 2022, with all strategies outperforming their comparators except Cirilium Active. Over the last quarter, we've reviewed our investment capabilities and decided to unify management of all our Cirilium funds under a single team to ensure greater consistency of investment style and performance, and to better align our solutions with our customer needs. This action led to the departure of the two Cirilium Active portfolio managers. To reinvigorate the market positioning of Cirilium Active under the new team, we intend to reduce pricing at the end of March with an expected mid-single digit impact on the revenue margin on our Affluent Managed Assets on a full year basis. Finally, we will be launching a responsible investment multi-asset range which mirrors the well-received action we took with WealthSelect in early 2022.

  We have an award winning platform with market leading functionality. But we see increasing price competition and we need to be more competitive. We have planned actions on our Platform pricing to defend our existing flow, provide better value to customers and accelerate growth in new business. I expect this initiative to lead to around a basis point of margin attrition over the next 18 months over and above the basis point per annum to which we have historically guided, but with this expected to be more than offset by greater flows and revenues over time.

- **Efficiency** – we will update on additional efficiency plans later this year. We have made good progress with our Optimisation and Simplification programmes, but our cost base remains high. We have acquired businesses, particularly in advice, and not always integrated as far as we could. That has led to cumbersome business processes, unnecessary complexity and higher costs. So, there is opportunity to further simplify our business to improve the way we manage ourselves and the way we support our customers and advisers. Getting the operating margin in our business to a satisfactory level is an absolute priority for me.

All of the above is intended to drive a meaningful step-up in profitability and to make us a better business for our customers**.** I am determined to deliver the growth and returns our shareholders expect. Whilst some aspects of our plans might impact revenues and operating margin in the short term, we are confident they will lead to higher overall revenues and a faster growth rate in the medium term.

Flows and Investment Performance

Advice is central to all Quilter propositions and our goal is to deliver good customer outcomes in all that we do. That means providing excellent client and adviser support while delivering value including consistent investment returns, over time, in line with client risk and ESG preferences.

In 2022 we faced two particular challenges:

- First, across the industry, new business activity was hindered by 'risk off' sentiment following Russia's invasion of Ukraine in February which contributed to inflationary shocks from higher energy and food prices and cost-of-living pressures. This has naturally reduced the propensity for most households to save and invest beyond regular pension saving.
- Secondly, as I already noted, the adviser market has been going through a period of structural change with an increasing amount of private equity capital looking to back advice consolidation vehicles. As a result, we have seen a number of smaller independent firms seeking to move their clients to these new businesses which impacted on flows in our UK Platform which administers funds on behalf of clients of these firms.

While we have performed well in the current market with Quilter generating the largest share of gross flows across the retail advised industry based on the latest Fundscape data (to end December 2022), our net flows have been below the level we target.

Turning to investment performance, our Wealth Select portfolios continued to deliver strong performance while our Cirilium Active proposition remained stylistically out of favour. The management team who delivered a strong track record with our Cirilium Blend range have taken over the management of Cirilium Active with a view to revitalising performance.

2022 was a more challenging year for investment performance in our High Net Worth division and, over three years, we have slipped into 3rd Asset Risk Consultants ("ARC") quartile although the cumulative difference between 2nd and 3rd quartile is just over 1.2%. We have delivered outperformance over a 10 year period.

Business Performance

Our overall assets under management and administration declined by 11% over the course of the year to £99.6 billion with the reduction in revenues limited to 2% to £606 million (2021: £618 million). Lower management fee revenues were partially offset by higher levels of interest income from the corporate capital and cash held in our business. We reduced operating expenses by £8 million from 2021 levels to £472 million despite the impact of much higher than usual inflation across our business.

Across our two segments, High Net Worth delivered revenue stability, despite lower markets supported by a higher contribution from net interest income reflecting higher UK interest rates. Higher operating expenses of £11 million largely reflected planned business investment and led to a similar decline in profit to £45 million.

A 5% decline in revenues in our Affluent segment to £387 million reflected weaker markets and the repositioning of our adviser base contributing to the reduction in other income. Strong cost management combined with a lower overall FSCS charge limited the decline in profits to £6 million for the Affluent segment with a contribution of £105 million for the year.

Within our Head Office segment, we reduced operating expenses for managing the Group in 2022 by £6 million. In addition, higher interest rates contributed to an increase in net interest income generated on our available cash and capital resources which support our regulatory capital and liquidity requirements. Both factors contributed to a reduction in the net cost of the segment to £16 million from £29 million in 2021.

The Group's IFRS profit from continuing operations after tax was £175 million compared to £23 million in 2021. Adjusted profit before tax of £134 million for 2022 (2021: £138 million) represents the Group's IFRS profit, adjusted for specific items that management consider to be outside of the Group's normal operations or one-off in nature. The exclusion of certain adjusting items may result in adjusted profit before tax being materially higher or lower than the IFRS profit after tax. Adjusted profit before tax does not provide a complete picture of the Group's financial performance, which is disclosed in the IFRS income statement, but is instead intended to provide additional comparability and understanding of the financial results. Principal differences between this measure and our IFRS profit is largely due to non-cash amortisation of intangible assets, our business transformation expenses and the impact of policyholder tax positions on the Group's results. This latter item was significantly positive in 2022 because of the decline in markets over the course of the year.

Business transformation expenses will remain elevated in 2023 reflecting the pre-funded expenditure on our Simplification programme and other cost reduction initiatives and is expected to reduce substantially thereafter.

Total Group adjusted diluted earnings per share were 7.9 pence, an increase of 7% (2021: 7.4 pence from continuing operations). We target mid-teens compound annual growth rate in EPS to 2025 from the 2020 base. Compound growth of 23% from the 2020 base represents a strong performance against that metric. However, given the planned actions being taken to accelerate growth, the rate of EPS growth is likely to be slower over the remaining target period. On an IFRS basis, we delivered basic EPS from continuing operations of 12.2 pence per share versus 1.4 pence per share for the comparable year of 2021 on the same basis.

The Board is pleased to recommend a Final Dividend of 3.3 pence per share versus 2.8 pence for 2021, bringing the total dividend for the year to 4.5 pence per share, an increase of 13% on the continuing business dividend for 2021 of 4.0 pence per share (total dividend 5.6 pence per share, including 1.6 pence per share in respect of Quilter International distribution).

During the year, shares in issue declined by 252 million as a result of our share buyback programme which completed in January 2022 and our B Share Scheme and Share Consolidation which returned net surplus proceeds of £328 million to shareholders following the disposal of Quilter International in November 2021. Since Listing our capital return programme from disposals has reduced our total share count by around a quarter.

Responsible Business and Stewardship

Ensuring Quilter is a business whose actions go beyond making a profit, has been a core part of the culture we have built since we listed. For me, this comes down to how we act and how we invest.

How we act:

Our fundamental commitment to acting responsibly is reflected in the excellent level of customer and adviser service we provide, mirrored by our commitment to being a responsible employer. The Quilter Foundation makes a positive contribution to the communities in which we operate and this year the charity launched a local community fund to further expand its impact.

During 2022, we significantly increased our focus on climate action. We set ourselves carbon reduction targets for both Scope 1 and Scope 2 emissions for our operations and expect to release a fuller climate action strategy (including Scope 3, emissions were possible) later in 2023.

How we invest:

There are two approaches to being a responsible investor:

- Risk mitigation: the integration of ESG factors and stewardship within the advice and investment process.
- Specific responsible investment-related objectives; this builds on the risk mitigation and relates to linking products or strategies to specific responsible investment related outcomes or objectives.

Our focus has been on strengthening the integration of ESG factors within our advice and investment processes and building on our active ownership work through our stewardship activity including exercising our voting rights and engaging with our underlying investments, be they companies or funds. This is reflected in our achievement in retaining signatory status of the Stewardship Code for 2022. In addition, we have also significantly expanded our range of dedicated responsible investment solutions both in our High Net Worth and Affluent segments.

Outlook

My goal is to deliver the service and propositions our customers need alongside rates of growth and returns our shareholders expect. I am focussed on driving towards that outcome at pace. We anticipate investor sentiment will slowly recover this year supporting a gradual improvement in IFA net flows coupled with another strong net flow performance from the Quilter Channel and a solid out-turn from our High Net Worth segment. The weighted average of these growth rates suggests an improvement in Group net flows to a bit over 2% this year. We expect this to improve to 4-5% as market activity normalises and we deliver the business initiatives I have set out, we clearly aspire to build momentum further from this level.

The Group's income levels depend to a large extent on market levels and interest rates. Assuming these remain broadly stable through 2023, then the Group's Adjusted Profit will again depend on careful cost control as well as the pace of our focused investment in customer proposition initiatives. Overall, our expectation is that these factors may lead to a decline in Adjusted Profit for 2023, although we currently anticipate the outcome being modestly ahead of current market expectations.

Given the changed market and economic environment since our Capital Markets Day in November 2021, we now expect to reach a 25% operating margin in 2025, rather than our previous target of 2023. Given our business mix, we continue to believe that an appropriate operating margin for our business should be higher than 30% and that clearly remains the longer-term goal which we are focussed on.

Steven Levin

Chief Executive Officer

Financial review

Review of financial performance

Overview

The Group delivered a robust set of results during 2022 against the backdrop of a recessionary global economic environment, with higher inflation, which reduced the value attributed to equity and bond investments. Accordingly, investor sentiment for wealth and savings solutions reduced during the year.

Against this backdrop, the Group's AuMA ended the year at £99.6 billion, down 11% from the starting position at the beginning of the year with £14.0 billion of negative market movements more than offsetting net inflows of £1.8 billion. Average AuMA for the year was £102.8 billion compared to £105.3 billion in the comparative year. Adjusted profit before tax was £134 million, down 3% on the prior year (2021: £138 million), reflecting lower revenues given the lower average AuMA for the year, offset by good cost discipline despite the cost-of-living and inflation pressures.

In this section, unless indicated otherwise all results are presented excluding Quilter International in both the current year and prior year comparative, following its sale to Utmost Group in November 2021.

Alternative Performance Measures ("APMs")

We assess our financial performance using a variety of measures including APMs, as explained further on pages 18 to 20. In the headings and tables presented, these measures are indicated with an asterisk: *.

Key financial highlights

Quilter highlights from continuing operations[1]	2022	2021
Assets and flows		
AuMA* (£bn)[2]	**99.6**	111.8
Of which Affluent	**74.9**	83.3
Of which High Net Worth	**25.5**	28.7
Inter-segment dual assets	**(0.8)**	(0.2)
Gross flows* (£bn)[2]	**10.5**	13.2
Of which Affluent	**8.5**	10.5
Of which High Net Worth	**2.3**	2.7
Inter-segment dual assets	**(0.3)**	0.0
Net inflows* (£bn)[2]	**1.8**	4.0
Of which Affluent	**1.1**	2.9
Of which High Net Worth	**0.9**	1.1
Inter-segment dual assets	**(0.2)**	0.0
Net inflows/opening AuMA*[2]	**2%**	4%
Gross flows per adviser* (£m)[2, 3]	**2.3**	2.3
Asset retention*[2]	**92%**	91%
Profit and loss		
IFRS profit before tax from continuing operations attributable to equity holders* (£m)[2]	**199**	12
IFRS profit after tax from continuing operations (£m)	**175**	23
Adjusted profit before tax* (£m)[2]	**134**	138
Operating margin*[2]	**22%**	22%
Revenue margin* (bps)[2]	**47**	48
Return on equity*[2]	**7.0%**	8.3%
Adjusted diluted EPS from continuing operations* (pence)[2]	**7.9**	7.4
Recommended total dividend per share from continuing operations (pence)	**4.5**	4.0
Basic earnings per share from continuing operations (pence)	**12.2**	1.4
Non-financial		
Total Restricted Financial Planners ("RFPs") in both segments[4]	**1,502**	1,623
Discretionary Investment Managers in High Net Worth segment[4]	**179**	170

[1]Continuing operations represent Quilter plc, excluding the results of Quilter International. Adjusted profit before tax for Quilter International in 2021 was £50 million. Adjusted diluted EPS from Quilter International in 2021 was 3.0 pence per share.
[2]Alternative Performance Measures ("APMs") are detailed and defined on pages 18 to 20.
[3]Gross flows per adviser is a measure of the value created by our Quilter distribution channel.
[4]Closing headcount as at 31 December.

Net inflows of £1.8 billion for the year were 55% lower than the prior year (2021: £4.0 billion). The more challenging macroeconomic and geopolitical environment contributed to lower investment activity across the wealth management industry, with this notably evidenced through subdued gross inflows. Net inflows are stated inclusive of net outflows from assets on third-party platforms of £1.1 billion (2021: £0.6 billion). Gross flows for the Group were 20% lower than the prior year at £10.5 billion (2021: £13.2 billion), primarily as a result of lower flows into the Quilter Platform. This was due to lower investor confidence and the wider impacts of rising interest rates and inflation on the cost-of-living, leading to an industry-wide slow-down. As a consequence, net inflows as a percentage of opening AuMA were 2% (2021: 4%). Detailed analysis on net flows by business segment is shown in the Supplementary Information section of this announcement.

- **The Affluent segment's** net inflows of £1.1 billion were down 62% on the prior year (2021: £2.9 billion) due to £1.3 billion lower net inflows in the Quilter Investment Platform against a strong prior year comparative, and net outflows of £1.1 billion (2021: net outflows of £0.6 billion) in assets managed by Quilter on third-party platforms in relation to legacy and closed books of business. Net inflows of £2.2 billion onto the Quilter Investment Platform were down 37% (2021: £3.5 billion), with lower gross sales in the IFA channel being a specific contributing factor. The Quilter distribution channel performed broadly in line with the prior year where the Platform is winning a greater share of sales from our own advisers, weighted towards pensions, and we established a simplified procedure to allow us to accelerate back book transfers. This is offset with lower overall market activity as investor confidence reduced during the course of 2022. Gross flows on the Quilter Investment Platform of £7.5 billion (2021: £9.0 billion) were 17% lower as clients reacted to the macro environment. Pension and ISA product sales comprise £5.5 billion (2021: £6.4 billion). Persistency for the Affluent segment remained good and slightly ahead of historical levels at 91% (2021: 90%).
- **The High Net Worth segment** recorded net inflows of £0.9 billion which were down 18% from the prior year (2021: £1.1 billion), and continued to deliver a robust performance with good flows from the Quilter channel offsetting a slowdown in IFA flows. Gross inflows of £2.3 billion were down on 2021 of £2.7 billion, offset by lower outflows compared to the prior year. This reflects improved persistency at 95% versus 94% in 2021.

The Group's AuMA ended the year at £99.6 billion, down 11% from the opening position at the start of 2022 (2021: £111.8 billion), due to the fall in global equity and bond indices. The Affluent segment AuMA of £74.9 billion decreased by 10% (2021: £83.3 billion) of which £24.9 billion is managed by Quilter, down on the opening position at the start of 2022 (2021: £27.4 billion). High Net Worth's AuM was £25.5 billion, down 11% from opening 2022 (2021: £28.7 billion), with all assets managed by Quilter. In total, £50.2 billion of AuMA is managed by Quilter across the Group (2021: £56.0 billion).

The Group's revenue margin of 47 bps was 1 bp lower than the prior year (2021: 48 bps). For assets administered within the Affluent segment, the revenue margin remained in line with the prior year at 27 bps. For assets managed in the Affluent segment, the revenue margin decreased by 2 bps to 47 bps as a result of anticipated mix shifts in underlying assets towards lower margin products. Within the High Net Worth segment the revenue margin decreased by 2 bps to 69 bps, primarily due to lower commission and contract charges.

Adjusted profit before tax decreased by 3% to £134 million (2021: £138 million). The decline in net management fees to £483 million (2021: £500 million) broadly matched the decline in average AuMA year-on-year (2022: £102.8 billion compared to 2021: £105.3 billion). Other revenue increased by 4% to £123 million (2021: £118 million) reflecting interest income earned on cash and capital resources, offset by lower mortgage and protection new business levels and lower adviser headcount. Operating expenses in 2022 were £472 million, down 2% on the prior year (2021: £480 million) primarily due to continued cost discipline, lower FSCS levies and the Optimisation and Simplification cost initiatives delivering the intended cost reductions. These decreased expenses have been partially offset by higher annualised FNZ charges following the late Q1 2021 launch of the Platform and inflationary increases. The Group's operating margin was 22%, in line with the prior year.

The Group's IFRS profit after tax from continuing operations was £175 million, compared to £23 million for 2021. The increase in IFRS profit is largely attributable to policyholder tax credits resulting from market losses up to December 2022 of £134 million compared to market gains in the prior year (2021: tax charge £73 million).

Adjusted diluted earnings per share for continuing operations increased 7% to 7.9 pence (2021: 7.4 pence).

Total net fee revenue*

Total net fee revenue from continuing operations 2022 (£m)	**Affluent**	**High Net Worth**	**Head Office**	**Continuing operations**
Net management fee*	**300**	**183**	**-**	**483**
Other revenue*	**87**	**29**	**7**	**123**
Total net fee revenue*	**387**	**212**	**7**	**606**

Total net fee revenue from continuing operations 2021 (£m)	Affluent	High Net Worth	Head Office	Continuing operations
Net management fee*	311	189	-	500
Other revenue*	95	23	-	118
Total net fee revenue*	406	212	-	618

Total net fee revenue for Affluent was £387 million, down 5% from the prior year (2021: £406 million). Net management fees of £300 million were 4% down on the prior year (2021: £311 million) due to the impact of lower average AuMA which decreased by 2% to £77.1 billion in 2022 (2021: £78.5 billion), and anticipated changes in fund mix in Quilter Investors where the proposition continues to evolve into a broader mix of investment strategies. Other revenue predominantly reflects revenue generated from the provision of advice within Quilter Financial Planning. Within the revenue generated by advice, mortgage and protection, recurring charges and fixed fees were at lower levels than the prior year due to lower markets and lower average adviser headcount. This decrease is offset with increased interest income earned on cash balances that support the capital and liquidity requirements of the business.

Total net fee revenue in High Net Worth was £212 million, in line with the prior year. This was principally driven by Other revenue in Quilter Cheviot, up £8 million (2021: £nil) due to interest received from clients' cash assets as a result of the rise in UK base rate. The Other revenue balance predominantly reflects the revenue generated from Quilter Private Client Advisers which was at similar levels to those of 2021. Net management fees decreased by 3% compared to the prior year which is aligned to a similar decrease in the average AuM. This also includes an expected reduction in commission revenue as the proportion of clients on fee-only propositions continues to increase.

Operating expenses*

Operating expenses decreased by £8 million to £472 million (2021: £480 million) as a result of continued cost discipline as we emerged from the 2020/2021 pandemic and faced into higher UK inflationary pressures and suppressed market conditions.

Operating expense split (£m)	2022 Continuing operations	2022 As a percentage of revenues	2021 Continuing operations	2021 As a percentage of revenues
Support staff costs	**118**		127	
Operations	**22**		27	
Technology	**35**		42	
Property	**31**		31	
Other base costs[1]	**30**		25	
Sub-total base costs	**236**	39%	252	41%
Revenue-generating staff base costs	**92**	15%	83	13%
Variable staff compensation	**75**	12%	80	13%
Other variable costs[2]	**46**	8%	36	6%
Sub-total variable costs	**213**	35%	199	32%
Regulatory/professional indemnity costs	**23**	4%	29	5%
Operating expenses*	**472**	78%	480	78%

[1]Other base costs includes depreciation and amortisation, audit fees, shareholder costs, listed-related costs and governance.
[2]Other variable costs includes FNZ costs, development spend and corporate functions variable costs.

Support staff costs decreased by 7% to £118 million (2021: £127 million) primarily driven by Business Simplification activities delivering sustainable benefits.

Operations costs decreased by 19% to £22 million (2021: £27 million) which reflects the move to the outsourced operations model within the Quilter Investment Platform for the full period in 2022, and a simpler operational base following the business divestments made in preceding years. FNZ costs are reflected in Other variable costs.

Technology costs decreased as we continue to rationalise our infrastructure following the sale of Quilter International. Further reductions are due to the elimination of dual running costs following the completion of the Platform Transformation Programme and ongoing Business Simplification activity.

Property costs remained stable at £31 million (2021: £31 million) driven by an increase in operating costs because of higher occupancy post pandemic, and the rising inflationary cost associated with utility usage which were offset by the property portfolio consolidation in 2022.

Other base costs increased by 20% to £30 million (2021: £25 million) driven by annualised depreciation charges post completion of property portfolio projects.

Revenue-generating staff base costs have increased by 11% to £92 million (2021: £83 million) reflecting the competitive environment in which we operate and as a consequence of continued investment in both Affluent and High Net Worth segments, which included increasing the number of discretionary managers and the build out of the combined advice and investment proposition in High Net Worth. In particular, the Group invested in the development of further business activities located in Dublin, Ireland within the High Net Worth segment.

Variable staff compensation decreased by 6% to £75 million (2021: £80 million) with reductions in share-based payment accruals reflecting global equity market falls and further reductions relating to the business performance against the backdrop of an increasingly volatile global economy which negatively impacted markets and investor sentiment throughout 2022.

Other variable costs increased by 28% to £46 million (2021: £36 million) principally due to operating expenses associated with the new platform and increased development spend following the deferral of change activity during the pandemic.

Regulatory and professional indemnity costs decreased by 21% to £23 million (2021: £29 million) largely driven by reduced FSCS levy costs to Quilter of £6 million as a result of an overall lower industry levy.

Taxation

The effective tax rate ("ETR") on adjusted profit before tax was 14% (2021: 9%). The Group's ETR is lower than the UK corporation tax rate of 19% principally due to utilisation of previously unrecognised deferred tax assets in relation to trade losses. The Group's ETR is dependent on a number of factors, including future changes in the UK corporation tax rate.

The Group's IFRS income tax expense was a credit of £110 million for the year ended 31 December 2022, compared to a charge of £62 million for the prior year. The income tax credit in 2022 is largely due to adverse movements in the market values of unit-linked assets during the year compared to favourable movements in those assets during 2021. The income tax expense or credit can significantly vary 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 to fund the policyholder tax liability (which is included within the Group's IFRS revenue) can vary in timing to the recognition of the corresponding policyholder tax expense, creating volatility to the Group's IFRS profit or loss before tax attributable to equity holders. An adjustment is made to adjusted profit before tax to remove these distortions, as explained further on page 10 and in note 5(b) of the condensed consolidated financial statements.

Optimisation

The Optimisation programme, which we announced in 2018, has now completed, achieving its target of annualised run-rate cost savings of £65 million. Total implementation costs since inception of £87 million are £4 million below the original £91 million estimate. In 2022, we successfully deployed the final delivery of our Group-wide general ledger system and further consolidated our data centre and data reporting solutions within the IT estate. No further costs are expected on this programme.

Business Simplification

Quilter's Business Simplification programme continues to track towards the proposed £45 million target announced at the Capital Markets Day in November 2021, with costs to achieve expected to be £55 million. In 2022, we completed the initial phase of simplification of our organisational structure following re-segmentation of the business. Further savings have been delivered across our Group functions with ongoing rationalisation of our property and technology estates being key contributors. To date the programme has delivered £23 million of annualised run-rate cost savings with an implementation cost of £17 million.

Lighthouse DB pension transfer advice provision

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

A provision of £5 million (31 December 2021: £29 million) remains for the potential redress of British Steel Pension Scheme cases and other DB to DC pension transfer cases. This includes anticipated costs of legal and professional fees associated with the redress activity. The provision reflects (i) the outcome of the suitability review on a case-by-case basis for all cases identified as being in scope of the skilled person review relating to DB to DC pensions transfers by Lighthouse, (ii) redress calculations performed by the skilled person using the methodology designed following discussions and in collaboration with the FCA, as well as the offers made to customers who received unsuitable advice which caused them to sustain a loss, and (iii) an estimate for cases to be considered as part of the subsequent Group-managed past business review (covering an extension of the population of non-British Steel customers who were included in the skilled person review) with the current skilled person acting as reviewer. The provision decreased by £4 million during 2022, recognised as a reduction within expenses of the Group (and excluded from adjusted profit before tax), in order to reflect the results of the redress calculations performed under the skilled person review, and an estimate for cases to be considered as part of the past business review. During the year £4 million of additional legal, consulting, and other costs were incurred. Redress on British Steel Pension Scheme cases and other DB to DC pension transfer cases of £19 million and professional fees of £3 million were paid during the year. Payments are expected to be completed during 2023. Subject to FCA confirmation, we anticipate that the skilled person review will conclude during 2023. The FCA has agreed that the remaining review work described above (relating to certain Lighthouse non-British Steel customers who received DB pension transfer advice) can be conducted as a Group-managed past business review.

Professional indemnity insurance coverage in relation to claims in respect of legal liabilities arising in connection with Lighthouse cases has been confirmed and the proceeds received, contributing £12 million to the profit of the Group, which has also been excluded from adjusted profit before tax.

Reconciliation of adjusted profit before tax* to IFRS profit

Adjusted profit before tax represents the Group's IFRS profit, adjusted for specific items that management considers to be outside of the Group's normal operations or one-off in nature, as detailed on page 32 in the condensed consolidated financial statements. The exclusion of certain adjusting items may result in adjusted profit before tax being materially higher or lower than the IFRS profit after tax.

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

Reconciliation of adjusted profit before tax to IFRS profit after tax (£m)		Year ended 31 December 2021		
	Year ended 31 December 2022	Continuing operations	Discontinued operations[1]	Total
Affluent	**105**	111	50	161
High Net Worth	**45**	56	-	56
Head Office	**(16)**	(29)	-	(29)
Adjusted profit before tax*	**134**	138	50	188
Reallocation of Quilter International costs	**-**	(10)	10	-
Adjusted profit before tax after reallocation*	**134**	128	60	188
Adjusting for the following:				
Impact of acquisition and disposal-related accounting	**(42)**	(41)	-	(41)
Profit on business disposals[2]	**-**	2	90	92
Business transformation costs	**(30)**	(51)	(19)	(70)
Managed Separation costs	**-**	(2)	-	(2)
Other adjusting items	**(1)**	-	-	-
Finance costs	**(10)**	(10)	-	(10)
Policyholder tax adjustments	**138**	(7)	-	(7)
Customer remediation	**12**	(7)	-	(7)
Voluntary customer repayments	**(6)**	-	-	-
Exchange rate gain (ZAR/GBP)	**4**	-	-	-
Total adjusting items before tax	**65**	(116)	71	(45)
Profit before tax attributable to equity holders*	**199**	12	131	143
Tax attributable to policyholder returns	**(134)**	73	-	73
Income tax credit/(expense)	**110**	(62)	-	(62)
Profit after tax[3]	**175**	23	131	154

[1]2021 discontinued operations include the results of Quilter International.
[2]In 2021, the discontinued operations profit on business disposals of £90 million resulted from the disposal of Quilter International. The £2 million continuing operations profit on business disposals resulted from the disposal of LighthouseCarrwood Limited. See note 4(a) for details.
[3]IFRS profit after tax.

The impact of acquisition and disposal-related accounting costs of £42 million (2021: £41 million) include amortisation of acquired intangible assets. These costs remained stable on those of the prior year.

Business transformation costs of £30 million were incurred in 2022 (2021: £70 million, of which £51 million was on continuing operations) consisting of:

- Business Simplification costs of £17 million (2021: £nil). In 2022, the Group simplified its structures to support the two segments, Affluent and High Net Worth, with further work planned into 2024. During the year, we also delivered early Simplification benefits related to our property strategy and technology estate enabled by the completion of the Platform Transformation Programme and sale of Quilter International. To date the programme has delivered £23 million of annualised run-rate cost savings with an implementation cost of £17 million.
- The Optimisation programme incurred costs of £6 million (2021: £22 million). The Optimisation programme commenced in 2018 to provide closer business integration, create central support, rationalise technology and reduce third-party spend and is now complete, delivering annualised run-rate cost savings of £65 million. This programme concluded during 2022.
- Restructuring costs following the disposal of Quilter Life Assurance of £3 million in 2022 (2021: £1 million), including property exit costs after the conclusion of the Transitional Service Agreement with ReAssure.
- The Platform Transformation Programme concluded in 2021 with lifetime costs of £202 million. No further costs were incurred in 2022 (2021: £28 million).
- Investment in business costs of £4 million were incurred in 2022 (2021: £nil) as the Group continues to enable and support advisers, clients and improve productivity through better utilisation of technology.

Policyholder tax adjustments were a credit of £138 million for 2022 (2021: debit of £7 million) in relation to the removal of timing differences arising from market volatility that can, in turn, lead to volatility in the policyholder tax charge between periods. The recognition of the income received from policyholders (which is included within the Group's IFRS revenue) to fund the policyholder tax liability can vary in timing to the recognition of the corresponding tax expense, creating volatility to the Group's IFRS profit before tax attributable to equity holders.

The customer remediation adjustment of £12 million of income in 2022 (2021: expense of £7 million) reflects the impact of the insurance proceeds received, final redress calculations performed compared with the provision estimated, as part of the ongoing skilled person review, and subsequent Group-managed past business review with the current skilled person acting as reviewer. Insurance proceeds in relation to claims in respect of legal liabilities arising in connection with Lighthouse DB to DC pension transfer advice have been received, contributing £12 million to the profit of the Group. These impacts are excluded from adjusted profit on the basis that the advice activities to which the charge and benefit relates was provided prior to the Group's acquisition of the business. Additionally, a provision release of £4 million was recognised in the current period (2021: net increase in provision of £7 million), with further costs recognised of £4 million in relation to the additional population to be reviewed as part of that Group-managed past business review, including associated professional costs. Further details of the provision are provided in note 16.

The voluntary customer repayments of £6 million (2021: £nil) relate to revenue previously recognised in respect of Final Plan Closure (FPC) receipts.

Foreign exchange movements for 2022 were £4 million (2021: £nil) and relate to foreign exchange gains on cash held in South African Rand in preparation for the capital return and Final Dividend payments in May 2022. Cash was converted to South African Rand upon announcement of the details of the capital return and dividend payment providing an economic hedge for the Group. The foreign exchange gain is equally offset by an amount recognised directly to retained earnings. See note 5(b)(viii) to the Group's condensed consolidated financial statements for further detail.

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 75% of adjusted profit after tax over 2022 (2021: 76%).

Review of financial position

Capital and liquidity

Solvency II

The Group's Solvency II surplus is £820 million at 31 December 2022 (31 December 2021: £1,030 million), representing a Solvency II ratio of 230% (31 December 2021: 275%). The Solvency II information for the year to 31 December 2022 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 foreseeable dividend payment of £45 million (31 December 2021: £62 million).

Group Solvency II capital (£m)	At 31 December 2022[1]	At 31 December 2021[2]
Own funds	**1,451**	1,617
Solvency capital requirement ("SCR")	**631**	587
Solvency II surplus	**820**	1,030
Solvency II coverage ratio	**230%**	275%

[1]Filing of annual regulatory reporting forms due 19 May 2023.
[2]As reported in the Group Solvency and Financial Condition Report for the year ended 31 December 2021.

The 45 percentage point decrease in the Group Solvency II ratio from the 31 December 2021 position is primarily due to the capital return to shareholders of £328 million from the net surplus proceeds arising from the sale of Quilter International to Utmost Group, partly offset by the net profit recognised in the period.

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 2022	At 31 December 2021
Tier 1[1]	**1,249**	1,412
Tier 2[2]	**202**	205
Total Group Solvency II own funds	**1,451**	1,617

[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 198% of the Group SCR of £631 million. Tier 1 capital represents 86% of Group Solvency II own funds. Tier 2 capital represents 14% of Group Solvency II own funds and 25% of the Group surplus.

Dividend

The Board recommended a Final Dividend of 3.3 pence per share at a total cost of £45 million. Subject to shareholder approval at the 2023 Annual General Meeting, the recommended dividend will be paid on 22 May 2023 to shareholders on the UK and South African share registers on 21 April 2023 (the "Record date"). For shareholders on our South African share register, a Final Dividend of 72.78087 South African cents per share will be paid on 22 May 2023, using an exchange rate of 22.05481. This will bring the dividend for the full year to 4.5 pence per share (2021: 4.0 pence per share).

At our Capital Markets Day on 3 November 2021, we announced a revised Group dividend policy. The new policy sets a target pay-out range of 50% to 70% of post-tax, post-interest adjusted profits, revised from 40% to 60% of post-tax adjusted profits previously and applies for the 2022 financial year.

Share buyback programme

Early in 2022, the Company completed the share buyback programme that was initiated to return to shareholders the net surplus sale proceeds (after disposal costs) of £375 million from the disposal of Quilter Life Assurance. The share buyback programme was subject to staged regulatory and Board approvals and a total of 264.1 million shares were purchased and cancelled at an average price of 141.97 pence per share.

Capital Return (the “B Share Scheme” and the “Share Consolidation”)

In March 2022, following the completion of the sale of Quilter International at the end of November 2021, the Company proposed to return the majority of the net surplus sale proceeds to shareholders through the issuance and redemption of a new class of redeemable B Shares followed by an Ordinary Share consolidation on a six new Ordinary Shares for seven old Ordinary Shares basis.

Following receipt of regulatory approval and shareholder approval at a General Meeting held on 12 May 2022, the B Shares, with nominal value of 20 pence per share, were issued to shareholders on 23 May 2022. The B Shares were subsequently redeemed on 24 May 2022 in the form of a payment of 20 pence per old Ordinary Share for shareholders on our UK share register. For shareholders on our South African share register, this equated to a return of 401.33300 South African cents per old Ordinary Share, using an exchange rate of 20.06665 South African cents to one pence, the average rate achieved on 7 and 8 March 2022 (the two days immediately preceding the announcement of the Capital Return). In total, £328 million of capital was returned to our shareholders through the B Share Scheme.

The six for seven Share Consolidation was executed on a contemporaneous basis with the effect of reducing the number of shares in issue to c.1.4 billion, a c.500 million decrease in the number of shares in issue since the Company was Listed on 25 June 2018. Following the Share Consolidation, the new Ordinary Shares have a nominal value of 8 1/6 pence.

Debt issue

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

Holding company cash

The holding company cash statement includes cash flows generated by the three main holding companies within the business: Quilter plc, Quilter Holdings Limited and Quilter UK Holding Limited. The flows associated with these companies are not directly comparable to those disclosed in the statutory statement of cash flows, which comprises flows from the entire Quilter plc Group including policyholder movements.

£m	2022	2021
Opening cash at holding companies at 1 January	**756**	517
Single Strategy business sale – warranty	**-**	(2)
Quilter International sale proceeds	**-**	481
Return of capital to shareholders	**(328)**	-
Share repurchase	**(28)**	(197)
Cost of disposal	**(23)**	-
Dividends paid	**(78)**	(89)
Net capital movements	**(457)**	193
Head Office costs, Business Simplification and Optimisation programme funding	**(52)**	(74)
Interest received	**4**	-
Interest costs	**(9)**	(9)
Net operational movements	**(57)**	(83)
Cash remittances from subsidiaries	**163**	184
Net capital contributions, loan repayments and investments	**(15)**	(53)
Other net movements	**2**	(2)
Internal capital and strategic investments	**150**	129
Closing cash at holding companies at end of the year	**392**	756

Net capital movements

Net capital movements in the year were an outflow of £457 million. This includes £328 million of capital returned to shareholders following the sale of Quilter International, £28 million relating to the share repurchase programme, dividend payments made to shareholders of £62 million in May 2022 and £16 million in September 2022, plus £23 million of costs relating to the disposal of Quilter International.

Net operational movements

Net operational movements were an outflow of £57 million for the year and include £52 million of corporate and 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, with £4 million interest received on money market funds and cash holdings.

Internal capital and strategic investments

The net inflow of £150 million is principally due to £163 million of cash remittances from the trading businesses, partially offset by £15 million of net capital contributions to support business operational activities.

Shareholder information

The Quilter Board has agreed to recommend to shareholders the payment of a Final Dividend of 3.3 pence per share. This will be considered at the Quilter plc Annual General Meeting which will be held on Thursday 18 May 2023. The final dividend will be paid on Monday, 22 May 2023 to shareholders on the UK and South African share registers on Friday, 21 April 2023.

Dividend Timetable

Dividend announcement in pounds sterling with South Africa ZAR Equivalent	Wednesday, 8 March 2023
Last day to trade cum dividend in South Africa	Tuesday, 18 April 2023
Shares trade ex-dividend in South Africa	Wednesday, 19 April 2023
Shares trade ex-dividend in the UK	Thursday, 20 April 2023
Record Date in UK and South Africa	Friday, 21 April 2023
Final Dividend payment date	Monday, 22 May 2023

From the opening of trading on Wednesday 8 March 2023 until the close of business on Friday, 21 April 2023, no transfers between the London and Johannesburg registers will be permitted. Share certificates for shareholders on the South African register may not be dematerialised or rematerialised between Wednesday 19 April 2023 and Friday 21 April 2023, both dates inclusive.

Additional information

For shareholders on our South African share register a dividend of 72.78087 South African cents per share will be paid on Monday 22 May 2023, based on an exchange rate of 22.05481. Dividend Tax will be withheld at the rate of 20% from the amount of the gross dividend of 72.78087 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 58.22470 South African cents per share. The Company had a total of 1,404,105,498 shares in issue at today's date.

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

Odd-lot Offer

Following our Odd-lot Offer in 2020, as part of our continued drive for greater efficiency and in line with our desire to act in the best interests of all our shareholders, we are considering undertaking another Odd-lot Offer. The potential Odd-lot Offer is subject to shareholder approval at the Company’s Annual General Meeting and other requisite approvals. If approved, Quilter will make an offer to eligible shareholders (holders of less than 200 ordinary shares) to repurchase their shares at a modest premium to the market price. The Odd-lot Offer will reduce the complexity and cost to Quilter of managing our unusually large shareholder base and will allow shareholders holding small numbers of shares to dispose of their holdings in a timely and cost effective manner, without any dealing fees. Eligible shareholders can elect to retain their shareholding in Quilter plc.

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

Supplementary information

Alternative Performance Measures ("APMs")

We assess our financial performance using a variety of measures including APMs, as explained further on pages 18 to 20. These measures are indicated with an asterisk: *.

For the year ended 31 December 2022

1. Key financial data

2022 FY gross flows, net flows & AuMA (£bn), unaudited	AuMA* as at 31 December 2021	Gross flows* (£m)	Net Flows* (£m)	AuMA* as at 31 December 2022	Of which managed by Quilter AuM as at 31 December 2022
AFFLUENT SEGMENT					
Quilter channel	11.7	2,554	1,823	11.7	7.8
IFA channel	60.0	4,926	445	54.1	9.2
Non-core business	1.5	35	(75)	1.2	-
Sub-total (Quilter Platform)	73.2	7,515	2,193	67.0	17.0
Via other platforms					
Quilter channel[1]	4.9	664	(187)	3.7	3.7
IFA channel	2.5	242	(621)	2.0	2.0
Non-core businesses	2.7	114	(260)	2.2	2.2
Sub-total	10.1	1,020	(1,068)	7.9	7.9
Total Affluent Segment	**83.3**	**8,535**	**1,125**	**74.9**	**24.9**
HIGH NET WORTH SEGMENT					
Quilter channel	2.5	443	353	2.4	2.4
IFA channel incl. Direct	26.2	1,827	539	23.1	23.1
Total High Net Worth Segment	**28.7**	**2,270**	**892**	**25.5**	**25.5**
Inter-Segment Dual Assets[1]	**(0.2)**	**(276)**	**(230)**	**(0.8)**	**(0.2)**
Quilter plc	**111.8**	**10,529**	**1,787**	**99.6**	**50.2**
AuMA breakdown:					
Affluent administered only	55.9	4,894	1,027	50.0	
Affluent managed and administered	17.3	2,621	1,166	17.0	
Affluent external platform	10.1	1,020	(1,068)	7.9	
Quilter channel	19.1	3,661	1,989	17.8	
IFA channel	88.5	6,719	133	78.4	
Non-core business	4.2	149	(335)	3.4	

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

2021 FY gross flows, net flows & AuMA (£bn), unaudited	AuMA* as at 31 December 2020	Gross flows* (£m)	Net Flows* (£m)	AuMA* as at 31 December 2021	Of which managed by Quilter AuM as at 31 December 2021
AFFLUENT SEGMENT					
Quilter channel	9.6	2,606	1,830	11.7	8.0
IFA channel	52.8	6,333	1,690	60.0	9.3
Non-core business	1.4	103	(24)	1.5	-
Sub-total (Quilter Platform)	63.8	9,042	3,496	73.2	17.3
Via other platforms					
Quilter channel[1]	4.9	950	195	4.9	4.9
IFA channel	2.4	312	(451)	2.5	2.5
Non-core businesses	2.8	175	(340)	2.7	2.7
Sub-total	10.1	1,437	(596)	10.1	10.1
Total Affluent Segment	**73.9**	**10,479**	**2,900**	**83.3**	**27.4**
HIGH NET WORTH SEGMENT					
Quilter channel	2.1	462	360	2.5	2.5
IFA channel incl. Direct	23.2	2,234	699	26.2	26.2
Total High Net Worth Segment	**25.3**	**2,696**	**1,059**	**28.7**	**28.7**
Inter-segment dual assets[1]	**(0.2)**	**-**	**8**	**(0.2)**	**(0.1)**
Quilter plc	**99.0**	**13,175**	**3,967**	**111.8**	**56.0**
AuMA breakdown:					
Affluent administered only	49.2	6,030	1,793	55.9	
Affluent managed and administered	14.6	3,012	1,703	17.3	
Affluent external platform	10.1	1,437	(596)	10.1	
Quilter channel	16.4	4,018	2,385	19.1	
IFA channel	78.4	8,879	1,946	88.5	
Non-core business	4.2	278	(364)	4.2	

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

Estimated asset allocation (%) **Fund profile by investment type, unaudited**	**2022 Total client AuMA**	2021 Total client AuMA
Fixed interest	**25%**	24%
Equities	**65%**	67%
Cash	**7%**	4%
Property and alternatives	**3%**	5%
Total	**100%**	100%

1. Affluent

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

Key financial highlights	2022	2021	% change
Affluent Administered			
Net management fees (£m)*	181	184	(2%)
Other revenue (£m)*	8	5	60%
Total net fee revenue	**189**	189	-
Net inflows (£bn)*	2.2	3.5	(37%)
Closing AuM (£bn)*	67.0	73.2	(8%)
Average AuM (£bn)*	68.3	68.6	-
Revenue margin (bps)*	27	27	-
Asset retention (%)*	93	91	2 ppt
Affluent Managed			
Net management fees (£m)*	119	127	6%
Other revenue (£m)*	2	-	-
Total net fee revenue	**121**	127	(5%)
Net inflows (£bn)*	-	0.9	-
Closing AuM (£bn)*	24.9	27.4	(9%)
Average AuM (£bn)*	25.3	26.1	(3%)
Revenue margin (bps)*	47	49	(2) bp
Asset retention (%)*	87	85	2 ppt
Advice (Quilter Financial Planning)			
Net management fees (£m)*	-	-	-
Other revenue (£m)*	77	90	(14%)
Total net fee revenue*	**77**	90	(14%)
RFPs (number)	1,442	1,563	(8%)

2. High Net Worth

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

Key financial highlights	2022	2021	% change
Quilter Cheviot			
Net management fees (£m)*	183	189	(3%)
Other revenue (£m)*	8	-	-
Total net fee revenue	**191**	189	1%
Net inflows (£bn)*	0.9	1.1	(18%)
Closing AuM (£bn)*	25.5	28.7	(11%)
Average AuM (£bn)*	26.4	26.8	(1%)
Revenue margin (bps)*	69	71	(2) bps
Asset retention (%)*	95%	94%	1 ppts
Investment managers (#)*	179	170	5%
Advice (Quilter Private Client Advisers)			
Net management fees (£m)*	-	-	-
Other revenue (£m)*	21	23	(9%)
Total net fee revenue*	**21**	23	(9%)
QPCA RFPs (number)	60	60	-

Financial performance by segment

Financial performance from continuing operations 2022 (£m)	**Affluent**	**High Net Worth**	**Head Office**	**Continuing operations**
Net management fee*	300	183	-	483
Other revenue*	87	29	7	123
Total net fee revenue*	**387**	**212**	**7**	**606**
Operating expenses*	**(282)**	**(167)**	**(23)**	**(472)**
Adjusted profit before tax*	**105**	**45**	**(16)**	**134**
Tax				**(19)**
Adjusted profit after tax*				**115**
Operating margin (%)*	27	21		**22**
Revenue margin (bps)*	39	69		**47**

Financial performance from continuing operations 2021 (£m)	Affluent	High Net Worth	Head Office	Continuing operations
Net management fee*	311	189	-	500
Other revenue*	95	23	-	118
Total net fee revenue*	406	212	-	618
Operating expenses*	(295)	(156)	(29)	(480)
Adjusted profit before tax*[1]	111	56	(29)	138
Tax				(13)
Adjusted profit after tax*				125
Operating margin (%)*	27	26		22
Revenue margin (bps)*	40	71		48

[1]Total adjusted profit before tax including Quilter International for 2021: £50 million. See note 5(a) to the condensed consolidated financial statements.

Alternative Performance Measures

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

APMs should be read together with the Group's condensed consolidated financial statements, which include the Group's income statement, statement of financial position and statement of cash flows, which are presented on pages 23 to 27.

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

APM	Definition
Adjusted profit before tax	Adjusted profit before tax represents the Group's IFRS profit, adjusted for specific items that management consider to be outside of the Group's normal operations or one-off in nature, as detailed on page 32 in the condensed consolidated financial statements. The exclusion of certain adjusting items may result in adjusted profit before tax being materially higher or lower than the IFRS profit after tax. Adjusted profit before tax does not provide a complete picture of the Group's financial performance, which is disclosed in the IFRS income statement, but is instead intended to provide additional comparability and understanding of the financial results. Adjusted profit before tax is presented for the continuing Group (excluding Quilter International), for discontinued operations (Quilter International), and for the total Group for continuing and discontinued operations. A detailed reconciliation of the adjusted profit before tax metrics presented, and how these reconcile to IFRS, is provided on page 10 of the Financial review. Adjusted profit before tax is referred to throughout the Chief Executive Officer's statement and Financial review, with comparison to the prior year explained on page 7. A reconciliation from each line item on the IFRS income statement to adjusted profit before tax is provided in note 5(c) to the condensed consolidated financial statements on page 35.
Adjusted profit after tax	Adjusted profit after tax represents the post-tax equivalent of the adjusted profit before tax measure, as defined above.
Adjusted profit before tax after reallocation	Adjusted profit before tax after reallocation reflects adjusted profit before tax including certain costs within continuing operations relating to Quilter International that did not transfer to Utmost Group on completion of the sale, as detailed above. A reconciliation from each line item on the IFRS income statement to adjusted profit before tax after reallocation is provided in note 5(c) to the condensed consolidated financial statements on page 35.
IFRS profit before tax attributable to equity holders	IFRS profit before tax attributable to equity holders represents the profit after policyholder tax ("tax attributable to policyholder returns") but before shareholder tax ("tax attributable to equity holders"). The tax charge for the Group's UK life insurance entity, Quilter Life & Pensions Limited, comprises policyholder tax and shareholder tax. Policyholder tax is regarded economically as a pre-tax cost to the Group, in that it is based on the return on assets held by the Group's life insurance entity 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 32 and is included in the adjusted profit before tax to IFRS profit after tax reconciliation in note 5(a) to the condensed consolidated financial statements.
IFRS profit before tax from continuing operations (excluding amortisation, policyholder tax adjustments, business disposal impacts and other one-off items)	This profit metric is calculated using the Group's IFRS profit before tax, from continuing operations and is adjusted to exclude amortisation of intangible assets, policyholder tax adjustments, business disposal impacts and other one-off items as disclosed in the reconciliation in the

	Group's Annual Report. 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 use 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 7 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 year explained in the adjusted profit section on page 7.
Gross flows	Gross flows are the gross client cash inflows received from customers during the period and represent our ability to increase AuMA and revenue. Gross flows are referred to in the Financial review on page 7 and disclosed by segment in the supplementary information on pages 15 to 16.
Net flows	Net flows is the difference between money received from and returned to customers during the relevant period for the Group or for the business indicated. This measure is a lead indicator of total net fee revenue. Net flows is referred to throughout this document, with a separate section in the Financial review on page 7 and is presented by business and segment in the supplementary information on pages 15 to 16.
Assets under Management and Administration ("AuMA")	AuMA represents the total market value of all financial assets managed and administered on behalf of customers. AuMA is referred to throughout this document, with a separate section in the Financial review on page 7 and is presented by business and segment in the supplementary information on pages 15 to 16.
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 7 of the Financial review and note 5(c) in the condensed consolidated financial statements.
Net management fees	Net management fees consist of revenue generated from AuMA, fixed fee revenues including charges for policyholder tax contributions, less trail commissions payable. Net management fees are presented net of trail commission payable as trail commission is a variable cost directly linked to revenue, which is a treatment and presentation commonly used across our industry. Net management fees are a part of total net fee revenue and is a key input into the Group's operating margin. Further information on net management fees is provided on page 8 and note 5(c) in the condensed 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 8 and note 5(c) in the condensed consolidated financial statements.

Operating expenses	Operating expenses represent the costs for the Group, which are incurred to earn total net fee revenue and excludes the impact of specific items that management considers to be outside of the Group's normal operations or one-off in nature. Operating expenses are included in the calculation of adjusted profit before tax and impact the Group's operating margin. A reconciliation of operating expenses to the applicable IFRS line items is included in note 5(c) to the condensed consolidated financial statements, and the adjusting items excluded from operating expenses are explained in note 5(b). Operating expenses are explained on page 8 of the Financial review.
Cash generation	Cash generation is calculated by removing non-cash generative items from adjusted profit before tax, such as deferrals required under IFRS to spread fee income and acquisition costs over the lives of the underlying contracts with customers. It is stated after deducting an allowance for net cash required to support the capital requirements generated by new business offset by a release of capital from the in-force book. Cash generation is explained on page 11 of the Financial review.
Asset retention	The asset retention rate measures our ability to retain assets from delivering good customer outcomes and investment performance. Asset retention reflects the annualised gross outflows of the AuMA during the period as a percentage of opening AuMA. Asset retention is calculated as: 1 - (annualised gross outflow divided by opening AuMA). Asset retention is provided for the Group on page 6, and by segment on page 16.
Net inflows/opening AuMA	This measure is calculated as total net flows annualised (as described above) divided by opening AuMA presented as a percentage. This metric is provided on page 6.
Gross flows per adviser	Gross flows per adviser is a measure of the value created by our Quilter distribution channel and is an indicator of the success of our multi-channel business model. Gross flows per adviser is calculated as gross flows generated by the Quilter channel through the Quilter Investment Platform, Quilter Investors or Quilter Cheviot (annualised) per average Restricted Financial Planner in both segments. Gross flows per adviser is provided on page 6.
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 6.
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 note 8 in the condensed consolidated financial statements. A continuing and discontinued view of diluted earnings per share has also been presented, and the calculation of all EPS metrics, is shown in note 8 to the condensed consolidated financial statements.
Headline earnings per share	The Group is required to calculate headline earnings per share in accordance with the Johannesburg Stock Exchange Limited Listing Requirements, determined by reference to the South African Institute of Chartered Accountants' circular 1/2021 *Headline Earnings*. This is calculated on a basic and diluted basis. For details of the calculation, refer to note 8 of the condensed consolidated financial statements.

Index to the condensed consolidated financial statements

For the year ended 31 December 2022

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 2022 Annual Report, which will be available on the Company’s website on 23 March 2023; 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

Steven Levin	Mark Satchel
Chief Executive Officer	Chief Financial Officer

8 March 2023

Consolidated income statement

For the year ended 31 December 2022

	Notes	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Income			
Fee income and other income from service activities		**581**	666
Investment return		**(4,649)**	4,002
Other income		**28**	18
Total income		**(4,040)**	4,686
Expenses			
Change in investment contract liabilities	15	**4,318**	(3,293)
Fee and commission expenses, and other acquisition costs		**(54)**	(61)
Change in third-party interests in consolidated funds		**438**	(599)
Other operating and administrative expenses		**(584)**	(636)
Finance costs		**(13)**	(14)
Total expenses		**4,105**	(4,603)
Profit on sale of subsidiary	4(a)	**-**	2
Profit before tax from continuing operations		**65**	85
Tax credit/(expense) attributable to policyholder returns	7(a)	**134**	(73)
Profit before tax attributable to equity holders from continuing operations		**199**	12
Income tax credit/(expense)	7(a)	**110**	(62)
Less: tax (credit)/expense attributable to policyholder returns		**(134)**	73
Tax (expense)/credit attributable to equity holders		**(24)**	11
Profit after tax from continuing operations		**175**	23
Profit after tax from discontinued operations	4(b)	**-**	131
Profit after tax		**175**	154
Attributable to:			
Equity holders of Quilter plc		**175**	154

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

	Notes	2022	2021
Basic			
From continuing operations (pence)	8(b)	**12.2**	1.4
From discontinued operations (pence)	4(b)	**-**	8.0
Basic earnings per Ordinary Share (pence)	8(b)	**12.2**	9.4
Diluted			
From continuing operations (pence)	8(b)	**12.0**	1.4
From discontinued operations (pence)	4(b)	**-**	7.8
Diluted earnings per Ordinary Share (pence)	8(b)	**12.0**	9.2

Consolidated statement of comprehensive income

For the year ended 31 December 2022

	Note	**Year ended 31 December 2022** £m	Year ended 31 December 2021 £m
Profit after tax		**175**	154
Exchange losses on translation of foreign operations		**-**	(1)
Items that may be reclassified subsequently to income statement		**-**	(1)
Total other comprehensive income, net of tax		**-**	(1)
Total comprehensive income		**175**	153
Attributable to:			
Continuing operations		**175**	22
Discontinued operations	4(b)	**-**	131
Equity holders of Quilter plc		**175**	153

Consolidated statement of changes in equity

For the year ended 31 December 2022

31 December 2022	Notes	Ordinary Share capital £m	Ordinary Share premium reserve £m	B shares £m	Capital redemption reserve £m	Merger reserve £m	Share-based payments reserve £m	Other reserves £m	Retained earnings £m	Total share-holders' equity £m
Balance at 1 January 2022		**116**	**58**	**-**	**17**	**25**	**42**	**(1)**	**1,482**	**1,739**
Profit after tax		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**175**	**175**
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**175**	**175**
Dividends		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(78)**	**(78)**
Ordinary Shares repurchased in the buyback programme[1]	14	**(1)**	**-**	**-**	**1**	**-**	**-**	**-**	**-**	**-**
Issue of B shares[2]	14(a,c)	**-**	**-**	**328**	**-**	**(25)**	**-**	**-**	**(303)**	**-**
Redemption of B shares[2]	14(a)	**-**	**-**	**(328)**	**328**	**-**	**-**	**-**	**(328)**	**(328)**
Exchange rate movement (ZAR/GBP)[3]		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(4)**	**(4)**
Movement in own shares		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**22**	**22**
Equity share-based payment transactions		**-**	**-**	**-**	**-**	**-**	**1**	**-**	**23**	**24**
Aggregate tax effects of items recognised directly in equity		**-**	**-**	**-**	**-**	**-**	**(2)**	**-**	**-**	**(2)**
Total transactions with the owners of the Company		**(1)**	**-**	**-**	**329**	**(25)**	**(1)**	**-**	**(668)**	**(366)**
Balance at 31 December 2022		**115**	**58**	**-**	**346**	**-**	**41**	**(1)**	**989**	**1,548**

31 December 2021	Notes	Ordinary Share capital £m	Ordinary Share premium reserve £m	B shares £m	Capital redemption reserve £m	Merger reserve £m	Share-based payments reserve £m	Other reserves £m	Retained earnings £m	Total share-holders' equity £m
Balance at 1 January 2021		125	58	-	8	149	42	1	1,495	1,878
Profit after tax		-	-	-	-	-	-	-	154	154
Other comprehensive income		-	-	-	-	-	-	(1)	-	(1)
Total comprehensive income		-	-	-	-	-	-	(1)	154	153
Dividends		-	-	-	-	-	-	-	(89)	(89)
Ordinary Shares repurchased in the buyback programme[1]	14	(9)	-	-	9	-	-	-	(204)	(204)
Release of merger reserve	14(c)	-	-	-	-	(124)	-	-	124	-
Movement in own shares		-	-	-	-	-	-	-	(20)	(20)
Equity share-based payment transactions		-	-	-	-	-	(1)	-	21	20
Aggregate tax effects of items recognised directly in equity		-	-	-	-	-	1	-	-	1
Total transactions with the owners of the Company		(9)	-	-	9	(124)	-	-	(168)	(292)
Transfer to retained earnings		-	-	-	-	-	-	(1)	1	-
Balance at 31 December 2021		116	58	-	17	25	42	(1)	1,482	1,739

[1]On 11 March 2020, the Company announced a share buyback programme to purchase Ordinary Shares up to a maximum value of £375 million, in order to return the net surplus proceeds to shareholders arising from the sale of Quilter Life Assurance which had the impact of reducing the share capital of the Company. During the year ending 31 December 2022, the Company acquired 17.7 million shares (31 December 2021 128.1 million) for a total consideration of £26 million (31 December 2021: £197 million) and incurred additional costs of £1 million (31 December 2021: £3 million). The shares, which have a nominal value of £1 million (31 December 2021: £9 million), were subsequently cancelled, giving rise to a capital redemption reserve of the same value as required by the Companies Act 2006. The share buyback was completed in January 2022.

[2]On 9 March 2022, the Company announced a capital return of £328 million from the net surplus proceeds arising from the sale of Quilter International by way of a B Share Scheme accompanied by a Share Consolidation. Refer to note 3 for further details of the capital return and Share Consolidation. Following the issue and redemption of the B preference shares as part of the B Share Scheme, the Company transferred £328 million from retained earnings to the capital redemption reserve, as required under the provisions of sections 688 and 733 of the Companies Act 2006, being an amount equal to the nominal value of the B shares redeemed in the year. The increase in the capital redemption reserve results from the UK company law requirement to maintain the company's capital when shares are redeemed out of the company's distributable profits.

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

Consolidated statement of financial position

At 31 December 2022

	Notes	31 December 2022 (£m)	31 December 2021 (£m)
Assets			
Goodwill and intangible assets	9	**413**	457
Property, plant and equipment		**112**	131
Investments in associated undertakings		**1**	2
Contract costs		**10**	9
Loans and advances		**34**	29
Financial investments	10	**43,617**	47,565
Deferred tax assets		**94**	88
Current tax receivable		**10**	-
Trade, other receivables and other assets		**303**	381
Derivative assets		**40**	14
Cash and cash equivalents	13	**1,782**	2,064
Assets held for sale		**1**	-
Total assets		**46,417**	50,740
Equity and liabilities			
Equity			
Ordinary Share capital	14(a)	**115**	116
Ordinary Share premium reserve	14(a)	**58**	58
Capital redemption reserve	14(a)	**346**	17
Merger reserve	14(c)	**-**	25
Share-based payments reserve		**41**	42
Other reserves		**(1)**	(1)
Retained earnings		**989**	1,482
Total equity		**1,548**	1,739
Liabilities			
Investment contract liabilities	15	**38,186**	41,071
Third-party interests in consolidated funds		**5,843**	6,898
Provisions	16	**69**	93
Deferred tax liabilities		**24**	139
Current tax payable		**1**	2
Borrowings and lease liabilities		**290**	299
Trade, other payables and other liabilities		**436**	484
Derivative liabilities		**20**	15
Total liabilities		**44,869**	49,001
Total equity and liabilities		**46,417**	50,740

Approved by the Board of Directors and authorised for issue on 8 March 2023 and signed on its behalf:

Steven Levin
Chief Executive Officer

Mark Satchel
Chief Financial Officer

Consolidated statement of cash flows

For the year ended 31 December 2022

The cash flows presented in this statement cover all the Group's activities (continuing and discontinued operations) and include flows from both policyholder and shareholder activities. All cash and cash equivalents are available for general use by the Group for the purposes of the disclosures required under IAS 7 Statement of Cash Flows except for cash and cash equivalents in consolidated funds (as shown in note 13). Cash flows for discontinued operations are shown separately in note 4(d).

	Notes	**Year ended 31 December 2022**	£m Year ended 31 December 2021
Cash flows from operating activities			
Cash flows from operating activities		**1,698**	3,103
Taxation paid		**(22)**	(10)
Total net cash flows from operating activities	13(b)	**1,676**	3,093
Cash flows from investing activities			
Net acquisitions of financial investments		**(1,494)**	(2,839)
Acquisition of property, plant and equipment		**(3)**	(13)
Acquisition of interests in subsidiaries[1]	4(f)	**(5)**	(7)
Net proceeds from the disposal of interests in subsidiaries		**-**	218
Total net cash flows from investing activities		**(1,502)**	(2,641)
Cash flows from financing activities			
Dividends paid to equity holders of the Company		**(78)**	(89)
Finance costs on external borrowings		**(9)**	(9)
Payment of interest on lease liabilities		**(3)**	(2)
Payment of principal of lease liabilities		**(11)**	(10)
Redemption of B shares[2]		**(328)**	-
Repurchase and cancellation of Ordinary Shares[3]		**(28)**	(197)
Exchange rate movements paid to shareholders[4]		**(4)**	-
Total net cash flows from financing activities		**(461)**	(307)
Net (decrease)/increase in cash and cash equivalents		**(287)**	145
Cash and cash equivalents at the beginning of the year		**2,064**	1,921
Effect of exchange rate changes on cash and cash equivalents		**5**	(2)
Cash and cash equivalents at end of the year	13(a)	**1,782**	2,064

[1]The acquisition of interests in subsidiaries outflow of £5 million results from contingent consideration payments relating to historical acquisitions (31 December 2021: £7 million).
[2]On 9 March 2022, the Company announced a capital return of £328 million from the net surplus proceeds arising from the sale of Quilter International by way of a B Share Scheme accompanied by a Share Consolidation. Please refer to note 3 for further details of the capital return and Share Consolidation.
[3]The repurchase and cancellation of Ordinary Shares outflow relates to the cash movements associated with the share buyback programme. Further details are included within the consolidated statement of changes in equity.
[4]The exchange rate movements paid to shareholders relate to foreign exchange gains that have arisen on the capital return and dividend payments to JSE shareholders. Further details are included within the consolidated statement of changes in equity.

Basis of preparation

For the year ended 31 December 2022

General information

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

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 2022 Annual report which will be available on the Company's website on 23 March 2023. These condensed consolidated financial statements of Quilter plc for the year ended 31 December 2022 have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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 ("IFRS") as adopted by the UK. 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, its current financial position, the principal risks facing the business and the effectiveness of any mitigating strategies which are or could be applied. This included an assessment of capital and liquidity over a three-year planning period. As part of the going concern assessment, the Group took into consideration the current position of the UK economy including the impact of inflation and increases in the cost of living. The Group also took into consideration risks related to climate change. Based on the assessment, the Directors believe that both the Group and Quilter plc as the Parent Company, have sufficient financial resources to continue in business for a period of at least 12 months from the date of approval of these financial statements and continue to adopt the going concern basis in preparing the Group and Parent Company financial statements. Further information is contained in the viability statement and going concern section of the Annual Report.

Liquidity analysis of the statement of financial position

The Group's statement of financial position is in order of liquidity as is permitted by IAS 1 Presentation of Financial Statements. For each asset and liability line item, those amounts expected to be recovered or settled more than 12 months after the reporting date are disclosed separately in the notes to the consolidated financial statements.

Critical accounting estimates and judgements

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

Critical accounting judgements

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

Recognition of provisions following the sale of Quilter International

Management exercised significant judgement in determining the accounting treatment for a number of provisions related to business activities to separate the business from the Group in respect of the sale of Quilter International. Significant judgement was required to assess whether the costs were directly attributable and incremental to the sale and whether a legal or constructive obligation existed in order to recognise the provisions. See note 16 for further details.

Recognition of insurance recovery asset in respect of Lighthouse defined benefit pension advice

For Lighthouse defined benefit ("DB") to defined contribution ("DC") pension transfer advice provided, management has previously applied judgement in order to determine whether an asset can be reasonably estimated, and in respect of the measurement of such an asset, in relation to an insurance recovery under Lighthouse's professional indemnity policies ("PI Policies"). During 2022, the insurers confirmed coverage up to the PI Policies' limit of indemnity of £15 million for these legal liabilities. These obligations to the Group were settled in full during 2022. As a result the recognition and measurement of an insurance asset is no longer considered a critical accounting judgement.

Critical accounting estimates

The Group's critical accounting estimates involve the most complex or subjective assessments and assumptions, which have a significant risk of resulting in material adjustment to the 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 standards and guidance to make predictions about future actions and events. Actual results may differ from those estimates.

Provision for the cost of defined benefit pension advice

An estimate was determined for unsuitable pension advice related to schemes other than those concluded as part of the skilled person review, using a methodology which takes account of recent experience of redress payments calculated by an independent expert and applying a proportion of transfer value to determine redress payable as an indicative provision. The calculations are based upon FCA guidelines and modelling performed, and factors including pension transfer value, date of retirement, discount rate and inflation rate assumptions.

Measurement of deferred tax

The 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 flows, together with estimates of expenses and other charges. The Business Plan, adjusted for known and estimated tax sensitivities, is used to determine the extent to which deferred tax assets are recognised. In general, the Group assesses the recoverability of shareholder assets based on estimated taxable profits over a three-year planning horizon and assesses policyholder assets based on estimated investment growth over the medium term. Management has reassessed the sensitivity of the recoverability of deferred tax assets based on the latest forecast cash flows.

Basis of preparation

For the year ended 31 December 2022

1: Basis of preparation *continued*

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 9). These forecasts take account of the climate-related risks and other responsible business considerations. Management does not consider that the use of these estimates has 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 2022.

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

Adopted by the Group from	Amendments to standards
1 January 2022	Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use
1 January 2022	Annual Improvements 2018-2020 Cycle
1 January 2022	Amendments to IFRS 3 References to the Conceptual Framework
1 January 2022	Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract

3: Significant changes in the year

Capital return, Share Consolidation and changes to comparative amounts

On 12 May 2022, shareholder approval was received at the General Meeting for a capital return of £328 million (20 pence per share) to shareholders of Quilter plc by way of a B Share Scheme. The capital return represented the net surplus proceeds from the sale of Quilter International after retaining funds for planned Business Simplification and selected revenue enhancing investments. The B shares were created out of the Company's merger reserve, which had a balance of £1,687 million prior to the share creation.

To maintain comparability of shareholder metrics before and after the capital return, the scheme was accompanied by a Share Consolidation (see note 14(a)). The weighted average number of shares used to calculate the comparative EPS metrics has not been adjusted for the impact of the Share Consolidation due to the associated reduction in resources as a result of the return of capital.

The capital return reduced the Group's IFRS net assets and Solvency II own funds by £328 million, comprised of £331 million cash paid upon redemption of the B shares, offset by a foreign exchange gain of £3 million on South African Rand held between the date the capital return was announced and the redemption of the B shares for the JSE portion of the capital return.

Notes to the condensed consolidated financial statements

For the year ended 31 December 2022

4: Business combinations

4(a): Business disposals

Year ended 31 December 2022

There have been no material disposals of businesses during the year ended 31 December 2022.

Year ended 31 December 2021

On 30 November 2021, the Group completed the sale of Quilter International to Utmost Group for consideration of £481 million. The Group recognised a profit on disposal of £89 million. Provisions established in respect of this disposal are shown in note 16. Separation, migration and decommissioning expenses of £19 million incurred as a result of the disposal were included within Other operating and administrative expenses in the discontinued operations income statement for 2021.

Profit on sale of operations

		£m
	Year ended 31 December 2022	Year ended 31 December 2021
	Quilter International and Single Strategy business	Quilter International and Single Strategy business[1]
Quilter International		
Consideration received	-	481
Less: transaction costs	-	(17)
Net proceeds from sale	-	464
Carrying value of net assets disposed of	-	(324)
Goodwill allocated and disposed of	-	(50)
Recycling of foreign currency translation reserve	-	(1)
Profit on sale of Quilter International	-	89
Change in accrued expenses in relation to the Single Strategy business (sold in 2018)	-	1
Profit on sale of operations before tax	**-**	**90**
Separation, migration and decommissioning costs	-	(19)
Profit on disposal after separation, migration and decommissioning costs	**-**	71

[1]In 2021, the Group also sold LighthouseCarrwood Limited generating a profit of £2 million which is not reflected in the table above as the former subsidiary's activities did not represent a major line of business and therefore is regarded as being part of the Group's continuing operations.

Notes to the condensed consolidated financial statements

For the year ended 31 December 2022

4: Business combinations *continued*

4(b): Discontinued operations – income statement

In the prior year, the Group's discontinued operations principally related to Quilter International, the sale of which completed on 30 November 2021.

	Notes	Year ended 31 December 2022	Year ended 31 December 2021 £m
Income			
Gross earned premiums		-	1
Premiums ceded to reinsurers		-	(1)
Fee income and other income from service activities		-	169
Investment return		-	1,816
Other income		-	1
Total income		-	1,986
Expenses			
Change in investment contract liabilities	15	-	(1,818)
Fee and commission expenses, and other acquisition costs		-	(72)
Other operating and administrative expenses		-	(55)
Total expenses		-	(1,945)
Profit on sale of operations before tax	4(a)	-	90
Profit before tax attributable to equity holders from discontinued operations		-	131
Profit after tax from discontinued operations		-	131
Attributable to:			
Equity holders of Quilter plc		-	131
Earnings per Ordinary Share on profit attributable to Ordinary Shareholders of Quilter plc			
Basic - from discontinued operations (pence)	8(b)	-	8.0
Diluted - from discontinued operations (pence)	8(b)	-	7.8

4(c): Discontinued operations - statement of comprehensive income

	Year ended 31 December 2022	Year ended 31 December 2021 £m
Profit after tax	-	131
Total comprehensive income from discontinued operations	-	131

4(d): Discontinued operations - net cash flows

	Year ended 31 December 2022	Year ended 31 December 2021 £m
Total net cash flows from operating activities	-	276
Total net cash flows from investing activities	-	(411)
Total net cash flows from financing activities	-	(2)
Net decrease in cash and cash equivalents	-	(137)

4(e): Assets and liabilities held for sale

Assets classified as held for sale at 31 December 2022 relate to a leasehold interest in an office property which is vacant for which the Group is actively seeking a buyer. There were no assets or liabilities classified as held for sale at 31 December 2021.

4: Business combinations *continued*

4(f): Business acquisitions

There have been no material acquisitions of businesses during the year ended 31 December 2022 or the year ended 31 December 2021.

Contingent consideration arising from historical business acquisitions:

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

	£m	
	Year ended 31 December 2022	Year ended 31 December 2021
Opening balance	**5**	16
Payments	**(5)**	(7)
Financing interest charge	**-**	1
Unused amounts reversed and other movements	**-**	(5)
Closing balance	**-**	5

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

5: Alternative performance measures ("APMs")

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

Basis of preparation of adjusted profit before tax

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

		£m			
			Year ended 31 December 2021		
	Notes	**Year ended 31 December 2022**	Continuing operations	Discontinued operations[1]	Total
Affluent		**105**	111	50	161
High Net Worth		**45**	56	-	56
Head Office		**(16)**	(29)	-	(29)
Adjusted profit before tax		**134**	138	50	188
Reallocation of Quilter International costs		**-**	(10)	10	-
Adjusted profit before tax after reallocation	6(b)	**134**	128	60	188
Adjusting items:					
Impact of acquisition and disposal-related accounting	5(b)(i)	**(42)**	(41)	-	(41)
Profit on business disposals[2]	4(a)	**-**	2	90	92
Business transformation costs	5(b)(ii)	**(30)**	(51)	(19)	(70)
Managed separation costs	5(b)(iii)	**-**	(2)	-	(2)
Finance costs	5(b)(iv)	**(10)**	(10)	-	(10)
Policyholder tax adjustments	5(b)(v)	**138**	(7)	-	(7)
Voluntary customer repayments	5(b)(vi)	**(6)**	-	-	-
Other adjusting items	5(b)(vii)	**(1)**	-	-	-
Exchange rate gain (ZAR/GBP)	5(b)(viii)	**4**	-	-	-
Customer remediation	5(b)(ix)	**12**	(7)	-	(7)
Total adjusting items before tax		**65**	(116)	71	(45)
Profit before tax attributable to equity holders		**199**	12	131	143
Tax attributable to policyholder returns	7(a)	**(134)**	73	-	73
Income tax credit/(expense)	7(a,b)	**110**	(62)	-	(62)
Profit after tax[3]		**175**	23	131	154

[1]2021 discontinued operations include the results of Quilter International.
[2]In 2021, the discontinued operations profit on business disposals of £90 million resulted from the disposal of Quilter International. The £2 million continuing operations profit on business disposals resulted from the disposal of LighthouseCarrwood Limited. See note 4(a) for details.
[3]IFRS profit after tax.

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

5(b): Adjusting items

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

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

Goodwill and other acquired intangibles are recognised on the acquisition of a business and represent 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 intangible assets, any acquisition costs, finance costs related to the discounting of contingent consideration and incidental items relating to past disposals.

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

			£m
	Note	**Year ended 31 December 2022**	Year ended 31 December 2021
Amortisation of other acquired intangible assets	9	**42**	45
Fair value gains on revaluation of contingent consideration		**-**	(5)
Unwinding of discount on contingent consideration		**-**	1
Total impact of acquisition and disposal-related accounting		**42**	41

5(b)(ii): Business transformation costs

Business transformation costs include four key items: costs associated with the UK Platform Transformation Programme, Optimisation programme costs, Business Simplification costs and business separation costs following disposal of Quilter International. For the year ended 31 December 2022, these costs totalled £30 million (31 December 2021: £70 million) in aggregate, the principal components of which are described below:

UK Platform Transformation Programme – 31 December 2022: £nil, 31 December 2021: £28 million

The Platform Transformation Programme concluded in 2021 with lifetime costs of £202 million. No further costs were incurred in 2022.

Optimisation programme costs – 31 December 2022: £6 million, 31 December 2021: £22 million

The Optimisation programme commenced in 2018 to provide closer business integration, create central support, rationalise technology and reduce third-party spend. The programme has now achieved its target of delivering annualised run-rate cost savings of £65 million with total implementation costs since inception of £87 million. This programme concluded during 2022.

Business Simplification costs – 31 December 2022: £17 million, 31 December 2021: £nil

The Business Simplification programme is anticipated to reduce operating costs by £45 million on a run-rate basis, with implementation costs expected to be £55 million. The Group continues to simplify its structures and organisation to support the two business segments. To date, the programme has delivered £23 million of annualised run-rate cost savings with an implementation cost of £17 million.

Restructuring costs following the disposal of Quilter Life Assurance – 31 December 2022: £3 million, 31 December 2021: £1 million

Following the sale of Quilter Life Assurance in 2019, the Group entered into a Transitional Service Agreement with the buyer, ReAssure. During the year ended 31 December 2022, the Group recognised £3 million for property exit costs following the conclusion of the Transitional Service Agreement.

Business separation costs following disposal of Quilter International – 31 December 2022: £nil, 31 December 2021: £19 million

The costs of business separation arise from the process to separate Quilter International's infrastructure, which is complex and covers a wide range of areas including people, IT systems, data and contracts facilities. A programme team has been established to ensure the transformation 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 costs are predominantly expected to occur over a three-year period.

The Group has provided for the future restructuring costs arising due to the sale of Quilter International to Utmost Group on 30 November 2021, including the cost of migrating IT systems and data to the acquirer, as the Transitional Service Agreement with Utmost Group (the acquirer) runs off and the remaining Quilter business is restructured following the disposal.

Investment in business costs – 31 December 2022: £4 million, 31 December 2021: £nil

Investment in business costs of £4 million were incurred in 2022 as the Group continues to enable and support advisers and clients and improve productivity through better utilisation of technology.

5(b)(iii): Managed separation costs

For the year ended 31 December 2022, no managed separation costs were incurred (31 December 2021: £2 million). In prior periods, these one-off costs related to the Group's separation from Old Mutual and were excluded from adjusted profit because they related to a fundamental restructuring of the Group and were not representative of the operating activity of the Group. No further costs associated with managed separation are anticipated.

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 year ended 31 December 2022, finance costs were £10 million (31 December 2021: £10 million).

Notes to the condensed consolidated financial statements
For the year ended 31 December 2022

5: Alternative performance measures *continued*

5(b): Adjusting items *continued*

5(b)(v): Policyholder tax adjustments

For the year ended 31 December 2022, the total amount of policyholder tax adjustments to adjusted profit is £138 million charge (31 December 2021: £7 million credit). 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 in the Group's IFRS profit or loss before tax attributable to equity holders. Note 7(a) provides further information on the impact of markets on the policyholder tax charge. Adjustments are also made to remove policyholder tax distortions from other non-operating adjusting items.

5(b)(vi): Voluntary customer repayment

For the year ended 31 December 2022, these costs were £6 million (31 December 2021: £nil) and relate to a change in business policy. The voluntary repayments represent amounts to be paid to customers relating to revenue previously recognised in respect of Final Plan Closure receipts.

5(b)(vii): Other adjusting items

For the year ended 31 December 2022, these costs were £1 million (31 December 2021: £nil) and relate to the impairment of an indemnification asset.

5(b)(viii): Exchange rate gain (ZAR/GBP)

For the year ended 31 December 2022, income of £4 million was received (31 December 2021: £nil) and related to a foreign exchange gain on cash held in South African Rand in preparation for the capital return and final dividend payments in May 2022. Cash was converted to South African Rand upon announcement of the details of the capital return and dividend payment to provide an economic hedge for the Group. The foreign exchange gain is fully offset by an equal amount taken directly to retained earnings. See note 3 for further detail.

5(b)(ix): Customer remediation

Lighthouse pension transfer advice provision – 31 December 2022: net income £12 million, 31 December 2021: net expenses £7 million

In 2022, insurance proceeds in relation to claims in respect of legal liabilities arising in connection with Lighthouse's DB to DC pension transfer advice cases have been received, contributing £12 million to the Group's profit before tax. These have been excluded from adjusted profit on the basis that the advice activities to which the charge and benefit relate took place prior to the Group's acquisition of the business. The provision for the redress of British Steel Pension Scheme cases and other DB to DC pension transfer cases, excluding the impact of payments made, has decreased by a further £4 million in the year, which has been recognised in the income statement as a reduction of expenses (31 December 2021: £7 million expense). This decrease reflects the impact of the final redress calculations performed compared with the provision estimated, as part of the ongoing skilled person review, and an estimate for further customer redress following the skilled person's recommendation of a review of additional cases. During the year, £4 million of additional legal, consulting, and other costs were incurred. Further details of the provision are provided in note 16.

Notes to the condensed consolidated financial statements

For the year ended 31 December 2022

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

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 19 and 20 and form the Group's adjusted profit before tax for continuing operations. The IFRS income statement column in the table below, down to "Profit before tax attributable to equity holders from continuing operations", reconciles to each line of the Group's 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.

Year ended 31 December 2022	Net mgmt. fees[1]	Other revenue[1]	Total net fee revenue[1]	Operating expenses[1]	Adjusted profit before tax	Consol. of funds[2]	Consolidated income statement £m
Income							
Fee income and other income from service activities	548	95	643	-	643	(62)	581
Investment return	-	(4,292)	(4,292)	-	(4,292)	(357)	(4,649)
Other income	-	5	5	21	26	2	28
Total income	548	(4,192)	(3,644)	21	(3,623)	(417)	(4,040)
Expenses							
Change in investment contract liabilities	-	4,318	4,318	-	4,318	-	4,318
Fee and commission expenses, and other acquisition costs	(46)	1	(45)	-	(45)	(9)	(54)
Change in third-party interests in consolidated funds	-	-	-	-	-	438	438
Other operating and administrative expenses	(15)	-	(15)	(557)	(572)	(12)	(584)
Finance costs	-	-	-	(13)	(13)	-	(13)
Total expenses	(61)	4,319	4,258	(570)	3,688	417	4,105
Tax credit attributable to policyholder returns	134	-	134	-	134	-	134
Profit before tax attributable to equity holders from continuing operations	621	127	748	(549)	199	-	199
Adjusting items:							
Impact of acquisition and disposal-related accounting	-	-	-	42	42		
Business transformation costs	-	-	-	30	30		
Voluntary customer repayments	-	-	-	6	6		
Other adjusting items	-	-	-	1	1		
Finance costs	-	-	-	10	10		
Exchange rate gain (ZAR/GBP)	-	(4)	(4)	-	(4)		
Customer remediation	-	-	-	(12)	(12)		
Policyholder tax adjustments	(138)	-	(138)	-	(138)		
Adjusting items	(138)	(4)	(142)	77	(65)		
Adjusted profit before tax - continuing operations	483	123	606	(472)	134		

[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.

Notes to the condensed consolidated financial statements

For the year ended 31 December 2022

5: Alternative Performance Measures *continued*

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

Year ended 31 December 2021	Net mgmt. fees[1]	Other revenue[1]	Total net fee revenue[1]	Operating expenses[1]	Adjusted profit before tax	Consol. of funds[2]	Consolidated income statement
							£m
Income							
Fee income and other income from service activities	633	111	744	-	744	(78)	666
Investment return	-	3,294	3,294	-	3,294	708	4,002
Other income	-	1	1	15	16	2	18
Total income	633	3,406	4,039	15	4,054	632	4,686
Expenses							
Change in investment contract liabilities	-	(3,293)	(3,293)	-	(3,293)	-	(3,293)
Fee and commission expenses, and other acquisition costs	(52)	4	(48)	-	(48)	(13)	(61)
Change in third-party interests in consolidated funds	-	-	-	-	-	(599)	(599)
Other operating and administrative expenses	(15)	1	(14)	(602)	(616)	(20)	(636)
Finance costs	-	-	-	(14)	(14)	-	(14)
Total expenses	(67)	(3,288)	(3,355)	(616)	(3,971)	(632)	(4,603)
Profit on business disposal	-	2	2	-	2	-	2
Tax expense attributable to policyholder returns	(73)	-	(73)	-	(73)	-	(73)
Profit before tax attributable to equity holders from continuing operations	493	120	613	(601)	12	-	12
Adjusting items:							
Impact of acquisition and disposal-related accounting	-	-	-	41	41		
Profit on business disposal	-	(2)	(2)	-	(2)		
Business transformation costs	-	-	-	51	51		
Managed separation costs	-	-	-	2	2		
Finance costs	-	-	-	10	10		
Customer remediation	-	-	-	7	7		
Policyholder tax adjustments	7	-	7	-	7		
Adjusting items	7	(2)	5	111	116		
Adjusted profit before tax after reallocation	500	118	618	(490)	128		
Reallocation of Quilter International costs[3]	-	-	-	10	10		
Adjusted profit before tax - continuing operations	500	118	618	(480)	138		

[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]£10 million of Other operating and administrative expenses previously reported in Quilter International are presented within continuing operations, as costs of this nature did not transfer to Utmost Group (the acquirer) on disposal.

6: Segmental information

6(a): Segmental presentation

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

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

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

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

Continuing operations:

High Net Worth

This segment comprises Quilter Cheviot and Quilter Private Client Advisers.

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

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

Notes to the condensed consolidated financial statements

For the year ended 31 December 2022

6: Segmental information *continued*

6(a): Segmental presentation *continued*

Affluent

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

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

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

Quilter Financial Planning is a restricted and independent financial adviser network including Quilter Financial Advisers and Lighthouse, providing mortgage and financial planning advice and financial solutions for both individuals and businesses through a network of intermediaries. It operates across all markets, from wealth management and retirement planning advice through to dealing with property wealth and personal and business protection needs.

Head Office

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

Discontinued operations

Quilter International is excluded from the segmental information for the year ended 31 December 2021 as it was sold on 30 November 2021. See note 4 for further details.

Quilter International was Quilter's cross-border business, focusing on High Net Worth and Affluent local clients and expatriates in the UK, Asia, the Middle East, Europe and Latin America.

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

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

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

Notes to the condensed consolidated financial statements

For the year ended 31 December 2022

6: Segmental information *continued*

6(b)(ii): Adjusted profit statement - segmental information for the year ended 31 December 2021

£m

	Notes	Operating segments: Affluent	Operating segments: High Net Worth	Head Office	Reallocation of Quilter International costs[1]	Consolidation adjustments[2]	Consolidated income statement
Income							
Fee income and other income from service activities		532	213	-	-	(79)	666
Investment return		3,293	-	1	-	708	4,002
Other income		110	-	-	-	(92)	18
Segmental income		3,935	213	1	-	537	4,686
Expenses							
Change in investment contract liabilities		(3,293)	-	-	-	-	(3,293)
Fee and commission expenses, and other acquisition costs		(48)	-	-	-	(13)	(61)
Change in third-party interests in consolidated funds		-	-	-	-	(599)	(599)
Other operating and administrative expenses		(463)	(187)	(51)	(10)	75	(636)
Finance costs		(4)	-	(10)	-	-	(14)
Segmental expenses		(3,808)	(187)	(61)	(10)	(537)	(4,603)
Profit on sale of subsidiary		2	-	-	-	-	2
Profit/(loss) before tax from continuing operations		129	26	(60)	(10)	-	85
Tax expense attributable to policyholder returns		(73)	-	-	-	-	(73)
Profit/(loss) before tax attributable to equity holders from continuing operations		56	26	(60)	(10)	-	12
Adjusted for non-operating items:							
Impact of acquisition and disposal-related accounting	5(b)(i)	11	30	-	-	-	41
Net profit on business disposals and acquisitions		(2)	-	-	-	-	(2)
Business transformation costs	5(b)(ii)	32	-	19	-	-	51
Managed separation costs	5(b)(iii)	-	-	2	-	-	2
Finance costs	5(b)(iv)	-	-	10	-	-	10
Policyholder tax adjustments	5(b)(v)	7	-	-	-	-	7
Customer remediation	5(b)(ix)	7	-	-	-	-	7
Adjusting items before tax		55	30	31	-	-	116
Adjusted profit/(loss) before tax after reallocation		111	56	(29)	(10)	-	128
Reallocation of Quilter International costs	4(b)	-	-	-	10	-	10
Adjusted profit/(loss) before tax - continuing operations		111	56	(29)	-	-	138

[1]£10 million of Other operating and administrative expenses previously reported in Quilter International are presented within continuing operations, as costs of this nature did not transfer to Utmost Group (the acquirer) on disposal.
[2]Consolidation adjustments comprise the elimination of inter-segment transactions and the consolidation of investment funds.

6: Segmental information *continued*

6(c): Breakdown of income

This note analyses the Group's income into further detail based on the types of fees earned and split by operating segment, which is aligned to the Group's client base.

Year ended 31 December 2022	Affluent	High Net Worth	Head Office	Consolidation adjustments	Total continuing operations £m
Premium-based fees	**75**	**21**	**-**	**-**	**96**
Fund-based fees[1]	**356**	**181**	**-**	**(62)**	**475**
Fixed fees	**2**	**-**	**-**	**-**	**2**
Other fee and commission income	**8**	**-**	**-**	**-**	**8**
Fee income and other income from service activities	**441**	**202**	**-**	**(62)**	**581**
Investment return	**(4,307)**	**9**	**8**	**(359)**	**(4,649)**
Other income	**112**	**3**	**5**	**(92)**	**28**
Total income	**(3,754)**	**214**	**13**	**(513)**	**(4,040)**

Year ended 31 December 2021	Affluent	High Net Worth	Head Office	Consolidation adjustments	Total continuing operations £m	Discontinued operations £m
Premium-based fees	87	24	-	-	111	45
Fund-based fees[1]	376	189	-	(79)	486	81
Retrocessions received, intra-group	-	-	-	-	-	6
Fixed fees	2	-	-	-	2	26
Exit fees	-	-	-	-	-	11
Other fee and commission income	67	-	-	-	67	-
Fee income and other income from service activities	532	213	-	(79)	666	169
Investment return	3,293	-	1	708	4,002	1,816
Other income	110	-	-	(92)	18	1
Total income	3,935	213	1	537	4,686	1,986

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

7: Tax

7(a): Tax charged to the income statement

	Year ended 31 December 2022 £m	Year ended 31 December 2021
Current tax		
United Kingdom	**12**	36
Overseas tax	**1**	1
Total current tax charge	**13**	37
Deferred tax		
Origination and reversal of temporary differences	**(120)**	36
Effect on deferred tax of changes in tax rates	**(1)**	(12)
Adjustments to deferred tax in respect of prior periods	**(2)**	1
Total deferred tax (credit)/charge	**(123)**	25
Total tax (credited)/charged to income statement - continuing operations	**(110)**	62
Total tax (credited)/charged to income statement	**(110)**	62
Attributable to policyholder returns - continuing operations	**(134)**	73
Attributable to equity holders - continuing operations	**24**	(11)
Total tax (credited)/charged to income statement	**(110)**	62

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.

7: Tax *continued*

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

The Group's income tax credit on continuing operations was £110 million for the year ended 31 December 2022, compared to a charge of £62 million for the prior year. This income tax credit can vary significantly year-on-year as a result of market volatility and the impact this has on policyholder tax. The recognition of the income received from policyholders to fund the policyholder tax liability (which is included within the Group's income) can vary in timing to the recognition of the corresponding policyholder tax expense, creating volatility in the Group's IFRS profit before tax attributable to equity holders. An adjustment is made to adjusted profit to remove these distortions, as explained further in note 5(b)(v).

Market movements during the year ended 31 December 2022 resulted in investment losses of £587 million on products subject to policyholder tax. The loss is a component of the total "investment return" loss of £4,649 million shown in the income statement. The impact of the £587 million investment return loss is the primary reason for the £134 million tax credit attributable to policyholder returns in respect of the continuing operations for the year ended 31 December 2022 (31 December 2021: £73 million expense in respect of continuing operations and £nil expense in respect of discontinued operations).

UK Corporation Tax rate

The main rate of Corporation Tax is 19% for the financial year 2022 (2021: 19%). The Corporation Tax rate will increase from 19% to 25%, effective from 1 April 2023. This change was substantively enacted in 2021 and the new rate has been used in recognising the Company's deferred tax assets and liabilities for reversals expected to take place on or after 1 April 2023.

The Company considers that future years' profits will be sufficient to utilise the tax asset carried forward.

7(b): Reconciliation of total income tax expense

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

		£m
	Year ended 31 December 2022	Year ended 31 December 2021
Profit before tax from continuing operations	**65**	85
Tax at UK standard rate of 19% (2021: 19%)	**12**	16
Different tax rate or basis on overseas operations	**-**	1
Untaxed and low taxed income	**(6)**	-
Expenses not deductible for tax purposes	**1**	-
Net movements on unrecognised deferred tax assets	**(6)**	(4)
Effect on deferred tax of changes in tax rates	**(1)**	(12)
Adjustments to deferred tax in respect of prior years	**(2)**	1
Income tax attributable to policyholder returns (net of tax relief)	**(108)**	60
Total tax (credited)/charged to income statement - continuing operations	**(110)**	62
Total tax (credited)/charged to income statement	**(110)**	62

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

			£m
	Note	**Year ended 31 December 2022**	Year ended 31 December 2021
Income tax (credit)/expense on continuing operations[1]		**(110)**	62
Tax on adjusting items			
Impact of acquisition and disposal-related accounting		**8**	4
Business transformation costs		**5**	10
Finance costs		**2**	2
Exchange rate gain (ZAR/GBP)		**(1)**	-
Customer remediation		**-**	1
Tax adjusting items			
Policyholder tax adjustments	5(b)(v)	**138**	(7)
Other shareholder tax adjustments[2]		**(19)**	7
Tax on adjusting items - continuing operations		**133**	17
Less: tax attributable to policyholder returns within adjusted profit - continuing operations[3]		**(4)**	(66)
Tax charged on adjusted profit - continuing operations		**19**	13
Tax charged on total adjusted profit		**19**	13

[1]Includes both tax attributable to policyholders and equity holders, in compliance with IFRS.
[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 expense (this includes policyholder tax under IFRS and the policyholder tax adjustments) and is therefore removed from the 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 and Headline earnings per share ("HEPS") is a requirement of the Johannesburg Stock Exchange.

	Framework	Notes	**Year ended 31 December 2022**	Year ended 31 December 2021
			Pence	
Basic earnings per share	IFRS	8(b)	**12.2**	9.4
Diluted basic earnings per share	IFRS	8(b)	**12.0**	9.2
Adjusted basic earnings per share	Group policy	8(b)	**8.0**	10.7
Adjusted diluted earnings per share	Group policy	8(b)	**7.9**	10.4
Headline basic earnings per share (net of tax)	JSE Listing Requirements	8(c)	**11.7**	3.9
Headline diluted earnings per share (net of tax)	JSE Listing Requirements	8(c)	**11.5**	3.8

8(a): Weighted average number of Ordinary Shares

The table below summarises the calculation of the weighted average number of Ordinary Shares for the purposes of calculating basic and diluted earnings per share for each profit measure (IFRS, adjusted and headline profit). Details of the impact on the number of shares from the Quilter share buyback scheme are detailed in note 14.

	Year ended 31 December 2022	Year ended 31 December 2021
	Million	
Weighted average number of Ordinary Shares	**1,496**	1,721
Own shares including those held in consolidated funds and EBTs	**(58)**	(77)
Basic weighted average number of Ordinary Shares	**1,438**	1,644
Adjustment for dilutive share awards and options	**20**	39
Diluted weighted average number of Ordinary Shares	**1,458**	1,683

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

		Year ended 31 December 2022			Year ended 31 December 2021		£m
	Notes	**Continuing operations**	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total
Profit after tax		**175**	**-**	**175**	23	131	154
Total adjusting items before tax	5(a)	**(65)**	**-**	**(65)**	116	(71)	45
Tax on adjusting items	7(c)	**(133)**	**-**	**(133)**	(17)	-	(17)
Less: Policyholder tax adjustments	7(c)	**138**	**-**	**138**	(7)	-	(7)
Adjusted profit after tax after reallocation		**115**	**-**	**115**	115	60	175
Reversal of:							
Reallocation of Quilter International costs[1]		**-**	**-**	**-**	10	(10)	-
Adjusted profit after tax		**115**	**-**	**115**	125	50	175

[1]Reallocation of Quilter International costs relate to costs that were previously reported as part of Quilter International which were presented within continuing operations in the prior year (31 December 2021: £10 million) as these did not transfer to Utmost Group (the acquirer) on disposal. There were no such costs in the year ended 31 December 2022. See note 4(b) for additional details.

		Year ended 31 December 2022			Year ended 31 December 2021		
	Post-tax profit measure used	**Continuing operations Pence**	**Discontinued operations Pence**	**Total Pence**	Continuing operations Pence	Discontinued operations Pence	Total Pence
Basic EPS	IFRS profit	**12.2**	**-**	**12.2**	1.4	8.0	9.4
Diluted EPS	IFRS profit	**12.0**	**-**	**12.0**	1.4	7.8	9.2
Adjusted basic EPS	Adjusted profit	**8.0**	**-**	**8.0**	7.6	3.1	10.7
Adjusted diluted EPS	Adjusted profit	**7.9**	**-**	**7.9**	7.4	3.0	10.4

8: Earnings per share *continued*

8(c): Headline earnings per share

					£m
			Year ended 31 December 2022		Year ended 31 December 2021
	Note	**Gross**	**Net of tax**	Gross	Net of tax
Profit attributable to equity holders			**175**		154
Adjusted for:					
Profit on business disposals	4(a)	**-**	**-**	(90)	(90)
Impairment loss on property, plant and equipment[1]		**-**	**(7)**	-	-
Headline earnings			**168**		64
Headline basic EPS (pence)			**11.7**		3.9
Headline diluted EPS (pence)			**11.5**		3.8

[1]Of the impairment, £3 million relates to right-of-use asset and £4 million relates to plant and equipment.

9: Goodwill and intangible assets

9(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 2021[1]	356	95	429	880
Disposal of interests in subsidiaries	(50)	-	(4)	(54)
Disposals[2]	-	(65)	-	(65)
31 December 2021[1]	306	30	425	761
31 December 2022	**306**	**30**	**425**	**761**
Amortisation and impairment losses				
1 January 2021[1]	-	(85)	(239)	(324)
Amortisation charge for the year	-	(2)	(45)	(47)
Disposal of interests in subsidiaries	-	-	2	2
Disposals[2]	-	65	-	65
31 December 2021[1]	-	(22)	(282)	(304)
Amortisation charge for the year	-	(2)	(42)	(44)
31 December 2022	**-**	**(24)**	**(324)**	**(348)**
Carrying amount				
31 December 2021	306	8	143	457
31 December 2022	**306**	**6**	**101**	**413**

[1]Following the completion of a number of strategic projects, including IT projects, the Group reviewed the fixed asset register. Assets related to software development costs with a cost of £10 million and an accumulated amortisation of £10 million (net book value: £nil) that had been fully amortised prior to January 2021 and that are no longer held by the Group or no longer in use have been removed from the register and are not recognised in the gross amount of software development costs as at 31 December 2022. Figures for prior periods have been restated to ensure comparability.
[2]Disposals of £65 million in the year ended 31 December 2021 relate to the write-off of fully amortised software in respect of the Platform Transformation Programme and following the final migration of client assets in February 2021, with all Quilter Investment Platform assets now live on the new platform.

9(b): Analysis of other intangible assets

	£m			
	31 December 2022	31 December 2021	Average estimated useful life	Average period remaining
Net carrying value				
Distribution channels - Quilter Financial Planning	**4**	9	8 years	2 years
Customer relationships				
Quilter Cheviot	**59**	86	10 years	2 years
Quilter Financial Planning	**22**	27	8 years	4 years
Quilter Private Client Advisers	**14**	18	8 years	4 years
Other	**2**	3	7 years	1 year
Total other intangible assets	**101**	143		

9: Goodwill and intangible assets *continued*

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

Goodwill is monitored by management at the level of the Group's two operating segments: Affluent and High Net Worth, as disclosed in note 6(a). Both operating segments represent a group of CGUs. The allocation of goodwill to these segments was based on their individual value-in-use calculations relative to the combined total.

	£m	
	31 December 2022	31 December 2021[1]
Goodwill (net carrying amount)		
Affluent	**223**	223
High Net Worth	**83**	83
Total goodwill	**306**	306

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

Impairment review

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

The goodwill balance has been tested for impairment at 31 December 2022 and continues to demonstrate a surplus of the recoverable amount over the carrying value of the CGUs. As a result, no impairment is required.

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

	Affluent	**High Net Worth**
Reduction in forecast cash flows	17%	47%
Percentage point increase in the discount rate	5%	20%

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

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

Value-in-use methodology

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

The cash flows that have been used to determine the value-in-use of the CGUs are based on the most recent management approved three-year profit forecasts, which are contained in the Group's Business Plan. These profit forecasts incorporate anticipated equity market growth on the Group's future cash flows, and take into account climate-related risks and other responsible business considerations. These cash flows change at different rates because of the different strategies of the CGUs. In cases where the CGUs have made significant acquisitions in the recent past, the cash flows are forecast to grow faster than the more mature businesses. Post the three-year forecast period, the growth rate used to determine the terminal value of the CGUs in the annual assessment was 2.0% (2021: 2.0%), which is lower than the UK long-term growth rate. Market share and market growth information is also used to inform the expected volumes of future new business.

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

The Group uses a single cost of capital of 11.4% (2021: 9.5%) to discount expected future cash flows across its two groups of CGUs because they are considered to present a similar level of risk. Capital is provided to the Group predominantly by shareholders with a relatively small amount of debt financing. The cost of capital is the weighted average of the cost of equity (return required by shareholders) and the cost of debt (return required by bondholders and owners of properties leased by the Group). When assessing the systematic risk (i.e. the beta value) within the calculation of the cost of equity, a triangulation approach is used that combines beta values obtained from historical data, a forward-looking view on the progression of beta values and the external views of investors.

Notes to the condensed consolidated financial statements

For the year ended 31 December 2022

10: 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 2022	31 December 2021
Government and government-guaranteed securities	**225**	649
Other debt securities, preference shares and debentures	**1,609**	1,662
Equity securities	**6,225**	7,251
Pooled investments	**35,557**	38,002
Short-term funds and securities treated as investments	**1**	1
Total financial investments	**43,617**	47,565
Recoverable within 12 months	**43,617**	47,565
Total financial investments	**43,617**	47,565

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.

11: Categories of financial instruments

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

For information about the methods and assumptions used in determining fair value, refer to note 12. The Group's exposure to various risks associated with financial instruments is discussed in note 18.

31 December 2022

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

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

11: Categories of financial instruments *continued*

31 December 2021

Measurement basis	Fair value				£m
	Mandatorily at FVTPL	Designated at FVTPL	Amortised cost	Non-financial assets and liabilities	Total
Assets					
Investments in associated undertakings[1]	-	-	-	2	2
Loans and advances	-	-	29	-	29
Financial investments	47,564	-	-	1	47,565
Trade, other receivables and other assets	-	-	325	56	381
Derivative assets	14	-	-	-	14
Cash and cash equivalents	1,216	-	848	-	2,064
Total assets that include financial instruments	48,794	-	1,202	59	50,055
Total other non-financial assets	-	-	-	685	685
Total assets	**48,794**	**-**	**1,202**	**744**	**50,740**
Liabilities					
Investment contract liabilities	-	41,071	-	-	41,071
Third-party interests in consolidated funds	6,898	-	-	-	6,898
Borrowings and lease liabilities	-	-	299	-	299
Trade, other payables and other liabilities	-	-	370	114	484
Derivative liabilities	15	-	-	-	15
Total liabilities that include financial instruments	6,913	41,071	669	114	48,767
Total other non-financial liabilities	-	-	-	234	234
Total liabilities	**6,913**	**41,071**	**669**	**348**	**49,001**

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

12: Fair value methodology

This section explains the judgements and estimates made in determining the fair values of financial instruments that are recognised and measured at fair value in the financial statements. Classifying financial instruments into the three levels of the fair value hierarchy (see note 12(b)), prescribed under IFRS, provides an indication about the reliability of inputs used in determining fair value.

12(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, financial statements for the fund or a statement of valuation provided by the management of the private company or fund.

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

Loans and advances

Loans and advances include certain loans to brokers at below-market interest rates which are measured at fair value. All other loans to brokers are stated at amortised cost.

Financial investments

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

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

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

Derivatives

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

Notes to the condensed consolidated financial statements

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12: Fair value methodology *continued*

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

Investment contract liabilities

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

Third-party interests in consolidated funds

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

12(b): Fair value hierarchy

Fair values are determined according to the following hierarchy:

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

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

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

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

12(c): Transfer between fair value hierarchies

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

There were no transfers of financial investments from Level 1 to Level 2 during the year (31 December 2021: £16 million). There were no transfers of financial investments from Level 2 to Level 1 during the year (31 December 2021: £85 million). The movement in 2021 related to assets held by the Quilter International business and these movements were matched closely by transfers of investment contract liabilities. See note 12(e) for the reconciliation of Level 3 financial instruments.

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

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

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

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

The table below presents a summary of the Group's financial assets and liabilities that are measured at fair value in the consolidated statement of financial position according to their IFRS 9 classification (see note 11 for further details).

Notes to the condensed consolidated financial statements

For the year ended 31 December 2022

12: Fair value methodology *continued*

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

	31 December 2022		31 December 2021	
	£m	%	£m	%
Financial assets measured at fair value				
Level 1	**38,452**	**85.9%**	41,996	86.0%
Level 2	**6,288**	**14.0%**	6,771	13.9%
Level 3	**29**	**0.1%**	27	0.1%
Total	**44,769**	**100.0%**	48,794	100.0%
Financial liabilities measured at fair value				
Level 1	**38,161**	**86.6%**	41,047	85.5%
Level 2	**5,863**	**13.3%**	6,913	14.4%
Level 3	**25**	**0.1%**	24	0.1%
Total	**44,049**	**100.0%**	47,984	100.0%

The tables below further analyse the Group's financial assets and liabilities measured at fair value by the fair value hierarchy described in note 12(b):

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

				£m
31 December 2021	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Mandatorily (fair value through profit or loss)	41,996	6,771	27	48,794
Financial investments	40,780	6,757	27	47,564
Cash and cash equivalents	1,216	-	-	1,216
Derivative assets	-	14	-	14
Total assets measured at fair value	41,996	6,771	27	48,794
Financial liabilities measured at fair value				
Mandatorily (fair value through profit or loss)	-	6,913	-	6,913
Third-party interests in consolidated funds	-	6,898	-	6,898
Derivative liabilities	-	15	-	15
Designated (fair value through profit or loss)	41,047	-	24	41,071
Investment contract liabilities	41,047	-	24	41,071
Total liabilities measured at fair value	41,047	6,913	24	47,984

12: Fair value methodology *continued*

12(e): Level 3 fair value hierarchy disclosure

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

Level 3 assets also include investments within consolidated funds. The Group bears no risk from a change in the market value of these assets except to the extent that it has an impact on fund management fee income. Any changes in market value are matched by a corresponding Level 2 liability within third-party interests in consolidated funds.

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

		£m
	2022	2021
At beginning of the year	**27**	1,822
Fair value losses charged to the income statement	**(5)**	(3)
Purchases	**-**	-
Sales	**(2)**	-
Transfers in	**125**	8
Transfers out	**(116)**	(393)
Disposal of subsidiaries[1]	**-**	(1,406)
Foreign exchange and other movements	**-**	(1)
Total Level 3 financial assets at the end of the year	**29**	27
Unrealised fair value losses charged to the income statement relating to assets held at the year end	**(9)**	(4)

[1]During the year to 31 December 2021, Level 3 assets decreased by £1,406 million following the sale of Quilter International to Utmost Group.

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 £125 million (31 December 2021: £8 million). This is mainly due to suspended funds previously shown within Level 1. Suspended funds are valued based on external valuation reports received from fund managers. Transfers out of Level 3 assets in the current year of £116 million (31 December 2021: £393 million) result from a transfer to Level 1 assets relating to assets that are now being actively repriced (that were previously stale) and where fund suspensions have been lifted.

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

		£m
	31 December 2022	31 December 2021
Pooled investments	**29**	26
Unlisted and stale price pooled investments	**-**	1
Suspended funds	**29**	25
Private equity investments	**-**	1
Total Level 3 financial assets	**29**	27

As at 31 December 2022, the Group does not hold any private equity investments. As at 31 December 2021, Level 3 assets included £1 million of private equity investments, all within consolidated funds.

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

		£m
	2022	2021
At beginning of the year	**24**	1,820
Fair value losses charged to the income statement	**(2)**	(3)
Transfers in	**119**	5
Transfers out	**(116)**	(391)
Disposal of subsidiaries[1]	**-**	(1,406)
Foreign exchange and other movements	**-**	(1)
Total Level 3 financial liabilities at the end of the year	**25**	**24**
Unrealised fair value losses charged to the income statement relating to liabilities held at the year end	**(5)**	(4)

[1]During the year to 31 December 2021, Level 3 liabilities decreased by £1,406 million following the sale of Quilter International to Utmost Group.

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.

12: Fair value methodology *continued*

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

Details of the valuation techniques applied to the different categories of financial instruments can be found in note 12(a) above, including the valuation techniques applied when significant unobservable assumptions are used to value Level 3 assets.

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 Level 3 assets and liabilities, no reasonable alternative assumptions are applicable and the Group therefore performs a sensitivity test of an aggregate 10% change in the value of the financial asset or liability (31 December 2021: 10%), representing a reasonable alternative judgement in the context of the current macroeconomic environment in which the Group operates. It is therefore considered that the impact of this sensitivity will be in the range of £3 million to the reported fair value of Level 3 assets, both favourable and unfavourable (31 December 2021: £2 million).

As described in note 12(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.

12(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:

Financial assets within Trade, other receivables, and other assets	Level 3
Financial liabilities within 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.

The loans and advances not carried at fair value 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 1 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.

13: Cash and cash equivalents

13(a): Analysis of cash and cash equivalents

		£m
	31 December 2022	31 December 2021
Cash at bank	**406**	559
Money market funds	**1,112**	1,216
Cash and cash equivalents in consolidated funds	**264**	289
Total cash and cash equivalents per statement of cash flows	**1,782**	2,064

The Group's management does not consider that the cash and cash equivalents balance arising due to consolidation of funds of £264 million (2021: £289 million) is available for use in the Group's day-to-day operations. The remainder of the Group's cash and cash equivalents balance of £1,518 million (2021: £1,775 million) is considered to be available for general use by the Group for the purposes of the disclosures required under IAS 7 Statement of Cash Flows. This balance includes policyholder cash as well as cash and cash equivalents held by regulated subsidiaries to meet their capital and liquidity requirements.

Notes to the condensed consolidated financial statements

For the year ended 31 December 2022

13: Cash and cash equivalents *continued*

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

	Notes	£m 31 December 2022	31 December 2021
Cash flows from operating activities			
Profit before tax from continuing operations		**65**	85
Profit before tax from discontinued operations	4(b)	**-**	131
		65	216
Adjustments for			
Depreciation and impairment of property, plant and equipment		**22**	16
Movement on contract costs		**(1)**	18
Movement on contract liabilities and fee income receivable		**-**	10
Amortisation and impairment of intangibles	9	**44**	47
Fair value and other movements in financial assets		**4,410**	(5,102)
Fair value movements in investment contract liabilities	15	**(4,878)**	4,467
Other changes in investment contract liabilities		**1,993**	3,454
Profit on sale of subsidiaries	4(a)	**-**	(91)
Other movements		**32**	32
		1,622	2,851
Net changes in working capital			
(Increase)/decrease in net derivatives position		**(21)**	24
(Increase)/decrease in loans and advances		**(5)**	15
(Decrease)/increase in provisions	16	**(24)**	17
Movement in other assets/liabilities[1]		**61**	(20)
		11	36
Taxation paid		**(22)**	(10)
Net cash flows from operating activities		**1,676**	3,093

[1]Working capital changes in respect of other assets and liabilities primarily relate to consolidated funds.

14: Share capital, capital redemption reserve and merger 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. At 31 December 2022, the Company's equity capital comprises 1,404,105,498 Ordinary Shares of 8 1/6 pence each with an aggregated nominal value of £114,668,616 (31 December 2021: 1,655,827,217 Ordinary Shares of 7 pence each with an aggregated nominal value of £115,907,905). All Ordinary Shares have been called up and fully paid.

This note gives details of the Company's share capital, shows the movements during the year and also gives details of the merger reserve release of £124 million in the prior year and £25 million in the current year:

	Number of Ordinary Shares	£m Nominal value of Ordinary Shares	£m Ordinary Share premium
At 1 January 2021	1,783,969,051	125	58
Shares cancelled through share buyback programme	(128,141,834)	(9)	-
At 31 December 2021	1,655,827,217	116	58
Shares cancelled through share buyback programme	(17,704,132)	(1)	-
Share Consolidation (including shares cancelled)[1]	(234,017,587)	-	-
At 31 December 2022	**1,404,105,498**	**115**	**58**

[1]To effect the Share Consolidation, four Ordinary Shares were cancelled so that the total Ordinary Shares were exactly divisible by seven.

14(a): Share capital

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

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

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

At 31 December 2022, there is one class of share capital being the Ordinary Shares of 8 1/6 pence each. All shares issued carry equal voting rights. The holders of the Company's Ordinary Shares are entitled to receive dividends as declared and are entitled to one vote per share at shareholder meetings of the Company.

14: Share capital, capital redemption reserve and merger reserve *continued*

14(b): Capital redemption reserve

Following the issue and redemption of the B preference shares as part of the B Share Scheme, the Company transferred £328 million from retained earnings to the capital redemption reserve, as required under the provisions of sections 688 and 733 of the Companies Act 2006, being an amount equal to the nominal value of the B shares redeemed in the year. The increase in the capital redemption reserve results from the UK company law requirement to maintain the company's capital when shares are redeemed out of the company's distributable profits.

14(c): Merger reserve

During the year ended 31 December 2021, a dividend was paid by Quilter Perimeter Holdings Limited up to its parent Quilter plc. The resulting decrease in Quilter Perimeter Holdings Limited's net asset value gave rise to a £124 million impairment of Quilter plc's investment in Quilter Perimeter Holdings Limited and an associated release of the merger reserve reducing it to £25 million.

In 2022, the remaining balance of the merger reserve recognised in the Group's statement of financial position was released in the creation of the B preference shares (the remainder of the B shares were created from retained earnings).

15: Investment contract liabilities

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

		£m
	2022	2021
Carrying amount at 1 January	**41,071**	57,407
From continuing operations		
Fair value movements	(4,878)	2,821
Investment income	560	472
Movements arising from investment return	(4,318)	3,293
From discontinued operations		
Fair value movements	-	1,646
Investment income	-	172
Movements arising from investment return	-	1,818
Contributions received	4,408	6,837
Withdrawals and surrenders[1]	(2,759)	(3,866)
Claims and benefits	(219)	(162)
Other movements	3	1
Change in liability	**(2,885)**	7,921
Currency translation gain	-	(199)
Disposal of subsidiaries	-	(24,058)
Investment contract liabilities at end of the year	**38,186**	41,071

[1]Includes amounts previously presented as maturities of £406 million for the year to 31 December 2021.

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

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

For unit-linked business, the unit liabilities are determined as the value of units credited to policyholders. Since these liabilities are determined on a retrospective basis, no assumptions for future experience are required. Assumptions for future experience are required for unit-linked business in assessing whether the total of the contract costs asset and contract liability is greater than the present value of future profits expected to arise on the relevant blocks of business (the "recoverability test"). If this is the case, then the contract costs asset is restricted to the recoverable amount. For linked contracts, the assumptions are on a best estimate basis.

16: Provisions

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

31 December 2021	Compensation provisions	Sale of subsidiaries	Property provisions	Clawback and other provisions	Total
					£m
Balance at beginning of the year	42	10	-	25	77
Charge to income statement[1]	23	17	7	2	49
Utilised during the year	(12)	(4)	-	(4)	(20)
Unused amounts reversed	(10)	(1)	-	(5)	(16)
Disposals[2]	(2)	-	-	-	(2)
Reclassification within the statement of financial position[4]	-	-	2	3	5
Balance at 31 December 2021	41	22	9	21	93

[1]Part of the charge to the income statement in 2021 was included within the discontinued operations income statement.
[2]The balance within "Disposals" relates to the provision balance within Quilter International at completion of the sale of the business on 30 November 2021.
[3]Clawback and other provisions related to the balancing premium payable for the bulk annuity purchased for the Quilter Cheviot Limited Retirement Benefits scheme were reclassified during the year to 31 December 2022 from accruals reflecting the uncertainty of the amounts to be settled.
[4]During the year to 31 December 2021, property provisions related to dilapidations and other provisions related to historical licence agreements were reclassified from lease liabilities and accruals respectively reflecting the uncertainty of the amounts to be settled.

Compensation provisions

Compensation provisions total £23 million (31 December 2021: £41 million) and the net reduction of £18 million during the year is due to additional charges to the income statement of £22 million, compensation payments made during the period of £28 million and the £12 million release of unused amounts during 2022 following further review work completed during the year. Compensation provisions are comprised of the following:

Lighthouse pension transfer advice provision of £5 million (31 December 2021: £29 million)

Lighthouse pension transfer advice provided to British Steel members of £4 million (31 December 2021: £21 million)

A total provision of £4 million (31 December 2021: £21 million) remains for the redress of British Steel Pension Scheme cases, including anticipated costs associated with the redress activity. This is comprised of two parts:

(a) Client redress provision of £3 million (31 December 2021: £19 million), comprised of £23 million (31 December 2021: £23 million) redress payable, less payments made to customers of £20 million, of which £16 million was paid in 2022 (31 December 2021: £4 million).
(b) Anticipated costs associated with redress activity of £1 million (31 December 2021: £2 million), comprised of £7 million costs payable (31 December 2021: £4 million), less payments made of £4 million during 2022 and £2 million during 2021. 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.

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

Certain customers who have been included in the skilled person review work already undertaken have referred their case to the Financial Ombudsman Service, relating to cases where: (i) relevant DB to DC pension transfer advice was found to be suitable by the skilled person; or (ii) where relevant DB to DC pension transfer advice was found to be unsuitable by the skilled person, but the customer disagrees with the way in which their redress offer has been calculated by the skilled person. The Financial Ombudsman Service may uphold some or all of the challenges made.

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

An asset of £3 million representing an insurance recoverable in respect of British Steel pension transfer advice was included in the fair value of the acquired net assets of Lighthouse and presented on the statement of financial position as at 31 December 2021. During 2022, the insurers confirmed coverage and the Group received £15 million cash.

16: Provisions *continued*

Lighthouse pension transfer advice provided to members of other schemes of £1 million (31 December 2021: £8 million)

During 2021, the skilled person review identified unsuitable DB to DC pension advice provided by Lighthouse advisers for pension schemes other than the British Steel Pension Scheme. The initial scope of the review concluded in 2022, with £3 million paid to customers and the remaining provision released to the income statement. Subject to FCA confirmation, we anticipate that the skilled person review will conclude during 2023.

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

Compensation provisions (other) of £18 million (31 December 2021: £12 million)

Other compensation provisions of £18 million include amounts relating to the cost of correcting deficiencies in policy administration systems, including restatements, any associated litigation costs and the related costs to compensate previous or existing policyholders and customers. This provision represents management's best estimate of expected outcomes based upon previous experience, and a review of the details of each case. Due to the nature of the provision, the timing of the expected cash outflows is uncertain. The best estimate of the timing of outflows is that the majority of the balance is expected to be settled within 12 months.

A provision of £7 million, included within the balance, has been recognised at 31 December 2022 (31 December 2021: £6 million) relating to potentially unsuitable DB to DC pension transfer advice provided by advisers, including advice provided prior to Quilter's acquisition of the relevant advice businesses. Of this balance, £2 million (31 December 2021: £2 million) has been recognised for potentially unsuitable DB to DC pension transfer advice provided to British Steel Pension Scheme members by Quilter Financial Planning firms other than Lighthouse. This provision was recognised following the receipt of a "Dear CEO" letter from the FCA in December 2021, and subsequent establishment of the BSPS Redress Scheme. These British Steel Pension Scheme cases have yet to be reviewed for suitability and an estimate of the provision has been made based upon the Group's experience of the Lighthouse skilled person review.

A provision of £4 million, included within the balance, related to Final Plan Closure ("FPC") receipts previously recognised as revenue since 2013 for distributions the Group received from investments for clients who had previously closed their accounts. FPC receipts represent distributions, including tax gross ups where relevant, and rebates received after a customer has left the Quilter platform, which the Terms and Conditions of the pension and insured bonds legally entitled the Group to retain. A review this year has led to a change in business policy, and Quilter have made the decision to voluntarily return these amounts to those impacted clients backdated to inception, with an appropriate interest rate applied to the balances owed. A provision of £6 million was initially recognised, and payments of £2 million have been made to clients during the year. The remaining provision outstanding of £4 million is expected to be payable within one year.

The Group estimates a reasonably possible change of +/- £4 million from the £18 million balance, based upon a review of the cases and the range of potential outcomes for the customer redress payments.

Sale of subsidiaries

Sale of subsidiaries provisions total £15 million at 31 December 2022 (31 December 2021: £22 million), and include the following:

Provisions arising on the disposal of Quilter International of £11 million (31 December 2021: £16 million)

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

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

The most significant element of the provision is the cost of migration of IT systems and data to the acquirer. Calculation of the provision is based on management's best estimate of the work required, the time it is expected to take, the number and skills of the staff required and their cost, and the cost of related external IT services to support the work. In reaching these judgements and estimates, management has made use of its past experience of previous IT migrations following business disposals, including the migration of QLA. The Group estimates a provision sensitivity of +/-25% (£3 million), based upon a review of the range of time periods expected to complete the work required. The provision is expected to be fully utilised over three years from the sale, with £8 million forecast to be paid within one year.

During the year, £6 million (2021: £1 million) of the provision has been utilised.

Sale of Single Strategy Asset Management business provision of £4 million (31 December 2021: £4 million)

In 2018, a restructuring provision was recognised as a result of the sale of the Single Strategy Asset Management business (now known as Jupiter Investment Management ("Jupiter")) to enable the remaining Quilter Investors business to function as a standalone operation going forward. The remaining provision relates to various sale-related future commitments, the outcome of which was uncertain at the time of the sale and the most significant of which is in relation to the guarantee of revenues for the seller in future years arising from funds invested by customers of Quilter. In 2021, £2 million was settled relating to the 2020 measurement year. The balance has been adjusted for the latest estimate for the 2022 measurement year, which is the final measurement year required in the sale agreement.

The expected range of payments based upon the latest information received from Jupiter and the Group's reasonable expectations of AUM invested within Jupiter funds during the 2022 assessment period is between £4 million and £5 million.

The provision outstanding is estimated to be payable within one year, with expected final settlement due in the first half of 2023. Once finalised and settled, this will be the final amount payable under this arrangement with Jupiter.

16: Provisions *continued*

Provisions arising on the disposal of Quilter Life Assurance of £nil (31 December 2021: £1 million)

Quilter Life Assurance was sold in 2019, resulting in provisions totalling £6 million being established in respect of the costs of disposing the business and the related costs of business separation.

During the year, £1 million of the provision has been utilised. These were the final costs incurred to complete and close the project.

Property provisions

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

Of the £12 million provision outstanding, £3 million (2021: £1 million) is estimated to be payable within one year. The majority of the balance relates to leased property which has a lease term maturity of more than five years.

Clawback and other provisions

Other provisions include amounts for the resolution of legal uncertainties and the settlement of other claims raised by contracting parties and indemnity commission provisions and now includes the balancing premium payable for the bulk annuity purchased for the Quilter Cheviot Limited Retirement Benefits scheme. Where material, provisions are discounted at discount rates specific to the risks inherent in the liability. The timing and final amounts of payments, particularly those in respect of litigation claims and similar actions against the Group, are uncertain and could result in adjustments to the amounts recorded.

Included within the balance at 31 December 2022 is £14 million (31 December 2021: £16 million) of clawback provisions in respect of potential refunds due to product providers on indemnity commission within the Quilter Financial Planning business. This provision, which is estimated and charged as a reduction of revenue on the income statement at the point of sale of each policy, is based upon assumptions determined from historical experience of the proportion of policyholders cancelling their policies, which requires Quilter to refund a portion of commission previously received. Reductions to the provision result from the payment of cash to product providers as refunds or the recognition of revenue where a portion is assessed as no longer payable. The provision has been assessed at the reporting date and adjusted for the latest cancellation information available. At 31 December 2022, an associated balance of £8 million recoverable from brokers is included within "Trade, other receivables and other assets" (31 December 2021: £9 million).

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

Of the total £19 million provision outstanding, £8 million is estimated to be payable within one year (31 December 2021: £13 million).

17: Contingent liabilities

The Group, in the ordinary course of business, enters into transactions that expose it to tax, legal, regulatory and business risks. The Group recognises a provision when it has a present obligation as a result of past events, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made (see note 16). Possible obligations and known liabilities where no reliable estimate can be made or it is considered improbable that an outflow would result are reported as contingent liabilities in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

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

Contingent liabilities – pension transfer advice redress

The skilled person review covered British Steel Pension Scheme DB to DC pension transfer advice activity undertaken by Lighthouse advisers, and a representative sample of other Lighthouse DB to DC pension transfer advice activity in the relevant period.

The skilled person review is largely complete, and the skilled person has recommended a potential review of a further sample of Lighthouse DB to DC pension transfer cases not relating to the British Steel Pension Scheme, and this further sample will be reviewed under a Group-managed past business review process with the skilled person acting as reviewer, as agreed with the FCA. Details of provisions for redress payable and payments made are included within Provisions as set out in note 16. Until the review has finalised, uncertainty exists as to the number of cases where this will be required and the value of total redress which will be payable. Subject to FCA confirmation, we anticipate that the skilled person review will conclude during 2023.

Customers have the legal right to challenge the result of the skilled person review in respect of their case via a complaint to the Financial Ombudsman Service. Certain customers have made such complaints. The skilled person is independent from the Group and has run a robust process, which has been overseen by the FCA. The Group does not consider any of the complaints to have merit and so the provision does not include any amounts in relation to such complaints. In particular, there is no provision for obligations that may arise in the event that any complaints to the Financial Ombudsman Service over the outcome of the skilled person review in respect of particular customers are upheld.

During 2020, the Group was also informed by the FCA that it is conducting an enforcement investigation into Lighthouse in respect of whether Lighthouse has breached certain FCA requirements in connection with advising on and arranging DB to DC pension transfers in the period from 1 April 2015 to 30 April 2019. This investigation is now at an advanced stage and the Group's current view is that it is likely to conclude before the end of the first half of the Group's current financial year on 30 June 2023. However, as the outcome of the enforcement investigation remains unknown, the provision does not include regulatory fines or penalties that could be imposed on Lighthouse in connection with DB to DC pension transfers prior to the Group's acquisition of Lighthouse.

It is possible that further material costs of redress, regulatory fines or penalties may be incurred in relation to the skilled person review, additional past business review and the BSPS Redress Scheme. Further customer redress costs may also be incurred for other potential unsuitable pension transfer advice provided across the Group.

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

17: Contingent liabilities *continued*

Tax

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

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

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

Complaints, disputes and regulations

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

18: Capital and financial risk management

18(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 the regulatory requirements applicable to Group entities.

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 £1,548 million (31 December 2021: £1,739 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.

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

The Group is subject to Solvency II group supervision by the Prudential Regulation Authority. The Group is required to measure and monitor its capital resources under the Solvency II regulatory regime.

The Group's UK life insurance undertaking is 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 £820 million at 31 December 2022 (31 December 2021: £1,030 million), representing a Solvency II ratio of 230% (31 December 2021: 275%) calculated under the standard formula. The Solvency II regulatory position for the year ended 31 December 2022 allows for the impact of the recommended final dividend payment of £45 million (31 December 2021: £62 million).

The Solvency II results for the year ended 31 December 2022 (unaudited estimate) and 31 December 2021 were as follows:

		£m
	31 December 2022[1]	31 December 2021[2]
Own funds	**1,451**	1,617
Solvency capital requirement	**631**	587
Solvency II surplus	**820**	1,030
Solvency II coverage ratio	**230%**	275%

[1]Filing of annual regulatory reporting forms due by 19 May 2023.
[2]As reported in the Group Solvency and Financial Condition Report for the year ended 31 December 2021.

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 2022**	31 December 2021
Tier 1[1]	**1,249**	1,412
Tier 2[2]	**202**	205
Total Group Solvency II own funds	**1,451**	1,617

[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.

18: Capital and financial risk management *continued*

18(a): Capital management *continued*

The Group's UK life insurance undertaking is 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 countries in which they operate. In addition, the Group's asset management and advice businesses are subject to group supervision by the FCA under the UK Investment Firms Prudential Regime ("IFPR").

The capital requirements for the Group and its regulated subsidiaries are reported and monitored through regular Capital Management Forum meetings. Throughout 2022, the Group has complied with the regulatory 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.

18(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 2022	31 December 2021
Total external borrowings of the Company	**200**	199
Less: cash and cash equivalents of the Company	**(126)**	(503)
Total net external borrowings of the Company	**74**	(304)
Total shareholders' equity of the Group	**1,548**	1,739
Tier 2 bond	**200**	199
Total Group equity (including Tier 2 bond)	**1,748**	1,938
Ratio of Company net external borrowings to Group equity	**0.042**	-0.157

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

18(a)(iii): Own Risk and Solvency Assessment ("ORSA") and Internal Capital Adequacy and Risk Assessment ("ICARA")

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, an entity-level ORSA process is performed for Quilter Life & Pensions Limited.

The ICARA process is similar to the ORSA process and is performed at entity level for certain UK investment firms within the Group. A Group ICARA report is also produced annually and summarises the analysis, insights and conclusions from the underlying risk and capital management processes in respect of the IFPR prudential consolidation Group. The ICARA reports are 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 risk profile outside the usual reporting cycle.

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

18(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 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 by ensuring that 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 Group has in respect of the exposures; and
- any second order risks that may arise where the Group has collateral against the credit risk exposure.

The credit risk exposures of the Group are monitored regularly to ensure that counterparties remain creditworthy, that there is appropriate diversification of counterparties and that exposures are within approved limits. At 31 December 2022, the Group's material credit exposures were to financial institutions (primarily through the investment of shareholder funds), corporate entities (including external fund managers) and individuals (primarily through fund management trade settlement activities).

There is no direct exposure to non-UK sovereign debt within the shareholder investments. The Group has no significant concentrations of credit risk exposure.

18: Capital and financial risk management *continued*

18(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 are £34 million (31 December 2021: £29 million) and other receivables subject to lifetime expected credit losses are £204 million (31 December 2021: £252 million). Those balances 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 2022	**AAA**	**AA**	**A**	**B**	**<BBB**	**Not rated[1]**	**Carrying value**
Cash at amortised cost, subject to 12-month ECL	**-**	**13**	**388**	**5**	**-**	**264**	**670**
Money market funds at FVTPL	**1,112**	**-**	**-**	**-**	**-**	**-**	**1,112**
Total cash and cash equivalents	**1,112**	**13**	**388**	**5**	**-**	**264**	**1,782**

							£m
	Credit rating relating to cash and cash equivalents that are neither past due nor impaired						
31 December 2021	AAA	AA	A	B	<BBB	Not rated[1]	Carrying value
Cash at amortised cost, subject to 12-month ECL	-	105	451	-	3	289	848
Money market funds at FVTPL	1,216	-	-	-	-	-	1,216
Total cash and cash equivalents	1,216	105	451	-	3	289	2,064

[1]Cash included in the consolidation of funds is not rated (see note 13(a)).

Impairment allowance

Assets that are measured and classified at amortised cost are monitored for any expected credit losses ("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 2021	(0.8)
Change due to change in counterparty balance	(0.4)
31 December 2021	(1.2)
Change due to change in counterparty balance	0.1
31 December 2022	**(1.1)**

18(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 recognises that climate change can contribute to market risk.

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.

18: Capital and financial risk management *continued*

18(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.

18(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 unitised or other funds within the Group at the time when these funds are launched. The seed capital is then withdrawn from the funds as policyholders and customers 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. outsourced service provider and 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 by or on behalf of customers. 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 shareholders' equity	**31 December 2022**	31 December 2021
Impact of 10% increase in equity and property prices	**30**	34
Impact of 10% decrease in equity and property prices	**(30)**	(34)

18(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 is 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 duration 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 clients' investment funds, resulting in a fall in fund-based revenues.

Conversely, a reduction in interest rates would cause a rise in the value of investments in fixed income securities within clients' investment 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 income statement and statement of financial position 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 shareholders' equity	**Year ended 31 December 2022**	Year ended 31 December 2021
Impact of 1% increase in interest rates	**7**	11
Impact of 1% decrease in interest rates	**(7)**	-

18(c)(iii): Currency translation risk

Currency translation 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 pounds sterling, which accounts for the majority of the Group's transactions. The Group has minor exposure to Euros, through the Group's Irish subsidiary and to the South African Rand, due to the listing on the Johannesburg Stock Exchange and the payment of a proportion of shareholder dividends in Rand. During 2022, the Group had limited exposure to foreign exchange risk in respect of other currencies due its non-UK operations and foreign currency transactions.

18(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.

18: Capital and financial risk management *continued*

18(d): Liquidity risk *continued*

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 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 sufficient liquidity to cover its minimum liquidity requirement, with an appropriate buffer set in line with the Group Risk Appetite Statement.

Throughout the ongoing Ukraine crisis and market volatility during 2022, Quilter plc and its subsidiaries have operated above their individual liquidity targets and there were no material liquidity stresses identified over this period. 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 10.

The Group has a £125 million five-year Revolving Credit Facility with a five-bank club that provides a form of contingency liquidity for the Group. No drawdown on this facility has been made since inception. 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.

18(e): Insurance risk

18(e)(i): Overview

The definition of insurance risk set out in the policy covers risks arising under Quilter's unit-linked investment contracts which do not meet the IFRS definition of insurance contracts.

The Group's Enterprise Risk Management Framework defines insurance risk as the risk of a reduction in Solvency II own funds from adverse experience or change in assumptions relating to claims, policyholder behaviour, mortality, longevity or expenses, resulting in an adverse impact to earnings or reduced solvency.

The Group has implemented an insurance risk policy which sets out the Group's requirements for the management, measurement, monitoring and reporting of insurance risks. The Group has implemented the Technical Provisions Standard to support the insurance risk policy.

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.
- Analysis and monitoring of experience relative to the assumptions used to determine technical provisions.

Persistency

Persistency risk is the risk that the level of surrenders or withdrawals on products offered by Quilter Life & Pensions Limited occur at levels that are different to the levels assumed in the determination of technical provisions. Persistency statistics are monitored monthly and a detailed persistency analysis at a product group level is carried out on an annual basis. Management actions may be triggered if persistency statistics indicate significant adverse movement or emerging trends in experience.

Expenses

Expense risk is the risk that actual expenses and expense inflation differ from the levels assumed in the determination of technical provisions. Expense levels are monitored on a quarterly basis 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.

Mortality

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

18(e)(ii): Sensitivity analysis

Sensitivity analysis has been performed by applying the following parameters to the statement of financial position and income statement for 2021 and 2022. 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 within the unit-linked business. 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 £6 million after tax (2021: £6 million).

18: Capital and financial risk management *continued*

18(f): Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, or from personnel and systems, or from external events, resulting in an adverse impact to earnings or reduced solvency. 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), people and HR processes, product development and management processes, legal risks (e.g. risk of inadequate legal contracts with third parties), change delivery risks (including poorly managed responses to regulatory change), physical and certain transitional financial risks arising 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 has primary responsibility for the identification, measurement, assessment, management and monitoring of risks, and the escalation and reporting on issues to Executive Management.

The Group's Executive Management has responsibility for implementing the Group Operational Risk Framework and for the development and implementation of action plans designed to manage risk levels within acceptable tolerances and to resolve issues identified.

18(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 having a maturity of less than three months. Although these liabilities are payable on demand, the Group does not expect that all liabilities will be settled within a short time period.

19: Related party transactions

In the normal course of business, the Group enters into transactions with related parties. Loans to related parties are conducted on an arm's length basis and are not material to the Group's results. There were no transactions with related parties during the current year or the 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 2022 Annual report. The Group's interest in subsidiaries and related undertakings are set out in Appendix A of the financial statements within the Group's 2022 Annual report.

20: Events after the reporting date

In January 2023, the Group issued the £200,000,000 8.625% Fixed Rate Reset Subordinated Notes (due April 2033) and received net cash proceeds of £197 million. The Notes are now listed and regulated under the terms of the London Stock Exchange. On 28 February 2023, the Group repaid the existing £200,000,000 4.478% Fixed Rate Reset Subordinated Notes (due February 2028).