NEWS RELEASE

Quilter

11 August 2020
Quilter plc interim results for the six months ended 30 June 2020

Financial results ahead of market expectations in a challenging environment, demonstrating operational resilience and cost discipline with a strong balance sheet driving shareholder returns

Management basis - continuing business

- Adjusted profit before tax for the Group of £71 million (H1 2019: £89 million) demonstrating a resilient performance in challenging markets.
- Adjusted diluted earnings per share from continuing operations of 3.5 pence (H1 2019: 4.1 pence) supported by a lower tax rate and a modest reduction in average share count as a result of the Group's capital return programme.
- Interim dividend of 1.0 pence per share positioned at the low end of the Group's target pay-out range with the Board to make a decision on the overall 2020 pay-out ratio with the Full Year Results in March 2021.
- Assets under Management/Administration ("AuMA") of £107.4 billion at 30 June 2020 (FY 2019: £110.4 billion) showing a recovery from the first quarter-end position of £95.3 billion.
- Net Client Cash Flow ("NCCF") of £1.1 billion representing a significant increase on the comparative period (H1 2019: £0.3 billion) due to lower outflows and stable gross sales of £5.8 billion (H1 2019: £6.0 billion).
- Integrated net flows of £1.4 billion (H1 2019: £1.4 billion) demonstrating the consistency of the Group's multi-channel model.
- IFRS profit before tax attributable to equity holders from continuing operations of £46 million (H1 2019: loss of £40 million).
- Operating margin of 21% (H1 2019: 26%) reflecting the challenging revenue environment.
- Expense discipline maintained with year-on-year cost growth limited to £5 million despite incremental costs from acquired businesses of c.£12 million and an increase in the FSCS levy of £4 million, reflecting further savings from the Optimisation programme and additional savings of £15 million from management actions.

Statutory results

- IFRS profit after tax of £43 million (H1 2019: loss of £17 million) supported by higher policyholder tax benefits due to market movements in the period.
- Basic earnings per share of 2.4 pence (H1 2019: (0.9) pence).
- Diluted earnings per share from continuing operations of 2.4 pence (H1 2019: (1.7) pence).
- Headline diluted earnings per share of 2.4 pence (H1 2019: 10.5 pence).
- Headline basic earnings per share of 2.4 pence (H1 2019: 10.5 pence).
- Solvency II ratio of 197% after payment of the interim dividend (H1 2019: 181% (including QLA)).

Strategic progress

- UK Platform Transformation Programme on track.
    - Initial migration of 38,500 accounts from 25,000 clients representing Assets under Administration ("AuA") of £4.3 billion (c.8% of Platform assets) in February 2020 has progressed well.
    - Significant migration encompassing c.75% of total Platform assets is targeted for the fourth quarter 2020, with the remaining migration planned for early 2021.
- Capital return programme of £375 million initiated through a share buyback after full year results:
    - Tranche 1 of £50 million completed at an average price of 116.1 pence per share; and
    - Tranche 2 of up to £125 million initiated on 25 June 2020. £27 million of Tranche 2a completed up to close of business on 10 August 2020 at an average price of 144.1 pence per share.
- Share register simplification through completion of the Odd-lot Offer at a price of 120.2 pence (ZAR 2813 cents) per share, which has reduced the total number of shareholders on the Quilter share register by c.45% at a cost of £21 million.

Paul Feeney, Chief Executive Officer, said:

"The first half of 2020 was a uniquely challenging environment which has forced us all to reconsider the way we socially interact and undertake business activities. In terms of our financial performance, strategic progress and focus on operational improvement, I am pleased Quilter has come through this period extremely well and delivered for all our stakeholders – colleagues, clients, communities as well as our owners. I wish to acknowledge the fantastic efforts and resolute focus of my colleagues right across the organisation, whose dedication has made that happen in these very challenging times.

In response to revenue challenges in the first half of 2020, we pulled hard on the cost lever, both through structural cost reduction via our Optimisation programme and tactically with a planned reduction in discretionary expenditure of around £30 million this year. Our cautious outlook with broadly stable market conditions for the remainder of the year means we continue to expect revenue headwinds. As a consequence, we will maintain a firm handle on expenses with a modestly lower second half out-turn for costs anticipated to offset the expected impact from revenue headwinds.

We are pleased to see the significant pick-up in net flows across the business in the first half, with gross flows remaining resilient despite the market turmoil and retention rates improving. This gives us confidence that we can deliver improving flows as the Platform migration project completes. That project is now in its final stages with c.80% of total UK Platform assets expected to be migrated this year despite us adapting our plans to meet the logistical challenges presented by COVID-19. Our priority is to ensure adviser readiness to deliver a smooth and safe migration for all our customers and advisers.

Notwithstanding short-term uncertainties, Quilter remains well positioned in an industry with secular long-term growth prospects. The business is in good shape and we look forward to the future with confidence."

Quilter highlights from continuing operations[1]	H1 2020	H1 2019
Assets and flows		
AuMA (£bn)[2]	**107.4**	**107.3**
Gross sales (£bn)[2]	**5.8**	**6.0**
NCCF (£bn)[2]	**1.1**	**0.3**
NCCF/opening AuMA[2]	**2%**	**1%**
Integrated flows (£bn)[2]	**1.4**	**1.4**
Productivity (£m)[2,3]	**1.5**	**1.6**
Asset retention[2]	**92%**	**88%**
Profit & loss		
IFRS profit/(loss) before tax attributable to equity holders from continuing operations (£m)[2]	**46**	**(40)**
IFRS profit/(loss) after tax from continuing operations (£m)	**44**	**(32)**
Adjusted profit before tax (£m)[2]	**71**	**89**
Operating margin[2]	**21%**	**26%**
Revenue margin (bps)[2]	**52**	**55**
Return on equity[2]	**6.2%**	**9.2%**
Adjusted diluted EPS from continuing operations (pence)[2]	**3.5**	**4.1**
Diluted earnings per share from continuing operations (pence)	**2.4**	**(1.7)**
Non-financial		
Restricted Financial Planners ("RFPs")[4]	**1,808**	**1,803**
Investment Managers ("IMs")[4]	**169**	**163**

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

[2]Alternative Performance Measures ("APMs") are detailed and defined on pages 5 to 7.

[3]Is the measure of the value created by integrated NCCF from our advice business per average Restricted Financial Planner.

[4]Closing headcount as at 30 June.

Alternative Performance Measures ("APMs")

We assess our financial performance using a variety of measures including APMs, as explained further on pages 5 to 7. In the headings and tables presented from page 11 onwards, these measures are indicated with an asterisk: *.

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Paul Feeney, CEO, and Mark Satchel, CFO, will host a virtual presentation and Q&A session for investors and analysts at 08:00am (BST) today, 11 August 2020, accessible via our website.

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

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

To join by telephone:

United Kingdom/ Other	+44 333 300 0804
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Access Code	91948385 #

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

Disclaimer

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

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

Quilter plc undertakes no obligation to update the forward-looking statements contained in this announcement or any other forward-looking statements it may make. Nothing in this announcement should be construed as a profit forecast.

Business unit descriptor:

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

Alternative Performance Measures ("APMs")

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

APMs should be read together with the Group's consolidated financial statements, which include the Group's income statement, statement of financial position and statement of cash flows, which are presented on pages 32 to 36.

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

APM	Definition
Adjusted profit before tax	Adjusted profit before tax for the Group represents the Group's IFRS profit, adjusted for key items and excludes non-core operations, as detailed on page 41 in the consolidated financial statements. Due to the nature of the Group's businesses, management believe that adjusted profit before tax is an appropriate basis by which to assess the Group's underlying operating results as it enhances comparability and understanding of the financial performance of the Group. A detailed reconciliation of the adjusted profit before tax metrics presented, and how these reconcile to IFRS, is provided on page 17. Adjusted profit before tax is referred to throughout the Chief Executive Officer's statement and Financial review, with comparison to the prior period explained on page 13. A reconciliation from each line item on the IFRS income statement to adjusted profit before tax is provided is note 5(c) to the consolidated financial statements on page 45. In the Group's 2019 Annual Report, the reconciliation for full year 2019 included the results of the QLA business within adjusted profit before tax. QLA is now excluded from this reconciliation for comparability with the current period following its disposal on 31 December 2019, which now presents continuing operations only.
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 in a UK life insurance entity, as defined in UK tax legislation, comprises policyholder tax and shareholder tax. Policyholder tax is regarded economically as a pre-tax cost to the group, in that it is based on the return on assets held by the group's life insurance entities to match against related unit-linked liabilities in respect of clients' policies, and for which the company charges fees to clients. As such, policyholder tax can be a charge or credit in any period depending on underlying market movements on those assets held to cover linked liabilities. Shareholder tax is the remaining tax after deducting policyholder tax, and is more reflective of the profitability of the entity. This metric is included on the face of the Group's income statement on page 32 and is included in the adjusted profit to IFRS profit after tax reconciliation in note 5(a) to the consolidated financial statements.
Revenue margin (bps)	Revenue margin represents net management fees, divided by average AuMA. Management uses this APM as it represents the Group's ability to earn revenue from AuMA. Revenue margin by segment and for the Group is explained on page 14 of the Financial review.
Operating margin	Operating margin represents adjusted profit before tax divided by total net fee revenue. Management use this APM as this is an efficiency measure that reflects the percentage of total net fee revenue that becomes adjusted profit before tax. Operating margin is referred to in the Chief Executive Officer's statement and Financial review, with comparison to the prior period explained in the adjusted profit section on page 14.
Gross sales	Gross sales are the gross client cash inflows received from customers during the period and represent our ability to increase AuMA and revenue. Gross sales are disclosed by business on page 12 of the Financial review and by business and segment in the Supplementary information on pages 23 to 28.
Gross outflows	Gross outflows are the gross client cash outflows returned to customers during the period and results in a decrease to AuMA and revenue. Gross outflows are disclosed by business on page 12 of the Financial review and by business and segment in the Supplementary information on pages 23 to 28.
Net client cash flows ("NCCF")	NCCF is the difference between money received from and returned to customers during the relevant period for the Group or for the business indicated. This measure is considered to be a lead indicator of total net fee revenue.NCCF is referred to throughout this document, with a separate section in the Financial review on pages 12 to 13, and is presented by business and segment in the Supplementary information on pages 23 to 28.

Integrated net flows	Integrated net flows are total NCCF from continuing operations, before intra-Group eliminations that have flowed through two or more segments within the Group. It is considered to be a lead indicator of revenue generation driven by our integrated business model. Integrated net flows are explained in the NCCF section of the Financial review on page 13.
Assets under Management and Administration ("AuMA")	AuMA represents the total market value of all financial assets managed and administered on behalf of customers. For reporting, the Advice and Wealth Management segment presents Assets under Management and Wealth Platforms segment presents Assets under Administration. AuMA is referred to throughout this document, with a separate section in the Financial review on page 13, and is presented by business and segment in the Supplementary information on page 24.
Average AuMA	Average AuMA represents the average total market value of all financial assets managed and administrated on behalf of customers. Average AuMA is calculated using a 7-point average (half year) and 13-point average (full year) of monthly closing AuMA.
Total net fee revenue	Total net fee revenue represents revenue earned from net management fees and other revenue listed below, and is a key input into the Group's operating margin. Further information on total net fee revenue is provided on page 14 of the Financial review and note 5(c) in the consolidated financial statements.
Net management fees	Net management fees consists of revenue generated from AuMA, fixed fee revenues including charges for policyholder tax contributions, less trail commissions payable. Net management fees are presented net of trail commission payable as trail commission is a variable cost directly linked to revenue, which is a treatment and presentation commonly used across our industry. Net management fees is a part of total net fee revenue, and is a key input into the Group's operating margin. Further information on net management fees is provided on page 14 and note 5(c) in the consolidated financial statements.
Other revenue	Other revenue represents revenue not directly linked to AuMA (e.g. encashment charges, closed book unit-linked policies, non-linked Protect policies, adviser initial fees and adviser fees linked to AuMA in Quilter Financial Planning (recurring fees)). Other revenue is a part of total net fee revenue, which is a key input into the Group's operating margin. Further information on other revenue is provided on page 14 and note 5(c) in the consolidated financial statements.
Expenses	Expenses represent the underlying costs for the Group, which need to be incurred to earn total net fee revenue, and excludes the impact of material one-off items. Expenses are included in the calculation of adjusted profit before tax, and impact the Group's operating margin. A reconciliation of expenses to the applicable IFRS line items is included in note 5(c) to the consolidated financial statements, and the adjusting items excluded from expenses are explained in note 5(b). Expenses are explained on page 15 of the Financial review.
Cash generation	Cash generated from operations is calculated by removing non-cash generative items from adjusted profit before tax, such as deferrals required under IFRS to spread fee income and acquisition costs over the lives of the underlying contracts with customers. It is stated after deducting an allowance for net cash required to support the capital requirements generated by new business offset by a release of capital from the in-force book. Cash generation is explained on page 17 of the Financial review.
Asset retention	The asset retention rate measures our ability to retain assets from delivering good customer outcomes and investment performance. Asset retention reflects the annualised gross outflows of the assets under management during the period as a percentage of opening assets under management and administration. Asset retention is calculated as: 1 - (annualised gross outflow divided by opening AuMA). Asset retention is provided for the Group on page 2, and by segment on pages 27 to 28.
Productivity	Productivity is a measure of the value created by integrated net flows from our advice business, and is an indicator of the success of our integrated business model. Productivity is calculated as integrated net client cash flow per average Restricted Financial Planner. Productivity is provided on pages 2, 13 and 27.
NCCF/opening AuMA (excluding QLA)	This measure is calculated as total NCCF annualised (as described above) divided by opening AuMA presented as a percentage. This metric is provided on page 2.
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.

Adjusted diluted earnings per share	Adjusted diluted earnings per share represents the adjusted profit earnings per share, calculated as adjusted profit after tax divided by the weighted average number of shares. Refer to page 15 and note 8 in the consolidated financial statements. A continuing and discontinued view of diluted earnings per share has also been presented, and the calculation of all EPS metrics, in note 8 to the consolidated financial statements. Adjusted diluted earnings per share is referred to throughout this document, with additional details in the EPS section in the Financial review on page 15.
Headline earnings per share[1]	The Group is required to calculate headline earnings per share in accordance with the Johannesburg Stock Exchange Limited Listing Requirements, determined by reference to the South African Institute of Chartered Accountants' circular 02/2015. This is calculated on a basic and diluted basis. For details of the calculation, refer to note 8 of the consolidated financial statements.

Chief Executive Officer’s statement

Execution

The first half of 2020 was a more challenging environment than we have experienced for more than a generation. As a sector, we have become used to managing through financial market volatility, but a global pandemic leading to social lock-down, severe economic contraction and unprecedented market volatility present an altogether different scale of management challenges. At Quilter, our response to this environment has been to adopt a three-pillar approach focussed on maintaining staff health and safety, ensuring operational resilience to maintain high standards of client service, and rising to the challenge of broader social responsibility.

- When the scale of the COVID-19 crisis became clear, our first concern was to ensure the health and safety of our staff and so we mobilised, at pace, to make sure colleagues could work from home as quickly as possible. By early April we had over 98% of Quilter staff working remotely, including all of our contact centre-based colleagues servicing our UK and International platforms whose roles are not traditionally enabled for remote working. Since that time, we have reconfigured our offices to enable staff to operate safely in a COVID-19 context and allowed a modest number of staff to return to the office environment, principally in locations beyond the UK mainland where measures to control the COVID-19 virus are at a more advanced stage. In the UK, a small number of staff have returned to the office, undertaken in line with Government guidelines and with staff operating in a socially-distanced manner.
- Our second focus was to ensure continuity of excellent service to our clients and advisers. I am immensely proud of how all my colleagues across Quilter rose to that challenge. Technology enabled our remote working transition and in the space of three weeks from mid-March our IT teams implemented new network telephony systems and delivered thousands of laptops, headsets, docking stations, monitors and softphones to enable colleagues servicing clients and advisers to work effectively from home. Our teams have achieved outcomes during lock-down that we did not expect to be possible such as remotely implementing a significant CRM system upgrade for Quilter Cheviot. We have also used technology to deliver solutions such as digital signatures, with many legacy paper-based processes reengineered to allow a greater degree of automation and client focus. Online customer registrations on the UK Platform are up ten-fold versus last year as customers adapted their engagement preferences, and in the International business over half the interactions with advisers are now online through Wealth Interactive digital accounts.
- Thirdly, while social responsibility has always been a cornerstone of Quilter’s culture, we have gone beyond our established practices to care for and support our customers, advisers and colleagues throughout this period:
  - We put in place specific support for network adviser firms, with deferred fee arrangements where needed.
  - We updated “Thrive”, our Quilter-wide well-being programme, to provide colleagues with appropriate mental, financial, physical and social wellbeing support to manage through lock-down, and subsequently rolled this out to 23,000 advisers across the UK as part of our “There for You” campaign.
  - Certain staff reductions within the organisation which were planned as part of our Optimisation plans in the second quarter were deferred. We did not think it appropriate to have those conversations with impacted staff during a period of peak pandemic and economic uncertainty and while the UK Government were implementing significant schemes to avoid increasing short-term redundancies. It was right to raise our focus beyond the short-term and offer temporary support.
  - Our Financial Adviser School recognised at an early stage of lock-down that a number of furloughed individuals across the UK might be concerned about their prospects and would be considering alternative career options. To further our goal of increasing adviser numbers across the industry, the School made the first unit of the Financial Adviser Diploma available on-line free to anyone who wanted to explore whether becoming a financial adviser was for them, and 300 people enrolled on the programme during lock-down.
  - The Quilter Foundation stepped up its financial support to all the charities we support including the Carers Trust where COVID-19 has placed an even heavier burden on young carers. I am pleased we were also one of the very first firms to contribute to the UK’s National Emergency Trust Appeal.
  - Given our financial strength and business circumstances, Quilter has not participated in any of the support schemes which the UK Government has put in place in response to the economic crisis.

In summary, I am delighted with how Quilter has operated through this period, from a human, business and a financial perspective. Our balance sheet strength and strong liquidity following the sale of Quilter Life Assurance meant the Board were comfortable paying our 2019 final dividend, and were able to take advantage of Quilter’s lower stock market price with our ongoing share buyback programme. The vast majority of our retail shareholders holding less than 100 shares participated in our Odd-lot Offer which provided an inexpensive and convenient way for them to exit their modest shareholdings. In aggregate over 200,000 shareholders participated in the offer resulting in the number of shareholders on our register nearly halving at a cost of £21 million.

Of course, the point of managing through challenging times is not just to survive but to ensure the business is better positioned to thrive in the new business conditions. To achieve this, we questioned and challenged established practices and cultural norms, and ensured those learnings were embedded within the organisation to deliver better outcomes and efficiencies. At Quilter, in some areas of our business, evolution which was expected to take three to five years has happened in the space of a similar number of months. For example, all our advisers are now communicating and conducting client business digitally, which, if sustained, will potentially drive significant productivity gains. The future has arrived early, and we will embrace this new normal by increasingly pivoting our business towards meeting the needs of our customer segments rather than expecting clients to fit our organisational structures and behaviours.

Despite the crisis, we have maintained our focus on integrating acquired businesses. We completed the re-brand of the Charles Derby business to form Quilter Financial Advisers, our mass-affluent National business which also includes Lighthouse Financial Advice and Lighthouse Mortgage and Protection. The integration of Lighthouse plc (“Lighthouse”) is progressing well with advisers adopting the Quilter Financial Planners proposition, advice standards and technology where appropriate. Generation of new client queries through our affinity relationships has remained strong despite the inevitable impact of COVID-19.

We have purposefully not undertaken any significant advice business acquisitions in 2020 as we focus on fully integrating those undertaken in 2019. During the course of the first half we recruited 106 Restricted Financial Planners, bringing our total to 1,808 net of departures. Limited net organic growth was a function of the external environment coupled with increased focus on individual adviser productivity which is an area of increasing importance to us and has led to some specific departures. Our pipeline of firms seeking to join our network remains strong. Our advisers have adapted well to remote working, engaging positively and proactively with clients via video and other means to deliver ongoing service and meet client needs.

Business performance

Profitability over the course of the first half of 2020 was impacted by external conditions. Given the market decline came in mid to late March, we benefited from good performance in the first quarter with a more challenging second quarter, reflecting both lower markets and the impact of the higher 2020 FSCS and regulatory levies of £15 million, the majority of which was charged in full in April, with a further £5 million expected in the second half.

Against this backdrop, I am satisfied with our adjusted profit before tax for the first half of 2020 of £71 million, against £89 million from continuing operations in 2019. Lower total net fee revenue of £335 million reflected a decline in revenue margins as a result of the mix shift in Quilter Investors and planned repricing on the Quilter Investment Platform. As previously guided, we expect further erosion of Quilter Investors' margin in the second half as we grow assets in our newer lower margin products such as Cirilium Blend, Passive and Income solutions. Given the UK housing market moved into stasis during lock-down, we also expect temporarily lower revenues from the mortgage and protection business within Quilter Financial Planning until the measures taken by the Chancellor to support the housing market feed through into renewed activity.

Total expenses of £264 million in the first half grew by £5 million (2019: £259 million), demonstrating that our cost discipline has been maintained through Optimisation and complemented by a targeted programme to reduce discretionary expenses by £30 million this year. The cost base for the first half reflected a full period contribution from the QFP acquisitions made during 2019, which added £12 million of costs including restructuring spend, as well as a £4 million higher charge for the 2020 FSCS levy. We also accommodated stranded costs resulting from the sale of Quilter Life Assurance. Separately, incremental one-off 2020 COVID-19 related costs of £2 million arose from support arrangements and costs of additional equipment required to enable staff to work from home. Underlying costs, excluding the impact from acquisitions and COVID-19 related expenses, were lower than 2019.

Our operating margin declined to 21% (H1 2019: 26%, excluding Quilter Life Assurance) primarily reflecting the impact on revenues from a lower revenue margin coupled with the aforementioned cost drag from stranded costs, higher FSCS levies and unanticipated COVID-19 related costs. Our IFRS profit after tax was £43 million, compared to a loss of £17 million in the first half 2019.

Overall AuMA declined from £110.4 billion at 31 December 2019 to £95.3 billion at the end of the first quarter of 2020, recovering to £107.4 billion by end June 2020. The market decline began late in the first quarter, with March seeing significant rapid declines in a short period of time before a recovery in most global indices over the course of the second quarter. This led to average AuMA, the principal driver of net management fee revenue, for the period of £105.1 billion modestly ahead of £103.2 billion in the first half of 2019. As we look ahead to the second half, we expect a slightly higher level of average AuMA relative to the first half, assuming markets remain broadly stable. We expect subdued revenue momentum in the second half of 2020 to lead to broad stability in the operating margin, with a targeted improvement in 2021 of two percentage points from the eventual 2020 out-turn, as envisaged in our original optimisation targets.

Adjusted diluted earnings per share of 3.5 pence compared with 4.1 pence from Quilter's continuing operations in the first half of 2019. On an IFRS basis, we delivered basic EPS f 2.5 pence versus a loss of 1.7 pence per share for the comparable period of 2019 on the same basis. Period-end shares declined by 2.4% or 46 million as a result of our share buyback. The Board will make a considered decision on the pay-out ratio and final dividend for 2020 shortly before the Full Year Results, which will be announced in March 2021, with that decision dependent on market conditions, progress on the share buyback and the business outlook at that time. The Board considers it appropriate to pay a 2020 interim dividend and has adopted a cautious position given the market uncertainties which remain. The interim pay-out ratio has been set at the lower end of the 40% to 60% target range with a declared 2020 interim dividend of 1.0 pence per share. This compares to a 2019 interim dividend of 1.7 pence per share (inclusive of a distribution of 0.43 pence per share in respect of Quilter Life Assurance's profit contribution).

As indicated at the 2019 Full Year Results, the provision made in respect of certain Defined Benefit ("DB") pension transfers for former British Steel Pension Scheme ("BSPS") members undertaken by Lighthouse prior to its acquisition by Quilter remained under review. This has now been increased to £24 million net of anticipated deferred tax benefits and a prudent assumption regarding recoverability under Lighthouse's professional indemnity insurance. £19 million of this net provision has been taken as an adjustment to the acquisition balance sheet of Lighthouse and £5 million has been taken to the IFRS P&L as a charge. This covers our current estimated liability for redress in respect of the BSPS pension transfers undertaken by Lighthouse. As previously indicated, we continue to work proactively with the FCA to ensure good customer outcomes for the clients involved.

Client flows

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

While gross client cash flows into the business in the first half of 2020 remained stable at c.£6 billion, we saw substantial improvement in net flows. NCCF increased to £1.1 billion versus £0.3 billion in the comparable period of 2019. This reflected improved persistency in client assets across each of Quilter Cheviot, Quilter International and the Quilter Investment Platform. The overall level of DB to DC flows in the first half modestly increased on the comparable period of 2019. We welcomed the FCA announcement on plans to reform the DB transfer market which will help promote better, industry-wide, customer outcomes and their proposals are wholly consistent with Quilter's existing approach to this business.

I am particularly pleased to see stable gross flows of c.£3 billion onto the Quilter Investment Platform in the period to end-June coupled with the increase in NCCF from £0.5 billion in 2019 to £1.0 billion in 2020. This stability provides a solid foundation from which our new platform will be able to deliver stronger flows once migration onto our new platform is completed.

Quilter International saw broadly stable gross flows, with lower redemptions driving an improvement in NCCF versus the prior year which has been supported by a focussed digital strategy to encourage advisers to consider "topping up" client investments.

Across the business, overall levels of client retention improved to 92% versus 88% (89% excluding the impact of the specific team departure in Quilter Cheviot) in 2019.

Investment performance

Our investment propositions have continued to deliver good investment performance for clients. The medium and long-term performance at Quilter Cheviot continued to outperform relevant ARC benchmarks, remaining first or second quartile, to the end of March 2020. I was particularly pleased that Quilter Cheviot's Climate Assets Fund, a fossil fuel-free strategy investing in the growth markets of sustainability and environmental technologies, celebrated its ten-year anniversary in June and has delivered consistently strong investment performance for investors, with top quartile rankings over one, three, five and ten years.

We continued to add to the Quilter Cheviot investment team and our Investment Manager headcount increased to 169 at the end of June 2020 from 167 in December 2019 and a low of 155 at the end of December 2018. We expect our new hires to contribute to support growth in Assets under Management over time.

The medium and longer-term performance of Quilter Investors' multi-asset solutions has also remained good. While the performance on the biggest range, Cirilium Active, has been more disappointing on a one-year view, it has performed well in the recovery since 23 March 2020. This underperformance is being addressed with the investment team looking to rotate out of underperforming asset classes as markets rise. We have simplified and broadened the Quilter Investors product range through fund consolidation and new product launches, including our new multi-asset income suite and Cirilium Blend proposition. Both of these new investment propositions have raised significant assets and are performing well. Wealth Select has continued to perform well and we have broadened access to this range by adding it to our restricted adviser panel.

Transformation

In June 2020, I was pleased to announce two notable changes to my leadership team:

- Firstly, I am delighted Bambos Hambi will be joining us in November from Aberdeen Standard Investments ("ASI") as Chief Executive Officer of Quilter Investors. Bambos succeeds Paul Simpson who, as previously announced, will be retiring later this year. At ASI, Bambos was Head of Multi-Manager Strategies and led one of the biggest fund selection teams in the UK. Bambos is an industry veteran and holds a strong reputation for his down-to-earth, patient long-term investment approach – he will be a strong cultural fit with Quilter. I would like to thank Paul Simpson for building Quilter Investors into the business it is today and for overseeing its successful separation from Merian Global Investors.
- Secondly, having built the second-largest advice business in the UK through a number of acquisitions over recent years in Quilter Financial Planning, we are now looking to drive the next phase of our business strategy with an increased focus on organic growth and closer pan-Quilter integration. To develop the business and drive this next phase of organisational strategy, I appointed Stephen Gazard as Chief Executive Officer. I would like to thank Andy Thompson for his support and leadership.

These appointments will support Quilter's transformation agenda which is built on three core principles:

- We will deliver our new UK Platform and the anticipated benefits following migration of existing clients and adviser firms;
- We will make Quilter a simpler and more focussed business, delivering faster organic growth through closer business integration; and
- We will optimise our business by delivering the cost reduction plans we set out in March 2019, improve operational leverage through scaling up our UK Platform and Investment Solutions business, and invest to drive productivity.

In respect of our UK Platform Transformation Programme, following a rigorous approach to validating our migration readiness plans, which incorporated two dry runs and three dress rehearsals, we undertook a successful initial migration of c.8% of the total platform assets under administration in February 2020. This represented the funds associated with around 60 adviser firms and 25,000 customers and demonstrates that our platform technology works well at scale. As the year has progressed, we have focused on supporting customers and advisers through the post migration period, incorporated adviser feedback to drive system improvements and taken lessons learned from our first migration into our planning for the second migration.

While it is early days, and it has been set against a period of market turbulence, we have seen evidence of a better flow dynamic from advisers who have switched to the new platform. For example, around half the firms who were in the first migration have written increased NCCF in first half of 2020 versus the prior period. In addition, there has been encouraging take up of some of the products we are now able to offer such as Junior ISAs.

Our second and final platform migration had been planned for late Summer 2020. The logistical constraints imposed by COVID-19, including its impact on independent financial adviser firms' resource availability, remains a concern and has made our priority of ensuring a smooth adviser transition more of a challenge. Consequently, we have decided to modify our approach to ensure we are able to deliver good customer and adviser outcomes with a lower execution risk tolerance by splitting the planned second migration into two phases:

- We expect to migrate the majority (c.75%) of total platform assets in the fourth quarter of 2020, with this covering c.2,000 adviser firms, including all network firms supported by Quilter Financial Planning, and
- Undertake a final migration of the remaining assets during early 2021. This final group represents c.5,500 adviser firms who, in a number of instances due to limited existing platform functionality, only use Quilter as their second or third choice platform. We believe they will find our new platform proposition compelling and therefore view their successful migration as a gateway to a stronger business relationship over time.

By taking this approach, we expect to have migrated c.80% of Quilter Investment Platform's assets by the end of 2020, with completion of the project expected in early 2021. The total costs associated with extending the programme in this way are expected to be around £200 million representing an increase of £15 million on previous guidance.

Our Optimisation programme continues to progress in line with plan. There are three strands to Optimisation – driving closer integration of activities across businesses, rationalising technology and discretionary spend processes, and driving efficiency as interdependencies are streamlined. By end-June, our net Optimisation run-rate savings increased by £8 million from that at the end of 2019. We realised a further £2 million saving in H1 against the 2018 cost baseline. While we delayed some staff restructuring activities given the COVID-19 situation, good progress on the overall programme has been maintained. Our new firm-wide general ledger is expected to come on stream in early 2021 and will bring opportunity for continued efficiencies.

As indicated in our first quarter trading update, the Group expects to reduce expenses by c.£30 million in 2020 through lower variable compensation, reduced marketing spend and other initiatives such as deferment of some development spend. By their nature, the majority of these savings are not anticipated to continue in a post-COVID-19 environment. In the first half of 2020 some £15 million of such savings were realised.

Finally, in terms of business improvement, we have delivered our planned CRM upgrade in Quilter Cheviot during the first half and within Quilter Financial Planning, we have largely completed the roll out of our back-office technology upgrade. This will enhance our straight-through processing capabilities and improve our advice control environment. We remain on track to deliver an upgraded payments system for advisers by the year end.

Stewardship

Monitoring employee engagement on a quarterly basis is an established process at Quilter that has been in place since prior to our Listing. We purposefully stepped up our colleague engagement over the period of lock-down with both myself and my Executive Committee sending regular weekly video messages to all staff across the organisation and encouraging direct feedback to help foster a greater spirit of involvement while colleagues were working remotely. I am delighted that our regular engagement reviews remain at a consistently high level.

Separately, we announced two changes to the Quilter Board since our AGM in May 2020:

- We welcomed Tim Breedon to the Board at the beginning of June. Tim brings a unique blend of experience and expertise as a former CEO in a highly successful FTSE 100 savings and pensions business, and as a very seasoned non-executive director in both a FTSE 100 company and private equity backed businesses. He brings a deep understanding of UK regulated financial services, corporate governance in UK public companies, effective board challenge and support in building a sustainable business for the long-term.
- Jon Little has recently taken on a new full-time role that will not allow him to commit the required time to his role with Quilter and he will step down from the Quilter Board on 30 September 2020. We thank him for his support since joining the Board in May 2017. His valued insights into the asset management industry have been very informative as we have reshaped our business. I wish him well in his future endeavours.

Outlook

We remain cautious in our market outlook given that the full economic impact of COVID-19 has yet to be felt, and there remains the potential risk for further local lock-downs and waves of infection. Other external geo-political factors, such as the US election in November 2020, deterioration in US-Sino relations and the conclusion of the Brexit transition period at the end of the year, may also cause bouts of market volatility.

While advice revenues were more robust than we anticipated in the first half of 2020, we expect a more muted contribution from the mortgage and protection business in the second half as the housing market restabilises. As already noted, we expect further margin erosion in Quilter Investors as a result of ongoing mix shift driven by client and adviser behaviour. Boosting accessibility to our Wealth Select range by adding it to our restricted adviser panel in Quilter Financial Planning is likely to improve asset retention and integrated flows but will have an additional impact on the revenue margin in Quilter Investors.

We remain focussed on controlling costs through both our Optimisation programme and other management initiatives. We expect the full year out-turn for costs to be marginally below the annualised first half level. Should markets remain around current levels, relative to the first half, we expect the impact in the second half of the ongoing mix shift within Quilter Investors and temporary lower revenues from the Advice business to be broadly offset by lower costs.

While our socially responsible approach to business meant we deferred certain Optimisation related restructuring in the first half of 2020, being responsible in our actions does not mean avoiding difficult decisions. We need to ensure Quilter is fit for the future and so our Optimisation plans remain on track to deliver planned cost savings and a year-on-year improvement of two percentage points in our operating margin by end-2021, albeit off a lower starting base, assuming markets remain broadly stable.

Notwithstanding short-term uncertainties, Quilter remains well positioned in an industry with secular long-term growth prospects. Completing the first migration onto our new UK platform in early February was a major milestone for the Group. We are now focussed on delivering the second migration to a high-quality outcome to ensure that the c.80% of client assets are transferred this year with a final migration of the remaining assets to follow in early 2021. Each of our businesses is well-placed to drive growth in their respective areas and we continue to believe the new platform will strengthen the cohesion between our different business capabilities and will be a catalyst for faster growth in the future.

Paul Feeney

Chief Executive Officer

Financial review

Review of financial performance

Overview

The market environment in H1 2020 has been challenging for the Group, with significant equity market falls as a result of COVID-19. With some recovery in equity markets since the low point in March 2020, the Group's AuMA ended the period at £107.4 billion, a 3% decrease from the opening position at the start of 2020. This is comprised of £4.1 billion of negative overall market movements, with the FTSE-100 index down 18% for the period, offset by positive net client cash flow of £1.1 billion. Adjusted profit before tax decreased by 20% to £71 million, with revenue impacted by the fall in equity markets and a decline in overall revenue margins as a result of asset mix shifts in Quilter Investors and planned repricing on the Quilter Investment Platform. The Group's IFRS profit after tax from continuing operations was £44 million, compared to a loss after tax of £32 million in H1 2019, primarily due to the positive impact on policyholder tax following the decline in equity market values which can vary year-on-year as a result of market volatility.

Alternative Performance Measures ("APMs")

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

Key financial highlights

For six months ended 30 June 2020 Continuing operations	**Advice & Wealth Management**	**Wealth Platforms**	**Eliminations**	**Total Group**
Gross sales (£bn)*	4.3	3.8	(2.3)	**5.8**
Gross outflows (£bn)*	(3.8)	(2.6)	1.7	**(4.7)**
NCCF (£bn)*	0.5	1.2	(0.6)	**1.1**
Integrated net flows (£bn)*	0.7	0.7	-	**1.4**
AuMA (£bn)*	44.1	76.6	(13.3)	**107.4**
NCCF/opening AuMA (%)*	2%	3%	n/a	**2%**
Asset retention (%)*	83%	93%	n/a	**92%**

For six months ended 30 June 2019 Continuing operations	Advice & Wealth Management	Wealth Platforms	Eliminations	Total Group
Gross sales (£bn)*	3.2	3.8	(1.0)	6.0
Gross outflows (£bn)*	(3.2)	(3.2)	0.7	(5.7)
NCCF (£bn)*	-	0.6	(0.3)	0.3
Integrated net flows (£bn)*	0.9	0.5	-	1.4
AuMA (£bn)*	44.7	74.8	(12.2)	107.3
NCCF/opening AuMA (%)*	-	2%	n/a	1%
Asset retention (%)*	84%	91%	n/a	88%

Net client cash flow ("NCCF")*

NCCF inflows were £1.1 billion for the period (H1 2019: £0.3 billion). The Group experienced slightly lower gross sales due the impact of the COVID-19 pandemic on global economies and market sentiment, which was more than offset by lower outflows in comparison to the first half of 2019, particularly for Quilter Investment Platform, Quilter Cheviot, and Quilter International. Detailed analysis on NCCF by business is shown in the supplementary information section of this announcement.

Net inflows to Quilter Investors were down 25% on prior year at £0.3 billion (H1 2019: £0.4 billion), as higher outflows from the Cirilium Active range were offset by inflows into the lower margin Cirilium Blend and Cirilium Passive products. The majority of net flows in H1 2020 to Quilter Investors were through our own restricted channel, Quilter Financial Planning.

Quilter Cheviot experienced net inflows of £0.2 billion (H1 2019: outflow of £0.4 billion), which was an improvement on the prior year primarily due to lower levels of outflows linked to the Investment Managers ("IMs") who resigned in mid-2018 (H1 2019: outflows of £0.5 billion) and the loss of a £0.2 billion quasi-institutional mandate in the second quarter of 2019. Excluding the departures of IMs who resigned in summer 2018, NCCF was £0.4 billion (H1 2019: £0.1 billion).

Quilter Investment Platform recorded net inflows of £1.0 billion, double that of the prior year (H1 2019: £0.5 billion). Gross sales were in line with the comparative period at £3.0 billion (H1 2019: £3.0 billion) as the acquisitions made in Quilter Financial Planning in 2019 increased flows despite lower levels of flow in the overall market during the period. Additionally, defined benefit ("DB") to defined contribution ("DC") scheme pension transfers were up 25% to £0.5 billion (H1 2019: £0.4 billion). Gross outflows were £2.0 billion during the first half of the year (H1 2019: £2.5 billion) due to lower than typical levels of transfer-out activity between our platform to other platforms in the industry that took place as our Platform's operational resilience during COVID-19 was better than some of our peers.

Quilter International's NCCF improved to £0.2 billion (H1 2019: £0.1 billion) as inflows of predominantly high-net-worth cases offset the slowdown of business activity in regions impacted by local government lock-downs, cumulatively resulting in lower gross sales. Persistency in Quilter International saw an improvement on the prior year comparative period, with lower redemption levels.

Flows (£bn)	H1 2020	H1 2019	% Change
Total integrated net flows*	**1.4**	1.4	-
Direct net flows	**0.3**	(0.8)	-
Eliminations	**(0.6)**	(0.3)	(100%)
Total Quilter plc NCCF*	**1.1**	0.3	267%

Integrated net flows of £1.4 billion were in line to those in the first half of 2019 (£1.4 billion). Acquisitions from the previous year increased gross sales from Quilter Financial Planning despite the impact of COVID-19 on new business more generally. The restricted channel of Quilter Financial Planning accounted for £0.4 billion (H1 2019: £0.7 billion) of Quilter Investors' net flows and £0.7 billion (H1 2019: £0.5 billion) of Quilter Investment Platforms' net flows.

Total Restricted Financial Planner ("RFP") headcount was 1,808 at 30 June 2020, up by 1% from 1,799 at 31 December 2019. Quilter Financial Planning experienced limited net organic growth in RFP numbers this period as a result of the external environment coupled with increased focus on individual adviser productivity. Productivity* for Quilter Financial Planning was £1.5 million per RFP for the period (H1 2019: £1.6 million), due to improving net inflows to Quilter Investment Platform and Quilter Cheviot, while reduced net inflows were made to Quilter Investors in the period.

Asset retention* has increased to 92% (H1 2019: 88%), predominantly as a result of lower outflows from Quilter Investment Platform and Quilter Cheviot.

Assets under Management/Administration*

AuMA was £107.4 billion at 30 June 2020, down 3% from 31 December 2019 (£110.4 billion), driven by negative market movements of £4.1 billion, partially offset by net inflows of £1.1 billion.

Quilter Investors' AuM was £20.8 billion, down 4% since the start of the year (2019: £21.6 billion). The Cirilium fund range AuM decreased by 1% to £11.0 billion at 30 June 2020 (2019: £11.1 billion), with £0.1 billion of net inflows and £0.2 billion of negative market movements. Within the Cirilium fund range, net outflows from Cirilium Active to Cirilum Passive and Cirilium Blend solutions was a notable characteristic of the period, with the COVID-19 environment adding some acceleration to the trend experienced during 2019. The WealthSelect fund range AuM increased by 1% to £6.8 billion at the end of June 2020 (2019: £6.7 billion). Quilter Cheviot AuM of £23.3 billion decreased by 4% in the year, primarily as a result of negative market movements. Quilter Investment Platforms' AuA decreased by 2% to £56.2 billion, which is primarily comprised of £27.7 billion within pension propositions (of which £5.0 billion has been generated from the restricted channel and £22.7 billion from third party advisers) and £16.1 billion of ISA products. Quilter International AuA of £20.4 billion was broadly in line with December 2019 (2019: £20.5 billion) primarily due to modest client inflows and a favourable mix of asset where foreign exchange movements have broadly offset market impacts.

IFRS profit after tax

The Group's IFRS profit after tax was £43 million for H1 2020, compared to a loss after tax of £17 million in the comparative period, primarily due to the decline in equity markets, and the impact on policyholder tax which can vary year on year as a result of market volatility.

IFRS income was a loss of £(1.1) billion, compared to a gain of £5.5 billion in H1 2019, due to the fall of equity markets during the period and the negative investment return of £(1.5) billion (H1 2019: gain of £5.0 billion). IFRS total expenses were a credit of £(1.1) billion, compared to a debit of £5.5 billion for H1 2019, again due to the fall in equity markets during the period and the impact this had on the 'Change in investment contract liabilities'.

The profit after tax from discontinued operations in H1 2019 of £15 million related to the QLA business, which was sold on 31 December 2019. The loss after tax from discontinued operations of £(1) million in H1 2020 relates to residual costs from the sale of the QLA business.

Adjusted profit before tax*

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

Adjusted profit before tax for H1 2020 was £71 million, 20% lower than the prior year (H1 2019: £89 million). Adjusted profit before tax for the Advice and Wealth Management segment decreased by 18% and the Wealth Platforms segment decreased by 16% compared to the prior year.

Total net fee revenue was £335 million, 4% lower than the prior year (H1 2019: £348 million). Net management fees of £273 million were lower than those of the prior year (H1 2019: £284 million) principally due to the impact of the COVID-19 pandemic on financial markets, and therefore on AuMA, and a lower average revenue margin for the Group during the period. The revenue margin was impacted by the Quilter Investment Platform reprice in April 2020, a continuation of net movement of client assets into the broader suite of Quilter Investor solutions, and the anticipated trend in Quilter International where the proportion of assets on older-style pricing structures is reducing relative to the size of the overall book. The revenue margin within Quilter Cheviot remained stable period-on-period. Other revenue of £62 million was marginally down against prior year (H1 2019: £64 million), primarily due to the impact of adverse FX movements, lower interest rates, and lower surrender experience for Quilter International, which were offset by higher advisory revenues generated by Quilter Financial Planning.

Expenses for the Group increased from £259 million to £264 million, mainly due to inflation, an increase in FSCS levies and regulatory costs, one-off costs in relation to COVID-19 as remote working was mobilised, and the inclusion of a full period run-rate of costs for the Quilter Financial Planning acquisitions made during 2019. These cost increases were partially offset by lower travel, entertainment, and marketing costs as a consequence of the lock-down restrictions during the period, lower variable compensation costs, delayed development spend and cost savings realised from the Optimisation programme.

The Group's overall operating margin has decreased to 21% (H1 2019: 26%) as a result of the reduction in revenue.

Financial performance from continuing operations H1 2020 (£m)	**Advice & Wealth Management**	**Wealth Platforms**	**Head Office**	**Total Group**
Net management fees*	138	135	-	**273**
Other revenue*	59	1	2	**62**
Total net fee revenue*	**197**	**136**	**2**	**335**
Expenses*	**(156)**	**(89)**	**(19)**	**(264)**
Adjusted profit before tax*	**41**	**47**	**(17)**	**71**
Tax				**(7)**
Adjusted profit after tax				**64**
Operating margin (%)*	21%	35%		**21%**
Revenue margin (bps)*	64	36		**52**

Financial performance from continuing operations H1 2019 (£m)	Advice & Wealth Management[1]	Wealth Platforms	Head Office	Total Group[1]
Net management fees*	144	140	-	284
Other revenue*	51	11	2	64
Total net fee revenue*	195	151	2	348
Expenses*	(145)	(95)	(19)	(259)
Adjusted profit before tax*	50	56	(17)	89
Tax				(13)
Adjusted profit after tax				76
Operating margin (%)*	26%	37%		26%
Revenue margin (bps)*	67	39		55

[1]Total adjusted profit before tax including Quilter Life Assurance for H1 2019: £115 million. Refer to reconciliation on page 17.

Total net fee revenue*

The Group's total net fee revenue decreased by 4% to £335 million (H1 2019: £348 million) due to the COVID-19 pandemic and the adverse impact this had on equity markets. In addition, the blended revenue margin for the Group reduced by 3 bps, predominantly due to the mix shift in underlying assets in Quilter Investors, the repricing of the Quilter Investment Platform, and anticipated asset mix changes in Quilter International. While this reduction in revenue margin was expected, the change in asset mix in Quilter Investors has been slightly faster than anticipated and has been accelerated by the COVID-19 environment.

Total net fee revenue for the Advice and Wealth Management segment increased by 1% during the year, to £197 million (H1 2019: £195 million). Quilter Investors net management fee revenue decreased by £4 million from the prior year as a consequence of a non-recurring provision release of c.£3m in H1 2019 and the mix shift to lower margin products, as referenced earlier. Total net fee revenue within Quilter Cheviot was 3% lower at £86 million (H1 2019: £89 million) as average AuM was 2% lower than prior year and fee margins remained stable. Other revenue increased to £59 million (H1 2019: £51 million), principally due to the increase in advice fees in Quilter Financial Planning as a result of the acquisitions in 2019, which was offset by lower mortgage and pension business volumes as a consequence of a slowdown in this business written due to the COVID-19 restrictions.

Total net fee revenue for the Wealth Platforms segment was £136 million, down 10% in comparison to H1 2019 of £151 million. Quilter Investment Platforms' net fee revenue decreased by £6 million (7%) to £80 million, despite higher average asset levels, due to the continued increase in the proportion of the assets sourced from Quilter Financial Planning where clients benefit from a discounted pricing tariff, as well as the reduction in the standard platform tariff implemented in April 2020. Quilter International's net fee revenue was £9 million lower than the prior year at £56 million, mainly as a result of the impact of adverse FX movements, lower interest rates, and lower surrender experience, which is reflected in the decrease in other revenue.

The Group's revenue margin* of 52 bps was 3 bps lower than prior year (H1 2020: 55 bps).

The revenue margin for Advice and Wealth Management of 64 bps was 3 bps lower in comparison to the prior year. This decrease was predominantly due to a 6 bps decrease in the revenue margin for Quilter Investors to 53 bps during the period, driven predominantly by the continued trend for clients to switch from Cirlium Active to the lower margin Cirilium Passive and Cirilium Blend funds, and the impact of non-recurring revenue provision releases in H1 2019. Quilter Cheviot's revenue margin remained in line with prior year at 73 bps.

The revenue margin for Wealth Platforms decreased by 3 bps to 36 bps, as new business written for Quilter International was, as anticipated, in products with lower revenue than the average for the current book of business. Within Quilter Investment Platform, the charging structure of the platform was repriced from April, as previously announced, which also resulted in a slightly reduced average revenue margin.

Expenses*

Expenses increased by £5 million to £264 million in the period (H1 2019: £259 million). The Group incurred additional FSCS and regulatory levy costs compared to the same period last year (£4 million increase), and the acquisitions made by Quilter Financial Planning in 2019 increased expenses by £12 million. These cost increases, and those arising from inflation, were partially offset by lower variable compensation costs and cost discipline across the business with savings continued to be achieved through Optimisation, as well as additional management actions.

Expense split (£m)	**H1 2020**	H1 2019
Front office and operations	**116**	98
IT and development	**46**	53
Support functions	**56**	58
Other	**15**	10
Variable compensation	**31**	40
Expenses*	**264**	259

Front office and operations expenses increased by 18% to £116 million (2019: £98 million), primarily due to the impact of the Quilter Financial Planning acquisitions, with a full run-rate of costs this period and one-off integration costs.

IT and development expenses decreased by 13% to £46 million (2019: £53 million). The decrease was mainly due to reduced IT run costs, lower development costs due to a reduction in regulatory change requirements in H1 2020 compared to H1 2019 and a reduction in change activity as a consequence of COVID-19 where some development activity has been delayed.

Support function expenses relate to back office expenses, which decreased by 3% to £56 million in the period (H1 2019: £58 million). Included within the 2020 costs are property dual-run costs associated with the London Office move, as previously guided, and increased costs in relation to the COVID-19 pandemic to mobilise remote working across the business. These cost increases were offset by savings made across various functions as part of the Optimisation programme.

Other costs include Professional Indemnity Insurance, and charges for regulation and licencing fees. FSCS and regulatory levies increased by £4 million this year due to an increase in levies across the industry and our business lines.

Variable compensation has decreased by 23% due to the decrease in the Group's revenue and the corresponding impact on profit which is currently anticipated to result in lower variable compensation charges for the full year.

Expenses for the second half of 2020 are expected to be marginaly lower than H1 2020, primarily due to the non-recurrence of expenses at the same level for the FSCS levy, which were substantially incurred in April, and the costs associated with the Group's response to the COVID-19 pandemic. We will continue to remain disciplined on costs, as we have in the first half of the year, with the savings we have experienced to date expected to continue for the remainder of the year.

Taxation

The effective tax rate ("ETR") on adjusted profit before tax was 10% (2019:15%). The Group's ETR is lower than the UK corporation tax rate of 19% principally due to profits from Quilter International being taxed at lower rates than the UK and the change in the UK corporation tax rate from 1 April 2020 from 17% to 19%, rebasing the Group's deferred tax assets and liabilities. The Group's ETR is dependent upon a number of factors including the level of Quilter International profits, as well as the UK corporation tax rate.

The Group's IFRS income tax expense on continuing business was a credit of £36 million for the period ended 30 June 2020, compared to a charge of £70 million for the prior year. This income tax expense or credit can vary significantly year-on-year as a result of market volatility and the impact market movements have on policyholder tax. The recognition of the income received from policyholders (which is included within the Group's IFRS revenue) to fund the policyholder tax liability can vary in timing to the recognition of the corresponding policyholder tax expense, creating volatility to the Group's IFRS profit or loss before tax attributable to equity holders. An adjustment is made to adjusted profit before tax to remove these distortions, as explained further on page 17 and in note 5(b) of the consolidated financial statements.

Earnings Per Share ("EPS")

Basic EPS for H1 2020 was 2.4 pence (H1 2019: (0.9) pence and FY 2019: 8.0 pence). Basic EPS is based on the Group's IFRS profit (including both continuing and discontinued operations). For H1 2020, the basic EPS relating to continuing business was 2.5 pence (H1 2019: (1.7) pence, FY 2019: (1.1) pence), and (0.1) pence relates to discontinued operations (H1 2019: 0.8 pence, FY 2019: 9.1 pence). Discontinued operations in 2019 included profit attributable to the QLA business, whilst 2020 only includes a residual amount of costs associated with the sale of that business. During the period, the average number of shares in issue decreased to 1,879 million (H1 2019 and FY 2019: 1,902 million). The average number of shares in issue used for the basic EPS calculation was 1,801 million (H1 2019: 1,834 million, FY 2019: 1,835 million), after the deduction of own shares held in Employee Benefit Trusts ("EBTs") and consolidated funds of 78 million (H1 2019: 68 million, FY 2019: 67 million). The reduction in the number of shares in issue in the year is due to the share buyback programme, which commenced in 2020. At 30 June 2020, 46 million shares had been bought and cancelled by Quilter plc.

The average number of shares in issue used for the diluted EPS calculation was 1,837 million (June 2019: 1,852 million, December 2019: 1,863 million). This includes the dilutive effect of shares and options awarded to employees under share-based payment arrangements of 36 million (June 2019: 18 million, December 2019: 28 million). The dilutive effect of share awards has continued to increase due to more share options being awarded to employees.

Optimisation

Our strategic Optimisation programme has continued to make significant progress in the delivery of initiatives to drive efficiencies and improvements in operational performance for the Group. Our technology-enabled transformation initiatives, including the consolidation and modernisation of our general ledgers and other associated finance, HR and procurement modules, are continuing to progress well. Quilter International was the first of our businesses to automate manual operational processes using robotics and we are considering other areas for potential deployment.

In addition to benefits arising from prior years, we delivered a further £2 million of cost reduction in H1 2020 against the 2018 cost base, with an £8 million run rate benefit bringing the total delivered run rate to £32 million. Given COVID-19, the business decision to delay certain planned activities in the short-term reduced the H1 2020 realised benefit profile. The Optimisation programme remains on track to deliver the expected margin uplifts as previously communicated. Both forecast benefits and implementation costs associated with our Optimisation programme remain in line with previous guidance.

Lighthouse DB to DC complaints

At 31 December 2019, a provision for pension transfer advice was established for £12 million within the fair value of the Lighthouse assets and liabilities acquired, which included £9 million for the anticipated redress costs and £3 million of expected legal and professional fees. The provision made at 31 December 2019 related to approximately 30 complaints received in the first quarter of 2020 on advice provided by Lighthouse in respect of pension transfers for British Steel pension scheme members, prior to the Group's acquisition of Lighthouse in June 2019. All the complaints received related to transfers before that date.

During the first half of 2020, the FCA reported their results of a thematic review into the general market of pension transfers, which included British Steel pension transfers. The FCA review determined that the percentage of unsuitable files across the industry for British Steel transfers was higher than those for other pension schemes in the general industry. The FCA review included a sample of British Steel pension transfer advice provided by Lighthouse. Additionally, approximately 30 further complaints have been received from British Steel pension scheme members subsequent to the publication of the Group's 2019 Annual Report. As such, the Group has extended the provision to include consideration of the full population of 266 British Steel transfers on which Lighthouse advisers provided advice and the relevant customer proceeded to make a transfer, in order to determine a more reliable approximation of the estimated redress payable.

At 30 June 2020, a total provision of £29 million (31 December 2019: £12 million) has been recognised for the potential redress of all British Steel cases where Lighthouse advisers provided advice and the anticipated legal and professional fees, based upon additional information obtained since the year end, with £24 million recognised within the acquisition balance sheet for Lighthouse and £5 million recognised within the income statement of the Group in H1 2020 (outside of adjusted profit). A prudent view has also been taken with regards to insurance recoveries against the provision made while discussions with Lighthouse's insurers remain ongoing. Accordingly, an insurance recovery asset of £3 million related to the provision has been recognised at 30 June 2020. A deferred tax asset of £2 million has also been recognised, which is the estimate of the tax relief that will be obtained as a consequence of the redress. Collectively, this has resulted in a decrease in net assets within the acquisition balance sheet of £19 million since the acquisition date. The actual redress amount paid could differ from the amount provided depending on the number of cases where, in due course, it is established that redress is due and the actual amount of the insurance recovery. In addition, the redress, when paid, will be influenced by market performance, amongst other factors, at the time that each redress payment is settled with the relevant customer. Any further increases or releases of the provision are anticipated to be recognised in the IFRS income statement of the Group. Further details are provided in notes 4(a), 17 and 18 to the financial statements**.**

Reconciliation of adjusted profit before tax* to IFRS profit

Adjusted profit before tax for the Group was £71 million (H1 2019: £89 million).

The Group's IFRS profit after tax from continuing operations was £44 million, compared to a loss after tax of £(32) million in H1 2019, primarily due to the change in policyholder tax, which can vary significantly year on year as a result of market volatility. The table below provides the reconciliation of the Group's adjusted profit before tax to the IFRS profit/(loss) after tax for H1 2020 and H1 2019.

Reconciliation of adjusted profit before tax to IFRS profit/(loss) after tax	For the six months ended 30 June 2020			For the six months ended 30 June 2019		
£m	Continuing Operations	Discontinued Operations[1]	Total	Continuing Operations	Discontinued Operations[1]	Total
Advice and Wealth Management	41	-	41	50	-	50
Wealth Platforms	47	-	47	56	26	82
Head Office	(17)	-	(17)	(17)	-	(17)
Adjusted profit before tax*	71	-	71	89	26	115
Adjusting for the following:						
Goodwill impairment and impact of acquisition accounting	(23)	-	(23)	(26)	-	(26)
Business transformation costs	(39)	-	(39)	(35)	-	(35)
Customer remediation	(5)	-	(5)	-	6	6
Managed Separation costs	-	-	-	(2)	-	(2)
Profit on business disposals	-	(1)	(1)	-	-	-
Finance costs	(5)	-	(5)	(5)	-	(5)
Policyholder tax adjustments	47	-	47	(61)	(15)	(76)
Total adjusting items before tax	(25)	(1)	(26)	(129)	(9)	(138)
Profit/(loss) before tax attributable to equity holders*	46	(1)	45	(40)	17	(23)
Tax attributable to policyholder returns	(38)	-	(38)	78	59	137
Income tax credit/(expense)	36	-	36	(70)	(61)	(131)
Profit/(loss) after tax	44	(1)	43	(32)	15	(17)

[1]Discontinued operations includes the results of the Quilter Life Assurance ("QLA") business in 2019.

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

Business transformation costs of £39 million in H1 2020 (H1 2019: £35 million) include £20 million (H1 2019: £30 million) incurred on the UK Platform Transformation Programme and £19 million of costs (H1 2019: £5 million) in relation to the Optimisation programme.

The customer remediation adjustment of £5 million in H1 2020 relates to the impact of post-acquisition market movements on the British Steel complaints provision relating to Lighthouse. The £6 million credit in the prior period relates to the release of the voluntary customer remediation provision in Quilter Life Assurance associated with certain legacy products.

Managed Separation costs were nil (H1 2019: £2 million), reflecting costs associated with our successful separation from Old Mutual plc and Listing in June 2018. In 2019, this cost was primarily incurred on the rebranding activities within the business, with costs expected to be incurred in late 2020/early 2021 for the final rebranding activity.

Finance costs were £5 million (H1 2019: £5 million) wholly related to the interest and amortisation of setup fees on the Tier 2 bond and Revolving Credit Facility.

Policyholder tax adjustments were a credit of £47 million for H1 2020 (H1 2019: debit of £61 million) in relation to the removal of distortions arising from market volatility that can, in turn, lead to volatility in the policyholder tax charge between periods. The recognition of the income received from policyholders (which is included within the Group's IFRS revenue) to fund the policyholder tax liability can vary in timing to the recognition of the corresponding tax expense, creating volatility to the Group's IFRS (loss)/profit before tax attributable to equity holders.

Cash generation*

Cash generation measures the proportion of adjusted profit before tax that is recognised in the form of cash generated from operations.

The Group achieved a cash generation rate of 83% of adjusted profit before tax over H1 2020 (H1 2019: 85%). Note that the H1 2019 comparative cash generation rate for the Group has been restated following the disposal of Quilter Life Assurance.

Review of financial position

Capital and liquidity

Solvency II

The Group's Solvency II surplus is £946 million at 30 June 2020 (31 December 2019: £1,168 million), representing a Solvency II ratio of 197% (31 December 2019: 221%). The Solvency II information for the six months to 30 June 2020 contained in this results disclosure has not been audited.

The Group's Solvency II capital position is stated after allowing for the impact of the interim dividend payment of £18 million (31 December 2019: £65 million) and after deducting £150 million in respect of the Odd-lot Offer and Tranches 1 and 2a of the share buyback programme. The own funds deduction of £150 million includes £73 million in respect of share buybacks that had yet to take place as at the reporting date. No deduction was made for Tranche 2b of the share buyback (anticipated to be £50 million, being the excess over Tranche 2a on which regulatory approval has been received) and which remains subject to approval by the Board.

Group regulatory capital (£m)	At 30 June 2020[1]	At 31 December 2019[2]
Own funds	**1,918**	2,132
Solvency capital requirement ("SCR")	**972**	964
Solvency II surplus	**946**	1,168
Solvency II coverage ratio	**197%**	**221%**

[1]Based on preliminary estimates. Formal filing due to the PRA by 15 September 2020.
[2]As disclosed in the Group Solvency and Financial Condition Report for 2019.

The 24 percentage point decrease in the Group Solvency II ratio from the 2019 position is primarily due to the capital movements associated with the Odd-lot Offer and Tranches 1 and 2a of the share buyback.

The Board believes that the Group Solvency II surplus includes sufficient free cash and capital to complete all committed strategic investments (including the UK Platform Transformation Programme). Quilter expects to continue to maintain a solvency position significantly in excess of its internal target in the near term.

Composition of qualifying Solvency II capital

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

Group own funds (£m)	At 30 June 2020	At 31 December 2019
Tier 1[1]	**1,708**	1,925
Tier 2[2]	**210**	207
Total Group Solvency II own funds	**1,918**	2,132

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

The Group SCR is covered by Tier 1 capital, which represents 176% of the Group SCR of £972 million. Tier 1 capital represents 89% of Group Solvency II own funds. Tier 2 capital represents 11% of Group Solvency II own funds and 22% of the Group surplus.

Dividend

The Board has declared an interim dividend for 2020 of 1.0 pence per share at a total cost of £18 million. The interim dividend will be paid on 21 September 2020 to shareholders on the UK and South African share registers on 4 September 2020. For shareholders on our South African share register an interim dividend of 22.97432 South African cents per share will be paid on 21 September 2020, using an exchange rate of 22.97432.

Holding company cash

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

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

£m	H1 2020	FY 2019
Opening cash at holding companies at 1 January	**815**	416
Quilter Life Assurance business sale – cash proceeds	**-**	446
Single Strategy business sale – deferred consideration	**7**	-
Share repurchase and Odd-lot offer	**(95)**	-
Costs of disposal	**(23)**	(7)
Dividends paid	**(64)**	(92)
Net capital movements	**(175)**	347
Head office costs and Optimisation	**(33)**	(49)
Interest costs	**(5)**	(9)
Net operational movements	**(38)**	(58)
Cash remittances from subsidiaries	**27**	307
Net capital contributions and investments	**(64)**	(200)
Other	**4**	3
Internal capital and strategic investments	**(33)**	110
Closing cash at holding companies at end of period	**569**	815

Net capital movements

Net capital movements in the period were an outflow of £175 million and include £95 million relating to the share repurchase and Odd-lot Offer, together with £64 million of dividend payments to shareholders on 18 May 2020. £23 million of anticipated costs relating to the disposal of the Quilter Life Assurance business were also incurred during the period in line with expectations, and £7 million was received in respect of final proceeds from the Single Strategy business sale.

Net operational movements

Net operational movements were £38 million for the period, which comprises corporate and transformation costs, which totalled £33 million. Interest paid of £5 million relates to coupon payments on the Tier 2 bond and non-utilisation fees for the revolving credit facility.

Internal capital and strategic investments

The net outflow in the period of £33m is principally due to £64 million of capital contributions, distributed to support business unit operational activities, particularly during COVID-19 and the Platform Transformation Programme. This was partially offset by £27 million of cash remittances from the trading businesses.

Balance sheet

Summary balance sheet (£m)	At 30 June 2020 Total	At 31 December 2019 Total
Assets		
Financial investments	**57,872**	59,345
Contract costs/deferred acquisition costs	**435**	455
Cash and cash equivalents	**2,467**	2,473
Goodwill and intangible assets	**578**	592
Trade, other receivables and other assets	**566**	424
Other assets	**468**	449
Total assets	**62,386**	63,738
Equity	**1,965**	2,071
Liabilities		
Investment contract liabilities	**52,267**	52,455
Third-party interests in consolidated funds	**6,582**	7,675
Contract liabilities/deferred revenue	**185**	191
Borrowings - sub-ordinated debt	**198**	198
Lease liabilities	**132**	137
Trade, other payables and other liabilities	**843**	836
Other liabilities	**214**	175
Total liabilities	**60,421**	61,667
Total equity and liabilities	**62,386**	63,738

The Group balance sheet at 30 June 2020 has total equity of £1,965 million (31 December 2019: £2,071 million).

Financial investments have reduced from £59,345 million at 31 December 2019 to £57,872 million at 30 June 2020, predominantly due to negative market performance partially offset by growth in net client cash flows in Quilter Investment Platform and Quilter International. The corresponding reduction is reflected in Investment contract liabilities (a decrease from £52,455 million at 31 December 2019 to £52,267 million at 30 June 2020), and Third-party interests in consolidated funds (a decrease from £7,675 million at 31 December 2019 to £6,582 million at 30 June 2020).

Cash and cash equivalents of £2,467 million have decreased by £6 million from £2,473 million at 31 December 2019. Included within this balance are cash investments due to policyholders, and cash to support the capital and funding requirements of the business.

Goodwill and intangible assets have decreased by £14 million to £578 million at 30 June 2020. The decrease is largely due to the amortisation of intangible assets of £23 million, partially offset by a £7 million increase in the Lighthouse goodwill balance, which is £40 million at 30 June 2020 (31 December 2019: £33 million).

Trade, other receivables and other assets have increased by £142 million to £566 million, mainly due to an increase in unsettled trades across the business, an increase in the debtor balance for pension tax relief at source due to higher contributions being made at the tax year end which remain outstanding at 30 June 2020, and an increase in other debtors relating to the Group's new London office, which will be capitalised upon completion in September 2020.

Other assets of £468 million, principally reflects Property, plant and equipment, and loans and advances. Loans and advances include increases of £23 million in policyholder loans and £3 million in Practice Buy Out ("PBO") loans, offset by a reduction of £6 million due to the repayment of the TA Associates loan receivable and £2 million of reductions in adviser loans.

Trade, other payables and other liabilities have increased by £7 million to £843 million as at 30 June 2020, primarily due to an increase in outstanding trade payables and other liabilities associated with the consolidation of funds, offset by a reduction in contingent consideration and variable compensation accruals settled in March 2020.

Other liabilities have increased from £175 million to £241 million primarily due to an increase provisions and an increase in derivative liabilities associated with the consolidation of funds.

Principal risks and uncertainties

The first six months of 2020 has seen unprecedented global impacts of the COVID-19 pandemic; in particular, driven by the necessary social distancing measures that have been implemented worldwide. Quilter, and its key third-party partners, have responded well to the operational challenges of adapting to mass homeworking, with a crisis command structure assessing COVID-related risks and implementing appropriate management responses. Feedback continues to indicate Quilter's response, and the continuity of service to customers, has compared favourably with peers. Quilter remains focussed on completing principal projects including the Platform Transformation Programme and Optimisation plans.

Quilter's principal revenue streams are asset value based. A significant market fall was experienced in late Q1 2020, with the FTSE-100 falling by c.35% at 23 March 2020 compared with the 2019 year-end position. While markets have since recovered (down 18% at 30 June 2020 compared to 31 December 2019) continued uncertainty with respect to the possible emergence of second waves of infection, and the success and timing of vaccine programmes continues to expose Quilter to risks associated with equity market levels and adverse investor sentiment. Management is taking a number of actions to reduce the short term spend profile and help mitigate the financial impact. While the length and severity of the impact remains unclear, the Group would not expect these to adversely affect the underlying medium to long-term prospects of the business. Beyond COVID-19, continuing uncertainty of the final terms of the Brexit negotiations, and broader global geopolitical concerns, create a heightened macro-economic environment which further weighs on investor sentiment.

Despite these current economic headwinds, the group remains financially resilient, and paid the 2019 final dividend in May 2020 and has commenced the planned share buyback programme.

In June 2020, Quilter announced that the Financial Conduct Authority has commenced an enforcement investigation into the conduct of its subsidiary Lighthouse Advisory Services Limited (Lighthouse) in relation to advising on and arranging defined benefit pension transfers in the period from 1 April 2015 to 30 April 2019. The FCA has also required Quilter to appoint a skilled person under section 166 of the Financial Services and Markets Act 2000 to conduct a review of certain DB pension transfers advised on or arranged by Lighthouse in the period 1 April 2015 to 27 January 2020. The period of the FCA's investigation covers the period before Lighthouse was acquired by Quilter and the period of the skilled person review covers the period before the Lighthouse acquisition up until 27 January 2020 - the date on which Lighthouse's internal processes in relation to DB pension transfers were fully replaced by those of Quilter Group. The Company and its subsidiaries (including Lighthouse) are fully co-operating with the FCA in relation to the investigation and skilled person review.

The principal risks and uncertainties faced by the group are:

- **Strategic risks:** The risk that Quilter's strategy to be the leading UK advice-led wealth manager does not yield the anticipated benefits for the business, as a result of a misalignment of the strategy with customer needs or the prevailing market environment, or a failure to establish appropriate activities to support delivery of the strategy.
- **Business risks:** The risk Quilter's strategy is undermined by a failure to successfully deliver key priorities, for example delivery of suitable advice, strong investment performance, and strong financial performance.
- **Market risks:** The risk of an adverse change in the level or volatility of market prices of assets, since Quilter's key revenue streams are asset value related.
- **Operational risks:** The risk of losses arising from inadequate or failed internal processes, or from personnel and systems, or from external events. Given Quilter's technology-enabled client service model, particular exposures arise in relation to information technology, information security and third-party risks.
- **Legal and regulatory risks:** That risk that Quilter fails to achieve compliance with the regulations and laws to which it is subject in the jurisdictions in which it operates, exposing Quilter to penalties or restrictions on its permissions to provide financial services.

Shareholder information

The Quilter Board has declared an interim dividend of 1.0 pence per share. The interim dividend will be paid on Monday 21 September 2020 to shareholders on the UK and South African share registers on Friday 4 September 2020.

Dividend Timetable

ZAR rate set for dividend payable to shareholders on the South Africa branch register	Friday 7 August 2020
Dividend announcement in pounds sterling with South Africa ZAR equivalent	Tuesday 11 August 2020
Last day to trade cum dividend in South Africa	Tuesday 1 September 2020
Shares trade ex-dividend in South Africa	Wednesday 2 September 2020
Shares trade ex-dividend in the UK	Thursday 3 September 2020
Record Date in UK and South Africa	Friday 4 September 2020
Interim dividend payment date	Monday 21 September 2020

From the opening of trading on Tuesday 11 August 2020 until the close of business on Friday 4 September 2020, 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 2 September and Friday 4 September 2020, both dates inclusive.

Additional information

For Shareholders on our South African share register a dividend of 22.97432 cents per share will be paid on Monday 21 September 2020 to shareholders, based on an exchange rate of 22.97432, being the exchange rate set on Friday 7 August 2020. Dividend Tax will be withheld at the rate of 20% from the amount of the gross dividend of 22.97432 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 18.37946 South African cents per share. The Company had a total of 1,840,554,972 shares in issue at today's date.

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

Odd-lot Offer

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

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

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

Share Buyback

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

Quilter commenced a share buyback programme (the 'Programme') on the London and Johannesburg exchanges on 11 March 2020. The initial tranche of £50 million completed on 4 June 2020 with over 43 million shares repurchased. The second tranche of the Programme of up to £75 million commenced on 25 June 2020. As at 7 August 2020 a total of c.£76 million shares have been purchased and cancelled under the share buyback programme.

The Programme is subject to staged regulatory approval and the Board will continue to keep the Programme under review to make sure it remains prudent and the most efficient and effective means of returning capital to shareholders.

Supplementary information

Alternative Performance Measures ("APMs")

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

For the six months ended 30 June 2020

1. Key financial data

	2020			Change (H1 2020 vs H1 2019)	2019				
Gross sales* (£bn)	**Q1**	**Q2**	**H1**	**%**	Q1	Q2	Q3	Q4	FY
Quilter Investors	1.5	1.6	**3.1**	55%	1.0	1.0	0.9	2.0	4.9
Quilter Cheviot	0.7	0.5	**1.2**	-	0.7	0.5	0.7	0.7	2.6
Advice & Wealth Management	**2.2**	**2.1**	**4.3**	**34%**	1.7	1.5	1.6	2.7	7.5
Quilter Investment Platform	1.7	1.3	**3.0**	-	1.6	1.4	1.4	1.6	6.0
Quilter International	0.4	0.4	**0.8**	-	0.4	0.4	0.4	0.8	2.0
Wealth Platforms	**2.1**	**1.7**	**3.8**	**-**	2.0	1.8	1.8	2.4	8.0
Elimination of intra-Group items	**(1.0)**	**(1.3)**	**(2.3)**	**-**	(0.6)	(0.4)	(0.6)	(1.6)	(3.2)
Quilter plc	**3.3**	**2.5**	**5.8**	**3%**	3.1	2.9	2.8	3.5	12.3
Quilter Life Assurance	-	-	-	-	0.1	0.1	0.2	-	0.4

	2020			% of opening AuMA	2019				
NCCF* (£bn)	**Q1**	**Q2**	**H1**		Q1	Q2	Q3	Q4	FY
Quilter Investors	0.2	0.1	0.3	3%	0.2	0.2	-	0.1	0.5
Quilter Cheviot	0.1	0.1	0.2	2%	0.1	(0.5)	(0.4)	-	(0.8)
Advice & Wealth Management	0.3	0.2	0.5	2%	0.3	(0.3)	(0.4)	0.1	(0.3)
Quilter Investment Platform	0.5	0.5	1.0	3%	0.4	0.1	0.1	0.3	0.9
Quilter International	0.1	0.1	0.2	2%	0.1	-	0.1	0.3	0.5
Wealth Platforms	0.6	0.6	1.2	3%	0.5	0.1	0.2	0.6	1.4
Elimination of intra-Group items	(0.4)	(0.2)	(0.6)		(0.3)	-	(0.3)	(0.2)	(0.8)
Quilter plc	0.5	0.6	1.1	2%	0.5	(0.2)	(0.5)	0.5	0.3
Quilter Life Assurance	-	-	-	-	(0.8)	(0.4)	(1.1)	(1.2)	(3.5)
Integrated net flows*	0.8	0.6	1.4	-	0.6	0.8	0.4	0.8	2.6

AuMA* (£bn)	2020 Q1	2020 H1	Change (H1 2020 vs H1 2019) %	2019 Q1	2019 H1	2019 Q3	2019 FY
Quilter Investors	18.1	**20.8**	-	19.8	20.7	21.0	21.6
Quilter Cheviot	20.7	**23.3**	(3%)	23.6	24.0	23.8	24.2
Advice & Wealth Management	38.8	**44.1**	**(1%)**	43.4	44.7	44.8	45.8
Quilter Investment Platform	49.5	**56.2**	3%	52.6	54.8	55.7	57.2
Quilter International	18.4	**20.4**	2%	19.2	20.0	20.2	20.5
Wealth Platforms	67.9	**76.6**	**2%**	71.8	74.8	75.9	77.7
Elimination of intra-Group assets	(11.4)	**(13.3)**	**9%**	(11.6)	(12.2)	(12.5)	(13.1)
Quilter plc	95.3	**107.4**	**-**	103.6	107.3	108.2	110.4
Quilter Life Assurance	-	**-**	**-**	11.2	11.1	10.3	-

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

	AuMA as at 31 December 2019*	**Gross sales***	**Gross outflows***	**NCCF***	**Market and other movements**	**AuMA as at 30 June 2020***
Quilter Investors	21.6	3.1	(2.8)	0.3	(1.1)	20.8
Quilter Cheviot	24.2	1.2	(1.0)	0.2	(1.1)	23.3
Advice & Wealth Management	**45.8**	**4.3**	**(3.8)**	**0.5**	**(2.2)**	**44.1**
Quilter Investment Platform	57.2	3.0	(2.0)	1.0	(2.0)	56.2
Quilter International	20.5	0.8	(0.6)	0.2	(0.3)	20.4
Wealth Platforms	**77.7**	**3.8**	**(2.6)**	**1.2**	**(2.3)**	**76.6**
Elimination of intra-group assets	**(13.1)**	**(2.3)**	**1.7**	**(0.6)**	**0.4**	**(13.3)**
Quilter plc	**110.4**	**5.8**	**(4.7)**	**1.1**	**(4.1)**	**107.4**

	AuMA as at 31 December 2018*	Gross Sales*	Gross Outflows*	NCCF*	Market and other movements	AuMA as at 30 June 2019*
Quilter Investors	18.5	2.0	(1.6)	0.4	1.8	20.7
Quilter Cheviot	22.2	1.2	(1.6)	(0.4)	2.2	24.0
Advice & Wealth Management	40.7	3.2	(3.2)	-	4.0	44.7
Quilter Investment Platform	49.4	3.0	(2.5)	0.5	4.9	54.8
Quilter International	18.3	0.8	(0.7)	0.1	1.6	20.0
Wealth Platforms	67.7	3.8	(3.2)	0.6	6.5	74.8
Elimination of intra-group assets	(10.7)	(1.0)	0.7	(0.3)	(1.2)	(12.2)
Quilter plc	97.7	6.0	(5.7)	0.3	9.3	107.3

Estimated asset allocation (%) **Fund profile by Investment type**	**H1 2020 Total client AuMA**	FY 2019 Total client AuMA
Quilter		
Fixed interest	27%	26%
Equities	61%	64%
Cash	5%	4%
Property and alternatives	7%	6%
Total	**100%**	100%

Total net fee revenue* H1 2020 (£m)	Quilter Investors	Quilter Cheviot	Quilter Financial Planning	**Advice & Wealth Management**	Quilter Investment Platform	Quilter International	**Wealth Platforms**	**Head Office**	**Group**
Net management fee*	54	84	-	**138**	82	53	**135**	-	**273**
Other revenue*	1	2	56	**59**	(2)	3	**1**	2	**62**
Total net fee revenue*	**55**	**86**	**56**	**197**	**80**	**56**	**136**	**2**	**335**

Total net fee revenue* H1 2019 (£m)	Quilter Investors	Quilter Cheviot	Quilter Financial Planning	Advice & Wealth Management	Quilter Investment Platform	Quilter International	Wealth Platforms	Head Office	Group
Net management fee*	58	85	1	144	84	56	140	-	284
Other revenue*	2	4	45	51	2	9	11	2	64
Total net fee revenue*	60	89	46	195	86	65	151	2	348

2. Advice and Wealth Management

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

Key financial highlights	**H1 2020**	H1 2019	**% change**
Quilter Financial Planning			
Net management fee (£m)*	-	1	-
Other revenue (£m)*	56	45	24%
Total net fee revenue (£m)*	**56**	46	22%
RFPs + PCA (#)	1,808	1,803	-
Productivity (£m)*	1.5	1.6	(6%)
Quilter Investors			
Net management fee (£m)*	54	58	(7%)
Other revenue (£m)*	1	2	(50%)
Total net fee revenue (£m)*	**55**	60	(8%)
NCCF (£bn)*	0.3	0.4	(25%)
Closing AuM (£bn)*	20.8	20.7	-
Average AuM (£bn)*	20.4	19.7	4%
Revenue margin (bps)*	53	59	(6) bps
Asset retention (%)*	74%	83%	(9) pp
Quilter Cheviot			
Net management fee (£m)*	84	85	(1%)
Other revenue (£m)*	2	4	(50%)
Total net fee revenue (£m)*	**86**	89	(3%)
NCCF (£bn)*	0.2	(0.4)	-
Closing AuM (£bn)*	23.3	24.0	(3%)
Average AuM (£bn)*	22.9	23.4	(2%)
Revenue margin (bps)*	73	73	-
Asset retention (%)*	92%	86%	6 pp
Investment managers (#)	169	163	4%

3. Wealth Platforms

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

Key financial highlights	**H1 2020**	H1 2019	**% change**
Quilter Investment Platform			
Net management fee (£m)*	82	84	(2%)
Other revenue (£m)*	(2)	2	-
Total net fee revenue (£m)*	**80**	86	(7%)
NCCF (£bn)*	1.0	0.5	100%
Closing AuA (£bn)*	56.2	54.8	3%
Average AuA (£bn)*	54.7	52.4	4%
Revenue margin (bps)*	29	31	(2) bp
Asset retention (%)*	93%	90%	3 pp
Quilter International			
Net management fee (£m)*	53	56	(5%)
Other revenue (£m)*	3	9	(67%)
Total net fee revenue (£m)*	**56**	65	(14%)
NCCF (£bn)*	0.2	0.1	100%
Closing AuA (£bn)*	20.4	20.0	2%
Average AuA (£bn)*	19.9	19.1	4%
Revenue margin (bps)*	53	59	(6) bp
Asset retention (%)*	94%	92%	2 pp

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

For the six month period ended 30 June 2020

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

- The condensed set of consolidated financial statements, which comprises the consolidated income statement and statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of financial position, consolidated statement of cash flows and the related explanatory notes, has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union and gives a true and fair view of the assets, liabilities, financial position and profits of the Group for the period ended 30 June 2020. These interim financials have been prepared and published in compliance with the acceptable accounting frameworks of the London Stock Exchange ("LSE"), where the company has its primary listing.

- The interim management report includes a fair review of the information required by:

  a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of consolidated financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the Group's 2019 Annual Report, that could have a material effect on the financial position or performance of the enterprise in the first six months of the current financial year.

As per provision C1 of the UK Corporate Governance Code, the results for the six months ended 30 June 2020 taken as a whole, present a fair, balanced and understandable position of the Company's prospects.

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

Paul Feeney
Chief Executive Officer
10 August 2020

Mark Satchel
Chief Financial Officer
10 August 2020

Independent review report to Quilter plc

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Quilter plc's condensed consolidated interim financial statements (the "interim financial statements") in the interim results of Quilter plc for the 6 month period ended 30 June 2020. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the consolidated statement of financial position as at 30 June 2020;
- the consolidated income statement and consolidated statement of comprehensive income for the period then ended;
- the consolidated statement of cash flows for the period then ended;
- the consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

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

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The interim results, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

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

What a review of interim financial statements involves

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

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

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

PricewaterhouseCoopers LLP
Chartered Accountants
London
10 August 2020

Consolidated income statement

For the six month period ended 30 June 2020

	Notes	**Six months 2020**	Six months 2019	Full year 2019
				£m
Income				
Fee income and other income from service activities	6(d)	**428**	450	936
Investment return		**(1,547)**	5,043	6,866
Other income		**11**	21	22
Total income		**(1,108)**	5,514	7,824
Expenses				
Insurance contract claims and changes in liabilities		**-**	-	(1)
Change in investment contract liabilities	16	**1,254**	(4,348)	(5,810)
Fee and commission expenses, and other acquisition costs		**(203)**	(190)	(294)
Change in third party interest in consolidated funds		**428**	(586)	(917)
Other operating and administrative expenses		**(355)**	(344)	(740)
Finance costs		**(8)**	(8)	(17)
Total expenses		**1,116**	(5,476)	(7,779)
Profit before tax from continuing operations		**8**	38	45
Tax credit/(expense) attributable to policyholder returns	7(a)	**38**	(78)	(98)
Profit/(loss) before tax attributable to equity holders from continuing operations		**46**	(40)	(53)
Income tax credit/(expense)	7(a)	**36**	(70)	(66)
Less: tax (credit)/expense attributable to policyholder returns		**(38)**	78	98
Tax (expense)/credit attributable to equity holders		**(2)**	8	32
Profit/(loss) after tax from continuing operations		**44**	(32)	(21)
(Loss)/profit after tax from discontinued operations	4(b)	**(1)**	15	167
Profit/(loss) after tax		**43**	(17)	146
Attributable to:				
Equity holders of Quilter plc		**43**	(17)	146
Earnings per ordinary share on profit attributable to ordinary shareholders of Quilter plc				
Basic				
From continuing operations (pence)	8(b)	**2.5**	(1.7)	(1.1)
From discontinued operations (pence)	4(b)	**(0.1)**	0.8	9.1
Basic earnings per ordinary share (pence)	8(b)	**2.4**	(0.9)	8.0
Diluted				
From continuing operations (pence)	8(b)	**2.4**	(1.7)	(1.1)
From discontinued operations (pence)	4(b)	**(0.1)**	0.8	8.9
Diluted earnings per ordinary share (pence)	8(b)	**2.3**	(0.9)	7.8

The attached notes form an integral part of these condensed consolidated interim financial statements.

Consolidated statement of comprehensive income

For the six month period ended 30 June 2020

	Note	**Six months 2020**	Six months 2019	Full year 2019
				£m
Profit/(loss) after tax		**43**	(17)	146
Exchange gains/(losses) on translation of foreign operations		**1**	-	(1)
Items that may be reclassified subsequently to income statement		**1**	-	(1)
Measurement movements on defined benefit plans		**-**	-	(7)
Tax on amounts related to defined benefit pension plans		**-**	-	1
Items that will not be reclassified subsequently to income statement		**-**	-	(6)
Total other comprehensive income/(expense), net of tax		**1**	-	(7)
Total comprehensive income/(expense)		**44**	(17)	139
Attributable to:				
Continuing operations		**45**	(32)	(28)
Discontinued operations	4(c)	**(1)**	15	167
Equity holders of Quilter plc		**44**	(17)	139

The attached notes form an integral part of these condensed consolidated interim financial statements.

Consolidated statement of changes in equity

For the six month period ended 30 June 2020

£m

	Notes	Share capital	Share premium	Capital redemption reserve	Merger reserve	Share-based payments reserve	Other reserves	Retained earnings	Total share-holders' equity
Balance at 1 January 2019		133	58	-	588	34	1	1,191	2,005
Adjustment on initial application of IFRS 16 (net of tax)		-	-	-	-	-	-	(5)	(5)
Balance at 1 January 2019 - restated		133	58	-	588	34	1	1,186	2,000
Loss for the period		-	-	-	-	-	-	(17)	(17)
Total comprehensive expense		-	-	-	-	-	-	(17)	(17)
Dividends	9	-	-	-	-	-	-	(61)	(61)
Movement in own shares		-	-	-	-	-	-	(1)	(1)
Equity share-based payment transactions		-	-	-	-	5	-	8	13
Total transactions with the owners of the Company		-	-	-	-	5	-	(54)	(49)
Balance at 30 June 2019		133	58	-	588	39	1	1,115	1,934
Profit for the period		-	-	-	-	-	-	163	163
Other comprehensive expense		-	-	-	-	-	-	(7)	(7)
Total comprehensive income		-	-	-	-	-	-	156	156
Dividends	9	-	-	-	-	-	-	(31)	(31)
Release of merger reserve		-	-	-	(439)	-	-	439	-
Movement in own shares		-	-	-	-	-	-	(1)	(1)
Equity share-based payment transactions		-	-	-	-	6	-	7	13
Total transactions with the owners of the Company		-	-	-	(439)	6	-	414	(19)
Balance at 31 December 2019		**133**	**58**	**-**	**149**	**45**	**1**	**1,685**	**2,071**
Profit for the period		**-**	**-**	**-**	**-**	**-**	**-**	**43**	**43**
Other comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**1**	**1**
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**44**	**44**
Dividends	9	**-**	**-**	**-**	**-**	**-**	**-**	**(64)**	**(64)**
Shares repurchased in the buyback programme[1]	15	**(3)**	**-**	**3**	**-**	**-**	**-**	**(56)**	**(56)**
Movement in own shares		**-**	**-**	**-**	**-**	**-**	**-**	**(43)**	**(43)**
Equity share-based payment transactions		**-**	**-**	**-**	**-**	**(3)**	**-**	**16**	**13**
Total transactions with the owners of the Company		**(3)**	**-**	**3**	**-**	**(3)**	**-**	**(147)**	**(150)**
Balance at 30 June 2020		**130**	**58**	**3**	**149**	**42**	**1**	**1,582**	**1,965**

[1]On 11 March 2020 the Company announced a share buyback programme to purchase shares up to a maximum value of £375 million, in order to reduce the share capital of the Company. The programme commenced on 11 March 2020 and will continue into 2021. As part of Tranche 1 of the programme, which completed in June 2020, the Company has acquired 43,217,594 shares for a total consideration of £50 million, and incurred additional costs of £2 million. Tranche 2 of the programme commenced in June 2020. As part of the second tranche a further 2,769,270 shares have been purchased for £4 million up to 30 June 2020. The shares from both tranches, which have a nominal value of £3 million, have subsequently been cancelled, giving rise to a capital redemption reserve of the same value as required by the Companies Act 2006.

The attached notes form an integral part of these condensed consolidated interim financial statements.

Consolidated statement of financial position

At 30 June 2020

	Notes	30 June 2020	30 June 2019	31 December 2019
				£m
Assets				
Goodwill and intangible assets	10	**578**	587	592
Property, plant and equipment		**135**	89	143
Investments in associated undertakings		**1**	2	1
Contract costs		**435**	477	455
Loans and advances		**235**	220	217
Financial investments	11	**57,872**	56,423	59,345
Deferred tax assets		**45**	32	43
Current tax receivable		**40**	16	13
Trade, other receivables and other assets[1]		**566**	1,398	424
Derivative assets		**12**	24	32
Cash and cash equivalents	14	**2,467**	1,944	2,473
Assets of operations classified as held for sale		**-**	12,317	-
Total assets		**62,386**	73,529	63,738
Equity and liabilities				
Equity				
Ordinary Share capital		**130**	133	133
Ordinary Share premium reserve		**58**	58	58
Capital redemption reserve		**3**	-	-
Merger reserve		**149**	588	149
Share-based payments reserve		**42**	39	45
Other reserves		**1**	1	1
Retained earnings		**1,582**	1,115	1,685
Total equity		**1,965**	1,934	2,071
Liabilities				
Investment contract liabilities	16	**52,267**	50,286	52,455
Third-party interests in consolidated funds		**6,582**	6,972	7,675
Provisions	17	**88**	45	64
Deferred tax liabilities		**50**	91	88
Current tax payable		**4**	4	6
Borrowings and lease liabilities		**330**	280	335
Trade, other payables and other liabilities		**843**	1,720	836
Contract liabilities and deferred revenue		**185**	192	191
Derivative liabilities		**72**	24	17
Liabilities of operations classified as held for sale		**-**	11,981	-
Total liabilities		**60,421**	71,595	61,667
Total equity and liabilities		**62,386**	73,529	63,738

[1]The Group's contract assets are included within Trade, other receivables and other assets, having previously been shown separately in the statement of financial position.

Approved by the Board on 10 August 2020.

Paul Feeney
Chief Executive Officer

Mark Satchel
Chief Financial Officer

The attached notes form an integral part of these condensed consolidated interim financial statements.

Consolidated statement of cash flows

For the six month period ended 30 June 2020

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

	Notes	**Six months 2020** £m	Six months 2019[1] £m	Full Year 2019 £m
Cash flows from operating activities				
Profit before tax from continuing operations		**8**	38	45
(Loss)/profit before tax from discontinued operations	4(b)	**(1)**	76	256
Non-cash movements in profit before tax		**1,005**	(647)	(2,268)
Net changes in working capital		**(34)**	(92)	(39)
Taxation paid		**(32)**	(10)	(37)
Total net cash from/(used in) operating activities		**946**	(635)	(2,043)
Cash flows from investing activities				
Net (acquisitions)/disposals of financial investments		**(739)**	707	2,260
Acquisition of property, plant and equipment		**(17)**	(4)	(8)
Acquisition of intangible assets		**(3)**	(4)	(5)
Acquisition of interests in subsidiaries[1]		**(16)**	(61)	(87)
Net (payments)/proceeds from the disposal of interests in subsidiaries		**(2)**	-	78
Total net cash (used in)/from investing activities		**(777)**	638	2,238
Cash flows from financing activities				
Dividends paid to ordinary equity holders of the Company		**(64)**	(61)	(92)
Finance costs on external borrowings		**(5)**	(5)	(10)
Payment of interest on lease liabilities		**(1)**	(1)	(3)
Payment of principal lease liabilities		**(7)**	(7)	(13)
Repurchase of shares		**(41)**	-	-
Repurchase and cancellation of shares		**(54)**	-	-
Total net cash used in financing activities		**(172)**	(74)	(118)
Net (decrease)/increase in cash and cash equivalents		**(3)**	(71)	77
Cash and cash equivalents at the beginning of the year		**2,473**	2,395	2,395
Effects of exchange rate changes on cash and cash equivalents		**(3)**	1	1
Cash and cash equivalents at end of the year	14	**2,467**	2,325	2,473

[1]The acquisition of interests in subsidiaries balance includes £16 million of contingent consideration payments relating to historical acquisitions (30 June 2019: £5 million; 31 December 2019: £21 million).

The attached notes form an integral part of these condensed consolidated interim financial statements.

Basis of preparation and significant accounting policies

General information

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

The address of the registered office is Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ.

1: Basis of preparation

The results for the six months ended 30 June 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board, as adopted by the European Union ('EU'), and are unaudited but have been reviewed by the Auditor, PricewaterhouseCoopers LLP. These condensed consolidated interim financial statements ("interim financial statements") of Quilter plc for the six months ended 30 June 2020 do not constitute statutory accounts as defined by section 434 of the Companies Act 2006. Comparative financial information for full year 2019 have been taken from the Group's 2019 Annual Report, which has been filed with the Registrar of Companies and was prepared in accordance with International Financial Reporting Standards ("IFRS"), as endorsed by the EU. KPMG (the Group's Statutory Auditor at the time) provided an unqualified report that did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

These interim financial statements do not include all of the information required for a complete set of IFRS compliant financial statements. Selected notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the publication of the Group's 2019 Annual Report. The Board believes that the Alternative Performance Measures ("APMs") provided, such as adjusted profit, are also useful for both management and investors. Any seasonal or cyclical factors, to the extent that they materially impact the Group's results, are described in the Financial Review.

There have been no changes in the Group's significant accounting policies during the period. All accounting policies for recognition, measurement, consolidation and presentation are as outlined in the Group's 2019 Annual Report. These interim financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial instruments, and are presented in pounds sterling, which is the currency of the primary economic environment in which the Group operates.

Going concern

The Directors have considered the resilience of the Group, taking into account its current financial position, the principal risks facing the business and the effectiveness of any mitigating strategies. An assessment of the impact of COVID-19 on the going concern for the Group has been completed, concluding that the Group can withstand a severe but plausible downside scenario for at least the next 12 months. This assessment was based on the most recent management approved three-year profit forecasts, and incorporated scenarios that reflected the impact of significant decreases in equity market levels and net client cash flows. As a result, the Directors believe that the Group is well placed to manage its business risks in the context of the current economic outlook and has sufficient financial resources to continue in business for a period of at least 12 months from the date of approval of these interim financial statements. Therefore, the Group continues to adopt the going concern basis in preparing the interim financial statements.

Critical accounting estimates and judgements

In preparing these interim financial statements, management has made judgements and estimates in applying the Group's significant accounting policies affecting the reported amounts of assets and liabilities and income and expense reported at the date of the financial statements. The Group Audit Committee reviews these areas of judgement and estimates and the appropriateness of significant accounting policies adopted in the preparation of these interim financial statements.

In addition to the critical accounting judgements disclosed in note 1 of the Group's 2019 Annual Report (which have remained critical for the six months ended June 2020) and in light of the COVID-19 pandemic, management have further considered the following areas of judgement:

Area	Critical accounting judgements	Related notes
Recognition of provisions and contingent liabilities in respect of Lighthouse defined benefit pension advice	The FCA has notified the Group of a skilled person report requirement for Lighthouse pension transfer advice. Complaints were received in early 2020 in relation to British Steel defined benefit ("DB") pension transfer advice provided by Lighthouse before its acquisition by the Group in June 2019. Management has applied judgement in order to determine whether a provision can be reasonably estimated in relation to the cases and whether redress is probable, and therefore whether a provision can be recognised for Lighthouse DB pension transfers. A contingent liability is disclosed where amounts cannot be measured reliably.	4(a), 17
Recognition of insurance recovery asset in respect of Lighthouse defined benefit pension advice	For Lighthouse DB pension transfer advice provided, management has applied judgement in order to determine whether an asset can be reasonably estimated, and the measurement of such asset, in relation to an insurance recovery under Lighthouse's professional indemnity policies ("PI Policies"). Under the PI Policies, Lighthouse is entitled to be indemnified for a "Claim" (and defence costs) in respect of legal liabilities arising in connection with Lighthouse's DB pension transfer advice activities, however, at the current time the insurers have not confirmed coverage for legal liabilities.	4(a)
Trigger of potential impairment of goodwill	Management has applied judgement in determining that the COVID-19 pandemic's impact on global markets and, in particular, the impact on the Group's future Assets under Management and Administration ("AuMA") and revenues, represents a potential trigger for impairment of goodwill. As a result, the Group's goodwill and intangible assets have been tested for impairment at 30 June 2020.	10

Similarly, the Group's critical accounting estimates have remained consistent with those disclosed in note 1 of the Group's 2019 Annual Report and, in addition and as a result of COVID-19, the following critical accounting judgements have been applied in the first half of 2020:

Area	Critical accounting estimates	Related notes
Provision for cost of Lighthouse defined benefit pension advice	An estimation of the provision required for the British Steel DB pension transfer redress was determined based upon a sample of cases which was considered representative of the broader population to form a reasonable estimate. The estimation per case is based upon FCA guidelines and modelling performed, and factors including pension transfer value, discount rate, and retail price indexation. The sample was then extrapolated to the entire population of British Steel DB cases that were advised on by Lighthouse advisers. The proportion of cases to be upheld and therefore which requires redress payments to be made was estimated based upon a review	17

	performed on a sample of Lighthouse DB pension transfers by an independent and suitably qualified regulatory consulting company.	
Valuation of goodwill and intangible assets	The valuation of goodwill and intangible assets that are recognised as the result of business combinations involves the use of valuation models. As a result of the impact of COVID-19 on global markets and, in particular, on the Group's future levels of AuMA on which the majority of the Group's revenues are based, management have assessed the goodwill and intangible assets for impairment using the latest forecast cash flows. Significant estimates include equity stock market levels and the impact on 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.	10
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 worldwide stock market movements, related movements in foreign exchange rates and net client cash flow, together with estimates of expenses and other charges. The business plan, adjusted for known and estimated tax sensitivities, is used to determine the extent to which deferred tax assets are recognised. In general the Group assesses recoverability based on estimated taxable profits over a 3 year planning horizon. Where credible longer term profit forecasts are available (e.g. for the life insurance companies) the specific entity may assess recoverability over a longer period, subject to a higher level of sensitivity testing. As a result of the impact of COVID-19 on global markets and, in particular, on the Group's expected future levels of AuMA, management have reassessed the sensitivity on the recoverability of deferred tax assets based on the latest forecast cash flows.	3

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

There have been no new standards or interpretations which became effective 1 January 2020.

Amendments to standards:

The following amendments to the accounting standards, issued by the International Accounting Standards Board ("IASB") and endorsed by the EU, have been adopted by the Group from 1 January 2020 with no material impact on the Group's consolidated results, financial position or disclosures:

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

3: Significant changes in the current reporting period

On 11 March 2020, COVID-19 was recognised by the World Health Organisation as a global pandemic. COVID-19 has caused widespread uncertainty and has impacted global supply chains, global market growth and potentially employee availability in the future. The Group has been adversely impacted by falls in equity market levels, adverse investor sentiment affecting revenue and increased operational risks.

The Group has implemented revised operating plans in response to the challenges arising from COVID-19, including 98% of the Group's staff now working remotely and the accelerated delivery of IT and remote telephony solutions allowing Quilter to maintain high client service levels and to support customers and advisers.

The Group has reviewed its financial budgets and operating plans in response to the challenges arising from COVID-19 and the unpredictable operating outlook. The Group is operationally resilient and remains focused on completing its principal projects. A significant level of the Group's revenues are derived from its assets under management and administration ("AuMA") and, given the uncertainty in both markets and customers, lower expected levels of AuMA will lead to lower revenues. The Group has therefore updated its expected cash flows accordingly. The Group is undertaking a number of management actions to reduce expenses and has acknowledged that future operating margin outcomes will likely be below previous target guidance provided by management. The Group has no plans to take advantage of any of the government backed support schemes.

The material impact that the COVID-19 pandemic has had on global equity markets and the effect this has on the Group's AuMA and revenue has resulted in management considering that an indication of potential impairment of the Group's goodwill has occurred. Consequently, at 30 June 2020, an impairment assessment has been performed utilising market levels and future assumptions considered relevant in a post-COVID-19 market context. While no impairment of the Group's goodwill is required, a reduction in the surplus compared to 31 December 2019 is evident. The most significant impact is seen within the Group's Advice and Wealth Management segment, where AuMA is more correlated to equity market movements and is the key driver for future cash flows. A sensitivity analysis has been performed on the impairment model, which concludes that further significant changes would be required to key assumptions before an impairment is required. Full details are included in note 10.

In addition to the goodwill impairment assessment, as a result of the COVID-19 impacts to the Group's expected future AuMA and cash flows described above, the Group has also reassessed the surplus in the recoverable amount of the Group's deferred tax assets over the taxable profits contained in the latest three-year forecast. There has been no impact on the current value of the deferred tax assets. Sensitivity analysis demonstrates that the Group's deferred tax assets remain recoverable after a decrease in profitability over that future three-year period of up to 10%.

There have been no major changes to the Group's capital and financial risk management as a result of COVID-19. Full capital and financial risk management disclosures are included within note 36 of the Group's 2019 Annual Report.

Detailed discussion of the Group's performance and financial position to 30 June 2020 are included in the Financial Review.

Notes to the condensed consolidated interim financial statements for the six month period ended 30 June 2020

4: Acquisitions and discontinued operations

4(a): Business acquisitions

There have been no acquisitions during the period ended 30 June 2020.

Charles Derby Group Limited acquisition on 14 February 2019

The purchase price of £31 million has been allocated based on the fair value of net assets acquired at the date of acquisition, determined in accordance with IFRS 3 *Business Combinations*. These allocations are now final and consistent with those disclosed in note 5(a) of the Group's 2019 Annual Report. The Group has recognised goodwill of £23 million in relation to this acquisition.

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

The estimated fair value of net assets acquired in Lighthouse of £13 million as disclosed in note 5(a) of the Group's 2019 Annual Report included a provision of £12 million in respect of pension transfer advice provided to certain Lighthouse clients between 2016 and 2018, prior to the Group's acquisition of Lighthouse in June 2019.

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

The estimated fair value of net assets acquired in Lighthouse is assessed as £6 million and the Group has recognised goodwill of £40 million in relation to this acquisition.

4(b): Discontinued operations – income statement

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

	Notes	Six months 2020 £m	Six months 2019 (restated[1]) £m	Full year 2019 £m
Income				
Gross earned premiums		-	76	145
Premiums ceded to reinsurers		-	(43)	(86)
Net earned premiums		-	33	59
Fee income and other income from service activities[1]		-	95	164
Investment return[1]		-	1,004	1,386
Total income		-	1,132	1,609
Expenses				
Claims and benefits paid		-	(46)	(98)
Reinsurance recoveries		-	33	72
Net insurance claims and benefits incurred		-	(13)	(26)
Change in reinsurance assets and liabilities		-	78	121
Change in insurance contract liabilities		-	(91)	(134)
Change in investment contract liabilities		-	(991)	(1,364)
Fee and commission expenses, and other acquisition costs		-	(23)	(45)
Other operating and administrative expenses		-	(16)	(8)
Total expenses		-	(1,056)	(1,456)
(Loss)/profit on sale of operations before tax[2]		**(1)**	-	103
(Loss)/profit before tax from discontinued operations		**(1)**	76	256
Tax expense attributable to policyholder returns	7(a)	-	(59)	(76)
(Loss)/profit before tax attributable to equity holders from discontinued operations		**(1)**	17	180
Income tax expense	7(a)	-	(61)	(89)
Less: tax expense attributable to policyholder returns		-	59	76
Tax expense attributable to equity holders		-	(2)	(13)
(Loss)/profit after tax from discontinued operations		**(1)**	15	167
Attributable to:				
Equity holders of Quilter plc		**(1)**	15	167

Earnings per ordinary share on profit attributable to ordinary shareholders of Quilter plc				
Basic - from discontinued operations (pence)	8(b)	**(0.1)**	0.8	9.1
Diluted - from discontinued operations (pence)	8(b)	**(0.1)**	0.8	8.9

[1]In the period ended 30 June 2019, the Group made a restatement to reallocate £50 million from "Investment return" to "Fee income and other income from service activities" in order to correctly classify the revenue recognised and conform with the Group's presentation policy.
[2]An additional £1 million of transaction and separation costs relating to the historical sale of the QLA and Single Strategy businesses have been recognised in the six months ended 30 June 2020.

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

	Six months 2020 £m	Six months 2019 £m	Full Year 2019 £m
(Loss)/profit after tax	**(1)**	15	167
Total comprehensive (expense)/income for the period from discontinued operations	**(1)**	15	167

4(d): Discontinued operations - Net cash flows

	Six months 2020 £m	Six months 2019 £m	Full year 2019 £m
Total net cash flows used in operating activities	-	(1,424)	(3,789)
Total net cash (used in)/from investing activities	**(9)**	1,381	3,765
Total net cash used in financing activities	-	(90)	(130)
Net decrease in cash and cash equivalents	**(9)**	(133)	(154)

5: Alternative performance measures ("APMs")

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

Basis of preparation of adjusted profit

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

										£m
		Six months 2020			Six months 2019			Full year 2019		
	Notes	**Continuing operations**	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations[1]	Total	Continuing operations	Discontinued operations[1]	Total
Advice and Wealth Management		**41**	**-**	**41**	50	-	50	103	-	103
Wealth Platforms		**47**	**-**	**47**	56	26	82	112	53	165
Head Office		**(17)**	**-**	**(17)**	(17)	-	(17)	(33)	-	(33)
Adjusted profit before tax		**71**	**-**	**71**	89	26	115	182	53	235
Reallocation of QLA costs		**-**	**-**	**-**	-	-	-	(26)	26	-
Adjusted profit before tax after reallocation	6(b)	**71**	**-**	**71**	89	26	115	156	79	235
Reconciliation to IFRS profit:										
Goodwill impairment and impact of acquisition accounting	5(b)(i)	**(23)**	**-**	**(23)**	(26)	-	(26)	(54)	-	(54)
Profit on business disposals	4(b)	**-**	**(1)**	**(1)**	-	-	-	-	103	103
Business transformation costs	5(b)(ii)	**(39)**	**-**	**(39)**	(35)	-	(35)	(77)	-	(77)
Managed Separation costs	5(b)(iii)	**-**	**-**	**-**	(2)	-	(2)	(6)	-	(6)
Finance costs	5(b)(iv)	**(5)**	**-**	**(5)**	(5)	-	(5)	(10)	-	(10)
Policyholder tax adjustments	5(b)(v)	**47**	**-**	**47**	(61)	(15)	(76)	(62)	(12)	(74)
Customer remediation	5(b)(vi)	**(5)**	**-**	**(5)**	-	6	6	-	10	10
Total adjusting items before tax		**(25)**	**(1)**	**(26)**	(129)	(9)	(138)	(209)	101	(108)
Profit/(loss) before tax attributable to equity holders		**46**	**(1)**	**45**	(40)	17	(23)	(53)	180	127
Tax attributable to policyholder returns	7(a)	**(38)**	**-**	**(38)**	78	59	137	98	76	174
Income tax credit/(expense)	7(a),(b)	**36**	**-**	**36**	(70)	(61)	(131)	(66)	(89)	(155)
Profit/(loss) after tax		**44**	**(1)**	**43**	(32)	15	(17)	(21)	167	146

[1]Discontinued operations includes the results of the Quilter Life Assurance ("QLA") business in 2019.

5(b): Adjusting items

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

5(b)(i): Goodwill impairment and impact of acquisition accounting

The recognition of goodwill and other acquired intangibles is created on the acquisition of a business and represents the premium paid over the fair value of the Group's share of the identifiable assets and liabilities acquired at the date of acquisition (as recognised under IFRS 3 *Business Combinations*). The Group excludes any impairment of goodwill from adjusted profit as well as the amortisation and impairment of acquired other intangible assets, any acquisition costs and finance costs related to the discounting of contingent consideration.

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

				£m
	Note	**Six months 2020**	Six months 2019	Full year 2019
Amortisation of other acquired intangible assets	10(a)	**23**	22	45
Acquisition related (income)/costs[1]		**(1)**	3	6
Unwinding of discount on contingent consideration		**1**	1	3
Total goodwill impairment and impact of acquisition accounting		**23**	26	54

[1]Acquisition related (income)/costs in the six months to 30 June 2020 include a £(1) million acceleration of discounting unwind following the settlement of a loan receivable from TA Associates that related to deferred consideration arising from the sale of the Single Strategy Asset Management business. Other acquisition costs include items such as transaction costs or deferred incentives arising on the acquisition of businesses.

5(b)(ii): Business transformation costs

Business transformation costs include four items: costs associated with the UK Platform Transformation Programme, build out costs incurred within Quilter Investors as a result of the sale of the Single Strategy business, Optimisation Programme costs, and restructuring costs incurred as a result of the sale of Quilter Life Assurance. All items are within the Group's continuing operations. For the period ended 30 June 2020, these costs totalled £39 million (30 June 2019: £35 million, 31 December 2019: £77 million) in aggregate, the principal components of which are described below:

UK Platform Transformation Programme – 30 June 2020: £20 million, 30 June 2019: £30 million, 31 December 2019: £57 million

Following the soft launch last year, the programme completed a successful initial migration in February, with c.80% of Quilter Investment Platform assets expected to be migrated by the end of 2020, with completion of the project expected to be in early 2021. The total costs associated with extending the programme in this way are expected to be around £200 million, representing an increase of £15 million on previous guidance.

Quilter Investors' build out costs – 30 June 2020: £(1) million, 30 June 2019: £nil, 31 December 2019: £(1) million

As part of the Group's strategy to separate from Old Mutual plc in 2018, the Group incurred build out costs to develop Quilter Investors as a separate business distinct from the Single Strategy business, which was subsequently sold on 29 June 2018. The build was substantially completed in 2019 and costs are now therefore minimal.

Optimisation Programme costs – 30 June 2020: £19 million, 30 June 2019: £5 million, 31 December 2019: £18 million

The Group is continuing its phased, multi-year Optimisation Programme, targeting a 4 percentage point uplift in the Group's operating margin by 2021. Phase 1 is aiming to unify and simplify the Group through a number of efficiency initiatives that will deliver improvements in operational performance, incurring £19 million of costs in the period ended 30 June 2020.

Restructuring costs following disposal of Quilter Life Assurance – 30 June 2020: £nil, 30 June 2019: £nil, 31 December 2019: £3 million

As a result of the disposal of QLA on 31 December 2019, the Group recognised £3 million as an adjusting item principally in respect of redundancy costs. The Group expects to incur further restructuring costs during the following 18 months, including the cost of decommissioning IT systems, as the Transitional Service Agreement with ReAssure (the acquirer) runs off and the remaining Quilter business is restructured following the disposal.

5(b)(iii): Managed Separation costs

One-off costs related to the Managed Separation from Old Mutual plc have been excluded from adjusted profit on the basis that they are not representative of the operating activity of the Group. During 2019 costs incurred primarily related to post-listing rebranding. These costs are not expected to persist in the long term as they relate to a fundamental restructuring of the Group. For the period ended 30 June 2020 these costs were £nil (30 June 2019: £2 million, 31 December 2019: £6 million).

5(b)(iv): Finance costs

The nature of much of the Group's operations means that, for management's decision-making and internal performance management, the effects of interest costs on external borrowings are removed when calculating adjusted profit. For the period ended 30 June 2020 finance costs were £5 million (30 June 2019: £5 million, 31 December 2019: £10 million).

5(b)(v): Policyholder tax adjustments

For the period ended 30 June 2020 the total of policyholder tax adjustments to adjusted profit is £47 million (30 June 2019: £(76) million, 31 December 2019: £(74) million) relating to both continuing and discontinued operations, as shown in note 7(c). Adjustments to policyholder tax are made to remove distortions arising from market volatility that can, in turn, lead to volatility in the policyholder tax charge between periods. The recognition of the income received from policyholders (which is included within the Group's income) to fund the policyholder tax liability can vary in timing to the recognition of the corresponding tax expense, creating volatility to the Group's IFRS profit/(loss) before tax attributable to equity holders. For a further explanation of the impact of markets on the policyholder tax charge see note 7(a). Adjustments are also made to remove policyholder tax distortions from other non-operating adjusting items.

5(b)(vi): Customer remediation

A provision of £24 million for potential redress payable and related costs was established within the fair value of the Lighthouse assets and liabilities acquired at June 2019 in relation to advice provided to British Steel pension members. The methodology employed to assess the probable redress payable uses assumptions and estimation techniques which are consistent with principles under the FCA's FG17/9 *"Guidance for firms on how to calculate redress for unsuitable defined benefit pension transfers"*. A further £5 million (30 June 2019: £nil) increase in the provision has been recognised in the income statement in the six months ended 30 June 2020, reflecting the impact of post-acquisition market and discount rate movements. There has been no impact on the income statement in the six months ended 30 June 2020 related to the associated insurance asset recoverable balance. This has been excluded from adjusted profit on the basis that the costs are not representative of the operating activity of the Group. Further details are provided in note 17.

Within QLA (disposed of on 31 December 2019), a voluntary customer remediation provision was established in 2017 following product reviews and consistent with recommendations from the Financial Conduct Authority's ("FCA") thematic review and the FCA's guidance FG16/8 *Fair treatment of long-standing customers in the life assurance sector.* During 2019, £10 million (£6 million at 30 June 2019) of the provision was released (as detailed in note 17).

5(c): Reconciliation of IFRS income and expenses to 'Total net fee revenue' and '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 fee, Total net fee revenue and Expenses as part of the Group's adjusted profit for continuing operations. Allocations are determined by management and aim to show the sources of profit (net of relevant directly attributable expenses). These allocations remain consistent from period to period to ensure comparability.

Six months 2020	Net mgmt fees[1]	Other revenue[1]	Total net fee revenue[1]	Expenses	Adjusted profit before tax	Consol. of funds[2]	IFRS income statement[3]
							£m
Income							
Fee income and other income from service activities	324	97	421	-	421	7	428
Investment return	-	(1,249)	(1,249)	-	(1,249)	(298)	(1,547)
Other income	-	-	-	9	9	2	11
Total income	**324**	**(1,152)**	**(828)**	**9**	**(819)**	**(289)**	**(1,108)**
Expenses							
Change in investment contract liabilities	-	1,254	1,254	-	1,254	-	1,254

Fee and commission expenses, and other acquisition costs	**(35)**	**(38)**	**(73)**	**-**	**(73)**	**(130)**	**(203)**
Change in third party interest in consolidated funds	**-**	**-**	**-**	**-**	**-**	**428**	**428**
Other operating and administrative expenses	**(7)**	**-**	**(7)**	**(339)**	**(346)**	**(9)**	**(355)**
Finance costs		**(2)**	**(2)**	**(6)**	**(8)**	**-**	**(8)**
Total expenses	**(42)**	**1,214**	**1,172**	**(345)**	**827**	**289**	**1,116**
Tax credit attributable to policyholder returns	**38**	**-**	**38**	**-**	**38**	**-**	**38**
Profit/(loss) before tax attributable to equity holders from continuing operations	**320**	**62**	**382**	**(336)**	**46**	**-**	**46**
Adjusting items:							
Goodwill impairment and impact of acquisition accounting	**-**	**-**	**-**	**23**	**23**		
Business transformation costs	**-**	**-**	**-**	**39**	**39**		
Finance costs	**-**	**-**	**-**	**5**	**5**		
Customer remediation	**-**	**-**	**-**	**5**	**5**		
Policyholder tax adjustments	**(47)**	**-**	**(47)**	**-**	**(47)**		
Adjusting items	**(47)**	**-**	**(47)**	**72**	**25**		
Total Group - continuing operations	**273**	**62**	**335**	**(264)**	**71**		

Six months 2019	Net mgmt fees[1]	Other revenue[1]	Total net fee revenue[1]	Expenses	Adjusted profit before tax	Consol. of funds[2]	IFRS income statement[3]
							£m
Income							
Fee income and other income from service activities[4]	353	89	442	-	442	8	450
Investment return[4]	18	4,362	4,380	-	4,380	663	5,043
Other income	-	2	2	-	2	19	21
Total income	371	4,453	4,824	-	4,824	690	5,514
Expenses							
Change in investment contract liabilities	-	(4,348)	(4,348)	-	(4,348)	-	(4,348)
Fee and commission expenses, and other acquisition costs	(61)	(39)	(100)	-	(100)	(90)	(190)
Change in third party interest in consolidated funds	-	-	-	-	-	(586)	(586)
Other operating and administrative expenses	(9)	-	(9)	(321)	(330)	(14)	(344)
Finance costs	-	(2)	(2)	(6)	(8)	-	(8)
Total expenses	(70)	(4,389)	(4,459)	(327)	(4,786)	(690)	(5,476)
Tax (expense)/credit attributable to policyholder returns	(78)	-	(78)	-	(78)	-	(78)
Profit/(loss) before tax attributable to equity holders from continuing operations	223	64	287	(327)	(40)	-	(40)
Adjusting items:							
Goodwill impairment and impact of acquisition accounting	-	-	-	26	26		
Business transformation costs	-	-	-	35	35		
Managed Separation costs	-	-	-	2	2		
Finance costs	-	-	-	5	5		
Policyholder tax adjustments	61	-	61	-	61		
Adjusting items	61	-	61	68	129		
Total Group - continuing operations	284	64	348	(259)	89		

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

Full year 2019	Net mgmt fees[1]	Other revenue[1]	Total net fee revenue[1]	Expenses	Adjusted profit before tax	Consol. of funds[2]	IFRS income statement[3]
							£m
Income							
Fee income and other income from service activities	689	230	919	-	919	17	936
Investment return	40	5,795	5,835	-	5,835	1,031	6,866
Other income	-	1	1	-	1	21	22
Total income	729	6,026	6,755	-	6,755	1,069	7,824
Expenses							
Insurance contract claims and changes in liabilities	-	(1)	(1)	-	(1)	-	(1)
Change in investment contract liabilities	-	(5,810)	(5,810)	-	(5,810)	-	(5,810)
Fee and commission expenses, and other acquisition costs	(100)	(77)	(177)	-	(177)	(117)	(294)
Change in third party interest in consolidated funds	-	-	-	-	-	(917)	(917)

Other operating and administrative expenses	(14)	(1)	(15)	(690)	(705)	(35)	(740)
Finance costs	-	(4)	(4)	(13)	(17)	-	(17)
Total expenses	(114)	(5,893)	(6,007)	(703)	(6,710)	(1,069)	(7,779)
Tax (expense)/credit attributable to policyholder returns	(98)	-	(98)	-	(98)	-	(98)
Profit/(loss) before tax attributable to equity holders from continuing operations	517	133	650	(703)	(53)	-	(53)
Adjusting items:							
Goodwill impairment and impact of acquisition accounting	-	-	-	54	54		
Business transformation costs	-	-	-	77	77		
Managed Separation costs	-	-	-	6	6		
Finance costs	-	-	-	10	10		
Policyholder tax adjustments	62	-	62	-	62		
Adjusting items	62	-	62	147	209		
Adjusted profit before tax after reallocation	579	133	712	(556)	156		
Reallocation of QLA costs	-	-	-	26	26		
Total Group - continuing operations	579	133	712	(530)	182		

[1]"Net Management Fees", "Other revenue" and "Total net fee revenue" are commented on within the Financial Review.

[2]Consolidation of funds shows the grossing up impact to the Group's consolidated income statement as a result of the consolidation of funds requirements, as described in note 4(a) of the Group's 2019 Annual Report. This grossing up is excluded from the Group's adjusted profit.

[3]The IFRS income statement column in the table above, down to "Total before adjusting items", reconciles to each line of the Group's consolidated income statement down to "Profit/(loss) before tax attributable to equity holders".

[4]In the period ended 30 June 2019, within discontinued operations, the Group has made a restatement to reallocate £50 million from "Investment return" to "Fee income and other income from service activities" in order to correctly classify the revenue recognised and conform with Group presentation policy.

6: Segmental information

6(a): Segmental presentation

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

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

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

The segmental information in this note reflects the adjusted and IFRS profit measures and the assets and liabilities for each operating segment as provided to management and the Board. Income is further segmented into the geographic location of our businesses in note 6(d).

6(b)(i): Adjusted profit statement - segmental information for the six month period ended 30 June 2020

This reconciliation presents the Group's continuing operations split by operating segment, reconciling the IFRS income statement to pre-tax adjusted profit and to the Group's consolidated income statement on a line by line basis, to 'Profit/(loss) before tax attributable to equity holders' (for continuing operations only).

						£m
		Operating segments				
	Notes	Advice and Wealth Management	Wealth Platforms	Head Office	Consolidation adjustments[1]	Consolidated income statement
Income						
Fee income and other income from service activities		**225**	**199**	**-**	**4**	**428**
Investment return		**3**	**(1,254)**	**1**	**(297)**	**(1,547)**
Other income		**-**	**63**	**3**	**(55)**	**11**
Segmental income		**228**	**(992)**	**4**	**(348)**	**(1,108)**
Expenses						
Change in investment contract liabilities		**-**	**1,254**	**-**	**-**	**1,254**
Fee and commission expenses, and other acquisition costs		**(24)**	**(52)**	**-**	**(127)**	**(203)**
Change in third party interest in consolidated funds		**-**	**-**	**-**	**428**	**428**
Other operating and administrative expenses		**(191)**	**(173)**	**(38)**	**47**	**(355)**
Finance costs		**(1)**	**(2)**	**(5)**	**-**	**(8)**
Segmental expenses		**(216)**	**1,027**	**(43)**	**348**	**1,116**
Profit/(loss) before tax from continuing operations		**12**	**35**	**(39)**	**-**	**8**
Tax attributable to policyholder returns		**-**	**38**	**-**	**-**	**38**
Profit/(loss) before tax attributable to equity holders from continuing operations		**12**	**73**	**(39)**	**-**	**46**
Adjusted for non-operating items:						
Goodwill impairment and impact of acquisition accounting	5(b)(i)	**24**	**-**	**(1)**	**-**	**23**
Business transformation costs	5(b)(ii)	**-**	**21**	**18**	**-**	**39**
Finance costs	5(b)(iv)	**-**	**-**	**5**	**-**	**5**
Policyholder tax adjustments	5(b)(v)	**-**	**(47)**	**-**	**-**	**(47)**
Customer remediation	5(b)(vi)	**5**	**-**	**-**	**-**	**5**
Adjusting items before tax		**29**	**(26)**	**22**	**-**	**25**
Adjusted profit/(loss) before tax - continuing operations		**41**	**47**	**(17)**	**-**	**71**

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

6(b)(ii): Adjusted profit statement - segmental information for the six months ended 30 June 2019

						£m
		Operating segments				
	Notes	Advice and Wealth Management	Wealth Platforms	Head Office	Consolidation adjustments[1]	Consolidated income statement
Income						
Fee income and other income from service activities		246	198	-	6	450
Investment return		5	4,373	2	663	5,043
Other income		2	66	3	(50)	21
Segmental income		253	4,637	5	619	5,514
Expenses						
Change in investment contract liabilities		-	(4,348)	-	-	(4,348)
Fee and commission expenses, and other acquisition costs		(47)	(56)	-	(87)	(190)
Change in third party interest in consolidated funds		-	-	-	(586)	(586)
Other operating and administrative expenses		(179)	(190)	(29)	54	(344)
Finance costs		(2)	(1)	(5)	-	(8)
Segmental expenses		(228)	(4,595)	(34)	(619)	(5,476)
Profit/(loss) before tax from continuing operations		25	42	(29)	-	38
Tax attributable to policyholder returns		-	(78)	-	-	(78)
Profit/(loss) before tax attributable to equity holders from continuing operations		25	(36)	(29)	-	(40)
Adjusted for non-operating items:						
Goodwill impairment and impact of acquisition accounting	5(b)(i)	25	1	-	-	26
Business transformation costs	5(b)(ii)	-	30	5	-	35
Managed Separation costs	5(b)(iii)	-	-	2	-	2
Finance costs	5(b)(iv)	-	-	5	-	5
Policyholder tax adjustments	5(b)(v)	-	61	-	-	61

Adjusting items before tax	25	92	12	-	129
Adjusted profit/(loss) before tax - continuing operations	50	56	(17)	-	89

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

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

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

							£m
		Operating segments					
	Notes	Advice and Wealth Management	Wealth Platforms	Head Office	Reallocation of QLA costs[1]	Consolidation adjustments[2]	Consolidated income statement
Income							
Fee income and other income from service activities		486	438	-	-	12	936
Investment return		10	5,823	3	-	1,030	6,866
Other income		1	160	6	-	(145)	22
Segmental income		497	6,421	9	-	897	7,824
Expenses							
Insurance contract claims and changes in liabilities		-	(1)	-	-	-	(1)
Change in investment contract liabilities		-	(5,810)	-	-	-	(5,810)
Fee and commission expenses, and other acquisition costs		(73)	(110)	-	-	(111)	(294)
Change in third party interest in consolidated funds		-	-	-	-	(917)	(917)
Other operating and administrative expenses		(368)	(409)	(68)	(26)	131	(740)
Finance costs		(4)	(3)	(10)	-	-	(17)
Segmental expenses		(445)	(6,333)	(78)	(26)	(897)	(7,779)
Profit/(loss) before tax from continuing operations		52	88	(69)	(26)	-	45
Tax attributable to policyholder returns		-	(98)	-	-	-	(98)
Profit/(loss) before tax attributable to equity holders from continuing operations		52	(10)	(69)	(26)	-	(53)
Adjusted for non-operating items:							
Goodwill impairment and impact of acquisition accounting	5(b)(i)	52	1	1	-	-	54
Business transformation costs	5(b)(ii)	(1)	58	20	-	-	77
Managed Separation costs	5(b)(iii)	-	1	5	-	-	6
Finance costs	5(b)(iv)	-	-	10	-	-	10
Policyholder tax adjustments	5(b)(v)	-	62	-	-	-	62
Adjusting items before tax		51	122	36	-	-	209
Adjusted profit/(loss) before tax after reallocation[1]		103	112	(33)	(26)	-	156
Reallocation of QLA costs[1]		-	-	-	26	-	26
Adjusted profit/(loss) before tax - continuing operations		103	112	(33)	-	-	182

[1]Reallocation of QLA costs includes £26 million of costs previously reported as part of the QLA business which have been reclassified from discontinued to continuing operations as these costs did not transfer to ReAssure on disposal at 31 December 2019, as reported in the Group's 2019 Annual Report.
[2]Consolidation adjustments comprise the elimination of inter-segment transactions and the consolidation of investment funds.

6(c)(i): Statement of financial position – segmental information at 30 June 2020

						£m
	Notes	**Advice & Wealth Management**	**Wealth Platforms**	**Head Office**	**Consolidation Adjustments[1]**	**Total**
Assets						
Goodwill and intangible assets	10	444	134	-	-	**578**
Property, plant and equipment		27	107	1	-	**135**
Investments in associated undertakings		-	-	1	-	**1**
Contract costs		-	435	-	-	**435**
Loans and advances		32	203	-	-	**235**
Financial investments	11	-	51,974	-	5,898	**57,872**
Deferred tax assets		13	21	11	-	**45**
Current tax receivable		-	33	7	-	**40**
Trade, other receivables and other assets		258	237	6	65	**566**
Derivative assets		-	-	-	12	**12**
Cash and cash equivalents	14	399	721	590	757	**2,467**
Inter-segment funding - assets		3	12	-	(15)	**-**
Total assets		1,176	53,877	616	6,717	**62,386**

Liabilities						
Investment contract liabilities	16	-	52,267	-	-	**52,267**
Third-party interests in consolidated funds		-	-	-	6,582	**6,582**
Provisions	17	56	22	10	-	**88**
Deferred tax liabilities		38	12	-	-	**50**
Current tax payable/(receivable)[2]		8	(7)	3	-	**4**
Borrowings and lease liabilities		24	107	199	-	**330**
Trade, other payables and other liabilities		300	438	23	82	**843**
Contract liabilities and deferred revenue		-	185	-	-	**185**
Derivative liabilities		-	-	-	72	**72**
Inter-segment funding - liabilities		-	-	15	(15)	**-**
Total liabilities		426	53,024	250	6,721	**60,421**
Total equity						**1,965**
Total equity and liabilities						**62,386**

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

6(c)(ii): Statement of financial position – segmental information at 30 June 2019

	Notes	Advice & Wealth Management	Wealth Platforms	Head Office	Discontinued Operations	Consolidation Adjustments[1]	Total
							£m
Assets							
Goodwill and intangible assets	10	453	134	-	-	-	**587**
Property, plant and equipment		33	54	3	-	(1)	**89**
Investments in associated undertakings		-	-	2	-	-	**2**
Contract costs		-	477	-	-	-	**477**
Loans and advances		27	186	7	-	-	**220**
Financial investments	11	1	50,001	-	-	6,421	**56,423**
Deferred tax assets		8	15	9	-	-	**32**
Current tax receivable		-	16	-	-	-	**16**
Trade, other receivables and other assets[2]		790	386	13	-	209	**1,398**
Derivative assets		-	-	-	-	24	**24**
Cash and cash equivalents	14	392	608	398	-	546	**1,944**
Assets of operations classified as held for sale[3]		-	-	-	12,324	(7)	**12,317**
Inter-segment funding - assets		-	12	-	-	(12)	**-**
Total assets		1,704	51,889	432	12,324	7,180	**73,529**
Liabilities							
Investment contract liabilities	16	-	50,286	-	-	-	**50,286**
Third-party interests in consolidated funds		-	-	-	-	6,972	**6,972**
Provisions	17	19	20	6	-	-	**45**
Deferred tax liabilities		42	49	-	-	-	**91**
Current tax payable/(receivable)[4]		11	4	(11)	-	-	**4**
Borrowings		28	50	203	-	(1)	**280**
Trade, other payables and other liabilities		895	599	23	-	203	**1,720**
Contract Liabilities		1	191	-	-	-	**192**
Derivative liabilities		-	1	-	-	23	**24**
Liabilities of operations classified as held for sale[3]		-	-	-	11,988	(7)	**11,981**
Inter-segment funding - liabilities		-	-	12	-	(12)	**-**
Total liabilities		996	51,200	233	11,988	7,178	**71,595**
Total equity							**1,934**
Total equity and liabilities							**73,529**

[1]Consolidation adjustments comprise the elimination of inter-segment transactions and the consolidation of investment funds.
[2]The Group's contract assets are included within Trade, other receivables and other assets, having previously been shown separately in the statement of financial position.
[3]Held for sale balances relate to the QLA business which was subsequently sold on 31 December 2019.
[4]Current tax payable/(receivable) includes Group relief payable and receivable that net to £nil on a consolidated basis but may appear as a receivable within individual segments.

6(c)(iii): Statement of financial position – segmental information at 31 December 2019

	Notes	Advice & Wealth Management	Wealth Platforms	Head Office	Consolidation Adjustments[1]	Total
						£m
Assets						
Goodwill and intangible assets	10	458	134	-	-	**592**
Property, plant and equipment		30	111	2	-	**143**
Investments in associated undertakings		-	-	1	-	**1**
Contract costs		-	455	-	-	**455**
Loans and advances		31	180	6	-	**217**
Financial investments	11	1	52,249	-	7,095	**59,345**
Deferred tax assets		11	22	10	-	**43**
Current tax receivable		-	-	13	-	**13**
Trade, other receivables and other assets		207	177	3	37	**424**
Derivative assets		-	-	-	32	**32**
Cash and cash equivalents	14	383	725	838	527	**2,473**
Inter-segment funding - assets		-	12	-	(12)	**-**
Total assets		1,121	54,065	873	7,679	**63,738**
Liabilities						
Investment contract liabilities	16	-	52,455	-	-	**52,455**
Third-party interests in consolidated funds		-	-	-	7,675	**7,675**
Provisions	17	28	26	10	-	**64**
Deferred tax liabilities		38	50	-	-	**88**
Current tax payable/(receivable)[2]		1	(7)	12	-	**6**
Borrowings		26	108	201	-	**335**
Trade, other payables and other liabilities		322	477	37	-	**836**
Contract liabilities and deferred revenue		1	190	-	-	**191**
Derivative liabilities		-	-	-	17	**17**
Inter-segment funding - liabilities		-	-	12	(12)	**-**
Total liabilities		416	53,299	272	7,680	**61,667**
Total equity						**2,071**
Total equity and liabilities						**63,738**

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

6(d): Geographic segmental information

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

						£m	£m
	UK			**International**			**UK**
Six months 2020	**Advice and Wealth Management**	**Wealth Platforms**	**Head Office**	**Wealth Platforms**	**Consolidation adjustments**	**Total continuing operations**	**Discontinued operations**
Premium based fees	**56**	**-**	**-**	**35**	**-**	**91**	**-**
Fund based fees[1]	**169**	**82**	**-**	**47**	**-**	**298**	**-**
Retrocessions received, intragroup	**-**	**1**	**-**	**2**	**(3)**	**-**	**-**
Fixed fees	**-**	**1**	**-**	**14**	**-**	**15**	**-**
Surrender charges	**-**	**-**	**-**	**6**	**-**	**6**	**-**
Other fee and commission income	**-**	**11**	**-**	**-**	**7**	**18**	**-**
Fee income and other income from service activities	**225**	**95**	**-**	**104**	**4**	**428**	**-**
Investment return	**3**	**(919)**	**1**	**(335)**	**(297)**	**(1,547)**	**-**
Other income	**-**	**78**	**3**	**(1)**	**(69)**	**11**	**-**
Total income	**228**	**(746)**	**4**	**(232)**	**(362)**	**(1,108)**	**-**

	UK			International			UK
Six months 2019 (restated[2])	Advice and Wealth Management	Wealth Platforms	Head Office	Wealth Platforms	Consolidation adjustments	Total continuing operations	Discontinued operations
Gross earned premiums	-	-	-	1	-	1	76

Premiums ceded to reinsurers	-	-	-	(1)	-	(1)	(43)
Net earned premiums	-	-	-	-	-	-	33
Premium based fees	45	-	-	36	-	81	6
Fund based fees[1]	201	86	-	51	-	338	33
Retrocessions received, intragroup	-	1	-	1	(2)	-	5
Fixed fees	-	1	-	14	-	15	1
Surrender charges	-	-	-	8	-	8	-
Other fee and commission income[2]	-	-	-	-	8	8	50
Fee income and other income from service activities[2]	246	88	-	110	6	450	95
Investment return[2]	5	2,748	2	1,625	663	5,043	1,004
Other income	2	82	3	-	(66)	21	-
Total income	253	2,918	5	1,735	603	5,514	1,132

	UK			International			UK
Full year 2019	Advice and Wealth Management	Wealth Platforms	Head Office	Wealth Platforms	Consolidation adjustments	Total continuing operations	Discontinued operations
Gross earned premiums	-	-	-	1	-	1	145
Premiums ceded to reinsurers	-	-	-	(1)	-	(1)	(86)
Net earned premiums	-	-	-	-	-	-	59
Premium based fees	103	-	-	72	-	175	11
Fund based fees[1]	383	175	-	101	-	659	65
Retrocessions received, intragroup	-	2	-	2	(4)	-	10
Fixed fees	-	3	-	28	-	31	2
Surrender charges	-	-	-	16	-	16	1
Other fee and commission income	-	39	-	-	16	55	75
Fee income and other income from service activities	486	219	-	219	12	936	164
Investment return	10	3,825	3	1,998	1,030	6,866	1,386
Other income	1	161	6	(1)	(145)	22	-
Total income	497	4,205	9	2,216	897	7,824	1,609

[1]Income from fiduciary activities is included within fund based fees.
[2]In the six month period ended 30 June 2019 the Group has made a restatement to reallocate £50 million from “Investment return” to “Fee income and other income from service activities”, within discontinued operations, to correctly classify the revenue recognised and conform with the Group's presentation policy.

7: Tax

7(a): Tax charged to the income statement

	Note	Six months 2020 £m	Six months 2019 £m	Full year 2019 £m
Current tax				
United Kingdom		**1**	15	33
International		**2**	2	5
Adjustments to current tax in respect of prior periods		**-**	-	(11)
Total current tax charge		**3**	17	27
Deferred tax				
Origination and reversal of temporary differences		**(38)**	51	40
Effect on deferred tax of changes in tax rates		**(1)**	2	2
Adjustments to deferred tax in respect of prior periods		**-**	-	(3)
Total deferred tax (credit)/charge		**(39)**	53	39
Total tax (credited)/charged to income statement - continuing operations		**(36)**	70	66
Total tax charged to income statement - discontinued operations	4(b)	**-**	61	89
Total tax (credited)/charged to income statement		**(36)**	131	155
Attributable to policyholder returns - continuing operations		**(38)**	78	98
Attributable to equity holders - continuing operations		**2**	(8)	(32)
Total tax (credited)/charged to income statement - continuing operations		**(36)**	70	66
Attributable to policyholder returns - discontinued operations	4(b)	**-**	59	76
Attributable to equity holders - discontinued operations		**-**	2	13
Total tax charged to income statement - discontinued operations		**-**	61	89
Total tax (credited)/charged to income statement		**(36)**	131	155

Policyholder tax

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

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

The Group's income tax credit on continuing operations was £(36) million for the year ended 30 June 2020, compared to an expense of £70 million for the prior year. This income tax (credit)/ expense can vary significantly period on period as a result of market volatility and the impact this has on policyholder tax. The recognition of the income received from policyholders (which is included within the Group's income) to fund the policyholder tax liability can vary in timing to the recognition of the corresponding policyholder tax expense, creating volatility to the Group's IFRS profit before tax attributable to equity holders. An adjustment is made to adjusted profit to remove these distortions, as explained further in note 5(b)(v).

Significant market volatility during the period ended 30 June 2020 resulted in investment losses of £175 million on products subject to policyholder tax. The loss is a component of the total "investment return" loss of £(1,547) million shown in the income statement. The impact of the £175 million investment return loss is the primary reason for the £(38) million tax credit attributable to policyholder returns in respect of the continuing business for the period ended 30 June 2020 (30 June 2019: £78 million charge in respect of continuing operations and £59 million charge in respect of discontinued operations).

7(b): Reconciliation of total income tax expense

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

	Note	Six months 2020 £m	Six months 2019 £m	Full year 2019 £m
Profit before tax from continuing operations		**8**	38	45
Tax at UK standard rate of 19% (2019: 19%)		**1**	7	9
Different tax rate or basis on overseas operations		**(3)**	(3)	(6)
Untaxed and low taxed income		**(4)**	(1)	1
Disallowable expenses		**2**	1	3
Adjustments to current tax in respect of prior years		**-**	-	(11)
Net movement on deferred tax assets not recognised		**-**	(1)	(11)
Effect on deferred tax of changes in tax rates		**(1)**	2	2
Adjustments to deferred tax in respect of prior years		**-**	-	(3)
Income tax attributable to policyholder returns		**(31)**	65	82
Total tax (credited)/charged to income statement - continuing operations		**(36)**	70	66
Total tax charged to income statement - discontinued operations	4(b)	**-**	61	89
Total tax (credited)/charged to income statement		**(36)**	131	155

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

	Notes	Six months 2020 £m	Six months 2019 £m	Full year 2019 £m
Income tax (credit)/expense on continuing operations[1]		**(36)**	70	66
Tax on adjusting items				
Goodwill impairment and impact of acquisition accounting		**-**	4	8
Business transformation costs		**8**	7	14
Managed Separation costs		**-**	-	1
Finance costs		**1**	1	2
Customer remediation		**1**	-	-
Tax adjusting items				
Policyholder tax adjustments	5(b)(v)	**47**	(61)	(62)
Other shareholder tax adjustments[2]		**(5)**	9	24
Tax on adjusting items - continuing operations		**52**	(40)	(13)
Less: tax attributable to policyholder returns within adjusted profit - continuing operations[3]		**(9)**	(17)	(36)
Tax charged on adjusted profit - continuing operations		**7**	13	17
Reversal of income tax expense on the reallocation of QLA costs		**-**	-	5
Tax charged on adjusted profit - continuing operations before the reallocation of QLA costs		**7**	**13**	**22**
Income tax expense on discontinued operations[1]	4(b)	**-**	61	89
Tax on adjusting items				
Customer remediation		**-**	(1)	(2)
Tax adjusting items				
Policyholder tax adjustments	5(b)(v)	**-**	(15)	(12)
Other shareholder tax adjustments[2]		**-**	(1)	(3)
Tax on adjusting items - discontinued operations		**-**	(17)	(17)
Less: Tax attributable to policyholder returns within adjusted profit - discontinued operations[3]		**-**	(44)	(64)
Tax charged on adjusted profit - discontinued operations		**-**	-	8
Reversal of income tax credit on the reallocation of QLA costs		**-**	-	(5)
Tax charged on adjusted profit - discontinued operations before the reallocation of QLA costs		**-**	-	3
Tax charged on total adjusted profit		**7**	13	25

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

8: Earnings per share

The Group calculates earnings per share ("EPS") on a number of different bases. IFRS requires the calculation of basic and diluted EPS, Adjusted EPS reflects earnings that are consistent with the Group's adjusted profit measure before and after the reallocation of QLA costs, and Headline earnings per share ("HEPS") is a requirement of the Johannesburg Stock Exchange. The Group's EPS (in aggregate, including both continuing and discontinued operations) on these different bases are summarised below.

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

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

The Group is also required to calculate HEPS in accordance with the Johannesburg Stock Exchange Limited ("JSE") Listing Requirements, determined by reference to the South African Institute of Chartered Accountants' circular 02/2015 *Headline Earnings*. Disclosure of HEPS is not a requirement of IFRS, but it is a commonly used measure of earnings in South Africa.

	Source of guidance	Notes	**Six months 2020** (Pence)	Six months 2019 (Pence)	Full year 2019 (Pence)
Basic earnings per share	IFRS	8(b)	**2.4**	(0.9)	8.0
Diluted earnings per share	IFRS	8(b)	**2.3**	(0.9)	7.8
Adjusted basic earnings per share	Group policy	8(b)	**3.6**	5.6	11.4
Adjusted diluted earnings per share	Group policy	8(b)	**3.5**	5.5	11.3
Headline basic earnings per share (net of tax)	JSE Listing Requirements	8(c)	**2.4**	(0.9)	2.3
Headline diluted earnings per share (net of tax)	JSE Listing Requirements	8(c)	**2.4**	(0.9)	2.3

8(a): Weighted average number of Ordinary Shares

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

Millions	**Six months 2020**	Six months 2019	Full year 2019
Weighted average number of Ordinary Shares	**1,879**	1,902	1,902
Treasury shares including those held in EBTs	**(78)**	(68)	(67)
Basic weighted average number of Ordinary Shares	**1,801**	1,834	1,835
Adjustment for dilutive share awards and options	**36**	18	28
Diluted weighted average number of Ordinary Shares	**1,837**	1,852	1,863

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

£m	Notes	**Six months 2020** Continuing operations	**Six months 2020** Discontinued operations	**Six months 2020** Total	Six months 2019 Continuing operations	Six months 2019 Discontinued operations	Six months 2019 Total	Full year 2019 Continuing operations	Full year 2019 Discontinued operations	Full year 2019 Total
Profit/(loss) after tax		**44**	**(1)**	**43**	(32)	15	(17)	(21)	167	146
Total adjusting items before tax	5(a)	**25**	**1**	**26**	129	9	138	209	(101)	108
Tax on adjusting items	7(c)	**(52)**	**-**	**(52)**	40	17	57	13	17	30
Less: Policyholder tax adjustments	7(c)	**47**	**-**	**47**	(61)	(15)	(76)	(62)	(12)	(74)
Adjusted profit after tax after reallocation		**64**	**-**	**64**	76	26	102	139	71	210
Reversal of:										
Reallocation of QLA costs[1]		**-**	**-**	**-**	-	-	-	26	(26)	-
Income tax on reallocation of QLA costs		**-**	**-**	**-**	-	-	-	(5)	5	-
Adjusted profit after tax		**64**	**-**	**64**	76	26	102	160	50	210

[1]Reallocation of QLA costs includes £26 million of costs previously reported as part of the QLA business which have been reclassified from discontinued to continuing operations as these costs did not transfer to ReAssure on disposal at 31 December 2019, as reported in the Group's 2019 Annual Report.

	Post-tax profit measure used	**Six months 2020** Continuing operations Pence	**Six months 2020** Discontinued operations Pence	**Six months 2020** Total Pence	Six months 2019 Continuing operations Pence	Six months 2019 Discontinued operations Pence	Six months 2019 Total Pence	Full year 2019 Continuing operations Pence	Full year 2019 Discontinued operations Pence	Full year 2019 Total Pence
Basic EPS	IFRS profit	**2.5**	**(0.1)**	**2.4**	(1.7)	0.8	(0.9)	(1.1)	9.1	8.0
Diluted EPS	IFRS profit	**2.4**	**(0.1)**	**2.3**	(1.7)	0.8	(0.9)	(1.1)	8.9	7.8
Adjusted basic EPS	Adjusted profit	**3.6**	**-**	**3.6**	4.1	1.5	5.6	8.7	2.7	11.4
Adjusted diluted EPS	Adjusted profit	**3.5**	**-**	**3.5**	4.1	1.4	5.5	8.6	2.7	11.3
Adjusted basic EPS after reallocation[1]	Adjusted profit after reallocation	**N/A**	**N/A**	**N/A**	N/A	N/A	N/A	7.5	3.9	11.4
Adjusted diluted EPS	Adjusted profit	**N/A**	**N/A**	**N/A**	N/A	N/A	N/A	7.5	3.8	11.3

after reallocation[1] after reallocation

[1]Reallocation of QLA costs includes £26 million of costs previously reported as part of the QLA business which have been reclassified from discontinued to continuing operations as these costs did not transfer to ReAssure on disposal at 31 December 2019, as reported in the Group's 2019 Annual Report.

8(c): Headline earnings per share

						£m
		Six months 2020		Six months 2019		Full year 2019
	Gross	**Net of tax**	Gross	Net of tax	Gross	Net of tax
Profit/(loss) attributable to ordinary equity holders		**43**		(17)		146
Adjusting items:						
Less: profit on business disposals	**1**	**1**	-	-	(103)	(103)
Headline earnings		**44**		(17)		43
Headline basic EPS (pence)		**2.4**		(0.9)		2.3
Headline diluted EPS (pence)		**2.4**		(0.9)		2.3

9: Dividends

				£m
	Payment date	**Six months 2020**	Six months 2019	Full year 2019
2018 Final dividend paid - 3.3p per ordinary share	20 May 2019	**-**	61	61
2019 Interim dividend paid - 1.7p per ordinary share	20 September 2019	**-**	-	31
2019 Final dividend paid - 3.5p per ordinary share	18 May 2020	**64**	-	-
Dividends paid to ordinary shareholders		**64**	61	92

Final and interim dividends paid to ordinary shareholders are calculated using the number of shares in issue at the record date less own shares held in Employee Benefit Trusts.

10: Goodwill and intangible assets

10(a): Analysis of goodwill and intangible assets

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

				£m
	Goodwill	**Software development costs**	**Other intangible assets**	**Total**
Gross amount				
1 January 2019	314	100	380	794
Acquisitions through business combinations	52	-	36	88
Additions	-	4	-	4
Transfer to non-current assets held for sale	(30)	-	-	(30)
30 June 2019	336	104	416	856
Acquisitions through business combinations	16	-	13	29
Additions	-	1	-	1
Disposals	-	(4)	(4)	(8)
Other movements[1]	(2)	-	3	1
31 December 2019	350	101	428	879
Acquisitions through business combinations[2]	**7**	**-**	**-**	**7**
Additions	**-**	**3**	**-**	**3**
30 June 2020	**357**	**104**	**428**	**889**
Amortisation and other movements				
1 January 2019	-	(95)	(149)	(244)
Amortisation charge for the period	-	(3)	(22)	(25)
30 June 2019	-	(98)	(171)	(269)
Amortisation charge for the period	-	1	(23)	(22)
Disposals	-	4	4	8
Other movements[1]	-	-	(4)	(4)
31 December 2019	-	(93)	(194)	(287)
Amortisation charge for the period	**-**	**(1)**	**(23)**	**(24)**
30 June 2020	**-**	**(94)**	**(217)**	**(311)**
Carrying amount				
30 June 2019	336	6	245	587
31 December 2019	350	8	234	592
30 June 2020	**357**	**10**	**211**	**578**

[1]During 2019, there was a gross up of fully amortised intangible assets in the Quilter Financial Planning and Quilter Cheviot businesses arising from previous business combinations.
[2]During the period ended 30 June 2020, there have been fair value adjustments of £7 million made to the net assets acquired in Lighthouse, with a corresponding increase in goodwill. Refer to note 4(a) for further details.

10(b): Analysis of other intangible assets

			£m		
	30 June 2020	30 June 2019	31 December 2019	Average estimated useful life	Average period remaining
Net carrying value					
Distribution channels	**19**	26	22	8 years	3 years
Customer relationships	**192**	217	211	9 years	5 years
Brand	**-**	2	1	n/a	n/a
Total other intangible assets	**211**	245	234		

Distribution channel assets are in relation to various Quilter Financial Planning businesses. Customer relationship assets are largely in relation to the Quilter Cheviot and Quilter Financial Planning businesses. The brand asset is in relation to the Quilter Cheviot business.

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

The Group's CGUs are based on the Advice and Wealth Management and Wealth Platforms operating segments. Goodwill is allocated to these CGUs as follows:

			£m
	30 June 2020	30 June 2019	31 December 2019
Goodwill (net carrying amount)			
Advice and Wealth Management	**226**	205	219
Wealth Platforms	**131**	131	131
Goodwill (as per the Statement of Financial Position)	**357**	336	350
Goodwill held for sale	**-**	30	-
Total Goodwill	**357**	366	350

Impairment review

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

An indication of impairment has arisen during the period, given the significant adverse impact that the COVID-19 pandemic has had on global equity markets and the effect this has on the Group's AuMA and revenue. Consequently, the goodwill balance has been tested for impairment at 30 June 2020 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 impact on expected future cash flows, resulting from equity market falls relating to COVID-19, has reduced the surplus of the recoverable amount over the carrying value since 31 December 2019. The most significant impact is seen within the Advice and Wealth Management segment, where AuMA is more correlated to equity market movements and is the key driver for future cash flows.

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

	Advice and Wealth Management	**Wealth Platforms**
Reduction in forecast cash flows	31%	54%
Increase in discount rate[1]	105%	234%

[1]Percentage increase required based on current discount rate of 9.7%.

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 which have a direct impact on the level of the Group's fee income, as demonstrated by the recent volatility resulting from COVID-19.

Value-in-use methodology

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

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

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

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

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

The Group uses a single cost of capital of 9.7% (2019: 10.0%) to discount future expected business plan cash flows across its two CGUs because they are perceived to present a similar level of risk and are integrated. Capital is provided to the Group predominantly by shareholders with a small amount of debt. The cost of capital is the weighted average of the cost of equity (return required by shareholders) and the cost of debt (return required by bond and property lease holders). When assessing the systematic risk (i.e. beta value) within the calculation of the cost of equity, a triangulation approach is used that combines beta values obtained from historical data, a forward-looking view on the progression of beta values and the external views of investors.

Notes to the condensed consolidated interim financial statements

For the six month period ended 30 June 2020

11: Financial investments

The table below analyses the investments and securities that the Group invests in, either on its own proprietary behalf (shareholder funds) or on behalf of third parties (policyholder funds).

			£m
	30 June 2020	30 June 2019	31 December 2019
Government and government-guaranteed securities	**567**	1,055	1,018
Other debt securities, preference shares and debentures	**2,040**	2,449	2,160
Equity securities	**12,334**	12,339	12,051
Pooled investments[1]	**42,920**	50,259	44,101
Short-term funds and securities treated as investments	**11**	25	15
Total financial investments	**57,872**	66,127	59,345
Less: financial investments classified as held for sale	**-**	(9,704)	-
Total financial investments net of held for sale	**57,872**	56,423	59,345
Recoverable within 12 months	**57,871**	65,987	59,344
Recoverable after 12 months	**1**	140	1
Total financial investments	**57,872**	66,127	59,345

[1]As at 30 June 2019, the Group has corrected the value of pooled investments which was previously stated as £50,261 million. This has not changed the closing balance of total financial investments at 30 June 2019, which remains at £66,127 million.

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

12: Categories of financial instruments

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

For information about the methods and assumptions used in determining fair value please refer to note 13. The Group's exposure to various risks associated with financial instruments is discussed in the 2019 Annual Report.

30 June 2020

Measurement basis	**Fair value**				£m
	Mandatorily at FVTPL	**Designated at FVTPL**	**Amortised cost**	**Non-financial assets and liabilities**	**Total**
Assets					
Investments in associated undertakings[1]	**-**	**-**	**-**	**1**	**1**
Loans and advances	**203**	**-**	**32**	**-**	**235**
Financial investments	**57,870**	**2**	**-**	**-**	**57,872**
Trade, other receivables and other assets	**-**	**-**	**508**	**58**	**566**
Derivative assets	**12**	**-**	**-**	**-**	**12**
Cash and cash equivalents	**1,225**	**-**	**1,242**	**-**	**2,467**
Total assets that include financial instruments	**59,310**	**2**	**1,782**	**59**	**61,153**
Total other non-financial assets	**-**	**-**	**-**	**1,233**	**1,233**
Total assets	**59,310**	**2**	**1,782**	**1,292**	**62,386**
Liabilities					
Investment contract liabilities	**52,267**	**-**	**-**	**-**	**52,267**
Third-party interests in consolidation of funds	**6,582**	**-**	**-**	**-**	**6,582**
Borrowings and lease liabilities	**-**	**-**	**330**	**-**	**330**
Trade, other payables and other liabilities	**-**	**-**	**738**	**105**	**843**
Derivative liabilities	**72**	**-**	**-**	**-**	**72**
Total liabilities that include financial instruments	**58,921**	**-**	**1,068**	**105**	**60,094**
Total other non-financial liabilities	**-**	**-**	**-**	**327**	**327**
Total liabilities	**58,921**	**-**	**1,068**	**432**	**60,421**

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

30 June 2019

Measurement basis	Fair value				£m
	Mandatorily at FVTPL	Designated at FVTPL	Amortised cost	Non-financial assets and liabilities	Total
Assets					

Investments in associated undertaking[1]	-	-	-	2	2
Loans and advances	186	-	34	-	220
Financial investments	56,421	2	-	-	56,423
Trade, other receivables and other assets	-	-	1,354	44	1,398
Derivative financial instruments	24	-	-	-	24
Cash and cash equivalents	1,072	-	872	-	1,944
Total assets that include financial instruments	57,703	2	2,260	46	60,011
Total other non-financial assets	-	-	-	1,201	1,201
Total assets net of held for sale	57,703	2	2,260	1,247	61,212
Total assets classified as held for sale	11,421	137	86	673	12,317
Total assets	69,124	139	2,346	1,920	73,529
Liabilities					
Investment contract liabilities	50,286	-	-	-	50,286
Third-party interest in consolidation of funds	6,972	-	-	-	6,972
Borrowings	-	-	280	-	280
Trade, other payables and other liabilities	-	-	1,587	133	1,720
Derivative financial instruments	24	-	-	-	24
Total liabilities that include financial instruments	57,282	-	1,867	133	59,282
Total other non-financial liabilities	-	-	-	332	332
Total liabilities net of held for sale	57,282	-	1,867	465	59,614
Total liabilities classified as held for sale	11,040	-	125	816	11,981
Total liabilities	68,322	-	1,992	1,281	71,595

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

31 December 2019

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	180	-	37	-	217
Financial investments	59,343	2	-	-	59,345
Trade, other receivables and other assets	-	-	373	51	424
Derivative assets	32	-	-	-	32
Cash and cash equivalents	1,159	-	1,314	-	2,473
Total assets that include financial instruments	60,714	2	1,724	52	62,492
Total other non-financial assets	-	-	-	1,246	1,246
Total assets	60,714	2	1,724	1,298	63,738
Liabilities					
Investment contract liabilities	52,455	-	-	-	52,455
Third-party interests in consolidation of funds	7,675	-	-	-	7,675
Borrowings	-	-	335	-	335
Trade, other payables and other liabilities	-	-	730	106	836
Derivative liabilities	17	-	-	-	17
Total liabilities that include financial instruments	60,147	-	1,065	106	61,318
Total other non-financial liabilities	-	-	-	349	349
Total liabilities	60,147	-	1,065	455	61,667

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

13: Fair value methodology

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

13(a): Determination of fair value

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

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

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

Loans and advances

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

Financial investments

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

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

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

Derivatives

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

Investment contract liabilities

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

Third-party interest in consolidated funds

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

Borrowings and lease liabilities

Borrowings and lease liabilities are stated at amortised cost.

13(b): Fair value hierarchy

Fair values are determined according to the following hierarchy:

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

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

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

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

13(c): Transfer between fair value hierarchies

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

There were transfers of financial investments of £nil from Level 1 to Level 2 during the year (30 June 2019: £167 million, 31 December 2019: £139 million). There were transfers of financial investments of £nil from Level 2 to Level 1 during the year (30 June 2019: £55 million, 31 December 2019: £76 million). These movements are matched exactly by transfers of investment contract liabilities. See note 13(e) for the reconciliation of Level 3 financial instruments.

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

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

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

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

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

	30 June 2020		30 June 2019		31 December 2019	
	£m	**%**	£m	%	£m	%
Financial assets measured at fair value						
Level 1	**45,596**	**76.8%**	55,561	80.2%	46,904	77.3%
Level 2	**11,254**	**19.0%**	12,281	17.7%	12,095	19.9%
Level 3	**2,462**	**4.2%**	1,421	2.1%	1,717	2.8%
Total	**59,312**	**100.0%**	69,263	100.0%	60,716	100.0%
Financial liabilities measured at fair value						
Level 1	**49,405**	**83.8%**	59,498	87.1%	50,315	83.6%
Level 2	**7,054**	**12.0%**	7,403	10.8%	8,115	13.5%
Level 3	**2,462**	**4.2%**	1,421	2.1%	1,717	2.9%
Total	**58,921**	**100.0%**	68,322	100.0%	60,147	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 13(b):

				£m
30 June 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value				
Mandatorily (fair value through profit or loss)	**45,594**	**11,254**	**2,462**	**59,310**
Loans and advances	**203**	**-**	**-**	**203**
Financial investments	**44,166**	**11,242**	**2,462**	**57,870**
Cash and cash equivalents	**1,225**	**-**	**-**	**1,225**
Derivative assets	**-**	**12**	**-**	**12**
Designated (fair value through profit or loss)	**2**	**-**	**-**	**2**
Financial investments	**2**	**-**	**-**	**2**
Total assets measured at fair value	**45,596**	**11,254**	**2,462**	**59,312**
Financial liabilities measured at fair value				
Mandatorily (fair value through profit or loss)	**49,405**	**7,054**	**2,462**	**58,921**
Investment contract liabilities	**49,405**	**400**	**2,462**	**52,267**
Third-party interests in consolidated funds	**-**	**6,582**	**-**	**6,582**
Derivative liabilities	**-**	**72**	**-**	**72**
Total liabilities measured at fair value	**49,405**	**7,054**	**2,462**	**58,921**

30 June 2019	Level 1	Level 2	Level 3	Total £m
Financial assets measured at fair value				
Mandatorily (fair value through profit or loss)	44,024	12,259	1,420	57,703
Loans and advances	186	-	-	186
Financial investments	42,766	12,235	1,420	56,421
Cash and cash equivalents	1,072	-	-	1,072
Derivative assets	-	24	-	24
Designated (fair value through profit or loss)	2	-	-	2
Financial investments	2	-	-	2
Total assets net of held for sale	44,026	12,259	1,420	57,705
Total assets classified as held for sale	11,535	22	1	11,558
Total assets measured at fair value	55,561	12,281	1,421	69,263
Financial liabilities measured at fair value				
Mandatorily (fair value through profit or loss)	48,481	7,381	1,420	57,282
Investment contract liabilities	48,481	385	1,420	50,286
Third-party interests in consolidated funds	-	6,972	-	6,972
Derivative liabilities	-	24	-	24
Total liabilities net of held for sale	48,481	7,381	1,420	57,282
Total liabilities classified as held for sale	11,017	22	1	11,040
Total liabilities measured at fair value	59,498	7,403	1,421	68,322

31 December 2019	Level 1	Level 2	Level 3	Total £m
Financial assets measured at fair value				
Mandatorily (fair value through profit or loss)	46,902	12,095	1,717	60,714
Loans and advances	180	-	-	180
Financial investments	45,563	12,063	1,717	59,343
Cash and cash equivalents	1,159	-	-	1,159
Derivative assets	-	32	-	32
Designated (fair value through profit or loss)	2	-	-	2
Financial investments	2	-	-	2
Total assets measured at fair value	46,904	12,095	1,717	60,716
Financial liabilities measured at fair value				
Mandatorily (fair value through profit or loss)	50,315	8,115	1,717	60,147
Investment contract liabilities	50,315	423	1,717	52,455
Third-party interests in consolidated funds	-	7,675	-	7,675
Derivative liabilities	-	17	-	17
Total liabilities measured at fair value	50,315	8,115	1,717	60,147

13(e): Level 3 fair value hierarchy disclosure

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

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

£m	**30 June 2020**	30 June 2019	31 December 2019
At beginning of the year[1]	**1,717**	1,154	1,154
Total net fair value (losses)/gains recognised in:			
- profit or loss	**(3)**	68	(20)
Purchases	**-**	31	314
Sales	**(2)**	(3)	(24)

Transfers in	**887**	210	369
Transfers out	**(139)**	(36)	(71)
Foreign exchange and other	**2**	(3)	(5)
Total Level 3 financial assets	**2,462**	1,421	1,717
Unrealised fair value (losses)/gains relating to assets held at the period end recognised in:			
- profit or loss	**(3)**	68	(20)

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

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

Transfers into Level 3 assets in the current period total £887 million (30 June 2019: £210 million, 31 December 2019: £369 million). This is due to a combination of stale priced assets that were previously shown within Level 2 and for which price updates have not been received for more than six months, and a significant increase in suspended funds previously showed within Level 1 predominately due to the COVID-19 pandemic, resulting in a number of property fund suspensions. Suspended funds are valued based on external valuation reports received from fund managers. Transfers out of Level 3 assets in the current period comprise £139 million (30 June 2019: £36 million, 31 December 2019: £71 million) which is due to a combination of stale priced assets that were not previously being repriced and that have been transferred into Level 2 as they are now actively priced, and during 2020 a suspended fund has been wound up and cash returned to policyholders, resulting in the cash being placed in a cash fund within Level 1 assets.

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

			£m
	30 June 2020	30 June 2019	31 December 2019
Pooled investments	**1,082**	245	361
Unlisted and stale price pooled investments	**175**	129	133
Suspended funds	**907**	116	228
Private equity investments	**1,380**	1,176	1,356
Total Level 3 financial assets	**2,462**	1,421	1,717

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

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

			£m
	30 June 2020	30 June 2019	31 December 2019
At beginning of the year	**1,717**	1,151	1,151
Total net fair value (losses)/gains recognised in:			
- profit or loss	**(3)**	68	(20)
Purchases	**-**	31	314
Sales	**(2)**	(3)	(24)
Transfers in	**887**	210	369
Transfers out	**(139)**	(36)	(71)
Foreign exchange and other	**2**	-	(2)
Total Level 3 financial liabilities	**2,462**	1,421	1,717
Unrealised fair value (losses)/gains relating to liabilities held at the period end recognised in:			
- profit or loss	**(3)**	68	(20)

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

Details of the valuation techniques applied to the different categories of financial instruments can be found in note 13(a) above, including the valuation techniques applied when significant unobservable assumptions are used to value Level 3 assets.

The majority of the Group's Level 3 assets are held within private equity investments, where the valuation of these assets is performed on an asset-by-asset basis using a valuation methodology appropriate to the specific investment and in line with industry guidelines. Private equity investments are valued at the value disclosed in the latest available set of audited financial statements or, if more recent information is available, from investment managers or professional valuation experts at the value of the underlying assets of the private equity investment. For this reason, no reasonable alternative assumptions are applicable and management therefore performs a sensitivity test of an aggregate 10% change in the value of the financial asset or liability (30 June 2019: 10%, 31 December 2019: 10%), representing a reasonable possible alternative judgement in the context of the current macro-economic environment in which the Group operates. It is therefore considered that the impact of this sensitivity will be in the range of £246 million to the reported fair value of Level 3 assets, both favourable and unfavourable (30 June 2019: £142 million, 31 December 2019: £172 million). As described in note 13(e), changes in the value of Level 3 assets held within linked policyholder funds are exactly matched by corresponding changes in the value of liabilities due to policyholders and therefore have no impact on the Group's net asset value or profit or loss, except to the extent that it has an impact on management fees earned.

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

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

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

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

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

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

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

14: Analysis of cash and cash equivalents

			£m
	30 June 2020	30 June 2019	31 December 2019
Cash at bank	**485**	369	787
Money market funds	**1,225**	1,410	1,159
Cash and cash equivalents in consolidated funds	**757**	546	527
Total cash and cash equivalents per consolidated statement of cash flows	**2,467**	2,325	2,473
Less: cash within held for sale	**-**	381	-
Total cash and cash equivalents per statement of financial position	**2,467**	1,944	2,473

Management consider that cash and cash equivalents are materially available for use in the Group's day-to-day operations, except for amounts held in consolidated funds of £757 million (30 June 2019: £546 million, 31 December 2019: £527 million).

15: Share capital

Financial instruments issued are classified as equity when there is no contractual obligation to transfer cash, other financial assets or issue a variable number of own equity instruments. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax. The Parent Company's equity capital currently comprises 1,856,264,234 Ordinary Shares of 7p each with an aggregated nominal value of £129,938,496 (30 June 2019 and 31 December 2019: 1,902,251,098 Ordinary Shares of 7p each with an aggregated nominal value of £133,157,577).

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

		£m	£m
	Number of shares	**Nominal value**	**Share premium**
At 1 January 2019	1,902,251,098	133	58
At 31 December 2019	1,902,251,098	133	58
Shares cancelled through share buyback programme[1]	(45,986,864)	(3)	-
At 30 June 2020	**1,856,264,234**	**130**	**58**

[1]On 11 March 2020 the Company announced a share buyback programme to purchase shares, up to a maximum value of £375 million, in order to reduce the share capital of the Company. The programme commenced on 11 March 2020 and will continue into 2021. As part of Tranche 1 of the programme, which completed in June 2020, the Company has acquired 43,217,594 shares for a total consideration of £50 million, and incurred additional costs of £2 million. Tranche 2 of the programme commenced in June 2020. As part of the second tranche a further 2,769,270 shares have been purchased for £4 million up to 30 June 2020. The shares from both tranches, which have a nominal value of £3 million, have subsequently been cancelled, giving rise to a capital redemption reserve of the same value as required by the Companies Act 2006.

16: Investment contract liabilities

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

	30 June 2020			30 June 2019			31 December 2019		£m
	Gross	**Re-insurance**	**Net**	Gross	Re-insurance	Net	Gross	Re-insurance	Net
Carrying amount at 1 January	**52,455**	**-**	**52,455**	56,450	(1,671)	54,779	56,450	(1,671)	54,779
From continuing operations									
Fair value movements	**(1,668)**	**-**	**(1,668)**	4,002	-	4,002	5,091	-	5,091
Investment income	**414**	**-**	**414**	346	-	346	719	-	719
Movements arising from investment return	**(1,254)**	**-**	**(1,254)**	4,348	-	4,348	5,810	-	5,810
From discontinued operations									
Fair value movements	**-**	**-**	**-**	1,078	(159)	919	1,427	(205)	1,222
Investment income	**-**	**-**	**-**	72	-	72	142	-	142
Movements arising from investment return	**-**	**-**	**-**	1,150	(159)	991	1,569	(205)	1,364
Contributions received	**2,551**	**-**	**2,551**	2,747	315	3,062	5,718	1,148	6,866
Maturities	**(40)**	**-**	**(40)**	(86)	-	(86)	(166)	-	(166)
Withdrawals and surrenders	**(1,590)**	**-**	**(1,590)**	(3,189)	-	(3,189)	(7,419)	-	(7,419)
Claims and benefits	**(25)**	**-**	**(25)**	(98)	-	(98)	(205)	-	(205)
Other movements	**-**	**-**	**-**	(1)	(1)	(2)	2	(1)	1
Change in liability	**(358)**	**-**	**(358)**	4,871	155	5,026	5,309	942	6,251
Currency translation loss/(gain)	**170**	**-**	**170**	5	-	5	(121)	-	(121)
Transfer to held for sale	**-**	**-**	**-**	(11,040)	1,516	(9,524)	-	-	-
Disposal of subsidiaries	**-**	**-**	**-**	-	-	-	(9,183)	729	(8,454)
Investment contract liabilities	**52,267**	**-**	**52,267**	50,286	-	50,286	52,455	-	52,455

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

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

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

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

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

Following the sale of QLA (see note 4(b)) the Group no longer has any pure insurance contracts. Within the Group's International business, insurance contracts are unbundled. The insurance component does not give rise to any future liabilities and the deposit component is presented in investment contract liabilities. As a result, the Group no longer has any insurance liabilities or reinsurance assets. In the six months ended 30 June 2020 unbundled insurance premiums of £1 million (30 June 2019: £1 million, 31 December 2019: £1 million) are offset by £(1) million (30 June 2019: £(1) million, 31 December 2019: £(1) million) of premiums ceded to reinsurers.

17: Provisions

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

30 June 2019	Compensation provisions	Sale of QLA	Sale of Single Strategy business	Other	Total £m
Balance at beginning of the period	54	-	20	20	94
Adjustment on initial application of IFRS 16	-	-	-	(5)	(5)

Additions from business combinations	1	-	-	1	2
Charge to income statement[2]	1	-	-	-	1
Utilised during the period	(15)	-	(5)	(1)	(21)
Unused amounts reversed	(6)	-	-	-	(6)
Transfer to liabilities held for sale	(19)	-	-	(1)	(20)
Balance at 30 June 2019	16	-	15	14	45

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

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

Compensation provisions

Compensation provisions total £47 million (30 June 2019: £16 million, 31 December 2019: £31 million), and are comprised of the following:

Lighthouse pension transfer advice provision of £29 million (30 June 2019: £nil, 31 December 2019: £12 million)

A provision for pension transfer advice has been established within the fair value of the Lighthouse assets and liabilities acquired. As at 31 December 2019, the provision related to approximately 30 complaints received in the first quarter of 2020 on advice provided by Lighthouse in respect of pension transfers for British Steel pension scheme members, prior to the Group's acquisition of Lighthouse in June 2019. All the complaints received related to transfers before that date.

During the first half of 2020, the FCA reported the results of their thematic review into the general market of pension transfers, which included British Steel pension transfers. The FCA review determined that the percentage of unsuitable files for British Steel transfers was higher than those for other pension schemes in the general industry. The FCA review included a sample of British Steel pension transfer advice provided by Lighthouse. Additionally, approximately 30 further complaints have been received from British Steel pension scheme members subsequent to the publication of the Group's 2019 Annual Report. As such, the Group has extended the provision to include consideration of the full population of 266 British Steel transfers on which Lighthouse advisers provided advice and the relevant customer proceeded to make a transfer in order to determine a more reliable approximation of the estimated redress payable.

The Group has performed a detailed redress file review of a sample of British Steel cases, deemed to be representative of the overall population. The sample was divided into transfers pre and post June 2017, when the Trustees of the British Steel pension fund changed the basis on which transfer values were calculated. The estimated redress per client as a proportion of the transfer value of the pensions was determined and extrapolated to the overall population of cases where advice was provided, and that advice was then acted upon. The methodology employed to assess the probable redress payable uses assumptions and estimation techniques which are consistent with principles under the FCA's FG17/9 "Guidance for firms on how to calculate redress for unsuitable defined benefit pension transfers". A provision of £26 million (31 December 2019: £9 million) has been calculated for the potential redress of all British Steel cases. Based upon additional information obtained, the balance at acquisition, and as reported at 31 December 2019, has been reassessed and increased from £9 million to £21 million. The final costs of redress for cases upheld will depend on specific calculations on a case-by-case basis, which are impacted by market movements and other parameters affecting the defined contribution scheme asset, and therefore exposed to volatility from this, and may vary from the amounts currently provided.

An additional provision of £3 million (31 December 2019: £3 million) has been recognised in respect of the anticipated cost of legal and professional fees related to the cases and redress process, which includes the expected costs to review advice provided of a similar nature in relation to cases that management believe may have similar characteristics.

The provision of £24 million recognised within the fair value of net assets acquired impacts the goodwill balance recognised upon acquisition. The increase in the provision subsequent to acquisition of £5 million has been recognised within expenses of the Group. The table below shows the change in this provision and how the amounts have been recognised:

				£m
	Notes	31 December 2019	Change in H1 2020	**30 June 2020**
Client redress provision		9	17	**26**
Anticipated costs		3	-	**3**
Total Lighthouse pension transfer advice complaints provision		12	17	**29**
Recognised within fair value of acquired net assets	4(a)	12	12	**24**
Recognised within expenses	5(b)(vi)	-	5	**5**

The recognition of the fair value of acquired assets has been further reduced by management's estimate of the fair value of the insurance recoverable of £3 million and the deferred tax asset receivable of £2 million (both described in note 4(a)), resulting in a net increase of £19 million to the fair value of the acquired asset, of which £7 million was recognised in the six months ending 30 June 2020 (31 December 2019: £12 million).

The key assumptions which have an impact upon the redress payable calculation are the discount rate, changes in market levels and proportion of cases where redress is estimated to be payable. For the purpose of the redress calculation, changes in the discount rate impact the valuation of the DB scheme at the reporting date, and market level changes, as modelled by movements in the FTSE Private Investors Income index, impact the valuation of the personal pension scheme for each client. The following table shows the change upon the provision balance at 30 June 2020 as a result of movements in the key assumptions:

		£m
	30 June 2020	
	Increase	**Decrease**
Change in discount rate of 0.25%	**(4)**	**6**
Change in market levels of 5%	**(3)**	**5**
Change in number of cases upheld of 10%	**3**	**(3)**

Compensation provisions (other) of £18 million (30 June 2019: £16 million, 31 December 2019: £19 million)

Other compensation provisions of £18 million are held within the Group's continuing operations and include amounts relating to the cost of correcting deficiencies in policy administration systems, including restatements and clawbacks, any associated litigation costs and the related costs to compensate previous or existing policyholders. This provision represents management's best estimate of expected outcomes based upon previous experience. Due to the nature of the provisions, the timing of the expected cash outflows is uncertain. Estimates are reviewed annually and adjusted as appropriate for new circumstances. Management estimate a provision sensitivity of +/-25% (£5 million).

Provisions arising on the disposal of Quilter Life Assurance

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

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

The most significant element of the provision is the cost of migration of IT systems and data to the acquirer. Work will take place during 2020 and 2021. Calculation of the provision is based on management's best estimate of the work required, the time it is expected to take, the number and skills of the staff required and their cost, and the cost of related external IT services to support the work. In reaching these judgements and estimates, management have made use of their past experience of previous IT migrations following business disposals. Management estimate a provision sensitivity of +/-25% (£1.5 million).

During the period £2 million of the provision has been utilised.

Sale of Single Strategy Asset Management business provision

In 2018, a restructuring provision was recognised as a result of the sale of the Single Strategy Asset Management business to enable the remaining Quilter Investors business to function as a standalone operation going forward. The provision includes those costs directly related to replacing and restoring the operational capability that previously underpinned and supported both parts of the asset management business. Key parts of this capability had either been disposed of or disrupted as a consequence of the sale. The provision established for restructuring was £19 million, of which £5 million was utilised during 2018 and a further £11 million utilised in 2019. During 2020, further utilisation of £1 million has been incurred, and £1 million has been reversed, and therefore £1 million of the provision remains at 30 June 2020. Management estimate a provision sensitivity of +/-20% (£0.2 million).

Additional provisions totalling £6 million were also made in the year ended 31 December 2018 as a consequence of the sale of the Single Strategy Asset Management business. These were in relation to various sale related future commitments, the outcome of which was uncertain at the time of the sale and the most significant of which is in relation to the guarantee of revenues in future years. A further £1 million was added to the provision during 2019, bringing the closing balance to £7 million at 31 December 2019. There has been no movement in the balance during the current period.

The provision considers sensitivities including potential scenarios which would result in a reduction in Group assets under management held in Merian (Single Strategy Asset Management business) funds, leading to a reduction in the management fees paid to Merian. The maximum potential exposure is £30 million, arising between 2020 and 2022.

Of the total £7 million provision outstanding, £4 million (2019: £3 million) is estimated to be payable after one year.

Other provisions

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

Included within the balance in 2020 is £18 million clawback provisions in respect of amounts due to product providers on indemnity commission, within the Quilter Financial Planning business. At 30 June 2020, an associated balance of £12 million recoverable from brokers is included within Trade, other receivables and other assets. At 30 June 2019 and 31 December 2019 the associated asset of £12 million was offset within the provision balance.

Management estimate a provision sensitivity of +/-20% (£6 million).

Of the total £29 million provision outstanding, £19 million is estimated to be payable within one year (2019: £17 million).

18: Contingent liabilities

The Group, in the ordinary course of business, enters into transactions that expose it to tax, legal and business risks. The Group recognises a provision when it has a present obligation as a result of past events, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made (see note 17). Possible obligations and known liabilities where no reliable estimate can be made or it is considered improbable that an outflow would result are reported as contingent liabilities in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Contingent liabilities – acquisitions and disposals

The Group routinely monitors and assesses contingent liabilities arising from matters such as litigation, warranties and indemnities relating to past acquisitions and disposals. In May 2020, the Group received a requirement notice from the FCA in relation to Lighthouse DB pension transfer advice, requiring a report by a skilled person, under section 166(3)(a) of the Financial Services and Markets Act 2000 (FSMA). The review covers Lighthouse Advisory Services Limited only, and no other companies within the Group. The review covers the period from 1 April 2015 to 27 January 2020, which is the date that Lighthouse converted to the Quilter Financial Planning advice process for their Defined Benefit transfer activity.

The review will cover British Steel DB pension transfer advice activity undertaken by Lighthouse, and a representative sample of other Lighthouse DB pension transfer advice activity. The skilled person will also calculate redress, following the FCA's FG17/9 "Guidance for firms on how to calculate redress for unsuitable defined benefit pension transfers" guidance. The skilled person will also review the redress methodology applied by Lighthouse to any complaints already upheld. The interim skilled person's report is expected in Q4 2020, with the final report to the FCA due in early 2021.

For the British Steel cases, management currently consider that the likelihood of redress is probable on the majority of the cases. An estimate of the amount of redress payable has been made and is included within Provisions in note 17. For the non-British Steel cases, it is possible that further costs of redress may be incurred following the outcome of the skilled person review. At present, there is no indication of redress payable in relation to non-British Steel cases.

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

Tax

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

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

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

Complaints and disputes

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

19: Related party transactions

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

20: Events after reporting date

Interim dividend

Subsequent to 30 June 2020, the Board has declared an interim dividend of 1.0 pence per ordinary share. This amounts to £18 million in total, and will be accounted for as an appropriation of retained earnings in the year ending 31 December 2020. The interim dividend will be paid on 21 September 2020 to shareholders on the UK and South African share registers.