

## ELECTRONIC TRANSMISSION DISCLAIMER

### STRICTLY NOT TO BE FORWARDED TO ANY OTHER PERSONS

IMPORTANT: You must read the following disclaimer before continuing. This electronic transmission applies to the attached document and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached document (the "**Prospectus**") relating to Quilter plc (the "**Company**") dated 20 April 2018 accessed from this page or otherwise received as a result of such access. In accessing the attached document, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached document. You acknowledge that this electronic transmission and the delivery of the attached document is confidential and intended for you only and you agree you will not forward, reproduce or publish this electronic transmission or the attached document whether electronically or otherwise to any other person. The Prospectus has been prepared solely in connection with the proposed offer to certain investors (the "**Offer**") of ordinary shares (the "**Ordinary Shares**") of the Company.

Applications will be made to the Financial Conduct Authority (the "**FCA**") for all of the Ordinary Shares of the Company to be admitted to listing on the premium listing segment of the Official List of the FCA and to the London Stock Exchange plc (the "**London Stock Exchange**") for all the Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities, and to the JSE Limited (the "**JSE**") for the secondary inward listing of such Ordinary Shares on the Main Board of the JSE (together, "**Admission**"). The Prospectus has been approved by the FCA as a prospectus prepared in accordance with the Prospectus Rules made under section 73A of the Financial Services and Markets Act 2000 (the "**FSMA**"). The Prospectus has been published and is available from the Company's registered office and on the Company's website at <http://www.oldmutualwealth.co.uk/quilter/investor-relations/>

Pricing information and other related disclosures are expected to be published on this website. Prospective investors are advised to access such information prior to making an investment decision.

THIS ELECTRONIC TRANSMISSION AND THE ATTACHED DOCUMENT MAY ONLY BE DISTRIBUTED IN "OFFSHORE TRANSACTIONS" AS DEFINED IN, AND IN RELIANCE ON, REGULATION S UNDER THE US SECURITIES ACT OF 1933 AS AMENDED (THE "**SECURITIES ACT**") OR WITHIN THE UNITED STATES TO QUALIFIED INSTITUTIONAL BUYERS ("**QIBS**") AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") OR ANOTHER EXEMPTION FROM, OR TRANSACTION NOT SUBJECT TO, REGISTRATION UNDER THE US SECURITIES ACT. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS NOTICE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. NOTHING IN THIS ELECTRONIC TRANSMISSION AND THE ATTACHED DOCUMENT CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE ORDINARY SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QIB AS DEFINED IN, OR IN RELIANCE ON, RULE 144A, OR ANOTHER EXEMPTION FROM, OR TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, OR (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

CANADIAN INVESTORS ARE ADVISED THAT THIS EMAIL AND THE DOCUMENT ATTACHED HERETO MAY ONLY BE TRANSMITTED IN THOSE JURISDICTIONS IN CANADA AND TO THOSE PERSONS WHERE AND TO WHOM THEY MAY BE LAWFULLY OFFERED FOR SALE, AND THEREIN ONLY BY PERSONS PERMITTED TO SELL SUCH SECURITIES. THE DOCUMENT ATTACHED HERETO IS NOT, AND UNDER NO CIRCUMSTANCES IS TO BE CONSTRUED AS, AN ADVERTISEMENT OR A PUBLIC OFFERING IN CANADA. NO SECURITIES COMMISSION OR SIMILAR AUTHORITY IN CANADA HAS REVIEWED OR IN ANY WAY PASSED UPON THE DOCUMENT ATTACHED HERETO OR THE MERITS OF THE SECURITIES DESCRIBED THEREIN AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE. THE DISTRIBUTION OF THE SECURITIES CONTAINED IN THE DOCUMENT ATTACHED HERETO IS BEING MADE ON A PRIVATE PLACEMENT BASIS ONLY AND IS EXEMPT FROM THE REQUIREMENT THAT THE COMPANY PREPARE AND FILE A PROSPECTUS WITH THE RELEVANT CANADIAN SECURITIES REGULATORY AUTHORITIES.

ANY FORWARDING, REDISTRIBUTION OR REPRODUCTION OF THE DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

This electronic transmission and the attached document and the Offer when made are only addressed to and directed at persons in member states of the European Economic Area (the "**EEA**"), other than the United Kingdom, who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC and amendments thereto, including Directive 2010/73/EU to the extent implemented in a relevant member state of the EEA) ("**Qualified Investors**"). In addition, in the United Kingdom, this electronic transmission and the attached document is being distributed only to, and is directed only at, Qualified Investors (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**") and Qualified Investors falling within Article 49(2)(a) to (d) of the Order, and (ii) to whom it may otherwise lawfully be communicated (all such persons together being referred to as "**relevant persons**"). This electronic transmission and the attached document must not be acted on or relied on (i) in the United Kingdom, by persons who are not relevant persons, and (ii) in any member state of the EEA, other than the United Kingdom, by persons who are not Qualified Investors. Any investment or investment activity to which this document relates is available only to (i) in the United Kingdom, relevant persons, and, (ii) in any member state of the EEA, other than the United Kingdom, Qualified Investors, and will be engaged in only with such persons.

In South Africa, the Offer will only be made by way of a private placement to, and be capable of acceptance by: (i) persons falling within the exemptions set out in section 96(1)(a); and/or (ii) selected persons, acting as principal, acquiring Ordinary Shares for a contemplated total acquisition cost of R1 million or more, as envisaged in section 96(1)(b), of the South African Companies Act, 2008 ("**South African Companies Act**") and to whom the Offer will specifically be addressed ("**South African Qualifying Investors**"), and the document is only being made available to such South African Qualifying Investors. The Offer does not constitute an offer for the sale of or subscription for, or the advertisement or the solicitation of an offer to buy and/or to subscribe for, Ordinary Shares to the public as defined in the South African Companies Act and will not be distributed to any person in South Africa in any manner that could be construed as an offer to the public in terms of the South African Companies Act. Should any person who is not a South African Qualifying Investor receive the document, they should not and will not be entitled to acquire any Ordinary Shares or otherwise act thereon. This document does not, nor is it intended to, constitute a prospectus prepared and registered under the South African Companies Act or an advertisement in terms of section 98 of the South African Companies Act. Accordingly, the document does not comply with the substance and form requirements for prospectuses or advertisements set out in the South African Companies Act and the South African Companies Regulations of 2011 and has not been approved by, and/or registered with, the South African Companies and Intellectual Property Commission, or any other South African authority. The JSE has approved the document. Information made available in the document constitutes factual information as contemplated in section 1(3)(a) of the South African Financial Advisory and Intermediary Services Act 37 of 2002 (as amended) ("**FAIS Act**") and should not be considered as "advice" as defined in the FAIS Act or an express or implied recommendation, guidance or proposal that any particular transaction in respect of the Ordinary Shares is appropriate to the particular investment objectives, financial situations or needs of a prospective investor, and nothing in the document should be construed as constituting the canvassing for, or marketing or advertising of, financial services in South Africa.

For investors in British Columbia, Alberta, Ontario and Quebec (the “**Relevant Provinces**”): You acknowledge and agree that: (a) the securities described in the attached document are only being distributed to investors located or resident in the Relevant Provinces; (b) you are (i) an “accredited investor” as such term is defined in National Instrument 45-106 *Prospectus Exemptions* or, in Ontario, as such term is defined in section 73.3(1) of the *Securities Act* (Ontario), as applicable; (ii) you are a “permitted client” as such term is defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*; and (iii) you are not an individual; and (c) where required by law, you are either participating in the offering as principal for your own account or are deemed to be participating in the offering as principal in accordance with applicable law and not as agent for the benefit of another person.

**Confirmation of Your Representation:** This electronic transmission and the attached document is delivered to you on the basis that you are deemed to have represented to the Company, the Selling Shareholder (as defined in this document), Merrill Lynch International (“**BofA Merrill Lynch**”), Goldman Sachs International (“**Goldman Sachs**”), J.P. Morgan Securities plc (which conducts its UK investment banking activities under the marketing name J.P. Morgan Cazenove) (“**J.P. Morgan Cazenove**”), Merrill Lynch South Africa Proprietary Limited (“**Merrill Lynch South Africa**”), BNP Paribas (“**BNP Paribas**”) and Avior Capital Markets Proprietary Ltd (“**Avior Capital Markets**”) (together, the “**Underwriters**”) that (i) you are (a) a QIB acquiring such securities for its own account or for the account of another QIB or (b) acting on behalf of, or you are an institutional investor outside the United States acquiring such securities in “offshore transactions”, as defined in, and in reliance on, Regulation S under the Securities Act; (ii) if you are in the United Kingdom you are a relevant person, and/or a relevant person who is acting on behalf of relevant persons in the United Kingdom and/or Qualified Investors to the extent you are acting on behalf of persons or entities in the United Kingdom or the EEA; (iii) if you are in any member state of the EEA other than the United Kingdom, you are a Qualified Investor and/or a Qualified Investor acting on behalf of Qualified Investors, to the extent you are acting on behalf of persons or entities in the EEA; (iv) the Ordinary Shares acquired by you in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, any person in circumstances which may give rise to an offer of any securities to the public other than their offer or resale in any member state of the EEA which has implemented the Prospectus Directive to Qualified Investors (as defined in the Prospectus Directive) or the UK; and (v) if you are not in the United States, the UK or the EEA, you are an institutional investor that is eligible to receive this document and you consent to delivery by electronic transmission.

**Restriction:** Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer of securities for sale to persons other than the specified categories of prospective investors described above and to whom it is directed and access has been limited so that it shall not constitute a general solicitation. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

You are reminded that you have received this electronic transmission and the attached document on the basis that you are a person into whose possession this document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this document, electronically or otherwise, to any other person. This document has been made available to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Company, the Underwriters, nor any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and the hard copy version. By accessing the attached document, you consent to receiving it in electronic form. None of the Underwriters nor any of their respective affiliates accepts any responsibility whatsoever for the contents of the attached document or for any statement made or purported to be made by it, or on its behalf, in connection with the Company or the Ordinary Shares. The Underwriters and each of their respective affiliates, each accordingly disclaims all and any liability whether arising in tort, contract or otherwise which they might otherwise have in respect of such document or any such statement. No representation or warranty express or implied, is made by any of the Underwriters and/or any of their respective affiliates as to the accuracy, completeness or sufficiency of the information set out in the attached document.

The Underwriters are acting exclusively for the Company and no one else in connection with the Offer. They will not regard any other person (whether or not a recipient of this document) as their client in relation to the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients nor for giving advice in relation to the Offer or any transaction or arrangement referred to in the attached document.

**You are responsible for protecting against viruses and other destructive items.** Your receipt of this document via electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

This document comprises a prospectus (the “**Prospectus**”) relating to Quilter plc (the “**Company**”), prepared in accordance with the Prospectus Rules of the Financial Conduct Authority (the “**FCA**”) made under section 73A of the Financial Services and Markets Act 2000 (as amended) (the “**FSMA**”) and a pre-listing statement prepared in accordance with the listings requirements of the JSE Limited (the “**JSE Listings Requirements**”), and has been prepared in connection with the offer of ordinary shares of £0.07 each in the Company (the “**Ordinary Shares**”) to certain institutional investors (the “**Offer**”) and the Company’s separation from Old Mutual plc (the “**Quilter Separation**”). This Prospectus has been approved by the FCA in accordance with Section 87A of FSMA and the JSE Limited (the “**JSE**”) and will be made available to the public in accordance with Rule 3.2 of the Prospectus Rules.

Applications will be made to the FCA for all of the Ordinary Shares of the Company to be admitted to listing on the premium listing segment of the Official List of the FCA and to the London Stock Exchange plc (the “**London Stock Exchange**” or “**LSE**”) for all the Ordinary Shares to be admitted to trading on the London Stock Exchange’s main market for listed securities (the “**Main Market**”) and the Main Board of the JSE (together, “**Admission**”). The JSE has granted a secondary inward listing of the Ordinary Shares in the “Asset Managers” sub-sector of the JSE List under the abbreviated name Quilter, Alpha code QLT and ISIN GB00BDCXV269 subject to the fulfilment of certain conditions (including the Company having satisfied the requirements of the JSE Listings Requirements regarding the spread of shareholders, on the South African branch share register being public shareholders holding not less than 20% of the issued ordinary share capital of the Company at the point of listing on the JSE). The Financial Surveillance Department of the South African Reserve Bank (“**FinSurv**”) has approved the inward listing of the Company on the Main Board of the JSE, and classified the inward listed Ordinary Shares as “domestic” for South African exchange control purposes.

It is expected that Admission to listing and trading on the London Stock Exchange will become effective and that unconditional dealings in the Ordinary Shares will commence at 8:00 a.m. (London) on 25 June 2018. It is expected that Admission to listing and trading on the Main Board of the JSE will become effective and that unconditional dealings in the Ordinary Shares will commence at 9:00 a.m. (South Africa) on 25 June 2018. **No application is currently intended to be made for the Ordinary Shares to be admitted to listing or dealing on any other exchange.**

The Ordinary Shares will only be traded on the JSE as dematerialised shares and, accordingly, no documents of title will be issued to successful applicants who wish to apply for Ordinary Shares.

The Company and its directors, whose names appear on page 66 of this document (the “**Directors**”), accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Directors and the Company (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

The Directors, collectively and individually, accept full responsibility for the completeness and the accuracy of the information contained in this document and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement of fact or opinion false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this document contains all information required by law and the JSE Listings Requirements.

**Prospective investors should read the whole of this Prospectus and, in particular, attention is drawn to Part I – “Risk Factors” of this document for a discussion of certain factors that should be considered in connection with an investment in the Ordinary Shares.**

# Quilter

## Quilter plc

(previously Old Mutual Wealth Management Limited)

(Incorporated under the Companies Act 1985 with registered number 06404270  
and re-registered as a public limited company under the Companies Act 2006)

**Offer of Ordinary Shares of £0.07 each at the Offer Price and admission to listing  
on the premium listing segment of the Official List and to trading on the Main Market  
of the London Stock Exchange and the Main Board of the JSE**

### Joint Global Coordinators and Joint Bookrunners

**Merrill Lynch**   
A subsidiary of  
Bank of America Corporation



**J.P.Morgan** **CAZENOVE**

### UK Sponsors

### JSE Sponsor

**Merrill Lynch**   
A subsidiary of  
Bank of America Corporation

**J.P.Morgan** **CAZENOVE**

**Merrill Lynch**   
A subsidiary of  
Bank of America Corporation

### Lead Manager

### Joint Bookrunner



**BNP PARIBAS**



The indicative price range in respect of the Offer (the **"Price Range"**) will be determined following publication of this Prospectus, and, together with the maximum number of Ordinary Shares to be sold in the Offer and any other outstanding information, will be contained in a price range supplement (the **"Price Range Supplement"**) which is currently expected to be published on or about 11 June 2018.

The final offer price in respect of the Offer (the **"Offer Price"**) and the number of Ordinary Shares to be sold by the Selling Shareholder in the Offer will be determined following publication of the Price Range Supplement, and is currently expected to be announced on or about 25 June 2018. A number of factors will be considered in determining the final Offer Price and the number of Ordinary Shares to be sold in the Offer, including the level and nature of demand for the Offer Shares during the bookbuilding process, the prevailing market conditions and the objective of establishing an orderly and liquid after-market in the Ordinary Shares. If the Price Range announced in the Price Range Supplement changes prior to the announcement of the final Offer Price, the revised Price Range will be announced and advertised as soon as possible and the Company will publish an additional supplementary prospectus.

The Company will comply with its obligation to publish a further supplementary prospectus containing further updated information required by law or any regulatory authority, including a trading update for the first quarter of 2018 (the **"Q1 Results Supplement"**), which the Company expects to publish on or about 30 April 2018, but assumes no further obligation to publish additional information.

Each of Merrill Lynch International (**"BofA Merrill Lynch"**), Goldman Sachs International (**"Goldman Sachs"**) and J.P. Morgan Securities plc (which conducts its UK investment banking activities under the marketing name J.P. Morgan Cazenove) (**"J.P. Morgan Cazenove"**, and together with BofA Merrill Lynch and Goldman Sachs, the **"Joint Global Coordinators"**) is authorised by the Prudential Regulation Authority (**"PRA"**) and regulated in the United Kingdom by the FCA and the PRA. Merrill Lynch South Africa Proprietary Limited (**"Merrill Lynch South Africa"**) is regulated by the Johannesburg Stock Exchange, the South African Reserve Bank (**"SARB"**) and the Financial Services Board of South Africa. Avior Capital Markets Proprietary Ltd (**"Avior Capital Markets"** and the **"Lead Manager"**) is authorised and regulated by the JSE in South Africa. BNP Paribas (**"BNP PARIBAS"** and, together with the Joint Global Coordinators, the **"Joint Bookrunners"**) is lead supervised by the European Central Bank (**"ECB"**) and the Autorité de Contrôle Prudentiel et de Résolution (**"ACPR"**) (and its London Branch is authorised by the ECB, the ACPR and the PRA and subject to limited regulation by the FCA and the PRA). Each of the Joint Bookrunners, the Lead Manager and Merrill Lynch South Africa (together, the **"Banks"**) is acting exclusively for the Company and no one else in connection with the Admission and Offer. None of the Banks will regard any other person (whether or not a recipient of this Prospectus) as a client in relation to the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients or for the giving of advice in relation to the Offer or any transaction, matter, or arrangement referred to in this Prospectus. None of the Banks nor any of their respective affiliates accepts any responsibility whatsoever for the contents of this Prospectus including its accuracy, completeness and verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Ordinary Shares or the Offer, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future. Accordingly, apart from the responsibilities and liabilities, if any, which may be imposed on the Banks by FSMA or the regulatory regime established thereunder, each of the Banks and each of their respective affiliates disclaim, to the fullest extent permitted by applicable law, all and any liability whether arising in tort, delict, contract or otherwise which they might otherwise be found to have in respect of this Prospectus or any such statement. No representation or warranty express or implied, is made by any of the Banks or any of their respective affiliates as to the accuracy, completeness, verification or sufficiency of the information set out in this Prospectus, and nothing in this Prospectus will be relied upon as a promise or representation in this respect, whether or not to the past or future.

This Prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities other than the securities to which it relates or any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, such securities by any person in any circumstances in which such offer or solicitation is unlawful.

Any investor should only rely on the information in this Prospectus. None of the Company, the Selling Shareholder, the Banks or any of their respective representatives, is making any representation other than those contained in this document and, if given or made, such information or representations must not be relied on as having been so authorised. Neither the delivery of this document nor Admission nor any subsequent subscription or sale shall, under any circumstances, create any implication that there has been no change in the affairs of the Company set forth in this document or that the information in it is correct as of any date subsequent to the date hereof. The contents of this document should not be construed as legal, business, financial or tax advice. None of the Company, the Selling Shareholder, the Banks or any of their respective representatives, is making any representation to any prospective investor regarding the legality of an investment in the Ordinary Shares by such prospective investor under the laws applicable to such prospective investor. Each prospective investor should consult his, her or their own legal, business, financial or tax advisers for advice.

The investors also acknowledge that: (i) they have not relied on the Banks or any person affiliated with the Banks in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; and (ii) they have relied only on the information contained in this document, and (iii) that no person has been authorised to give any information or to make any representation concerning the Company or its subsidiaries or the Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Selling Shareholder or the Banks.

The Banks and any of their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services for the Company and the Selling Shareholder, for which they would have received customary fees. The Banks and any of their respective affiliates may provide such services to the Company and the Selling Shareholder and any of their respective affiliates in the future.

In connection with the Offering, each of the Banks and any of their respective affiliates, may take up a portion of the Ordinary Shares in the Offering as a principal position and in that capacity may retain, purchase or sell for its own account such securities and any Ordinary Shares or related investments and may offer or sell such Ordinary Shares or other investments otherwise than in connection with the Offering. Accordingly, references in the Prospectus to Ordinary Shares being offered or placed should be read as including any offering or placement of Ordinary Shares to any of the Banks or any of their respective affiliates acting in such capacity. In addition certain of the Banks or their affiliates may enter into financing arrangements (including swaps or contracts for differences) with investors in connection with which the Banks (or their respective affiliates) may from time to time acquire, hold or dispose of Shares in the Company. None of the Banks intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

### NOTICE TO UNITED STATES INVESTORS

The Offer is being made by way of an institutional offer by the Selling Shareholder (i) to certain institutional investors outside the United States in reliance on Regulation S ("**Regulation S**") under the US Securities Act of 1933, as amended (the "**US Securities Act**") and in accordance with locally applicable laws and regulations, and (ii) in the United States, only to qualified institutional buyers ("**QIBs**") in reliance on Rule 144A ("**Rule 144A**") under the US Securities Act or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.

The Ordinary Shares have not been, nor will they be, registered under the US Securities Act or under the applicable securities laws or the regulations of any state of the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.

For so long as any of the Ordinary Shares are in issue and are "restricted securities" within the meaning of Rule 144(a)(3) under the US Securities Act, the Company will, during any period in which it is neither subject to Section 13 or 15(d) under the US Securities Exchange Act of 1934, as amended (the "**US Exchange Act**"), nor exempt from reporting under the US Exchange Act pursuant to Rule 12g3-2(b) thereunder, make available to any holder or beneficial owner of an Ordinary Share, or to any prospective purchaser of an Ordinary Share designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the US Securities Act.

**NEITHER THE US SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION IN THE UNITED STATES NOR ANY OTHER US REGULATORY AUTHORITY HAS APPROVED OR DISAPPROVED OF THE ORDINARY SHARES OR PASSED UPON OR ENDORSED THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.**

### NOTICE TO INVESTORS IN SOUTH AFRICA

In South Africa, the Offer will only be made by the Selling Shareholder by way of separate private placements to (i) selected persons falling within one of the specified categories listed in section 96(1)(a) of the South African Companies Act and (ii) selected persons, acting as principal, acquiring Ordinary Shares for a contemplated total acquisition cost of R1,000,000 or more, as contemplated in Section 96(1)(b) of the South African Companies Act ("**South African Qualifying Investors**"), and to whom the Offer will specifically be addressed, and only by whom the Offer will be capable of acceptance, and this Prospectus is only being made available to such South African Qualifying Investors. The Offer and the relevant information that pertains to such Offer in respect of each class of South African Qualifying Investor is combined in this Prospectus for the sake of convenience only. Accordingly: (i) the Offer is not an offer to the public as contemplated in the South African Companies Act; (ii) this Prospectus does not, nor does it intend to, constitute a prospectus prepared and registered under the South African Companies Act or an advertisement in terms of Section 98 of the South African Companies Act; and (iii) no prospectus has been filed with the South African Companies and Intellectual Property Commission in respect of the Offer. As a result, this Prospectus does not comply with the substance and form requirements for a prospectus or advertisements set out in the South African Companies Act and the South African Companies Regulations of 2011, and has not been approved by, and/or registered with, the South African Companies and Intellectual Property Commission, or any other South African authority. The JSE has approved this Prospectus.

The information contained in this Prospectus constitutes factual information as contemplated in Section 1(3)(a) of the South African Financial Advisory and Intermediary Services Act, 37 of 2002, as amended ("**FAIS Act**") and should not be construed as an express or implied recommendation, guide or proposal that any particular transaction in respect of the Offer Shares or in relation to the business or future investments of the Company is appropriate to the particular investment objectives, financial situations or needs of a prospective investor, and nothing in this Prospectus should be construed as constituting the canvassing for, or marketing or advertising of, financial services in South Africa. The Company is not a financial services provider licensed as such under the FAIS Act.

## NOTICE TO OTHER OVERSEAS INVESTORS

The distribution of this Prospectus in certain jurisdictions other than the United Kingdom may be restricted by law. No action has been taken by the Company, the Selling Shareholder or the Banks to permit a public offering of the Ordinary Shares, or possession or distribution of this Prospectus (or any other offering or publicity materials relating to the Ordinary Shares) in any other jurisdiction where action for that purpose may be required or doing so is restricted by law. Accordingly, neither this Prospectus nor any advertisement may be distributed or published in any other jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes are required by the Company and the Banks to inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

This Prospectus does not constitute or form part of an offer to sell, or the solicitation of an offer to buy or subscribe for, Ordinary Shares to any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation. The Ordinary Shares have not been and will not be registered under the applicable securities laws of Australia, Canada or Japan. Accordingly, subject to certain exceptions, the Ordinary Shares may not be offered or sold in Australia, Canada or Japan. For a description of these and certain further restrictions on offers, sales and transfers of the Ordinary Shares and the distribution of this document, see *Part XV – “Details of the Offer”*.

## INFORMATION TO DISTRIBUTORS

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended (“**MiFID II**”); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the “**MiFID II Product Governance Requirements**”), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any “manufacturer” (for the purposes of the Product Governance Requirements) may otherwise have with respect thereto, the Ordinary Shares have been subject to a product approval process, which has determined that the Ordinary Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the “**Target Market Assessment**”). Notwithstanding the Target Market Assessment, distributors should note that: the price of the Ordinary Shares may decline and investors could lose all or part of their investment; the Ordinary Shares offer no guaranteed income and no capital protection; and an investment in the Ordinary Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offer. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Joint Global Coordinators will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Ordinary Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Ordinary Shares and determining appropriate distribution channels.

### Company’s website

Information contained on the Company’s website or the contents of any website accessible from hyperlinks on the Company’s website are not incorporated into and do not form part of this Prospectus.

The date of this Prospectus is 20 April 2018.

---

## TABLE OF CONTENTS

---

	Page
Summary Information	5
<b>Part I</b> Risk Factors	25
<b>Part II</b> Presentation of Financial and Other Information	59
<b>Part III</b> Directors, Secretary, Registered and Head Office and Advisers	66
<b>Part IV</b> Expected Timetable of Principal Events	68
<b>Part V</b> Industry Overview	69
<b>Part VI</b> Business Description	79
<b>Part VII</b> Regulatory Overview	113
<b>Part VIII</b> Directors, Senior Management and Corporate Governance	125
<b>Part IX</b> Selected Financial Information	134
<b>Part X</b> Operating and Financial Review	141
<b>Part XI</b> Capitalisation and Indebtedness	180
<b>Part XII</b> Historical Financial Information	182
<b>Part XIII</b> Unaudited <i>Pro Forma</i> Financial Information	337
<b>Part XIV</b> Taxation	343
<b>Part XV</b> Details of the Offer	353
<b>Part XVI</b> Managed Separation	364
<b>Part XVII</b> Additional Information	367
<b>Part XVIII</b> Definitions and Glossary of Technical Terms	411



---

## SUMMARY INFORMATION

---

Summaries are made up of disclosure requirements known as Elements. These elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the summary with the mention of “not applicable”.

### Section A – Introduction and warnings

A.1	Warning	<p>This summary should be read as an introduction to the prospectus (the “<b>Prospectus</b>”).</p> <p>Any decision to invest in the ordinary shares of Quilter plc (the “<b>Company</b>”, and, together with its consolidated subsidiaries and subsidiary undertakings, the “<b>Group</b>”) (the “<b>Ordinary Shares</b>”) should be based on consideration of the Prospectus as a whole by the investor, and as supplemented by the supplement containing a trading update for the first quarter of 2018, expected to be published on or about 30 April 2018 (the “<b>Q1 Results Supplement</b>”) and the price range supplement expected to be published on or about 11 June 2018 (the “<b>Price Range Supplement</b>”).</p> <p>Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States of the European Economic Area (“<b>EEA</b>”), have to bear the costs of translating the Prospectus before the legal proceedings are initiated.</p> <p>Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the Ordinary Shares.</p>
A.2	Subsequent resale of the securities or final placement of securities through financial intermediaries	<p>Not applicable. The Company is not engaging any financial intermediaries for any subsequent resale or final placement of securities by financial intermediaries in connection with this Prospectus.</p>

### Section B – Issuer

B.1	Legal and commercial	Quilter plc
B.2	Domicile/legal form/legislation/country of incorporation	<p>The Company is a public limited company, incorporated in England and Wales with its registered office in England. The Company was incorporated and registered as a private company limited by shares in England and Wales on 19 October 2007 with registered number 06404270 under the Companies Act 1985 and re-registered as a public limited company under the Companies Act 2006 on 27 March 2018. The Company operates under the Companies Act 2006. The Company is not registered as an external company in South Africa.</p>

## Section B – Issuer

B.3	Current operations/ principal activities and markets	<p>The Group is a leader in the UK and in selected offshore markets in wealth management, providing advice-led investment solutions and investment platforms to over 900,000 customers, principally in the affluent market segment. At the core of the Group are a multi-channel wealth management proposition and a strong investment performance track record, driving integrated net client cash flows ("<b>Integrated NCCF</b>") and long-term customer relationships. As at 31 December 2017, the Group had £114.4 billion of assets under management and under administration ("<b>AuMA</b>") following the elimination of intra-Group assets.</p> <p>The Group operates through two segments, Advice &amp; Wealth Management and Wealth Platforms.</p> <p>The Group's Advice &amp; Wealth Management segment, with £41.7 billion of assets under management ("<b>AuM</b>") as at 31 December 2017, comprises:</p> <ul style="list-style-type: none"> <li>• <i>Quilter Financial Planning</i>, which is a network of over 3,500 financial advisers, including approximately 2,000 advisers who are approved by the FCA to carry out a customer function and may provide investment advice ("<b>CF30 Advisers</b>"), of which 1,561 are restricted financial planners ("<b>RFPs</b>") who deliver face-to-face financial advice tailored to meet the specific needs of the customer. Quilter Financial Planning is the second largest restricted advice network in the UK, as measured by the number of CF30 Advisers as at 31 December 2017 (Source: <i>Financial Times</i>);</li> <li>• <i>Quilter Investors</i>, which is a leading provider of multi-asset investment solutions in the UK, offering a broad range of solutions for its customers' accumulation and decumulation needs; and</li> <li>• <i>Quilter Cheviot</i>, which is a leading UK-based private-client wealth manager providing discretionary and advisory wealth management services to private clients, corporates, pension funds, trusts and charities.</li> </ul> <p>The Group's Wealth Platforms segment, with £84.6 billion of assets under administration ("<b>AuA</b>") as at 31 December 2017, comprises:</p> <ul style="list-style-type: none"> <li>• <i>Quilter Wealth Solutions</i>, which is a leading investment platform provider of advice-based wealth management products and services in the UK. Quilter Wealth Solutions serves a largely affluent customer base through both Quilter Financial Planning and third party advisers. The Group's IT transformation (the "<b>UK Platform Transformation Programme</b>"), a major enhancement of Quilter Wealth Solutions' range of products and capabilities, is designed to improve clients' and advisers' experience and expand the proposition;</li> <li>• <i>Quilter Life Assurance</i>, the Group's book of legacy UK life insurance, insurance bonds and pension business, as well as the Group's open protection book of business. It also includes the Group's institutional life business, which is closed to new business and the majority of which the Group expects will run off over the next one to two years. Quilter Life Assurance's retail book is also in a steady managed run-off expected to be at around 15% per annum; and</li> <li>• <i>Quilter International</i>, which is a leading investment platform provider of cross-border investment solutions (portfolio bonds and unit-linked products) aimed primarily at affluent and high net worth UK residents seeking investment solutions outside of the UK, as well as expatriates and international investors in selected offshore markets.</li> </ul> <p>The Group also operates a "single strategy" asset management business (the "<b>Single Strategy Business</b>"). The Group has contracted to sell the Single Strategy Business. The sale of the Single Strategy Business has not yet completed, with completion currently expected to occur in the second half of 2018. Therefore, in this Summary and elsewhere in the Prospectus, all key performance indicators relating to the Group (including, without limitation, numbers of customers, advisers, planners and/or employees, net client cash flows, assets under management, assets under administration, assets under management and administration and other operating metrics) are stated excluding the Single Strategy Business and other discontinued operations.</p>
-----	--	---

## Section B – Issuer

		<p>The Group has adopted a multi-channel access model, using both advised and open market approaches, designed for better customer outcomes by giving customers greater accessibility and choice. As at 31 December 2017, the Group's advised channel included approximately 200,000 advised customers paying ongoing advice fees, 1,561 RFPs (who advise on a range of investment solutions offered by the Group and from third parties that have been pre-researched by the Group) and 422 independent financial advisers ("IFAs") on the Quilter Financial Planning network (who advise on an unrestricted whole of market basis). The Group's open market channel included approximately 700,000 customers (of which approximately 400,000 are customers of Quilter Wealth Solutions) who are primarily serviced by over 4,000 active third party UK advice firms using the Group's platforms and investment solutions. The Directors believe that the Group's multi-channel wealth management proposition provides greater market breadth and customer and adviser choice which support long-term customer relationships. The Group's multi-channel wealth management proposition has also contributed to growth in the Group's Integrated NCCF (excluding Quilter Life Assurance), which has increased from £1.6 billion in the year ended 31 December 2015 to £5.2 billion in the year ended 31 December 2017. The Group's open market NCCF (excluding Quilter Life Assurance) has decreased from £2.7 billion in the year ended 31 December 2015 to £2.4 billion in the year ended 31 December 2017. Growth in Integrated NCCF has also been supported by the increase in the Group's RFPs from 930 as at 31 December 2014 to 1,561 as at 31 December 2017, an increase of 68% as a result of acquisitions, organic growth and transition of advisers from IFAs to RFPs.</p>
B.4	Significant recent trends affecting the Company and its industry	<p>There are a number of long-term trends and regulatory drivers that are expected to continue to impact the markets in which the Group operates: the UK wealth market, the UK advice market, the UK wealth solutions market, the UK retail platform market and selected offshore markets.</p> <ul style="list-style-type: none"> <li> <p><i>UK wealth market</i> – The UK is one of the largest wealth markets globally with an estimated £2.9 trillion of onshore liquid assets as of 2017. The long-term trend of an increase in the saver population segment (aged 30 to 60) is expected to drive continued growth of wealth market flows. There have also been a number of regulatory changes and government initiatives which have contributed to the growth in demand for financial advice and wealth management products in the UK, including the pension reforms in 2014. Furthermore, in the UK wealth and asset management sector, regulators have intensified their approach to the regulation of financial services and continue to focus specifically on ensuring good customer outcomes.</p> </li> <li> <p><i>UK advice market</i> – The Group is the second largest restricted advice network in the UK, as measured by the number of CF30 Advisers as at 31 December 2017 (Source: Financial Times). A number of regulatory changes and government initiatives in the UK (including the UK pension reforms which took effect from April 2015 ("<b>Pension Freedom</b>"), the increasing ISA subscription limits and the continued shift from defined benefit to defined contribution pensions) have put the onus of long-term and retirement savings on the individual. However, the availability of financial advice remains relatively scarce. There are only approximately 25,000 financial advisers for the approximately 50 million adults in the UK aged 20 and above, equating to approximately 2,000 adults per adviser (Source: ONS/APFA). As financial complexities for the retail customer increase, the need for quality advice increases and this is expected to drive the continued growth in demand for financial advice. In addition, regulatory changes have impacted the market for financial advice. For example, the Retail Distribution Review ("<b>RDR</b>") created greater compliance and administration burden for financial advisers and financial advisory firms. As a result, many advisers have moved flows onto adviser platforms which provide the necessary tools and administration support in order to be fully compliant with RDR and to simplify their back office processes. The FCA has also been increasing its focus on the suitability of advice provided to customers and providing fair outcomes for customers.</p> </li> </ul>

## Section B – Issuer

		<ul style="list-style-type: none"> <li>• <i>UK wealth solutions market</i> – The Group offers both multi-asset solutions and discretionary fund management solutions. The UK multi-asset market's total AuM has increased from £131 billion in December 2012 to £222 billion as at December 2017, corresponding to a compound annual growth rate ("CAGR") of 11% during this period (Source: Investment Association). As of 2016, there were £473 billion of AuM under discretionary mandates, representing approximately 71% of total UK assets managed by wealth managers. Discretionary AuM has been growing at a CAGR of 11% since 2012, versus 1% for advisory AuM and 9% for non-managed AuM (Source: Compeer UK Wealth Management Industry Report 2017). The growth in these markets represents the increasing demand for sophisticated investment solutions. Due, in part, to the increased focus by the FCA on customer outcomes and the fair treatment of customers, demand for multi-asset solutions from financial advisers has increased significantly, contributing to the trend of increasing flows and AuM.</li> <li>• <i>UK retail platform market</i> – The total UK platform market has grown at a CAGR of 22% from £401 billion of AuA as at 31 December 2015 to £592 billion as at 31 December 2017 (Source: Fundscape Platform Report, Q4 2017). Currently, 78% of all retail fund flows in the UK are onto platforms as customers access more flexible drawdown products and consolidate maturing investments from older-style pensions or savings products. This has been assisted by Pension Freedom, which was initiated in 2015, whereby pension savers are no longer required to buy an annuity at retirement, but rather have flexibility on withdrawing pensions saving. This has also resulted in the growth of decumulation products, which are offered on UK retail platforms. While price generally remains a differentiating factor between platforms, certain providers opt to compete and differentiate on other value-based factors. Furthermore, as part of increasing regulatory scrutiny across all segments of the UK wealth management value chain, in 2017 the FCA launched a market review on the retail investment platforms market in the UK.</li> <li>• <i>Selected offshore markets</i> – At a global level, approximately 19% of high net worth wealth is invested outside an individual's country of residence (Source: GlobalData, HNW Offshore Investment: Drivers and Motivations 2017, April 2017). Economic development and growth supporting wealth creation and accumulation of savings, particularly in the high net worth and affluent segments, is expected to support continued demand for offshore wealth and demand for portfolio bonds as clients continue to seek access to global markets and to diversify their investments outside of their home country. The primary insurance-wrapped offshore product offered by the Isle of Man and Dublin providers is a single premium portfolio bond product, which tends to be a multi-currency, tax-efficient wrapper that can hold an extensive range of underlying investments. Going forward, the UK resident offshore market may be impacted by transformational regulatory change and increased scrutiny on offshore investment products and vehicles.</li> </ul>
B.5	Group structure	The Company is currently a direct subsidiary of Old Mutual plc (the "Selling Shareholder"). From Admission, the Company will be the parent company of the Group.

## Section B – Issuer

B.6	Major shareholders	<p>In so far as it is known to the Company as at the date of this Prospectus, the following persons will, on Admission, be directly or indirectly interested (within the meaning of the Companies Act 2006) in 3% or more of the Company's issued share capital (being the threshold for notification of interests that will apply to Shareholders as of Admission pursuant to Chapter 5 of the Disclosure and Transparency Rules):</p>
	<p><b>Shareholder</b></p>	<p><b>Interests in Ordinary Shares immediately before Admission</b></p> <p><b>Ordinary Shares to be sold in the Offer<sup>(1)</sup></b></p> <p><b>Interests in Ordinary Shares following Admission<sup>(3)</sup></b></p>
	<p><b>% of total issued</b></p> <p><b>No. issued</b></p>	<p><b>% of total issued</b></p> <p><b>No. issued</b></p>
<p>Old Mutual plc<sup>(2)(3)</sup></p> <p>Public Investment Corporation of the Republic of South Africa<sup>(4)</sup></p> <p>BlackRock Inc.<sup>(4)</sup></p> <p>Coronation Asset Management (Pty) Limited<sup>(4)</sup></p>	<p>182,513,619</p> <p>9.6</p> <p>–</p> <p>–</p> <p>–</p> <p>–</p>	<p>165,921,472</p> <p>8.7</p> <p>–</p> <p>–</p> <p>–</p> <p>–</p>
		<p>16,592,147</p> <p>0.9</p>
		<p>178,530,827</p> <p>9.4</p>
		<p>87,224,618</p> <p>4.6</p>
		<p>66,162,859</p> <p>3.5</p>
<p>(1) The number of Ordinary Shares to be sold in the Offer is stated on the basis that: (i) the Share Capital Reorganisation steps described below have been completed in full; and (ii) the Selling Shareholder sells (following completion of the first step of the managed separation of the four largely independent businesses within the Old Mutual Group (the “<b>Managed Separation</b>”), which will involve among other things the distribution of 86.6% of the total issued Ordinary Shares to the Old Mutual plc shareholders) the entirety of its residual holding of 9.6% of the Ordinary Shares in issue in the Offer, excluding the Ordinary Shares to be made available by the Selling Shareholder to the Stabilising Manager (as defined herein) pursuant to the Stock Lending Agreement to settle over-allotments made in connection with the Offer. The number of Ordinary Shares to be sold in the Offer as stated also takes no account of Ordinary Shares that are expected to be sold pursuant to a share purchase agreement between the Selling Shareholder, certain of the Non-Executive Directors and certain non-executive directors of the Selling Shareholder dated 19 April 2018 (the “<b>NED Share Purchase Agreement</b>”). The final number of Ordinary Shares that are to be sold by the Selling Shareholder pursuant to the NED Share Purchase Agreement and the final number of Ordinary Shares to be sold by the Selling Shareholder in the Offer will be determined following publication of the Price Range Supplement, currently expected to be announced on or about 25 June 2018.</p> <p>(2) The interests in Ordinary Shares of Old Mutual plc immediately before Admission have been stated on the basis that: (i) the Share Capital Reorganisation steps described below have been completed in full; and (ii) the first step of Managed Separation described above has been completed in full.</p> <p>(3) The interests in Ordinary Shares of Old Mutual plc following Admission have been stated on the basis that: (i) the Share Capital Reorganisation steps described below have been completed in full; (ii) the first step of Managed Separation described above has been completed in full; (iii) the Stabilising Manager has borrowed and returned the maximum number of Ordinary Shares to be made available by the Selling Shareholder pursuant to the Stock Lending Agreement; and (iv) there has been no exercise of the Over-allotment Option. The interests in Ordinary Shares of Old Mutual plc immediately following Admission as stated also take no account of Ordinary Shares that are expected to be sold pursuant to the NED Share Purchase Agreement.</p> <p>(4) The interests in Ordinary Shares are stated on the basis that (i) the Share Capital Reorganisation steps described below have been completed in full; (ii) the current holdings of shares in Old Mutual plc remain unchanged until the record date for the scheme of arrangement to implement the Quilter Separation; (iii) no fractional entitlements arise in connection with the Quilter Separation; and (iv) the first step of Managed Separation described above has been completed in full.</p>		
<p>The interests in Ordinary Shares at the date of this Prospectus have been stated on the basis that the Company has undertaken in full the following steps to implement a reorganisation of its share capital (the “<b>Share Capital Reorganisation</b>”):</p>		
<p>(a) a sub-division of each of the Company's existing 130,000,258 ordinary shares of £1.00 each into 100 ordinary shares of £0.01 each;</p> <p>(a) an allotment of 315,731,886 bonus ordinary shares of £0.01 each to the existing shareholders of the Company (with any fractional entitlements arising to be aggregated and allotted to Old Mutual plc), following which the Company's share capital will consist of 13,315,757,686 ordinary shares of £0.01 each, with an aggregate nominal value of £133,157,576.86; and</p> <p>(a) a consolidation of the Company's 13,315,757,686 ordinary shares of £0.01 each into 1,902,251,098 Ordinary Shares (with any fractional entitlements arising to be aggregated and allotted to Old Mutual plc).</p>		

**Section B – Issuer**

B.7

Selected historical key financial information

The tables below set out selected key financial information for the Group for the periods indicated as derived from the Group’s audited historical financial information as of and for the years ended 31 December 2015, 2016 and 2017. Prospective investors should review the following selected historical financial information together with the whole of this document and should not rely on the selected information itself.

**Summary Income Statement**

	Year ended 31 December		
	2015	2016	2017
	(£ millions)		
Total revenue	2,038	7,187	6,163
Total expenses	(1,997)	(7,120)	(6,171)
Profit on acquisition and re-measurement of subsidiaries	–	–	3
Profit/(loss) before tax	41	67	(5)
Profit/(loss) before tax attributable to shareholders’ profits	48	(35)	(54)
Profit/(loss) after tax from continuing operations	57	(27)	(46)
Profit for the year after tax	85	35	157

**Summary Statement of Comprehensive Income**

	Year ended 31 December		
	2015	2016	2017
	(£ millions)		
Profit for the year after tax	85	35	157
Total other comprehensive income, net of tax	(9)	20	3
Total comprehensive income for the year	76	55	160

**Summary Statement of Financial Position**

	As at 31 December		
	2015	2016	2017
	(£ millions)		
Total assets	56,772	65,485	71,973
Total equity	913	992	1,099
Total liabilities	55,859	64,493	70,874
Total equity and liabilities	56,772	65,485	71,973

**Summary Statement of Cash Flows<sup>(1)</sup>**

	Year ended 31 December		
	2015	2016	2017
	(£ millions)		
Total net cash flows from operating activities	2,732	2,871	5,413
Total net cash used in investing activities	(3,020)	(2,839)	(4,602)
Total net cash from/(used in) financing activities	504	(33)	(48)
Cash and cash equivalents at end of the year	1,601	1,595	2,360

(1) Cash flows include both continuing and discontinued operations.

**Non-IFRS Financial Information**

The tables below present certain non-IFRS financial measures as at and for the years ended 31 December 2015, 2016 and 2017. The Directors believe that these measures provide useful information with respect to the performance of its business and operations. These non-IFRS financial measures are not audited. They are not meant to be considered in isolation or as a substitute for metrics of financial performance reported in accordance with IFRS. Moreover, these measures may be defined or calculated differently by other companies and, as a result, they may not be comparable to similar measures calculated by the Group’s peers.

## Section B – Issuer

The following table sets forth the reconciliation of profit after tax to operating profit from continuing operations:

	Year ended 31 December		
	2015	2016	2017
	(£ millions)		
<b>Profit for the year after tax</b>	<b>85</b>	<b>35</b>	<b>157</b>
<i>Adjustments:</i>			
Profit after tax from discontinued operations	(28)	(62)	(203)
<b>Profit/(loss) after tax from continuing operations</b>	<b>57</b>	<b>(27)</b>	<b>(46)</b>
Income tax on continuing business	(16)	94	41
<b>Profit/(loss) before tax</b>	<b>41</b>	<b>67</b>	<b>(5)</b>
Income tax attributable to policyholder returns	7	(102)	(49)
<b>Profit/(loss) before tax attributable to shareholders' profits</b>	<b>48</b>	<b>(35)</b>	<b>(54)</b>
Goodwill and amortisation of purchased intangibles <sup>(1)</sup>	57	52	54
Business transformation costs <sup>(2)</sup>	96	102	89
Finance costs <sup>(3)</sup>	32	43	39
Quilter Separation one off costs <sup>(4)</sup>	–	7	32
Profit on acquisition and re-measurement of subsidiaries <sup>(5)</sup>	–	–	(3)
Policyholder tax adjustments <sup>(6)</sup>	(12)	8	(17)
Voluntary customer remediation costs <sup>(7)</sup>	–	–	69
<b>Total non-operating adjusting items before tax</b>	<b>173</b>	<b>212</b>	<b>263</b>
<b>Operating profit from continuing operations</b>	<b>221</b>	<b>177</b>	<b>209</b>

(1) Represents acquisition costs and the amortisation of intangible assets acquired by the Group, in relation to policies sold by acquired businesses pre-acquisition. When applying acquisition accounting, deferred acquisition costs and deferred revenue existing at the point of acquisition are not recognised under IFRS. These are reversed on acquisition in the statement of financial position and replaced by goodwill and other intangible assets. In determining operating profit, the Group recognises deferred revenue, acquisition costs and deferred revenue in relation to policies sold by acquired businesses pre-acquisition. The Group excludes the impairment of goodwill, the amortisation and impairment of acquired other intangible assets as well as the movements in certain acquisition date provisions. If the intangible assets recognised as a result of a business combination are subsequently impaired, this is excluded from operating profit. Costs incurred on completed acquisitions are also excluded from operating profit.

(2) Represents the costs the Group has incurred in connection with its UK Platform Transformation Programme and the transformation costs in relation to the South African branches. This programme is ongoing and involves replacing many aspects of the existing UK platform and migration of services to third party service providers. The cost of developing the new technology typically cannot be capitalised, hence these costs and the costs of decommissioning existing technology and migrating of services are excluded from operating profit from continuing operations. Only costs that are directly attributable to the programme are excluded from operating profit from continuing operations. The contracts with IFDS came to an end by mutual agreement effective as of 2 May 2017, at which point the costs for the year ended 31 December 2017 totalled £53 million (2016: £102 million), (2015: £96 million). The Group subsequently entered into a new contract with FNZ, under which additional costs of £21 million were incurred for the year ended 31 December 2017. The transformation costs for the South African branches include charges of £15 million for the year ended 31 December 2017 related to historical arrangements with the wider Old Mutual plc group's South African businesses. As a consequence of Managed Separation, these arrangements were severed and, as a result, deferred acquisition cost balances were written off, together with a loss incurred on the cancellation of reinsurance arrangements.

(3) Represents the cost of interest and finance charges on the Group's borrowings from Old Mutual plc, borrowed to primarily fund acquisitions, including Quilter Cheviot in 2015.

(4) Represents the one off transition costs to separate the Group from Old Mutual plc to become standalone and any additional one off costs associated with listing.

(5) Relates to the Group acquiring 100% of the whole of the issued share capital of GET, a company incorporated in South Africa, from OMGUK (part of the Old Mutual plc group) for around £1 million. Along with recording the book values of the assets acquired and liabilities assumed of £4 million, the Group recognised a gain of £3 million. The excess of the book value over consideration paid was attributable to potential future integration costs which, if incurred, would be expensed in future periods. As potential future integration activities do not qualify as a liability under the acquisition method of accounting, none was recorded, resulting in a gain.

(6) Relates to the removal of distortions arising from market volatility that can, in turn, lead to volatility in the policyholder tax charge between periods. In addition, adjustments are made to remove distortions to policyholder tax arising from the utilisation of tax allowances from elsewhere in the Group (e.g. capital losses) which are regarded economically as impacting shareholder tax, and from distortions arising from other non-operating adjusting items.

(7) Represents the costs the Group expects to incur in relation to the decision to commence voluntary remediation to customers in certain legacy products within Quilter Life Assurance.

**Section B – Issuer**

The following table sets forth a breakdown of the Group's reported and normalised operating profit from continuing operations, as well as other selected key metrics on a normalised basis for the periods indicated:

	Year ended 31 December		
	2015	2016	2017
	(£ millions)		
<b>Reported basis</b>			
Net management fee <sup>(1)</sup>	505	495	591
Other revenue <sup>(2)</sup>	81	121	137
Total revenue	586	616	728
Total expenses	(365)	(439)	(519)
<b>Operating profit from continuing operations</b>	<b>221</b>	<b>177</b>	<b>209</b>
<b>Adjustments to reported basis</b>			
<b>Quilter Life Assurance fee restructure<sup>(3)</sup></b>			
Net management fee	–	24	–
Other revenue	–	(1)	–
Total expenses	–	4	–
Total Quilter Life Assurance fee restructure adjustment	–	27	–
<b>Other normalisation adjustments<sup>(4)</sup></b>			
Net management fee	(2)	5	–
Other revenue	3	2	–
Total expenses	(9)	(3)	–
Total other normalisations adjustments	(8)	4	–
<b>Total adjustments</b>	<b>(8)</b>	<b>31</b>	<b>–</b>
<b>Normalised basis</b>			
Normalised net management fee <sup>(5)</sup>	503	524	591
Normalised other revenue <sup>(5)</sup>	84	122	137
Total normalised revenue <sup>(5)</sup>	587	646	728
Total normalised expenses <sup>(5)</sup>	(374)	(438)	(519)
<b>Normalised operating profit from continuing operations<sup>(5)</sup></b>	<b>213</b>	<b>208</b>	<b>209</b>
<b>Key performance indicators</b>			
Revenue margin (bps) <sup>(6)</sup>	64	59	56
Operating margin (%) <sup>(7)</sup>	36	32	29
Closing AuMA (£bn) <sup>(8)</sup>	85.3	98.2	114.4
Average AuMA (£bn) <sup>(9)</sup>	82.5	89.2	105.1
NCCF (£bn) <sup>(10)</sup>	3.9	3.3	6.3
NCCF (excl. Quilter Life Assurance) (£bn)	4.3	4.2	7.6
NCCF/Opening AuMA (%) <sup>(11)</sup>	6	6	9

(1) Net management fee consists of revenue generated from AuMA, fixed fee revenues and policyholder tax contributions, netted off by trail commissions payable.

(2) Other revenue represents revenue not directly linked to AuMA (e.g. early encashment charges, risk result, adviser initial fees and adviser fees linked to AuMA in Quilter Financial Planning (recurring fees)).

(3) The Quilter Life Assurance fee restructure adjustment relates to the removal of a fee restructure exercise conducted on Quilter Life Assurance's pension products in the year ended 31 December 2016 following the FCA Thematic Review. This adjustment impacts the Wealth Platforms segment and includes the one-off revenue impact, expenses incurred in relation to the Thematic Review and compensation paid to policyholders for the understatement of fund rebates.

(4) Other normalisation adjustments relate to certain one-time adjustments and rebates. The rebate adjustments impacts the Advice & Wealth Management segment (a decrease in revenue on a normalised basis by £2 million in the year ended 31 December 2015 and an increase in revenue on a normalised basis by £5 million in the year ended 31 December 2016). The remaining normalisation adjustments impact the Wealth Platforms segment.



## Section B – Issuer

	<p>(5) Adjusted for the Quilter Life Assurance fee restructure and other normalisation adjustments (each as described above).</p> <p>(6) Revenue margin represents net management fee, including policyholder tax, divided by average AuMA.</p> <p>(7) Operating margin represents reported operating profit from continuing operations divided by total revenue, including policyholder tax and adviser fees. Operating margin excludes financing costs.</p> <p>(8) Closing AuMA represents the total market value of all financial assets managed and administered on behalf of customers as at 31 December of the financial year, after intra-group eliminations.</p> <p>(9) Average AuMA represents the average total assets managed and administered on behalf of customers during the financial year ended 31 December, after intra-group eliminations. Average AuMA is calculated using a 13-point average of monthly closing AuMA.</p> <p>(10) NCCF measures the difference between money received from and the money returned to customers during the relevant period for the Group or for the business indicated.</p> <p>(11) Excludes Quilter Life Assurance.</p> <p>Certain significant changes to the Group's financial condition and results of operations occurred during the three years ended 31 December 2017. These changes are set out below.</p> <p>Total revenue for the Group increased by 10% from £587 million in the year ended 31 December 2015 to £646 million in the year ended 31 December 2016 and further increased by 13% to £728 million in the year ended 31 December 2017. This growth was primarily due to strong growth in net management fees, which accounted for 86%, 81% and 81% of total revenue in the years ended 31 December 2015, 2016 and 2017, respectively.</p> <p>Total expenses increased by 17% from £374 million in the year ended 31 December 2015 to £438 million in the year ended 31 December 2016 and further increased by 18% to £519 million in the year ended 31 December 2017. This increase was primarily due to (i) the increase in underlying administration expenses, reflecting increased technology spend, regulatory change spend (including spend associated with MiFID II, GDPR and PRIIPs), and other organic and inflationary costs, (ii) incremental investment in new business initiatives, and (iii) expense increases reflecting the strengthening of the central functions in the lead up to being a standalone listed group.</p> <p>Normalised operating profit from continuing operations for the Group decreased by 2% from £213 million for the year ended 31 December 2015 to £208 million for the year ended 31 December 2016 and increased to £209 million in the year ended 31 December 2017, due primarily to increasing investment in the Group's distribution capabilities, investment to become a standalone business and an increase in variable incentives paid to staff. This was partly offset by revenue growth due to increased AuMA leading to higher fees and commissions.</p> <p>There has been no significant change to the Group's financial condition and results of operation subsequent to the period covered by the historical financial information contained in this Prospectus.</p> <p>The Company expects to publish the Q1 Results Supplement on or about 30 April 2018.</p>
--	---

**Section B – Issuer**

B.8	Selected key <i>pro forma</i> financial information	<p>The summary unaudited <i>pro forma</i> financial information has been prepared to illustrate the effect of the disposal of the Single Strategy Business, the acquisition of Skandia UK, the external debt refinancing and the repayment of an Old Mutual plc loan on the consolidated statement of financial position of Quilter plc as if they had taken place on 31 December 2017 and on the consolidated income statement of Quilter plc as if they had taken place on 1 January 2017. The summary unaudited <i>pro forma</i> information is based on the audited historical financial information of Quilter plc as at and for the year ended 31 December 2017 as set out in this Prospectus. The summary <i>pro forma</i> financial information has been prepared on the basis of, and should be read in conjunction with, the notes set out below. The summary <i>pro forma</i> financial information has been prepared in a manner consistent with the accounting policies to be adopted by Quilter plc for the year ending 31 December 2018, and in accordance with IFRS as adopted by the EU. The summary <i>pro forma</i> financial information has been prepared for illustrative purposes only in accordance with Annex II of the Prospectus Directive. Because of its nature, the summary <i>pro forma</i> financial information addresses a hypothetical situation and, therefore, does not represent Quilter plc's actual financial position or results. It may not, therefore, give a true picture of Quilter plc's financial position or results nor is it indicative of the results that may, or may not, be expected to be achieved in the future. The summary <i>pro forma</i> financial information is the responsibility of the Directors.</p> <p><b>Summary Unaudited Pro Forma Statement of Financial Position</b></p> <table><tr><th></th><th colspan="5">Adjustments</th><th></th><th></th></tr><tr><th>Quilter plc as at 31 December 2017</th><th>Acquisition of Skandia UK</th><th>New Tier 2 Bond</th><th>Repayment of Old Mutual plc loan</th><th>Subtotal</th><th>Disposal of the Single Strategy Business</th><th>Unaudited <i>Pro forma</i></th></tr><tr><th>Note 1</th><th>Note 2</th><th>Note 3</th><th>Note 4 (£ millions)</th><th></th><th>Note 5</th><th></th></tr><tr><td colspan="7"><b>Assets</b></td></tr><tr><td>Goodwill and other intangible assets</td><td>574</td><td>–</td><td>–</td><td>574</td><td>–</td><td>574</td></tr><tr><td>Property, plant and equipment</td><td>18</td><td>–</td><td>–</td><td>18</td><td>–</td><td>18</td></tr><tr><td>Investments in associated undertakings</td><td>3</td><td>–</td><td>–</td><td>3</td><td>–</td><td>3</td></tr><tr><td>Loans and advances</td><td>199</td><td>–</td><td>–</td><td>199</td><td>–</td><td>199</td></tr><tr><td>Financial investments</td><td>64,248</td><td>–</td><td>–</td><td>64,248</td><td>–</td><td>64,248</td></tr><tr><td>Reinsurers' share of policyholder liabilities</td><td>2,908</td><td>–</td><td>–</td><td>2,908</td><td>–</td><td>2,908</td></tr><tr><td>Deferred tax assets</td><td>22</td><td>–</td><td>–</td><td>22</td><td>–</td><td>22</td></tr><tr><td>Trade, other receivables and other assets</td><td>497</td><td>–</td><td>–</td><td>(16)</td><td>481</td><td>481</td></tr><tr><td>Deferred acquisition costs</td><td>611</td><td>–</td><td>–</td><td>611</td><td>–</td><td>611</td></tr><tr><td>Derivative assets</td><td>87</td><td>–</td><td>–</td><td>87</td><td>–</td><td>87</td></tr><tr><td>Cash and cash equivalents</td><td>2,360</td><td>26</td><td>189</td><td>(194)</td><td>2,381</td><td>585</td></tr><tr><td>Assets of operations classified as held for sale</td><td>446</td><td>–</td><td>–</td><td>446</td><td>(446)</td><td>–</td></tr><tr><td><b>Total assets</b></td><td><b>71,973</b></td><td><b>26</b></td><td><b>189</b></td><td><b>(210)</b></td><td><b>71,978</b></td><td><b>139</b></td><td><b>72,117</b></td></tr></table>		Adjustments							Quilter plc as at 31 December 2017	Acquisition of Skandia UK	New Tier 2 Bond	Repayment of Old Mutual plc loan	Subtotal	Disposal of the Single Strategy Business	Unaudited <i>Pro forma</i>	Note 1	Note 2	Note 3	Note 4 (£ millions)		Note 5		<b>Assets</b>							Goodwill and other intangible assets	574	–	–	574	–	574	Property, plant and equipment	18	–	–	18	–	18	Investments in associated undertakings	3	–	–	3	–	3	Loans and advances	199	–	–	199	–	199	Financial investments	64,248	–	–	64,248	–	64,248	Reinsurers' share of policyholder liabilities	2,908	–	–	2,908	–	2,908	Deferred tax assets	22	–	–	22	–	22	Trade, other receivables and other assets	497	–	–	(16)	481	481	Deferred acquisition costs	611	–	–	611	–	611	Derivative assets	87	–	–	87	–	87	Cash and cash equivalents	2,360	26	189	(194)	2,381	585	Assets of operations classified as held for sale	446	–	–	446	(446)	–	<b>Total assets</b>	<b>71,973</b>	<b>26</b>	<b>189</b>	<b>(210)</b>	<b>71,978</b>	<b>139</b>	<b>72,117</b>
	Adjustments																																																																																																																										
Quilter plc as at 31 December 2017	Acquisition of Skandia UK	New Tier 2 Bond	Repayment of Old Mutual plc loan	Subtotal	Disposal of the Single Strategy Business	Unaudited <i>Pro forma</i>																																																																																																																					
Note 1	Note 2	Note 3	Note 4 (£ millions)		Note 5																																																																																																																						
<b>Assets</b>																																																																																																																											
Goodwill and other intangible assets	574	–	–	574	–	574																																																																																																																					
Property, plant and equipment	18	–	–	18	–	18																																																																																																																					
Investments in associated undertakings	3	–	–	3	–	3																																																																																																																					
Loans and advances	199	–	–	199	–	199																																																																																																																					
Financial investments	64,248	–	–	64,248	–	64,248																																																																																																																					
Reinsurers' share of policyholder liabilities	2,908	–	–	2,908	–	2,908																																																																																																																					
Deferred tax assets	22	–	–	22	–	22																																																																																																																					
Trade, other receivables and other assets	497	–	–	(16)	481	481																																																																																																																					
Deferred acquisition costs	611	–	–	611	–	611																																																																																																																					
Derivative assets	87	–	–	87	–	87																																																																																																																					
Cash and cash equivalents	2,360	26	189	(194)	2,381	585																																																																																																																					
Assets of operations classified as held for sale	446	–	–	446	(446)	–																																																																																																																					
<b>Total assets</b>	<b>71,973</b>	<b>26</b>	<b>189</b>	<b>(210)</b>	<b>71,978</b>	<b>139</b>	<b>72,117</b>																																																																																																																				

**Section B – Issuer**

	Quilter plc as at 31 December 2017	Adjustments					Unaudited <i>Pro forma</i>
		Acquisition of Skandia UK	New Tier 2 Bond	Repayment of Old Mutual plc loan	Sub total	Disposal of the Single Strategy Business	
	Note 1	Note 2	Note 3	Note 4 (£ millions)		Note 5	
<b>Equity and Liabilities</b>							
<b>Equity</b>							
Ordinary share capital	130	–	–	–	130	–	130
Share premium	58	–	–	–	58	–	58
Merger reserve	–	591	–	–	591	–	591
Other reserves	39	–	–	–	39	–	39
Retained earnings	872	29	(11)	6	896	358	1,254
<b>Total equity</b>	<b>1,099</b>	<b>620</b>	<b>(11)</b>	<b>6</b>	<b>1,714</b>	<b>358</b>	<b>2,072</b>
<b>Liabilities</b>							
Long-term business insurance policyholder liabilities	489	–	–	–	489	–	489
Investment contract liabilities	59,139	–	–	–	59,139	–	59,139
Third party interests in consolidated funds	7,905	–	–	–	7,905	–	7,905
Provisions and accruals	104	3	–	–	107	–	107
Deferred tax liabilities	190	–	–	–	190	–	190
Current tax payable	38	–	–	–	38	–	38
Borrowings	782	(566)	200	(216)	200	–	200
Trade, other payables and other liabilities	1,331	(32)	–	–	1,299	–	1,299
Deferred revenue	244	–	–	–	244	–	244
Derivative liabilities	433	–	–	–	433	–	433
Liabilities of operations classified as held for sale	219	–	–	–	219	(219)	–
<b>Total liabilities</b>	<b>70,874</b>	<b>(595)</b>	<b>200</b>	<b>(216)</b>	<b>70,263</b>	<b>(219)</b>	<b>70,044</b>
<b>Total equity and liabilities</b>	<b>71,973</b>	<b>25</b>	<b>189</b>	<b>(210)</b>	<b>71,977</b>	<b>139</b>	<b>72,116</b>
<p>(1) The financial information as at 31 December 2017 has been extracted without adjustment from the historical financial information set out in this Prospectus.</p> <p>(2) <i>Acquisition of Skandia UK Limited:</i> The Skandia UK Limited group of entities was acquired from Old Mutual plc on 31 January 2018 and comprises seven Old Mutual plc group entities with a net asset value of £591 million. The transfer was financed by the issue of one share, with the balance represented by a merger reserve; no debt was taken on as a result of this transaction. The most significant asset within these entities is a £566 million receivable which corresponds to an equivalent payable within the Group's statement of financial position. Subsequent to the year end, a series of transactions were carried out, the net effect of which was to replace £566 million of intercompany indebtedness to Old Mutual plc with equity in the form of share capital and a merger reserve.</p> <p>(3) <i>Tier 2 Bond:</i> On 28 February 2018, the Group issued a £200 million subordinated debt security in the form of a 10-year Tier 2 bond with a one-time issuer call option after five years to J.P. Morgan Securities plc (the "<b>Tier 2 Bond Purchaser</b>"), paying a semi-annual coupon of 4.478% (the "<b>Tier 2 Bond</b>"). Including the impact of amortisation of bond set-up costs, the issuance of the Tier 2 Bond will increase operating expenses, which will be reported as part of Head Office, by £11 million on an annual basis. The Tier 2 Bond has a Fitch instrument rating of BBB- and has been admitted to trading on the regulated market of the London Stock Exchange. The Tier 2 Bond Purchaser sold the Tier 2 Bond to third party investors on 17 April 2018 following a remarketing exercise conducted by the Tier 2 Bond Purchaser and the Company.</p>							

## Section B – Issuer

- (4) *Repayment of Old Mutual plc loan of £200 million:* As at 31 December 2017, the Group had net payables due to Old Mutual plc of £766 million (representing a gross payable of £782 million offset by a £16 million receivable). The acquisition of Skandia UK Limited (see Note 2 above) in January 2018 reduced this payable by £566 million to £200 million; the remaining £200 million net liability to Old Mutual plc was settled from the new financing arrangements obtained in February 2018 and from existing cash resources.
- (5) *Disposal of the Single Strategy Business:* In December 2017, the Group announced that it had entered into an agreement to sell the Single Strategy Business to Bidco for an expected total consideration of approximately £600 million, comprising cash consideration of approximately £570 million payable on or before completion, with approximately £30 million anticipated to be payable thereafter, paid primarily in 2019 to 2021 as surplus capital associated with the separation from the Group is released in the business. These values are subject to a number of potential price adjustments depending on the net asset value of the business and a number of other factors at the disposal date. The deferred consideration is not subject to performance conditions. Once the OMGI Transaction completes, economic ownership of the Single Strategy Business will pass to Bidco effective from 1 January 2018 with all profits and performance fees generated up until 31 December 2017 for the account of the Group. On 23 February 2018, the Group entered into, and fully drew down on 28 February 2018, the New Term Loan, a £300 million senior unsecured term loan with a number of lenders with an opening interest rate of 45 basis points above LIBOR subject to a margin ratchet linked to the Company's credit rating, to bridge the period until such time as the cash consideration from the sale of the Single Strategy Business is received. These have been netted off for the purposes of this *pro forma* statement, as both the loan and the sale are assumed to be completed on 1 January 2017. No interest costs have been included within the *pro forma* financial statements.

### Summary Unaudited *Pro Forma* Income Statement

	Adjustments						
	Quilter plc as at 31 December 2017	Acquisition of Skandia UK	New Tier 2 Bond	Repayment of Old Mutual plc loan	Subtotal	Disposal of the Single Strategy Business	Unaudited <i>Pro forma</i>
	Note 1	Note 2	Note 3	Note 4		Note 5	
	(£ millions)						
<b>Revenue</b>							
Gross earned premiums	148	–	–	–	148	–	148
Premiums ceded to reinsurers	(88)	–	–	–	(88)	–	(88)
Net earned premiums	60	–	–	–	60	–	60
Fee and commission income, and income from service activities	895	–	–	–	895	–	895
Net investment income	5,195	–	–	–	5,195	–	5,195
Other income	13	2	–	–	15	–	15
<b>Total revenue</b>	<b>6,163</b>	<b>2</b>	<b>–</b>	<b>–</b>	<b>6,165</b>	<b>–</b>	<b>6,165</b>
<b>Expenses</b>							
Claims and benefits paid	(76)	–	–	–	(76)	–	(76)
Reinsurance recoveries	54	–	–	–	54	–	54
Net insurance claims and benefits incurred	(22)	–	–	–	(22)	–	(22)
Change in reinsurance assets and liabilities	85	–	–	–	85	–	85
Change in insurance contract liabilities	(78)	–	–	–	(78)	–	(78)
Change in investment contract liabilities	(4,308)	–	–	–	(4,308)	–	(4,308)
Fee and commission expenses, and other acquisition costs	(320)	–	–	–	(320)	–	(320)

**Section B – Issuer**

	Adjustments						Unaudited <i>Pro forma</i>
	Quilter plc as at 31 December 2017	Acquisition of Skandia UK	New Tier 2 Bond	Repayment of Old Mutual plc loan	Subtotal	Disposal of the Single Strategy Business	
	Note 1	Note 2	Note 3	Note 4		Note 5	
	(£ millions)						
Change in third party interest in consolidated funds	(673)	–	–	–	(673)	–	(673)
Other operating and administrative expenses	(816)	–	–	–	(816)	–	(816)
Finance costs	(39)	32	(11)	8	(10)	–	(10)
<b>Total expenses</b>	<b>(6,171)</b>	<b>32</b>	<b>(11)</b>	<b>8</b>	<b>(6,142)</b>	<b>–</b>	<b>(6,142)</b>
Profit on the acquisition and re-measurement of subsidiaries	3	–	–	–	3	–	3
<b>Profit/(loss) before tax</b>	<b>(5)</b>	<b>34</b>	<b>(11)</b>	<b>8</b>	<b>26</b>	<b>–</b>	<b>26</b>
Tax expense attributable to policyholders' funds	(49)	–	–	–	(49)	–	(49)
<b>Profit/(loss) before tax attributable to shareholders' profits</b>	<b>(54)</b>	<b>34</b>	<b>(11)</b>	<b>8</b>	<b>(23)</b>	<b>–</b>	<b>(23)</b>
Income tax expense	(41)	(5)	–	(2)	(48)	–	(48)
Less: tax attributable to policyholders' funds	49	–	–	–	49	–	49
Tax attributable to shareholders' funds	8	(5)	–	(2)	1	–	1
<b>Profit/(loss) after tax from continuing operations</b>	<b>(46)</b>	<b>29</b>	<b>(11)</b>	<b>6</b>	<b>(22)</b>	<b>–</b>	<b>(22)</b>
Profit after tax from discontinued operations	203	–	–	–	203	235	438 <sup>(6)</sup>
<b>Profit for the year after tax</b>	<b>157</b>	<b>29</b>	<b>(11)</b>	<b>6</b>	<b>181</b>	<b>235</b>	<b>416</b>
<p>(1) The financial information for the year ended 31 December 2017 has been extracted without adjustment from the historical financial information set out in this Prospectus.</p> <p>(2) <i>Acquisition of Skandia UK from Old Mutual plc:</i> The Skandia UK Limited group of entities was acquired from Old Mutual plc on 31 January 2018 and comprises seven Old Mutual plc group entities with a net asset value of £591 million. The transfer was financed by the issue of one share, with the balance represented by a merger reserve; no debt was taken on as a result of this transaction. The most significant asset within these entities is a £566 million receivable which corresponds to an equivalent payable within the Group's statement of financial position. Subsequent to the year end, a series of transactions were carried out, the net effect of which was to replace £566 million of intercompany indebtedness to Old Mutual plc with equity in the form of share capital and a merger reserve.</p> <p>(3) <i>Tier 2 Bond of £200 million:</i> On 28 February 2018, the Group issued a £200 million subordinated debt security in the form of a 10-year Tier 2 Bond with a one-time issuer call option after five years to J.P. Morgan Securities plc, paying a semi-annual coupon of 4.478%. Including the impact of amortisation of bond set-up costs, the issuance of the Tier 2 Bond will increase operating expenses, which will be reported as part of Head Office, by £11 million on an annual basis. The Tier 2 Bond has a Fitch instrument rating of BBB- and has been admitted to trading on the regulated market of the London Stock Exchange. The Tier 2 Bond Purchaser sold the Tier 2 Bond to third party investors on 17 April 2018 following a remarketing exercise conducted by the Tier 2 Bond Purchaser and the Company.</p>							

## Section B – Issuer

		<p>(4) <i>Repayment of Old Mutual plc loan of £200 million:</i> As at 31 December 2017, the Group had net payables due to Old Mutual plc of £766 million (representing a gross payable of £782 million offset by a £16 million receivable). The acquisition of Skandia UK Limited (see Note 2 above) in January 2018 reduced this payable by £566 million to £200 million; the remaining £200 million net liability to Old Mutual plc was settled from the new financing arrangements obtained in February 2018 and from existing cash resources.</p> <p>(5) <i>Disposal of the Single Strategy Business:</i> In December 2017, the Group announced that it had entered into an agreement to sell the Single Strategy Business to Bidco for an expected total consideration of approximately £600 million, comprising cash consideration of approximately £570 million payable on or before completion, with approximately £30 million anticipated to be payable thereafter, paid primarily in 2019 to 2021 as surplus capital associated with the separation from the Group is released in the business. These values are subject to a number of potential price adjustments depending on the net asset value of the business and a number of other factors at the disposal date. The deferred consideration is not subject to performance conditions. Once the OMGI Transaction completes, economic ownership of the Single Strategy Business will pass to Bidco effective from 1 January 2018 with all profits and performance fees generated up until 31 December 2017 for the account of the Group. On 23 February 2018, the Group entered into, and fully drew down on 28 February 2018, the New Term Loan, a £300 million senior unsecured term loan with a number of lenders with an opening interest rate of 45 basis points above LIBOR subject to a margin ratchet linked to the Company's credit rating, to bridge the period until such time as the cash consideration from the sale of the Single Strategy Business is received. These have been netted off for the purposes of this <i>pro forma</i> statement, as both the loan and the sale are assumed to be completed on 1 January 2017. No interest costs have been included within the <i>pro forma</i> financial statements.</p> <p>(6) Breakdown of profit after tax from discontinued operations:</p> <table><tr><td colspan="2"><b>Profit after tax from discontinued operations</b></td></tr><tr><td>Profit on sale of Old Mutual Wealth Italy</td><td>80</td></tr><tr><td>Single Strategy Business profit after tax</td><td>123</td></tr><tr><td colspan="2"><b>Quilter plc as at 31 December 2017</b></td></tr><tr><td>Profit on sale of the Single Strategy Business</td><td>358</td></tr><tr><td>Remove the Single Strategy Business profit after tax</td><td>(123)</td></tr><tr><td colspan="2"><b>Pro Forma</b></td></tr><tr><td colspan="2"><b>438</b></td></tr></table>	<b>Profit after tax from discontinued operations</b>		Profit on sale of Old Mutual Wealth Italy	80	Single Strategy Business profit after tax	123	<b>Quilter plc as at 31 December 2017</b>		Profit on sale of the Single Strategy Business	358	Remove the Single Strategy Business profit after tax	(123)	<b>Pro Forma</b>		<b>438</b>	
<b>Profit after tax from discontinued operations</b>																		
Profit on sale of Old Mutual Wealth Italy	80																	
Single Strategy Business profit after tax	123																	
<b>Quilter plc as at 31 December 2017</b>																		
Profit on sale of the Single Strategy Business	358																	
Remove the Single Strategy Business profit after tax	(123)																	
<b>Pro Forma</b>																		
<b>438</b>																		
B.9	Profit forecast/ estimate	Not applicable; there is no profit forecast or estimate included in this Prospectus.																
B.10	Audit report – qualifications	Not applicable; there are no qualifications in the audit report on the historical financial information included in this Prospectus.																
B.11	Insufficient working capital	Not applicable. In the opinion of the Company, taking into account the facilities available to the Group, the working capital available to the Group is sufficient for the Group's present requirements, that is for at least the next 12 months following the date of this Prospectus.																

## Section C – Securities

Element		
C.1	Type and class of shares	<p>When admitted to trading, the Ordinary Shares will be registered with ISIN number GB00BDCXV269 and SEDOL number BDCXV26. It is expected that the Ordinary Shares will be traded on the London Stock Exchange under the ticker symbol “QLT”.</p> <p>The JSE has granted a secondary inward listing of the Ordinary Shares in the “Asset Managers” sub-sector of the JSE List under the abbreviated name Quilter, Alpha code QLT and ISIN GB00BDCXV269 subject to the fulfilment of certain conditions (including the Company having satisfied the requirements of the JSE Listings Requirements regarding the spread of shareholders on the South African branch share register, being public shareholders holding not less than 20% of the issued ordinary share capital of the Company at the point of listing on the JSE).</p> <p>The Ordinary Shares will, on Admission, comprise the entire issued and to be issued Ordinary Share capital of the Company.</p>
C.2	Currency of issue	British pounds sterling. Ordinary Shares which are listed on the JSE are to be sold in ZAR and then repatriated into British pounds sterling.
C.3	Issued share capital	At the date of this Prospectus, the aggregate nominal value of the issued Ordinary Shares is £130,000,258 divided into 130,000,258 ordinary shares of £1.00 each. Assuming the steps to implement the Share Capital Reorganisation are implemented in full, on Admission the Company’s share capital will be £133,157,576.86 divided into 1,902,251,098 Ordinary Shares of £0.07 each. The final share capital of the Company on Admission will be published prior to Admission in the Price Range Supplement. All Ordinary Shares in issue on Admission will be fully paid.
C.4	Rights attaching to the Ordinary Shares	<p>The rights attaching to the Ordinary Shares will be uniform in all respects and they will form a single class for all purposes, including with respect to voting and for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Company.</p> <p>Subject to the provisions of the Companies Act 2006, any equity securities issued by the Company for cash must first be offered to the holders of Ordinary Shares in the capital of the Company (“<b>Shareholders</b>”) in proportion to their holdings of Ordinary Shares. The Companies Act 2006 and Listing Rules allow for the disapplication of pre-emption rights which may be waived by a special resolution of the Shareholders, whether generally or specifically, for a maximum period not exceeding five years.</p> <p>On a show of hands every Shareholder who is present in person shall have one vote and on a poll every Shareholder present in person or by proxy shall have one vote per Ordinary Share.</p> <p>Except as provided by the rights and restrictions attached to any class of shares, Shareholders will under general law be entitled to participate in any surplus assets in a winding up in proportion to their shareholdings.</p> <p>Except in relation to dividends which have been declared and rights on a liquidation of the Company, the Shareholders have no rights to share in the profits of the Company.</p> <p>There are no conversion or exchange rights in respect of the Ordinary Shares.</p>
C.5	Restrictions on transfer	<p>The Ordinary Shares are freely transferable and there are no restrictions on transfer except that the Ordinary Shares to be sold pursuant to the Offer (the “<b>Offer Shares</b>”) are subject to selling and transfer restrictions under the relevant laws in certain jurisdictions applicable to the transferor or transferee, including the United States and the EEA.</p> <p>The Ordinary Shares will have full transferability between the London Stock Exchange and the JSE and the UK share register and South African branch share register.</p>
C.6	Admission to trading	Application will be made to the FCA for all the Ordinary Shares, issued and to be issued, to be admitted to the premium listing segment of the Official List, to London Stock Exchange for such Ordinary Shares to be admitted to trading on the London Stock Exchange’s main market for listed securities, and to the JSE for the secondary inward listing of such Ordinary Shares on the Main Board of the JSE. No application has been made or is currently intended to be made for the Ordinary Shares to be admitted to listing or trading on any other exchange.

## Section C – Securities

Element		
C.7	Dividend policy	<p>The Company's dividend policy is to target a dividend pay-out range of 40 to 60% of post-tax operating earnings and it is expected that the split of interim and final dividends will be approximately one-third and two-thirds, respectively, of the total dividends payable in respect of a financial year, taking into account the underlying cash generation, cash resources, capital position, distributable reserves and market conditions at the time. The first dividend payment following Admission is expected to be the final dividend in respect of the year ending 31 December 2018, which would be paid following approval of the financial statements for the year ending 31 December 2018 at the Annual General Meeting of the Company, currently expected to be held in May 2019. The Directors currently expect this dividend to be determined by a pay-out at the lower end of the target range and to reflect the expected split of interim and final dividends.</p> <p>Subject to the Group's prudent capital management and liquidity policy, following the completion of the sale of the Single Strategy Business, the Directors will also consider a distribution by the Company from the surplus sale proceeds to its shareholders. In determining the size of any potential return to shareholders, the Company will take into account a number of factors, including certain matters directly related to that sale, such as: (i) the repayment in full of the senior unsecured term loan, (ii) the costs associated with the sale of the Single Strategy Business, and (iii) the costs associated with the establishment of the standalone Quilter Investors "multi-asset" business (the "<b>Multi-Asset Business</b>"). Any distribution by the Company from the surplus proceeds of the sale of the Single Strategy Business would be outside the scope of the Company's dividend policy.</p>

## Section D – Risks

Element		
D.1	Key information on the key risks that are specific to the issuer or its industry	<p><i>Risks relating to the Group's industry</i></p> <p>The Group's results may be materially adversely affected by conditions in global capital markets, the global economy generally and the UK economy in particular that result in a decrease in the value of customer investment portfolios, because a significant portion of the Group's income is derived from fees which are calculated as a percentage of AuM or AuA. Factors such as consumer spending, business investment, government spending, the volatility and strength of both debt and equity markets, the direction and pace of change of interest rates and inflation all affect the economic environment, investor confidence and, ultimately, the volume and profitability of the Group's business.</p> <p>Political change has the potential to directly impact the businesses of the Group through the introduction of new laws (including tax laws) or regulations or indirectly by altering adviser, investor and customer sentiment. A change in government or government policy may influence investor decisions in particular markets in which the Group operates, change the structure of those markets and the products offered or increase the costs of doing business in those markets.</p> <p><i>Risks relating to the Group's business</i></p> <p>Failure by the Group to offer products, services and platforms that meet adviser and customer needs and which are considered suitable could result in advisers ceasing to recommend the Group's products or services, or recommending fewer of the Group's products or services, and declining persistency of the Group's products.</p>



## Section D – Risks

Element	
	<p>The asset classes or investment strategies underlying the portfolios managed by the Group may become less attractive to customers or their advisers, which could reduce demand for the Group's products and have a material adverse effect on the Group's business, financial condition, results of operations and prospects.</p> <p>If the Group fails to capture new business resulting from increased demand following the Pension Freedom or if the trends or regulations change, the Group's business, financial condition, results of operations and prospects could be materially adversely affected.</p> <p>A significant part of the Group's Advice &amp; Wealth management offering involves the delivery of advice-led wealth solutions (through Quilter Financial Planning) and the management of multi-asset solutions and investment portfolios (through Quilter Investors and Quilter Cheviot). As a result, an important factor in the Group's ability to maintain and grow its customer base and its network of advisers is the investment performance of the customer assets that the Group manages. Actual or perceived underperformance of customer assets that are managed by the Group could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.</p> <p>The Group may not be able to successfully execute its strategic initiatives. If the Group fails to execute on or benefit from its strategy of aiming to be the leading UK wealth manager by continuing to focus on delivering good customer outcomes, it may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.</p> <p>The Group faces risks relating to the disposal of the Single Strategy Business (the <b>OMGI Transaction</b>"), including with regard to failure to successfully complete the OMGI Transaction, outstanding regulatory approvals, the establishment of the Multi-Asset Business following its separation from Old Mutual Global Investors Holdings Limited ("OMGI") and establishment within Old Mutual Investment Management Limited, adjustments in the consideration to be paid by Bidco, the Group's transitional service arrangements with OMGI, the impact on Group resources, certain indemnities and warranties, or potential payments to Bidco.</p> <p>The Group currently has debt service obligations, and is subject to customary financial covenants under the terms of its debt. These debt obligations could adversely affect the Group's business.</p> <p>The Group faces significant potential and actual conflicts of interest, including those which result from the Group's advised distribution channel. If the Group fails to manage conflicts of interest between its advice channel and other businesses across the Group, it could result in reputational damage, regulatory liability or customer restitution, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.</p> <p>The Group is currently undergoing a material change in its UK IT platform, with the UK Platform Transformation Programme. If the Group fails to deliver the UK Platform Transformation Programme on a timely or cost-effective basis or if the new platform fails to gain acceptance by the Group's advisers that use the current platform, it could damage the Group's relationships with its customers, advisers and counterparties, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.</p> <p>The Group may fail to attract and retain talented advisers, investment managers, portfolio managers, senior management and other key employees, which presents a significant risk to the delivery of the Group's overall strategy, in particular during this period of significant change across all business units, and could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.</p> <p><i>Risks relating to regulation and legislation</i></p> <p>The Group's regulated businesses are subject to extensive regulation both in the UK and internationally, and the Group faces risks associated with compliance with these regulations.</p>

## Section D – Risks

Element		
		<p>A Group company is under regulatory investigation by the FCA, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.</p> <p>The Group's businesses are subject to the risk of adverse changes in the laws, regulations and regulatory requirements in the markets in which they operate. It is difficult to accurately predict the timing, scope or form of future regulatory initiatives, although it is widely expected that there will continue to be a substantial amount of regulatory change and a high degree of supervisory oversight of regulated financial services firms.</p> <p>A number of complex regulatory change initiatives have recently been delivered or are expected to be delivered in the short term, and the effect of these regulatory initiatives is uncertain. Regulatory reform initiatives could lead to increased compliance costs or other adverse consequences for firms within the financial services industry, including the Group.</p>
D.3	Key information on the key risks that are specific to the Ordinary Shares	<p>There has been no prior public trading market for the Ordinary Shares, and an active trading market for the Ordinary Shares may not develop or be sustained, which may adversely affect the liquidity or trading price of the Ordinary Shares. Moreover, even if a market develops, the Ordinary Shares could be subject to market price volatility and the market price of the Ordinary Shares may decline in response to developments that are unrelated to the Group's operating performance, or as a result of sales of substantial amounts of Ordinary Shares, or the issuance of additional Ordinary Shares in the future, and Shareholders could earn a negative or no return on their investment in the Company.</p> <p>The Company may not be able to, or may decide not to, pay dividends at a level anticipated by Shareholders on its Ordinary Shares, which could reduce investors' return on shares.</p>

## Section E – The Offer

Element		
E.1	Net proceeds/expenses	<p>The Company will not receive any proceeds from the Offer.</p> <p>The Price Range, the maximum number of Offer Shares to be sold pursuant to the Offer, and the maximum number of Over-allotment Shares will be published in the Price Range Supplement. Further information regarding the expected proceeds will be detailed in the Price Range Supplement.</p> <p>The aggregate expenses of, or incidental to, Admission or the Offer to be borne by the Company are estimated to amount to approximately £28.0 million (including VAT), which the Company intends to pay out of existing cash resources (to the extent they have not already been paid). No expenses will be charged to any purchaser of Offer Shares by the Company or the Selling Shareholder.</p>
E.2	Reasons for the Offer/use of proceeds	<p>The directors of the Selling Shareholder believe that the Offer, which is expected to be carried out at the same time as the Quilter Separation, will support the development of an active and liquid market in the Ordinary Shares on the London Stock Exchange and broaden the investor base of Quilter by allowing new investors to participate in the listing of Quilter. The net proceeds of the Offer will be retained by Old Mutual Limited and its subsidiaries and subsidiary undertakings from time to time (the "<b>Old Mutual Limited Group</b>") and will further strengthen its capital position. No proceeds will be received by the Company pursuant to the Offer.</p>

## Section E – The Offer

Element		
		<p>In certain circumstances, the Selling Shareholder may proceed with the Quilter Separation but decide not to proceed with the Offer or choose to proceed with an Offer of only some of the Offer Shares. If the Selling Shareholder chooses not to proceed with the Offer, the Selling Shareholder (which will ultimately become a subsidiary of Old Mutual Limited) will retain up to 9.6% of the Ordinary Shares in issue at 8:00 a.m. on the date of Admission, representing 10.0% of Old Mutual plc's interests in Ordinary Shares immediately prior to the effective time of the scheme of arrangement to effect the Quilter Separation, and then the Selling Shareholder may seek to sell those retained Ordinary Shares as soon as reasonably practicable having regard to market conditions.</p>
E.3	Terms and conditions of the Offer	<p>The Offer comprises an offer of Offer Shares to be sold by the Selling Shareholder. In addition, further Offer Shares, representing 10% of the total number of Offer Shares, are being made available by the Selling Shareholder pursuant to the Over-allotment Option. The Price Range, the maximum number of Offer Shares and the maximum number of Over-allotment Shares will be determined following publication of this Prospectus, and published in the Price Range Supplement. The final Offer Price and the final number of Offer Shares and final maximum number of Over-allotment Shares will be determined following publication of the Price Range Supplement, and is expected to be announced on or about 25 June 2018.</p> <p>All Offer Shares will be sold at the Offer Price. Under the Offer, the Offer Shares will be offered to certain institutional and professional investors in the United Kingdom and elsewhere outside the United States in reliance on Regulation S of the Securities Act and in the United States to persons reasonably believed to be QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.</p> <p>Admission is expected to become effective, and unconditional dealing in the Ordinary Shares are expected to commence on the London Stock Exchange, at 8.00 a.m. (London) on 25 June 2018.</p> <p>It is expected that Admission to listing and trading on the Main Board of the JSE will become effective and that unconditional dealings in the Ordinary Shares will commence at 9:00 a.m. (South Africa) on 25 June 2018.</p> <p>The Offer is subject to the satisfaction of conditions, which are customary for transactions of this nature, contained in the Underwriting Agreement, including Admission becoming effective no later than 8.00 a.m. (London) on 25 June 2018 and the Underwriting Agreement not having been terminated prior to Admission.</p> <p>The Underwriting Agreement has been entered into between the Company, the Selling Shareholder, the Directors and each of BofA Merrill Lynch, Goldman Sachs International, J.P. Morgan Cazenove, Merrill Lynch South Africa and Avior Capital Markets and BNP PARIBAS (together, the "<b>Underwriters</b>"). The Underwriting Agreement provides for the Underwriters to be paid a commission by the Selling Shareholder in respect of the Offer Shares sold. Any commissions received by the Underwriters may be retained and any Ordinary Shares acquired by them may be retained or dealt in, by them, for their own benefit.</p> <p>None of the Ordinary Shares may be offered for subscription, sale, purchase or delivery, and neither this Prospectus nor any other offering material in relation to the Ordinary Shares may be circulated, in any jurisdiction where to do so would breach any securities laws or regulations of any such jurisdiction or give rise to an obligation to obtain any consent, approval or permission, or to make any application, filing or registration.</p>
E.4	Material interests	<p>Other than disclosed in B.6, there are no other interests including conflicting interests that are material to the Offer.</p>

**Section E – The Offer**

Element		
E.5	Name of the offeror/ lock-up arrangements	<p>The Selling Shareholder is expected to sell such number of Offer Shares as will be announced following determination of the final Offer Price pursuant to the Offer. In addition, a number of Ordinary Shares representing up to 10% of the Offer Shares are being made available by the Selling Shareholder pursuant to the Over-allotment Option.</p> <p>For a period of 180 days following Admission, the Company will not issue or dispose of any new Ordinary Shares. The Directors are also subject to a lock-up period of 365 days following Admission, during which they will not sell any Ordinary Shares they hold in the Company.</p> <p>All lock-up arrangements are subject to customary exceptions.</p>
E.6	Dilution	Not applicable; no new Ordinary Shares are being issued pursuant to the Offer.
E.7	Estimated expenses charged to investor	Not applicable; there are no commissions, fees, expenses or taxes to be charged to investors by the Company or the Selling Shareholder in connection with Admission or pursuant to the Offer.

---

## PART I

### RISK FACTORS

---

Any investment in the Ordinary Shares is subject to a number of risks. You should carefully consider risk factors associated with the Ordinary Shares, the Group's business and the industry in which it operates, together with all other information contained in this Prospectus including, in particular, the risk factors described below.

You should note that the risks relating to the Group, its industry and the Ordinary Shares summarised in the section of this Prospectus headed "Summary Information" are the risks that the Directors and the Company believe to be the most essential. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, you should consider not only the information on the key risks summarised in the section of this Prospectus headed "Summary Information" but also, among other things, the risks and uncertainties described below.

The risk factors described below are not an exhaustive list or explanation of all risks. Additional risks and uncertainties relating to the Group that are not currently known to the Group, or that the Group currently deems immaterial, may individually or cumulatively also have a material adverse impact on the Group's business, results of operations, financial condition or prospects and, if any such risk should occur, the price of the Ordinary Shares may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Ordinary Shares is suitable for them in the light of the information in this Prospectus and their personal circumstances.

#### 1. Risks relating to the Group's industry

##### 1.1 ***Difficult conditions or volatility in the global capital markets, the global economy generally and the UK economy specifically may adversely affect the investment portfolios, sales of investment products and fees, which in turn could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.***

The Group's results may be materially adversely affected by conditions in global capital markets, the global economy generally and the UK economy in particular that result in a decrease in the value of customer investment portfolios, because a significant portion of the Group's income is derived from fees which are calculated as a percentage of assets under management ("AuM") or assets under administration ("AuA"). A wide variety of factors could lead to volatility in financial markets and market or trading liquidity. Factors that have had, and may continue to have, a material adverse impact on investment portfolios include political change or uncertainty, the UK's exit from the EU ("Brexit"), concerns over low levels of growth in developed and emerging economies and corporate profits, high levels of sovereign debt, rapid rises and falls in currency exchange rates, changes in inflation expectations and long-term low, negative or increasing interest rates and bond yields. The trade, tax and immigration policies of the UK (particularly post-Brexit), Europe or the United States could also lead to major changes in global trade flows, which in turn could have a material impact on the global economy, or could lead to volatility and a decline in capital markets or particular asset classes, which could reduce the demand for or value of investment assets.

In the recent past, a combination of stable growth and a loose monetary policy has generally resulted in low volatility across financial markets; however, this backdrop could change, and strong performance in financial markets (particularly equity markets) is unlikely to continue indefinitely. Quantitative easing measures implemented by record low interest rates set by central banks, including the Bank of England, the US Federal Reserve and the European Central Bank, to support recovery since the global financial crisis, have helped loosen financial conditions and reduce borrowing costs. These measures may have led to the emergence of asset and liquidity bubbles that could be vulnerable to rapid price corrections as financial conditions tighten, including in the stock markets, bond markets and property markets, which will directly reduce the investment returns on the Group's products and solutions, thereby reducing the Group's fee income.

The monetary policy and future trajectory of interest rates by major central banks and the means of implementation remain uncertain. There is some market expectation that certain central banks, including the Bank of England and the European Central Bank, may tighten their monetary policy to increase interest rates back to levels closer to historical norms and reduce or eliminate quantitative easing. The US Federal Reserve Board of Governors has also continued to normalise interest rates in recent periods. However, it remains unclear when central banks will return to monetary policies which are more aligned to historical patterns. The withdrawal of accommodative policies may cause losses to investors and raise the risk of default on fixed income securities, including those in assets managed by the Group and marketed to the Group's advisers and customers. Higher interest rates may make investing in the Group's investment products less attractive.

Factors such as consumer spending, business investment, government spending, the volatility and strength of both debt and equity markets, the direction and pace of change of interest rates and inflation all affect the economic environment, investor confidence and, ultimately, the volume and profitability of the Group's business.

In an economic downturn characterised by higher unemployment, lower household income, lower corporate earnings, lower business investment and lower consumer spending, the demand for financial products and solutions could be adversely affected. Further, customer sentiment regarding the future prospects of investment markets, and of the economy more generally, could impact customer behaviour and reduce demand for the Group's products and services, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Economic uncertainty and volatility may have a material adverse effect on the Group, in part because it manages large investment portfolios and is affected by customer behaviour, adviser views on suitability of investments and the performance of capital markets. This could lead to a decline in sales or fees related to the value of AuM and AuA, and profit margins could erode. In addition, the Group may experience a decline in the value of AuM or AuA, which are each exposed to declines or depressions in particular economies or sectors.

The Group may also experience, for example, cancellation of policies and products and termination of customers that could affect the current and future profitability of the business. A prolonged economic crisis, downturn or period of low growth could result in lower fees or sales figures for the Group in the future. These adverse changes in the economy could affect earnings negatively and could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**1.2 *Exposure to domestic and global political developments and their impact on financial markets could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.***

Political change has the potential to directly impact the businesses of the Group through the introduction of new laws (including tax laws) or regulations or indirectly by altering adviser, investor and customer sentiment.

The current government in the UK is a minority government and any future change in government in the UK could significantly impact the Group due to changes in government policy, legislation or regulatory interpretation. This may ultimately influence investor decisions in particular markets in which the Group operates, change the structure of those markets and the products offered or increase the costs of doing business in those markets. For example, changes in taxation legislation and policy could affect investor sentiment, making investment generally, and specific types of investment products and solutions in particular, either more or less appealing.

The Group also may be affected by geopolitical events, including instability within the Euro-zone, a second independence referendum in Scotland, uncertainty as to the global impact of the current US administration, strained relations with North Korea and Russia, tensions in the South China Sea, tensions in Iran and the Middle East and widespread increases in global tariffs. Additional developments may also occur that the Group cannot currently know or anticipate, or which may be impossible to plan for or protect against. It is possible that the effects of such geopolitical events will include further financial instability and slower economic growth, significant regulatory changes, currency fluctuations and higher unemployment and inflation in the UK, continental Europe and the global economy, at least in the short- to medium-term. It could also create constraints on the ability of the Group to operate efficiently in the future political environment. Any of the foregoing could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**1.3 *The UK's withdrawal from the EU could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.***

On 29 March 2017, Prime Minister Theresa May notified the European Council in accordance with Article 50(2) of the Treaty on European Union of the UK's intention to withdraw from the European Union. Detailed negotiations are now taking place to determine the future terms of the UK's relationship with the EU, but the long-term nature of the UK's relationship with the EU remains unclear. There is uncertainty relating to, for example, how long it will take to negotiate the UK's withdrawal from the EU within the two year limit established by the Treaty on European Union, which EU laws and regulations may continue to apply in the UK, and what changes there may be to the application of these laws and regulations. The effect of Brexit on the UK economy generally remains unknown but could cause a recession or a reduced rate of growth, or create other negative effects that already impact the Group's business. The long-term effects of Brexit will depend on any agreements (or lack thereof) between the UK and the EU and, in particular, on any arrangements for the UK to retain access to EU markets either during a transitional period or more permanently.

There is a risk that Brexit, other political developments or developments otherwise affecting market confidence may result in outflows of assets from investment portfolios with exposure to the UK, which could include multi-asset portfolios held by the Group's Advice & Wealth Management segment, or funds administered by the Group but invested with third party fund managers. Due to the size and importance of the UK economy in the global economy, particularly with respect to the UK financial services market, as well as the uncertainty and unpredictability concerning the UK's legal, political, financial and economic relationship with the EU after Brexit, there may continue to be instability in the national and international financial markets, significant currency fluctuations and otherwise adverse effects on consumer confidence for the foreseeable future, including beyond the date of the UK's withdrawal from the EU.

The Group includes financial institutions authorised and regulated in the UK. The regulatory environment that applies to such entities is in large part derived from EU financial services legislation. While the UK is currently required to implement and apply such legislation, this may no longer be the case following its departure from the EU. This may have a significant impact on UK financial services legislation and the regulatory environment in which the Group operates, which may in turn have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

It is also unclear how Brexit will affect UK financial institutions with assets or operations (including branches) in the EU (and vice versa). At present, EU legislation grants passporting rights to certain categories of financial institution, including insurers, investment firms, Undertakings for Collective Investment in Transferable Securities ("UCITS") management companies and Alternative Investment Fund Managers ("AIFMs"). EU legislation also facilitates mutual rights of access to EU market infrastructure such as payment and settlement systems. Once the UK ceases to be a member state of the EU, the current passporting arrangements may cease to be effective, as may the current mutual rights of access to market infrastructure. The Group contains entities that rely on such passporting arrangements and market infrastructure. For example, the Group has a limited number of residual policies in closed European books, including across Germany, Sweden and Norway, which could result in increased costs relating to cross-border transfers or a loss from the sale of these policies.

As a result of the foregoing, the UK's departure from the EU may have material adverse effect on the Group's business, financial condition, results of operations and prospects.

**1.4 *The Group's business is conducted in a competitive environment and, if the Group is not successful in anticipating and responding to competitive change, adviser or customer preferences or demographic trends in a timely and cost-effective manner, its business, financial condition, results of operations and prospects could be materially adversely affected.***

The markets for financial advice, investment solutions, platforms and wealth management markets in the UK and internationally are competitive, and the Group expects such competition to intensify in response to competitor behaviour, consumer preferences, technological changes, the impact of consolidation, regulatory actions and other factors. The Group faces the risk that advisers and customers do not prefer the Group's platforms or its savings and investment product offerings to those of competitors.

The factors affecting the Group's ability to sell its products and services and achieve continued profitability include investment management performance, price and yields offered, financial strength and ratings, range of product lines and product and service quality, choice of distributor and distribution method, quality of advice, customer perception of the Group's multi-channel (advised and open market) offering, brand strength, innovation of competitors, developing demographic trends and customer appetite for certain savings products. For example, as is common place in an investment business, many of the Group's customers are in their fifties or older, since older customers tend to have more significant assets to invest. The Group will lose assets if customers withdraw assets for use in retirement or due to their passing away. There will therefore be a continued need for the Group to attract new clients in the future to compensate for this natural loss of assets under management and under administration ("AuMA") or clients and for the Group to develop its product set to keep pace with the demographic trends, such as with regard to decumulation products and intergenerational transfers. If the Group is unable to attract new clients in the future, or if younger generations of clients do not generate wealth at a rate similar to historical periods, the Group may experience decreased demand for its services or products.

The Group may face competitors that are larger, have greater financial resources or a greater market share, offer a broader range of products or offer greater technology-enabled solutions. The Group's competitors could offer similar products or services at a lower price and thereby undercut its offerings. The Group's ability to generate an appropriate return depends significantly upon its capacity to anticipate and respond appropriately to these competitive pressures and trends. The Group could also be impacted by consolidation in the advice market in the future. If advice firms in the Group's network sell down their business and are acquired by rival networks or by firms in rival networks, the Group could lose a significant number of advisers, the primary distribution channel for the Group's advice business. As such, if there is a significant amount of market consolidation with regard to advice firms, it could adversely impact the Group's AuMA. In addition, the Group's profit margins could be impacted, in part, by increased competition if it is unable to maintain its market share, service levels, quality of service or ability to respond to consumer preferences, including with regard to the increasing popularity of technology-based advice solutions.

As an advice-led business with a significant proportion of its investment portfolios actively managed, the Group aims to attract advisers and customers to its products and platforms by adding value rather than providing solely automated, index-based or other passive solutions. Given that 84% of the Group's net AuMA was intermediated through advisers (excluding investment managers) as at 31 December 2017, the Group faces competition from direct-to-consumer advice models, such as emerging financial technology competitors. The Group thus faces the risk that its advice-led proposition may not appeal to customers or that customers withdraw assets from their financial advisers in favour of competing models. Equally, customers may move away from advice-based models to self-directed execution-only models.

If the Group is not successful in anticipating and responding to competitive change, adviser or customer preferences or demographic trends in a timely and cost-effective manner, its business, financial condition, results of operations and prospects could be materially adversely affected.

**1.5 *The Group is exposed to a deterioration in demand or an increase in supply for wealth management and retirement related products, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.***

Historically, supply and demand for wealth management and retirement-related products have been variable, and the operating results of wealth management and retirement solution companies have fluctuated significantly because of volatile and sometimes unpredictable developments, many of which are beyond the direct control of any company.

The supply of wealth management and retirement-related products is related to, amongst other factors, prevailing prices, the level of industry profitability and capital surplus which, in turn, may fluctuate in response to changes in inflation rates, the rates of return on investments being earned by the industry, changing business opportunities, legislative changes, opportunities from technological change as well as other social, economic, legal and political changes. As a result, the wealth management and retirement-related products industry has historically been variable. Increases in the supply of wealth management and retirement related products (whether through an increase in the number of competitors, an increase in the capitalisation available to wealth managers, or otherwise) and, similarly, reduction in consumer demand for wealth management and retirement-related products, could have adverse consequences for the Group, including lower fees or higher expenses for the Group, any of which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Although the Group has a diverse range of products and solutions, the Group could experience the effects of this variable nature, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**1.6 *The following risks may adversely affect the level of customer investment portfolios and the Group's AuMA, which in turn could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.***

**1.6.1 *Decline in equity markets***

A decline in the equity markets, including as a result of decreased investor confidence in specific markets or globally, could reduce revenues by reducing the value of the investment assets managed or administered by the applicable business. Equity markets have been rising since March 2009, and a proportion of the Group's AuM is invested in equity markets globally. The Group's fee income is therefore directly exposed to fluctuations in equity markets as its fees and commissions tend to be charged as a percentage of AuM. Profits could also be reduced as a result of current investors withdrawing assets in volatile equity markets or reducing their rates of ongoing investment with the Group's products and solutions.

**1.6.2 *Rise in interest rates***

Because the Group's business depends, in part, on fees related primarily to the value of AuM and AuA, a rise in interest rates could reduce revenues by reducing the volume and value of the investment assets the Group manages. Moreover, changes to interest rates may impact customer behaviour and where they choose to invest their assets, which could create a difficult environment for investment performance in Quilter Investors and Quilter Cheviot. As a result, the Group may experience a reduction in the level of AuM or AuA and, as a result, lower fee income.

**1.6.3 *Fluctuations in currency exchange rates***

Certain parts of the Group operate internationally and are exposed to foreign currency exchange risk arising from fluctuations in exchange rates of various currencies, including euros, US dollars and Swedish krona. Customer portfolios managed by the Group include a range of assets that are denominated in foreign currencies, including foreign equities, bonds and property. The effect of exchange rate fluctuations on these assets could lead to significant fluctuations in the amount of fee income generated. Exposure to foreign exchange risk is of particular concern in light of the uncertainty over the final terms of the UK's relationship with the EU. In the short to medium term, volatility of financial markets may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**1.6.4 *Widening in credit spreads***

Widening credit spreads may reduce the level of the Group's AuMA, which could impact Group profitability in several ways. Profits from fees taken on unit-linked funds and other third party assets invested in corporate bonds would fall when spreads widen. In addition, market volatility can make it



difficult to value certain securities (for example, emerging market debt or high yield bonds) if trading becomes less frequent. Accordingly, valuations of investments may include assumptions or estimates that may have significant period-to-period changes due to market conditions, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

#### 1.6.5 ***Falls in property prices***

The Group is subject to property price risk indirectly due to customer holdings of investment properties in various portfolios, which are made up of funds typically managed by third parties. Profits from fees taken on unit-linked funds and other assets invested in property would fall when the value of underlying properties falls. A fall in property prices could have an adverse impact on AuM and AuA, would reduce the attractiveness of related products, services and portfolios to customers, and would directly reduce the fee income the Group generates calculated as a percentage of the value of AuM and AuA.

#### 1.6.6 ***Changes in short- or long-term inflation***

The Group is subject to inflation risk through its holdings of fixed interest and other investments on behalf of customers and as a result of the potential for the cost of claims and expenses to rise faster than anticipated in the Group's respective pricing or reserving. Changes in inflation could also affect the value perceived to be offered by the Group's policies and so adversely affect persistency levels.

#### 1.6.7 ***Liquidity risk***

The Group may hold certain investments within investment portfolios on behalf of customers that may lack liquidity, such as privately placed fixed-maturity securities, high yield bonds, emerging market debt, private equity investments and unlisted equities, as the inputs used for their valuation are not directly observable in the market.

If significant amounts of cash are required at short notice in excess of expected cash requirements, it may be difficult to sell these investments in a timely manner. In such circumstances, the Group may be forced to sell them for less than they otherwise would have been able to. The reported values of relatively illiquid types of investments, investments in the asset classes described in the paragraph above and, at times, high quality, generally liquid asset classes, do not necessarily reflect the lowest current market price for the asset. If the Group were forced to sell certain assets in the current market, there can be no assurance that the Group would be able to sell them for the prices at which they were recorded and the Group may be forced to sell them at significantly lower prices. While this is unlikely to impact the Group's liquidity position, it may have a material adverse effect on the value and liquidity of the Group's customers' portfolios.

#### 1.6.8 ***Decline in fixed income markets***

A decline in the fixed income markets, including as a result of decreased investor confidence in specific markets or globally, increases in interest rates, changes in relative yield among instruments with different maturities, available liquidity in the markets in which a security trades, an issuer's actual or perceived creditworthiness, an issuer's ability to meet its obligations, could reduce revenues by reducing the value of the investment assets managed or administered by the applicable business. A proportion of the Group's AuM is invested in fixed income markets globally. The Group's fee income is therefore exposed to fluctuations in fixed income markets as its fees and commissions are generally charged as a percentage of AuM.

## 2. **Risks relating to the Group's business**

### 2.1 ***Failure by the Group to offer products, services and platforms that meet adviser and customer needs and which are considered suitable could result in advisers ceasing to recommend the Group's products or services, or recommending fewer of the Group's products or services, and declining persistency of the Group's products.***

The Group is reliant on its ability to offer products and platforms that meet customers' needs so that advisers will continue to recommend investment solutions that are managed or administered by the Group. As part of the Group's advised channel, restricted financial planners ("RFPs") choose from a panel of products and providers pre-researched by the Group to provide choices that meet the needs of the advisers' customer base, but can choose from a wider solution base if the restricted suite of solutions does not meet a particular customer's needs. Third party advisers, which form the Group's open market distribution channel, advise across products provided by a number of other providers. The successful distribution of the Group's products and services therefore depends, in part, on the choices an adviser may make with regard to the advice it gives to customers. The Group therefore depends on its ability to provide products and services that advisers believe are suited to customers' needs.

An adviser may make judgements as to wealth management products and services on the basis of suitability for its customers by considering, among other things, the tolerance for risk and prospects for future investment returns in light of the product offering, past investment performance, perceived financial strength and stability, credit

and other ratings (if applicable), the quality of the service, price, technical support and other product features. An adviser may choose a preferred platform on which to operate its accounts for customers, based on ease of use, breadth of products and fund managers offered, perceived reliability and service, technological features and other factors. Additional factors may also impact the decisions that advisers make with respect to their use of the Group's products and services, such as the degree of success the Group has in maintaining a competitive UK investment platform, including by completing the Quilter Wealth Solutions IT transformation (the "**UK Platform Transformation Programme**") on a timely basis. An unfavourable assessment of the Group or its products or services based on any of these factors could result in the Group generally, or certain of its products or services, not being actively marketed by advisers to the Group's customers, with the consequence that the Group's sales volumes may decrease, or withdrawals may increase, resulting in reduced fees and other income.

The Group is also exposed to the risk that advisers may change their business models in ways that affect how they recommend the Group's products or services, either in response to changing business priorities or as a result of shifts in regulatory supervision or potential changes in applicable laws and regulations. This may concern, for instance, requirements and standards applicable to the distribution of the Group's products or services, as well as changes in distribution trends. For example, the increasing popularity of internet-based investing systems and platforms in recent years has led to the growth of advisers offering simplified investment management services to certain segments of the market. Each of these factors may result in advisers ceasing to recommend the Group's products or services, or recommending fewer of the Group's products or services, and a lowering of the persistency of the Group's products.

**2.2 *The asset classes or investment strategies underlying the portfolios managed by the Group may become less attractive to customers or their advisers, which could reduce demand for the Group's products and have a material adverse effect on the Group's business, financial condition, results of operations and prospects.***

The Group's product offering includes outcome-oriented, multi-asset solutions that combine products from a range of providers and in various asset classes. These include multi-asset investments managed by Quilter Investors (including Cirilium) and bespoke investment portfolios managed by Quilter Cheviot. These investment products and solutions are, in part, determined by the relative attractiveness to investors of the respective asset classes or portfolio mix, as relevant. If these asset classes or investment strategies were to become unsuitable for customers or if there were to be a further significant shift towards investors investing through competing products, such as passive or index-based investment products, or investment vehicles representing asset classes that the Group does not offer, there may be reduced sales or increased redemptions from the Group's products. Such developments could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**2.3 *If the Group fails to capture new business resulting from increased demand following the Pension Freedom or if the trends or regulations change, the Group's business, financial condition, results of operations and prospects could be materially adversely affected.***

Historically, individual annuities, which are not offered by the Group, played a central role in most UK retirees' post-retirement financial arrangements with defined contribution ("**DC**") pension contracts (and their subsequent annuity purchase) or alternatively, defined benefit ("**DB**") schemes, offering a tax efficient method of saving for retirement. However, UK pension reform legislation that took effect from April 2015 ("**Pension Freedom**") has given retirees greater flexibility in how to access and invest eligible pensions at retirement, including through platforms like Quilter Wealth Solutions. Under Pension Freedom, consumers approaching retirement have the option to take the entirety of their pension savings as cash (the first 25% tax free, with the balance taxed at the individual's marginal rate). In addition, consumers who do not draw down their pensions immediately have significantly more control and flexibility with respect to how their pensions are invested.

As a result of the Pension Freedom, the Group has experienced an increase in demand for pension products, potentially as an alternative to annuities products. For example, sales from pension-related products represented approximately 48%, 56% and 61% of Quilter Wealth Solutions' gross sales in the years ended 31 December 2015, 2016 and 2017, respectively. However, there can be no assurance that the Group will continue to capture new business in this manner or remain competitive in designing alternatives to annuities products, or that the trends experienced in the aftermath of Pension Freedom will not reverse, as there is still uncertainty over the longer-term impact of the Pension Freedom on the sales of individual annuities and alternatives thereto. Moreover, the Group currently does not offer a self-invested pension plan ("**SIPP**"), which has gained significantly in popularity since Pension Freedom, and any delays in the planned implementation of the new SIPP functionality expected to be delivered as part of the UK Platform Transformation Programme may lead to the loss of customers or assets. For a further discussion of the UK Platform Transformation Programme and potential reasons for the delay in implementation, see "**— 2.12 The Group may fail to deliver on its UK Platform Transformation Programme**".

In addition, the Group cannot be certain that the relevant laws will not be changed further. If the Group fails to attract retirees into its investment products or achieve the expected growth following the Pension Freedom or respond effectively to any further changes, its business, financial condition, results of operations and prospects could be materially adversely affected.

**2.4 *Actual or perceived underperformance of customer assets that are managed by the Group could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.***

A significant part of the Group's Advice & Wealth management offering involves the delivery of advice-led wealth solutions (through Quilter Financial Planning) and the management of multi-asset solutions and investment portfolios (through Quilter Investors and Quilter Cheviot). As a result, an important factor in the Group's ability to maintain and grow its customer base and its network of advisers is the investment performance of the customer assets that the Group manages. Any sustained period of actual or perceived underperformance of products, solutions or portfolios delivered by the Group (through portfolios managed by it or through its network, including third party assets invested through Quilter Cheviot), whether relative to peer, customer expectations, benchmarks or internal targets, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

When financial advisers select investment products or when customers select a wealth manager, one of the most important considerations for such customers and/or such intermediaries and advisers is the historical investment performance of the products or solutions offered. If the Group were to fail to provide satisfactory investment returns in its managed portfolios or wealth management solutions, customers of such solutions (or customers generally) may decide to reduce their investments or withdraw assets altogether in favour of better performing services or competing investment managers, which would lead to a direct reduction in the level of the Group's AuM and, as a result, lower fee income.

Investment underperformance relative to competitors, customer or adviser expectations or relevant benchmarks would also make it more difficult for the Group to attract new customers and advisers and could damage the Group's reputation and brands, which have in part been built around its investment performance generally. As a result, the Group's ability to attract assets from existing and new customers and advisers might diminish, particularly given the competitive nature of the wealth management market. Independent financial advisers ("IFAs"), RFPs and other intermediaries, who typically play a significant role in referring new customers to the Group and distributing the Group's products, may reduce the frequency at which they recommend or cease to recommend some or all of the Group's products to their customers. Any sustained period of underperformance by the Group across a range of its managed portfolios or other wealth management products (including as a result of model errors or manipulations) could have a material adverse effect on its business, results of operations, financial condition and prospects.

In addition, the Group relies on representations made to it by distributors or other persons when assessing whether to accept products requested by such distributors and other persons on behalf of their advised clients onto its platforms as part of the onboarding review process. If the representations made to it are incorrect, the Group may be exposed to claims, including potential class actions, regulatory actions and other proceedings, as well as reputational damage, in circumstances where products accepted onto its platforms have performed poorly and customers have suffered losses as a result. This could also result in the Group incurring costs and devoting resources to legal or regulatory proceedings arising from such matters. It may also be more likely that the Group is subject to such claims or reputational damage in jurisdictions outside the United Kingdom, such as the Isle of Man, where the regulatory regime is adapting to heightened international standards.

**2.5 *The Group may not be able to successfully execute its strategic initiatives.***

The Group's aims to grow its customers and assets through a multi-channel strategy comprising both its own advised and open market distribution channels, with a focus on the UK wealth market and, in particular, on the Group's core target market of affluent customers whose liquid assets are or will be between £100,000 and £5 million. Its business model is built around customer needs and brings together financial advice, platforms, tax efficient vehicles or "wrappers", integrated wealth management and multi-asset investment solutions. If the Group fails to execute on or benefit from its strategy of aiming to be the leading UK wealth manager by continuing to focus on delivering good customer outcomes, it may have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, the Group is targeting to grow NCCF (excluding Quilter Life Assurance) at 5% of opening AuMA per annum over the medium term. While the Group has exceeded this target in recent periods (excluding Quilter Life Assurance), there can be no assurance that the Group will be able to continue this growth to maintain its financial performance either at historical or targeted future levels.

Successful execution of the strategy is not assured, and depends upon such factors as the Group's ability to accurately predict the type of products and the level of advice required by its target customer base, and to price such products and services competitively. If one or more of the assumptions that the Group has made in setting its targets or objectives are inaccurate, or if one or more of the risks described in this section occur, the Group may be unable to achieve one or more of its targets or objectives. If the Group's strategy is not implemented successfully, if the Group's strategy does not yield the anticipated benefits, or if the Group is unable to control costs in delivering its strategy, the Group may be unable to achieve its targets, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

## 2.6 *The Group faces risks relating to the disposal of OMGI.*

On 18 December 2017, the Company and Mintaka Bidco Limited ("**Bidco**") (a special purpose vehicle ultimately owned by funds managed by TA Associates and certain members of the Old Mutual Global Investors (UK) Limited ("**OMGIUK**") management) entered into a sale and purchase agreement (as subsequently amended on 11 April 2018) (the "**OMGI SPA**") pursuant to which the Company agreed, subject to certain conditions, to sell all of the shares in Old Mutual Global Investors Holdings Limited ("**OMGI**") to Bidco (the "**OMGI Transaction**").

The sale of OMGI is subject to certain conditions precedent, including in relation to a re-organisation pursuant to which Old Mutual Investment Management Limited ("**OMIML**") and the Quilter Investors "multi-asset" business (the "**Multi-Asset Business**") will be separated and retained by the Group. Therefore, while the OMGI SPA relates to a sale of all of the shares in OMGI, given the separation and retention by the Group of the Multi-Asset Business (and OMIML which will operate the Multi-Asset Business in the future), the commercial effect of such a sale is the disposal by the Group of the Group's "single strategy" asset management business (the "**Single Strategy Business**") and the retention of the Multi-Asset Business.

Any of the following factors relating to the OMGI Transaction could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

### 2.6.1 *Failure to complete the OMGI Transaction*

The Group may be unable to successfully complete the OMGI Transaction, including if the conditions precedent (which include regulatory approvals (some but not all of which have been satisfied as at the date of this Prospectus) as well as the separation of the Multi-Asset Business and OMIML as referred to above) are not satisfied. If the Group is unable to complete the OMGI Transaction, the Group would expect to have a leverage position of approximately £500 million, which would be in excess of the Company's risk appetite, in which case the Group would consider potential actions to reduce its leverage position. The Group's heightened leverage position could subject the Group to increased risks relating to its debt obligations, as described in "**2.7 The Group's debt obligations could adversely affect the Group's business**". In addition, in order to retain certain key fund managers with the business, desk profit share arrangement may require reconsideration, which could result in a reduction of profit generated by the business. If the Group fails to retain certain key fund managers or other staff, the performance of the Single Strategy Business may deteriorate. Any of the above could have a material adverse effect on the Group's business, financial condition and results of operations.

### 2.6.2 *Separation and establishment of the Multi-Asset Business*

The conditions to completion of the OMGI Transaction include certain steps to separate the Multi-Asset Business, which will be retained by the Group. These steps include (i) preparing the Multi-Asset Business to be moved (including by ensuring it is able to operate on a stand alone basis in compliance with applicable law and regulation), (ii) the reorganisation of the management of certain funds and (iii) the transfer of certain assets that form part of the Multi-Asset Business into new funds separate from the Single Strategy Business. The completion of the reorganisation and transfer steps depend, in part, upon regulatory approvals (which are outstanding as at the date of this Prospectus) and on the speed with which certain third party suppliers are able to take actions required to establish such funds and implement such transfers. A delay in completion of this process may lead to a delay in the completion of the OMGI Transaction.

The separation of the Multi-Asset Business from OMGI, its establishment within OMIML and the re-integration of OMIML within the Group may not complete on time and on budget. In particular, the required business functions, associated organisational structure, recruitment and retention of people, business processes, data required by those processes, systems that process those data, and underlying infrastructure that support the systems may not be completed and integrated sufficiently to effectively support the establishment of the Multi-Asset Business. This may inhibit the daily asset management activities and the necessary underlying operational activities, which may have a material adverse impact on the performance of OMIML's funds, especially under adverse market conditions. In addition, existing critical service providers may take advantage of the Group's rapid and significant operating model changes and, in doing so, may inflate ongoing charges for services and products.

### 2.6.3 *Consideration adjustments*

The base consideration agreed to be paid by Bidco under the SPA is subject to upward and downward adjustment on the basis of both the regulatory capital position of OMGI as at 31 December 2017 and other factors at the disposal date. The adjustments will not be finalised until shortly before the disposal date (although it is possible in certain circumstances for these to be finalised after the disposal date) and it is possible that a lower aggregate consideration than expected will finally be paid to the Company under the OMGI SPA. These values are subject to a number of potential price adjustments, depending on the net asset value of the business and other factors at the disposal date. The calculation of the consideration adjustments may also be subject to a dispute between the parties which would ultimately be referable to an expert for determination.

#### 2.6.4 **Transitional service agreements**

The process and steps required to separate OMGI from the Group, establish the Multi-Asset Business within OMIML and re-integrate OMIML within the Group are complex and include the requirement to set up a transitional service agreement (the “**OMGI TSA**”) and a reverse transitional service agreement (the “**OMGI Reverse TSA**”) to provide services between the two parts of the business for a specified period of time for each service, with a maximum service term of 36 months. Pursuant to the OMGI Reverse TSA, OMGIUK will continue to provide certain IT, operational and other services to OMIML in order to assist OMIML in continuing the Multi-Asset Business following completion of the OMGI Transaction. Pursuant to the OMGI TSA, Old Mutual Wealth Business Services Limited will continue to provide certain IT, human resources, finance and facilities management services to OMGI in order to assist OMGI in continuing to operate the Single Strategy Business following completion of the OMGI Transaction. The complexity and time required to establish these transitional service agreements could give rise to ineffective or inefficient operations for a transitional period.

In addition, while there are no indemnities in the OMGI TSA, the Group may be exposed to liability, with an annual cap of 100% of the service fees paid and payable for the year (subject to customary exclusions from the cap, namely for fraud, willful misconduct, death or personal injury caused by negligence and other liabilities which cannot be lawfully excluded) if there are failures to provide the relevant services to the required standard. Failures by OMGI under the Reverse OMGI TSA are subject to a similar cap on liability, so the Group is exposed to the risk that failures by OMGI to provide the relevant services to the required standard may not be fully compensated.

OMIML will continue to act as authorised corporate director and alternative investment fund manager for certain single strategy funds until a new entity being established by Bidco and OMGI takes over this role, which may be after completion of the OMGI Transaction. During this time, investment management of all the relevant funds will be fully delegated to OMGIUK (as is currently the case). OMIML is entitled to recover its costs, and OMIML benefits from an indemnity from OMGIUK. However, there are certain carve outs and exclusions from OMIML’s rights to recover, and there is a risk that OMIML could suffer loss which is not fully compensated.

#### 2.6.5 **Impact on Group resources**

The concurrence of the Company’s separation from Old Mutual plc (the “**Quilter Separation**”) and the OMGI Transaction (including the associated separation of the Single Strategy Business from the Group and the separation of the Multi-Asset Business from OMGI in order for it to be retained by the Group) may increase the risk of delays in key decisions being taken or ineffective decision making occurring. The OMGI Transaction could also place additional strain on the Group’s senior management, in particular on the Group’s executives, which will increase the risk of resource stretch which is already high across the Group. This will further impact the broader resource pool required to support the establishment of the Multi-Asset Business within OMIML, and increases the risk of resignation of or failures by key individuals.

#### 2.6.6 **Indemnities and warranties**

The Group has also given certain indemnities and warranties to Bidco and OMGIUK, which will survive post-Quilter Separation. This may result in claims being brought against the Group.

#### 2.6.7 **Potential payments to Bidco**

The Company will have to make certain payments to Bidco if the management fee revenue of OMGI from assets under management derived from certain distribution channels is below given targets in calendar years 2020 and 2022. The maximum payment by the Company is £15 million in respect of each year. While the targets have been set to include headroom over the current levels, there is a risk that some or all of these payments could be triggered.

### 2.7 **The Group’s debt obligations could adversely affect the Group’s business.**

The Group currently has debt service obligations, and is subject to customary financial covenants under the terms of its debt. On 23 February 2018, the Group entered into, and fully drew down on 28 February 2018, a £300 million senior unsecured term loan with a number of relationship banks with an opening interest rate of 45 basis points above LIBOR subject to a margin ratchet linked to the Company’s credit rating (the “**New Term Loan**”). The New Term Loan will be repaid in full using proceeds from the sale of the Single Strategy Business following the completion of the OMGI Transaction. On 28 February 2018, the Group issued a £200 million subordinated debt security in the form of a 10-year Tier 2 bond with a one-time issuer call option after five years to J.P. Morgan Securities plc, paying a semi-annual coupon of 4.478% (the “**Tier 2 Bond**”). In addition, the Group has entered into a £125 million revolving credit facility which is currently undrawn and is expected to remain undrawn during 2018 (the “**New Revolving Facility**”).

At 31 December 2017, the Group had total gross intercompany indebtedness to other companies within the Old Mutual plc group totalling £782 million, offset by a £16 million receivable. Subsequent to the year-end, and as part of a series of internal transactions, £566 million of intercompany indebtedness to other companies within the Old Mutual plc group has been effectively equitised, with the indebtedness to other companies within the Old Mutual plc group being replaced with equity in the form of share capital and a merger reserve. The overall indebtedness also reduced by £16 million from ordinary course transactions. The remaining £200 million intercompany indebtedness was repaid in full from the new facilities referred to above and from existing cash resources on 28 February 2018. On the same date, the £70 million revolving credit facility with Old Mutual plc was cancelled.

The Group's debt obligations may in the future require it to dedicate a greater portion of its cash flow from operations to making payments on its debt, thereby reducing the availability of assets for other purposes. Such debt obligations may also increase the Group's vulnerability to adverse general economic or industry conditions that are beyond its control, and may place the Group at a competitive disadvantage compared to its competitors that may have less debt. Increased interest rates could also increase the Group's debt interest costs under its variable rate debt. A significant increase in the amount of interest payable by the Group could adversely effect the Group's business, financial condition, results of operations and prospects. In addition, if in the longer term the Group wishes to take on additional borrowings (for example, to finance future growth), the Group's current debt obligations may increase the cost of such additional borrowings. This could have a material adverse effect on the Group's business, financial condition and results of operations.

**2.8 *If the Group fails to manage conflicts of interest between its advice channel and other businesses across the Group, it could result in reputational damage, regulatory liability or customer restitution, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.***

The Group faces significant potential and actual conflicts of interest, including those which result from the Group's advised distribution channel. In particular, the risk of perceived or actual conflicts arise as a result of the fact that other businesses within the Group receive NCCF as a result of advice delivered through the Quilter Financial Planning network. Additionally, potential conflicts of interest include conflicts around fee arrangements, cross-selling, inducements, the management of the Quilter Financial Planning panel and inclusion of Quilter Investment Solutions products therein, adviser disclosures (relating to ownership and restricted status), advice, rebates, gifts and hospitality.

While the Directors believe these potential and actual conflicts of interest have been adequately identified and the Group has policies and procedures to manage the risk of conflicts of interests, there can be no assurance that the Group will not suffer reputational damage or potential regulatory liability if its information barriers, procedures and systems to identify, record and manage potential and actual conflicts of interest fail or are insufficient. Any such failure could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, the Group is subject to the risk that poor decisions or actions will arise from any unidentified conflicts of interest, which may result in customer detriment, financial loss, reputational damage, regulatory action or customer restitution.

**2.9 *A computer system failure, security breach or cyber-attack could significantly disrupt the Group's ability to trade, manage systems and platforms on behalf of customers and advisers, or otherwise operate its business.***

The Group uses computer systems to conduct its business, which involves managing and administering assets on behalf of customers in its wealth portfolios and on its platforms. The Group's business is highly dependent on its ability to access these systems to perform necessary business functions and to provide adviser and customer support, administer products, make changes to existing policies, file and pay claims, manage customers' investment portfolios and produce financial statements and regulatory returns. The Group has in the past experienced, and may in the future experience, incidents with its IT systems. Although none of these incidents have resulted in any adverse impact on the Group's customers, there can be no assurance that IT incidents will not result in material disruptions to the Group's systems which adversely affect the Group's customer experiences. If serious breaches, errors or breakdowns in the Group's IT systems are prolonged or occur on a regular basis then the Group could lose fee and commission income, lose valuable and sensitive customer data, damage the goodwill its advisers or customers accord to it and damage its reputation, and could also materially breach contracts it has with its advisers or customers.

The Group is increasingly exposed to the risk that third parties or malicious insiders may attempt to use cyber-crime techniques, including distributed denial of service attacks to disrupt the availability, confidentiality and integrity of its IT systems, which could result in disruption to key operations, make it difficult to recover critical services, and damage assets. Moreover, if the Group is subject to a cyber-attack, its systems may be subject to down-time in an effort to prevent a security breach. Such an outage may lead to reputational damage or customer confusion, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects or damage its reputation. The Group continues to invest in its information security controls in response to emerging threats, such as cyber-crime and fraud, and to seek to ensure that controls for known threats remain robust. The risks associated with cyber-attacks, where an individual or group seeks to exploit vulnerabilities in IT systems for financial gain or to disrupt services, are a material risk to the Group and the UK financial system, which has a high degree of interconnectedness between market participants, centralised market infrastructure and in some cases complex legacy IT systems.

In addition, the Group's risk of cyber-crime and fraud may be compounded by the fact that each of the Group's business units operates largely independently. The Group cannot be certain that its infrastructure and controls will prove effective in all circumstances and any failure of the controls could result in significant financial losses and a material adverse effect on the Group's operational performance and reputation. The Group may also face increased risk of cyber-crime as a result of the Offer and the Quilter Separation, given the Group's increased business profile and heightened media attention.

Furthermore, the Group's computer systems may be vulnerable to disruptions or breaches as a result of human error, natural disasters, man-made disasters, pandemics or other events beyond the Group's control, and disaster recovery and business continuity protocols may not prove effective. This could result in loss of trust from the Group's advisers or customers, causing reputational damage, regulatory action and financial loss.

**2.10 *The Group possesses highly sensitive data in relation to its customers and adviser network. A security breach or data theft could damage the Group's reputation and have a material adverse effect on its business, financial condition, results of operations and prospects.***

The Group's business, by its nature, requires it to store, retrieve, evaluate and utilise customer and company data and information, which is highly sensitive. The Group is subject to the risk of actual or attempted IT security breaches from parties with criminal or malicious intent. Should the Group's intrusion detection and anti-penetration software not anticipate, prevent or mitigate a network failure or disruption, or should an incident occur in a system for which there is no duplication, it may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

If attempts by malicious third parties or insiders to disrupt the Group's IT systems compromise its sensitive data (whether corporate, adviser or customer), such a breach could result in loss of trust from the Group's advisers or customers, causing reputational damage and financial loss. Cyber-attacks can be technologically sophisticated and may be difficult or impossible to detect and defend against. In addition, there can be no assurance that the Group will successfully detect a cyber-attack if one has occurred on a timely basis, or at all. As a result, there can be no assurance that such attacks will not be successful and result in a material adverse effect on the Group's business, financial condition, results of operations and prospects or damage its reputation. If the Group is the victim of a cyber-attack, the Group may also be subject to down-time to prevent a security breach.

Any breach in security of the Group's systems, for example from increasingly sophisticated attacks by cyber-crime groups or fraudulent activity in connection with adviser or customer accounts, could disrupt the Group's business, result in the disclosure of confidential information, create significant financial or legal exposure and damage the Group's reputation or brands, any of which may in turn have material adverse effect on the Group's business, financial condition, results of operations and prospects.

**2.11 *The Group may fail to maintain or adapt its current and legacy IT systems and it may fail to implement its IT initiatives on budget, on time or at all.***

The Group's IT systems are critical to the operation of its business and the delivery of products and services to customers. Failure to devote significant resources to support existing systems and upgrade legacy systems, including the Group's Quilter Life Assurance platform, could result in the failure to accurately record customer information or the inability to gather information for pricing, underwriting and reserving, and to attract and retain advisers and customers, for whom online functionality is becoming increasingly important. If the Group fails to maintain and develop adequate IT systems, it could also incur higher administrative costs both from the processing of business and remediation of disputes. Furthermore, the inability of the Group to keep pace with software and infrastructure investment requirements and innovation may have an adverse impact on its ability to remain competitive within the relevant markets. The Group is currently engaged in a number of IT initiatives, including the UK Platform Transformation Programme (as discussed in "—2.12 *The Group may fail to deliver on its UK Platform Transformation Programme*" below), the Platform Stabilisation Review and the transfer and integration of Global Edge Technologies ("GET"). However, the Group's IT initiatives may not deliver what is required either on time or within budget, or provide the performance levels required to support the current and future needs of the Group's business.

Following material outages in 2015 in Quilter Wealth Solutions and Quilter Life Assurance, the Group initiated the Platform Stabilisation Review programme in an effort to remediate identified risks in the UK platform and deliver stability across the Group's UK platforms. However, there can be no assurance that the Group will be able to remediate the service stability issues or prevent a future major system outage within the UK IT platform through the Platform Stabilisation Review. The Group has also carried out similar risk assessments on the Quilter International platforms (Wealth Interactive and International Heritage) and is producing remediation and stabilisation plans for these systems and the infrastructure which underpins these systems. However, Quilter International may experience residual issues from the recent implementation of these platforms, including further system outages and functionality gaps, which may require re-coding or re-engineering. If Quilter International is unable to remediate the issues, the business may be interrupted or suffer reputational damage.

As part of the managed separation of the four largely independent businesses within the Old Mutual Group (the **"Managed Separation"**), Old Mutual plc has transferred GET to the Group. GET is important to the operation of the Group's IT activities, in particular the technologies used by Quilter Wealth Solutions. If the Group is unable to successfully manage the transition and integration of GET into the Group's framework and the increased complexity and size of the IT estate, there could be a disruption to the Group's platforms or other material adverse effect on the Group's business.

## 2.12 ***The Group may fail to deliver on its UK Platform Transformation Programme.***

The Group is currently undergoing a material change in its UK IT platform, with the UK Platform Transformation Programme. The UK Platform Transformation Programme is being designed to migrate the Group's UK customers and advisers from the Group's current platform onto the new platform. The new platform is intended to enhance the Group's service levels, support the Group's advisers and customers and enrich the Group's proposition. The UK Platform Transformation Programme is currently in the development and testing phase, and the total cost is estimated to be £120–160 million from the restart of the programme in May 2017. The Group continues to plan for a soft launch of the enhanced customer and adviser proposition supplied by FNZ by late 2018 or early 2019, with migration of existing advisers and customers to follow shortly thereafter. However, budget overruns, delays to the launch timetable or other challenges to implementation may occur. In the past, the Group has encountered challenges to upgrade its IT infrastructure, notably with regard to a previous re-platforming programme which was terminated in 2017 due to increased costs and timescales.

The scope, complexity, cost and timeline of the UK Platform Transformation Programme will continue to require careful management over the near- to medium-term. The Group may fail to deliver on the UK Platform Transformation Programme on time, within budget or at all, or may otherwise fail to meet market expectations for delivery of the project. In addition, the UK Platform Transformation Programme could lead to disruptions in the Group's business, including potentially material outages or failure to migrate customers and advisers to the new systems, which could result in regulatory action or reputational damage.

If the Group fails to deliver the UK Platform Transformation Programme on a timely or cost-effective basis or if the new platform fails to gain acceptance by the Group's advisers and customers that use the current platform, it could damage the Group's relationships with its customers and counterparties, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

## 2.13 ***If the Group is unable to continually attract talented advisers, and to retain and build its Quilter Financial Planning network, the Group may fail to achieve its strategy, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.***

The primary distribution channel for the Group's advice business is its network of RFPs and third party advisers through which it sells and distributes its products and solutions. The Group depends on its ability to continually attract, train and retain high calibre advisers, as well as appointed representative firms (**"AR firms"**), in a competitive market. As at 31 December 2017, the Group's network of RFPs included approximately 9% of the total market of advisers who are approved by the FCA to carry out a customer function and may provide investment advice (**"CF30 Advisers"**). The Directors believe RFPs are a key element to driving growth and delivering integrated net client cash flows (**"Integrated NCCF"**) within the Group. The number of RFPs in Quilter Financial Planning has grown from 930 as at 31 December 2014 to 1,561 as at 31 December 2017. If the Group is unable to continue to grow its number of advisers, either through organic recruitment or acquisition activity, the Group may fail to achieve its strategy or achieve the anticipated benefits of its strategy, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. Furthermore, the Group may be unable to retain the existing advisers or AR firms on the Quilter Financial Planning network. The most significant of the Group's AR firms accounted for 8.9% of the Group's total advisers as at 31 December 2017. If the Group loses one or more of its significant AR firms, either as a result of factors outside of the Group's control (such as the acquisition of the AR firm by one of the Group's competitors) or factors within the Group's control (such as failure to offer competitive incentive plans or deliver good customer service), the Group may be unable to replace the lost advisers, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.



Going forward, a long-term challenge for the Group, and for the industry as a whole, will be the supply of suitably qualified advisers, given that the current supply of qualified advisers relative to the UK population is low (with approximately 25,000 total advisers and 2,000 adults per adviser in the UK as at 31 December 2017), the average age of advisers in the UK is approximately 50, and the Group expects many advisers will retire in the next ten years. If the Group is unable to attract and retain suitably qualified advisers as a result of the tightening supply, the Group may fail to compete with its competitors and may ultimately fail to realise its business strategy. In addition, the Group's efforts to attract and retain suitably qualified advisers may require significant continued investment to ensure they do not prefer the Group's competitors, including potentially with regard to long-term incentive plans. If the Group is not able to successfully recruit and retain advisers, its business, financial condition, results of operations and prospects could be materially adversely affected.

**2.14 *The Group is reliant on its ability to attract and retain talented investment managers and portfolio managers. The loss of a number of such managers could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.***

The continued success of the Group depends on its ability to attract and retain talented investment managers and portfolio managers. Quilter Cheviot employs 164 investment managers who actively manage over £23.6 billion (as at 31 December 2017) in investment portfolios individually tailored for the Group's customers. Quilter Investors is a retail asset manager in the UK with £16.9 billion of AuM (year ended 31 December 2017) and with a core team of 7 multi-asset portfolio managers utilising investment processes and tools. The Group's overall business depends on continued significant contribution to its growth by these multi-asset portfolio managers. Within these portfolios, managers have considerable freedom (within the stated objectives and mandate of the product or portfolio) to manage the investments and portfolios for which they are responsible.

The loss a number of the managers described above could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. The Group could experience a decline in the performance of affected assets, which may reduce AuMA and revenues. As the Group is particularly reliant on the performance of its principal investment managers and portfolio managers, it is important that it retains such managers, and, where necessary, replaces them, either internally or from external sources. There can be no guarantee that the Group will be able to retain them or, should they leave, replace them (either internally or from external sources).

In order to retain its principal investment managers and portfolio managers and, when necessary, attract new managers, the Group must offer competitive compensation arrangements, the costs of which may be significant. The rates of compensation vary depending on the particular role of individual managers, but may be substantial. In less successful years, the compensation arrangements may be insufficient for the Group to meet the expectations of these managers and other employees, potentially constraining the Group's ability to retain or recruit. If the Group needs to replace one or a team of its principal managers with external hires, it may face difficulty as the market for experienced and talented managers is extremely competitive. Even if the Group were successful in attracting a replacement manager from external sources, the costs of such recruitment may be significant. If the Group is unable to attract and retain experienced and talented managers, whether as a result of cost constraints or otherwise, its business, financial condition, results of operations and prospects could be materially adversely affected.

**2.15 *The failure to attract or retain senior management or other necessary personnel could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.***

Failure to attract and retain senior management and key employees could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, and presents a significant risk to the delivery of the Group's overall strategy.

As a financial services organisation, the Group relies, to a considerable extent, on the quality of key talent and business leaders in the locations in which it operates. The success of the Group's operations is dependent on, among other things, its ability to attract and retain highly qualified professionals. It is therefore important that individuals identified as having key talents and skills critical to the success of the business are engaged and retained and, where necessary, in the event of any unexpected departures, are replaced with the best available talent from either internal or external sources. In addition, the Group may fail to, or may experience a delay in, receiving approval for certain senior persons by the relevant regulator.

Competition for highly qualified professional people in the industry and jurisdictions in which the Group operates is intense. The Group's ability to attract, retain and develop key people and, in particular, directors and specialists, is dependent on a number of factors, including prevailing market conditions, the Group's culture and working environment, and the Group's ability to offer competitive compensation packages.

**2.16 *If the Group fails to alleviate resource stretch and capacity constraints, the Group may fail to implement its significant change initiatives.***

The Group is in the process of planning and executing significant change across all business units, and resource contention and capacity constraints are a material delivery risk given the breadth and depth of the change project portfolio. The Group's significant change initiatives include the UK Platform Transformation Programme, the disposal of OMGI, the Platform Stabilisation Review, regulatory change initiatives (including the Markets in Financial Instruments Directive II ("MiFID II") and the General Data Protection Regulation ("GDPR"), the Wealth Interactive enhancement programme and the Information Security Improvement Programme.

The Group is currently facing significant resource stretch due to the high degree of regulatory change and heightened demands on staff during the Group's significant change initiatives in addition to the ordinary course of business. As a result, whilst additional resources are being made available, there is an increased risk of failures regarding retention, reward and development of employees across all of the Group's businesses. The Group may experience a loss of talent from stress, overwork and lack of recognition. The Group may also experience increased employee errors in light of the capacity constraints. If the Group is unable to provide additional support and assurance for key individuals and operational staff through this period of sustained overstretch, the Group's ability to conduct business might be adversely affected and the Group may fail to deliver on its significant change initiatives, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**2.17 *The Group is dependent on the strength of its brands, which are vulnerable to adverse market perception or negative publicity, and the Group may face challenges with regard to its ongoing rebranding initiative.***

On 15 November 2017, the Group announced its intention to rebrand the Group to "Quilter". Prior to the rebranding, the Group marketed a significant portion of its products and services using the "Old Mutual Wealth" brand name and logo. The Directors believe the association with Old Mutual, and the use of Old Mutual's brand, may have contributed to its preferred status among customers, advisers and other persons due to Old Mutual's globally recognised brand, and the perception that Old Mutual provides high quality products and services and has a strong capital base and financial strength. The separation of the Group from Old Mutual could change this perception and adversely affect the Group's ability to attract and retain advisers and customers, which could result in reduced sales of its products and services. Furthermore, as the Group intends to rebrand its businesses over a period of approximately two years from the Quilter Separation, which will result in several brands in the marketplace at one time, there is a risk of customer and third party confusion, which could lead to a loss of brand loyalty. In addition, this will be the Group's second rebrand since 2014, which could also contribute to customer and third party confusion and a loss of brand loyalty.

The Group may also face challenges due to operating under the "Quilter" brand name. If advisers are concerned about appearing closely associated with the "Quilter" brand, they may recommend products and solutions from competitors to avoid the perception of a conflict of interest, even where one does not exist. This could result in reduced profitability for the Group.

Furthermore, as part of the Quilter Separation, Old Mutual plc and, once it is the new holding company of the Old Mutual Limited group, Old Mutual Limited have agreed to restrictions on the use of a name or brand containing the words "Old Mutual" in the United Kingdom for businesses that compete with the businesses of the Group. These restrictions will apply during the period from the Quilter Separation until 31 March 2020, being the period during which the Group intends to rebrand its businesses. After 31 March 2020, these restrictions will no longer apply. If the Group has not finalised its rebranding before 31 March 2020 and another company uses a name or brand containing "Old Mutual" to compete with the Group in the United Kingdom, there is a risk of customer and third party confusion, which could lead to a loss of brand loyalty. There are also no restrictions on the use of the name "Old Mutual" outside of the United Kingdom and, accordingly, the Group's international operations (in particular Quilter International) could experience such risk from Admission.

The Group's success and results are to a certain extent, dependent on the strength of its reputation and existing brands and sub-brands, including Quilter Cheviot, Cirilium, Creation, Generation, WealthSelect and other brands, which may become vulnerable to adverse market and customer perception. The Group operates in industries where integrity, trust and confidence are paramount. The Group is exposed to the risk that litigation, employee misconduct, operational failures, the outcome of regulatory investigations, press speculation and negative publicity, disclosure of confidential customer information, cyber security breaches and inadequate services, among other factors, whether or not well founded, could significantly impact its brands or reputation.

The Group's brands or reputation could also be affected if the Group or advisers recommend products or services that do not perform as expected (whether or not the expectations are well founded) or in line with the customers' expectations for the product range. If customers have experienced financial losses or do not achieve expected performance levels as a result of advice given by their advisers, these customers may cease to do business with the Group, may complain or may bring claims against the Group. As a result, the Group may face reputational damage or regulatory sanctions, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Any of the foregoing could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

## **2.18 *The Group is exposed to conduct risk.***

Conduct risk is the risk that decisions and behaviours of a company, its employees, its advisers or its appointed representatives lead to its customers being treated unfairly or otherwise result in detrimental customer outcomes. Conduct risk may arise where the Group fails to design, implement or adhere to appropriate policies and procedures, offer products, services or other propositions that do not meet the needs of customers or fails to perform in accordance with its intended design, fails to communicate appropriately with customers, fails to deal with complaints effectively, sells or recommends unsuitable products or solutions to customers, fails to provide them with adequate information to make informed decisions or provide unsuitable investment or financial planning advice to customers, or fails to do any of the foregoing on an ongoing basis after initial sales, among other things. This risk may also arise as a result of employee (mis)conduct.

The Group is regulated to provide financial advice through Quilter Financial Planning, and this advice, including in respect of mortgage and protection products, is provided by over 3,500 financial advisers within its network. As a consequence, the Group is exposed to conduct risk arising from the activities and advice practices of these financial advisers. This advice is provided across a complex range of products and investment choices. The financial advice industry in the UK has been exposed to mis-selling advice practices, such as banking advice, which has resulted in significant costs of redress. During the period April 2016 to March 2017, the Financial Ombudsman Service (the “FOS”) reported that 4.5% of complaints it received during that year related to investments and pensions.

Conduct risk remains the subject of close regulatory scrutiny. Failing to protect the interests of customers in this way and failing to demonstrate sufficient suitability processes and monitoring could lead to legal proceedings or regulatory enforcement action. Moreover, regulators may deem certain customers of the Group’s advisers to be “vulnerable” customers, which may result in a higher standard of conduct being required of the Group in relation to products and services offered to such customers. Given that regulation includes principles-based rules and regulations, the rules and regulations may be subject to differing applications and interpretations by regulators or market participants over time. This could in turn lead to financial penalties, reputational damage and, in the case of regulatory enforcement action, the suspension or revocation of regulatory permissions, licences or approvals. Moreover, if the Group fails to detect misconduct on a timely basis, or at all, the Group may face further reputational or financial damage. This could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects.

## **2.19 *The Group’s customers may withdraw assets under management or assets under administration at short notice.***

The Group’s revenues are predominantly derived from management and administration fees, the quantum of which is based on the value of AuM and AuA in most of the Group’s business units. A high proportion of the Group’s wealth management products permit investors or customers to reduce the aggregate amount of their investment with no, or only short periods of, notice, or to withdraw altogether from such portfolios or contracts. If interest rates rise, stock markets decline or the Group’s investment performance underperforms, the pace of redemptions and withdrawals could accelerate. A significant or systemic withdrawal of AuM or AuA would result in lower management fees and therefore revenues and, depending on the extent of such withdrawals, could impact the Group’s ability to achieve its financial targets and strategic initiatives.

Redemptions and withdrawals of investment assets may also be requested more quickly than assets can be sold to meet such redemptions and withdrawals, especially in products where the underlying assets are less liquid. In exceptional circumstances, a third party fund manager that manages assets which comprise a portion of a portfolio managed by the Group may suspend dealing in a fund or in a range of funds, or take other mitigating actions, if the manager determines it would be in the best interests of investors. In addition, if such funds hold a large portion of illiquid assets, the Group may be exposed to further risks if the investors seek to redeem their investments before or during the fund’s suspension.

## **2.20 *The Group’s international business is exposed to additional local political, economic, regulatory and business risks and challenges which may affect the demand for its products and services or adversely affect the Group’s reputation.***

While the Group operates primarily in the UK, it has a presence in a number of cross-border markets. For instance, the Group currently offers products and services in continental Europe, Latin America, the Middle East, the Asia Pacific region and elsewhere around the world. The Group’s international operations expose the Group to additional risks, including in relation to local political, economic, regulatory and business challenges which may affect the demand for the Group’s products and services, its reputation, the level of the Group’s AuMA, the credit quality of local counterparties or capital requirements of the Group. These risks include, for example, political, social or economic instability in countries in which the Group operates, credit risk of counterparties, lack of local business experience in certain markets and risks of regulatory non-compliance. The nature of some of the jurisdictions in which the Group operates means that these risks can be more acute internationally than in the UK market. These risks, including the risk of remediation and redress, also exist in respect of historical and legacy international business of the Group, given the Group historically has had a broad geographic footprint in over 100 countries. Over the last few years, the Group has made the strategic decision to focus on fewer core

worldwide regions, which has resulted in the Group ceasing to write new business in a large number of countries. Whilst a “back book” of business continues to be maintained in such “closed” countries, the number of countries of client residency that Quilter International considers accepting new business from has decreased significantly.

Because the Group operates in a number of international jurisdictions, the Group may also face increased costs due to the complexity of managing operations in a number of markets, including with regard to changing regulatory frameworks. See “—3. Risks relating to regulation and legislation—3.6 Differing regulatory requirements in the jurisdictions where the Group operates may increase the costs and risks of doing business in such locations, may impede further international growth and may present barriers to growing the customer base of the business”. The pace of regulatory change in the international market is typically accelerated in the offshore jurisdictions in which the Group operates as these jurisdictions catch up with international standards. For example, the Isle of Man FSA is currently modernising its regulatory framework to align with international standards, including the implementation of a new risk-based capital regime similar to Solvency II and new Conduct of Business rules. Given the pace of regulatory change internationally, the Group may face increased execution risk and compliance costs. See “—3. Risks relating to regulation and legislation—3.4 A number of complex regulatory change initiatives have recently been delivered or are expected to be delivered in the short term, and the effect of these regulatory initiatives is uncertain”. In addition, international regulations may change in such a way as to prohibit or restrict the sale of certain products or services in one or more of the jurisdictions in which the Group operates, including as a result of increased regulatory attention on improved customer outcomes.

The distributors who distribute on behalf of the Group internationally operate under a framework which sets out what products they can sell into what markets. If the Group’s distributors transgress from this framework and sell unauthorised products into the unauthorised jurisdictions in an unapproved manner, the Group may be subject to reputational damage or significant regulatory penalties.

The Group’s international business (and particularly the Quilter International business located in the Isle of Man) may also be adversely affected by public perception of holding assets offshore in low tax jurisdictions, which has been subject to increased scrutiny following the leak of papers from a law firm in Bermuda and other offshore territories in late 2017 (the “**Paradise Papers**”) and the leak of papers from a Panamanian law firm in early 2016 (the “**Panama Papers**”). As a result of the negative press surrounding the Paradise Papers and the Panama Papers, the Group may experience decreased demand for certain of its products and services due to social and political pressure concerning offshore investing.

Any of the preceding factors could have a material adverse effect on the Group’s reputation and business, financial condition, results of operations and prospects.

**2.21 All of the Group’s businesses are subject to operational risks, including the risk of direct or indirect loss resulting from inadequate or failed internal and external processes, systems, poor data handling and human error or from external events.**

The Group’s business is dependent on its ability to manage a range of internal and external processes, systems and data, including, for example, (i) processing and reporting on a large number of transactions across numerous and diverse products; (ii) platform administration and reporting services to advisers; (iii) its ability to correctly manage customer policies and assets; (iv) compliance with relevant regulatory reporting requirements; and (v) its ability to maintain the integrity of a large volume of data. Furthermore, the long-term nature of certain businesses within the Group means that accurate records have to be maintained for significant periods.

The Group cannot predict or anticipate the specifics or timing of all possible operational and systems failures which may adversely impact the Group’s business. The systems and processes on which the Group is dependent to serve customers and advisers may fail due to IT malfunctions, human error, intentional interference, business interruptions, non-performance by third parties or other external events. If systematic or human errors or failed internal or external processes were to materialise with respect to any of the foregoing or similar risks, this could disrupt business operations, resulting in material brand and reputational damage, loss of customers or advisers, and regulatory action, any of which could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects. The Group may also be required to conduct thorough investigations of the circumstances surrounding the breach and regulatory investigations may also follow. The costs involved in such investigations, including management’s time and professional fees, could be material to the Group.

**2.22 The Group is subject to various risks relating to the outsourcing and procurement of services to third party contractors, suppliers, agents and service providers.**

The Group outsources and procures certain functions and services externally to third parties and may increase its use of outsourcing in the future. If the Group does not effectively develop and implement its outsourcing strategies and its internal capability to manage such strategies, third party providers do not perform as anticipated, or the Group experiences technological or other problems with a transition, it may not realise productivity improvements or cost efficiencies and may experience operational difficulties, increased costs and a loss of business. Moreover, if the contracts with any of these third party providers were terminated, the Group may not find alternative service providers on a timely basis or on comparable terms or may suffer disruption as a result of the transition of functions to the new service provider. Furthermore, mistakes by third party providers, for example in relation

to pricing functions, could result in reputational damage, a requirement to pay compensation to customers or regulatory action or fines. The Group may be unable to recover losses from third party providers, for example in the event of a provider's financial distress or limitations on liability. In addition, the ability to receive services from third party providers outside the UK (or the jurisdictions in which subsidiaries operate) might be impacted by cultural differences, political instability, unanticipated regulatory requirements or policies inside or outside the UK. As a result, the Group's ability to conduct business might be adversely affected and result in regulatory action. The Group has in the past experienced issues relating to outsourcing, notably with regard to the Group's previous re-platforming IT programme. See "*—2.12 The Group may fail to deliver on its UK Platform Transformation Programme*".

The Group also depends upon third-party suppliers to provide key equipment, technology and services for the provision of the Group's services, certain of which is only available from a limited number of third parties. While the Group has contractual protections in place with its third party suppliers, the Group does not have operational or financial control over them, and the Group has limited or no influence with respect to the manner in which they conduct their business. Therefore, the Group is also exposed to risks associated with cyber-crime and fraud with respect to its third party contractors, suppliers, agents and service providers. If these third parties fail to provide equipment, technology or administrative services on a timely basis, the Group may be unable to provide services to its advisers and customers until an alternative source can be found, which may not be available on favourable terms or at all. The Group's key counterparties in relation to outsourcing include Citi (providing middle and back office services for Quilter Investors, including registrar services, trade processing, accounting services, custodial services and depositary functions), HCL Technologies (providing infrastructure, application development and maintenance services for Quilter Wealth Solutions and Quilter Life Assurance) and TCS (providing the BaNCS platform and the associated development and maintenance services). The Group is also dependent on FNZ, with respect to the Group's UK Platform Transformation Programme and related business process outsourcing. If any of the Group's contracts with key suppliers are terminated, if the Group is unable to renew these contracts on favourable terms, or if the Group is unable to find suitable replacement providers, this could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**2.23 *The markets in which the Group operates are characterised by continued improvements in operational infrastructure. Failure to keep pace with such changes could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.***

The markets in which the Group operates are characterised by continued improvements in operational infrastructure, including changes in use and adviser or customer requirements and preferences, frequent product and service introductions employing new technologies, and the emergence of new industry standards and practices that could render the Group's existing technology and systems obsolete.

There can be no assurance that the Group will be able to anticipate and respond to the demand for new services, products and technologies in a timely and cost-effective manner, to adapt its infrastructure to technology advancements and changing standards or to retain the Group's advisers or customers. The Group's failure to meet any of these demands could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**2.24 *Errors may affect the calculation of unit prices or deduction of charges for the Group's unit-linked products or mutual funds which may require it to compensate customers retrospectively.***

As at 31 December 2017, approximately half of the Group's business was comprised of unit-linked contracts, where product benefits are linked to the prices of underlying unit funds, and mutual funds business. There is a risk of error in the calculation of the prices of these funds, which may be due to human error in data entry, IT-related issues, the improper configuration of transaction reporting systems, the failure of outsourcing parties to perform required duties or other causes. Additionally, it is possible that policy or fund charges which are, or will be, deducted from these contracts or funds are taken incorrectly, or the methodology is subsequently challenged by policyholders, investors or regulators and changed retrospectively. The Group also faces risks related to end user computing, where solutions are used on a decentralised basis and are not under the Group's formal IT governance or control. Any of these factors could give rise to future liabilities, such as compensation payments to customers. The Group has in the past experienced, and may in the future experience, such errors. Payments due to errors or compensation could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**2.25 *Breaches by the Group of investment mandates could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.***

The Group is generally required to invest in accordance with specific investment mandates or objectives established for the particular portfolio or product (or in the case of segregated mandates set by the customer or its adviser). If investments are made or managed in breach of an investment mandate, including with regard to the use of benchmark indices, the Group could be required to unwind the relevant transactions, could suffer reputational and brand damage and likely would be liable for any losses suffered by an affected party in doing so. Such losses could be significant and exceed amounts recoverable under the Group's insurance policies, if any. The potential reputational and brand damage and the obligation to compensate for such losses could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**2.26 *Risk management policies and procedures may leave the Group exposed to unidentified or unanticipated risk, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.***

Management of risk requires, among other things, policies and procedures to identify, quantify, manage and mitigate risks and to anticipate emerging risks. Some risk exposures are quantified using mathematical models which are calibrated using a combination of historical data and expert judgement. As a result, these methods may not fully predict future exposures, which can be significantly greater than historical measures indicate, particularly in unusual markets and environments. Other risk management methods depend upon the evaluation of information, regarding markets, customers, catastrophe occurrence or other matters, that is, or will be, accessible to the Group. This information may not always be accurate, complete, up to date or properly evaluated. Although the Group makes use of forward-looking risk indicators and other risk management tools where appropriate, it is not possible for these indicators to precisely predict future outcomes which may result in the Group being exposed to unforeseen financial impacts or reputational damage.

**2.27 *Counterparty default risk could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.***

The Group is exposed to credit default risk through its investments including those in corporate bonds, unsecured cash instruments and structured credit assets, as well as exposures through counterparty risks in derivatives contracts and other financial instruments. The risks in these assets and exposures may be borne by the Group, by unit holders or by the policyholders whose policies the assets back, or a mixture of the two. A counterparty default could create an immediate loss or a reduction in future profits, depending on where the loss occurred in the business.

With respect to secured transactions, the Group's credit risk may be impacted where the collateral held cannot be realised or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due to it. Partnership agreements may also be terminated on certain dates or subject to certain conditions and could be subject to renewal on less favourable terms or not at all. There can be no assurance that any such non-renewals, losses or impairments to the carrying value of these assets would not have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**2.28 *Adverse capital and credit market conditions may significantly affect the Group's ability to meet liquidity needs, access to capital and cost of capital.***

The capital and credit markets have been experiencing volatility and disruption over recent years. In some cases, the markets have exerted downward pressure on availability of liquidity and credit capacity for certain groups and the ability to access equity capital.

The Group depends on liquidity to pay operating expenses, dividends on ordinary shares, interest on debt and to meet other liabilities. Without sufficient liquidity, the Group will be forced to curtail operations, and the business will suffer. The principal sources of liquidity are fees related primarily to the value of AuM and AuA, insurance premiums and cash flow from the assets held for the account of the business, consisting mainly of cash or assets that are readily convertible into cash. Sources of liquidity in normal markets may include a variety of short-term and long-term instruments, including repurchase agreements, commercial paper, medium-term and long-term debt, junior subordinated debt securities, capital securities and shareholders' equity. The Group may not have access to all of these short-term and long-term instruments.

The availability of additional financing will depend on a variety of factors, such as market conditions, the general availability of credit, the overall availability of credit to the financial services industry, the Group's credit capacity and credit ratings, as well as the possibility that lenders could develop a negative perception of the Group's long-term or short-term financial prospects if the Group incurs large investment losses or if the level of business activity decreased due to a market downturn. In tight credit markets, an unwillingness by providers of finance to extend credit may lead to difficulties and additional costs in financing investment portfolios or certain credit sensitive instruments which form part of those portfolios. Internal sources of liquidity may prove to be insufficient, and in such case, the Group may not be able to successfully obtain additional financing on favourable terms, or at all.

Disruptions, uncertainty or volatility in the capital and credit markets may also limit the Group's access to capital required to operate its businesses. Such market conditions may limit the Group's ability to replace any maturing liabilities in a timely manner, satisfy statutory capital requirements, generate fee income and market-related revenue to meet liquidity needs, and access the capital necessary to grow the Group's business. As such, the Group may be forced to delay raising capital, issue shorter-term securities than would be preferable, bear an unattractive cost of capital or scale back business activities, sell parts of the business or take other mitigating actions which could decrease profitability and significantly reduce financial flexibility. Consequently, the Group's business, financial condition, results of operations and prospects, as well as its statutory capital position could be materially adversely affected by disruptions in the financial markets.

**2.29 *The Group may be subject to over-exposure with regard to its insurance risks due to a failure in the underwriting process or an inability to secure appropriate reinsurance coverage.***

The Group has exposure to mortality risk (the risk related to the frequency of deaths) and morbidity risk (the risk related to the prevalence of a disease) from its life assurance business, which issues policies that carry certain guaranteed benefits upon the death, or defined illness, of the policyholder. These risks could be aggravated by any potential failure in underwriting processes and standards designed to identify sub-standard lives at the new business stage.

The Group may decide not to, or be unable to, secure reinsurance coverage that is fully aligned with the exposures carried by the Group, as the policies written by the Group may diverge from the terms of its reinsurance. In addition, when the Group obtains reinsurance, it remains primarily liable for the reinsured risks, regardless of whether the reinsurer meets its reinsurance obligations. Therefore, the inability or unwillingness of the Group's reinsurers to meet their financial obligations or disputes on, and defects in, reinsurance contract coverage wording and processes, could materially affect the Group's operations. Reinsurers may also become insolvent. Due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable capital ratings, the Group is exposed to concentrations of risk with a small number of individual reinsurers.

**2.30 *The Group's borrowing costs and access to the debt capital markets depend significantly on its credit ratings.***

Rating agencies assign ratings based upon several factors. While most of the factors relate to the rated company, some of the factors relate to general economic conditions and circumstances outside the rated company's control. The Group cannot predict what actions rating agencies may take, or what actions may be taken in response to the actions of rating agencies, which could adversely affect the Group's business. In addition, changes in methodologies and criteria used by rating agencies to determine credit ratings could result in ratings downgrades that do not reflect changes in the general economic conditions or the Group's financial condition. As with other companies in the financial services industry, the ratings could be downgraded at any time and potentially without notice by any rating agency, including potentially as a result of failure to complete the OMGI Transaction. See "—2.6 – The Group faces risks relating to the disposal of OMGI – 2.6.1 Failure to complete the OMGI Transaction".

A downgrade may adversely affect the Group's ability to market products and retain existing customers and clients, which may negatively impact new sales and adversely affect its ability to compete. In addition, the interest rates paid on the Group's borrowings and the Group's financial flexibility may be impacted by its credit ratings. Any future adverse changes in the credit ratings of the Group could negatively impact the volume and pricing of the Group's funding, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**2.31 *Price and earnings inflation could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.***

A significant proportion of the Group's operating costs are staff related. If such costs are not controlled or cannot be passed through to customers, the profitability of the Group may be impacted. In addition, significant increases in inflation could impact the Group's unit costs in other ways and potentially impact profitability and capital position, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**2.32 *The inability of the Group to adequately insure against specific risks could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.***

The Group's business entails the risk of liability related to litigation from customers, shareholders, employees or third party service providers and actions taken by regulatory agencies, which may not be adequately covered by insurance or at all. Specifically, there is a risk that claims may arise in relation to damage resulting from the Group's employees' or service providers' operational errors or negligence, or misconduct or misrepresentation by its employees, agents and other operational personnel, including the Group's RFPs, IFAs and Mortgage & Protection Advisers. There can be no assurance that a claim or claims will be covered by insurance or, if covered, that any such claim will not exceed the limits of available insurance coverage or that any insurer will meet its obligations to insure. There can also be no assurance that insurance coverage with sufficient limits will continue to be available at a reasonable cost. Renewals of insurance policies or claims under existing policies may expose the Group to additional costs through higher premiums or the assumption of higher deductibles or co-insurance liability. A significant increase in the costs of maintaining insurance cover or the costs of meeting liabilities not covered by insurance could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**2.33 *The Group may be unable to fully capture the expected value from acquisitions and disposals or may be subject to liabilities from historical corporate transactions, either of which could materially and adversely affect the Group's results of operations, financial conditions or prospects.***

The Group may from time to time undertake acquisitions and disposals as part of its strategy, which could subject

the Group to a number of risks. Some of these risks may affect the expected future value of an acquisition. For example, the rationale and assumptions underlying the business plans supporting the valuation of a target business may prove inaccurate, in particular with respect to synergies and expected commercial demand. Moreover, the Group may fail to successfully integrate any acquired business, including its technologies, products and personnel. The Group may also fail to retain key employees, advisers, customers and suppliers of any acquired business, which could reduce its value to the Group. Additionally, the Group may fail to capture the fair or expected value of disposals it undertakes.

Acquisitions and disposals may also pose risks to the Group's existing businesses. For example, the acquisitions and disposals may divert management's attention and resources from existing operations. Furthermore, the Group may be required to obtain regulatory and other approvals in connection with certain acquisitions and there can be no assurance that such approvals will be obtained and, even if granted, that there will be no burdensome conditions attached to such approvals. The Group may also be required or wish to terminate pre-existing contractual relationships, which could prove costly or be executed at unfavourable terms and conditions.

Finally, acquisitions and disposals may expose the Group to the risk of liabilities from historical corporate transactions. For example, the Group may fail to discover certain contingent or undisclosed liabilities in businesses that it acquires, or its due diligence to discover any such liabilities may be inadequate. The Group may also be subject to legacy conduct and other exposures with respect to the businesses the Group has or will acquire, including with regard to legacy advice on the books and advice provided by unregulated IFAs in unregulated markets. Moreover, the Group may be exposed to claims of breach of representations and warranties under the sale agreements of disposed businesses. If any of the aforementioned transpire, the Group could suffer reputational and brand damage and may be liable for losses suffered by an affected party.

Any of the above could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

#### **2.34 *There are inherent risks associated with participations in defined benefit staff pension schemes.***

The Group operates two DB (final salary) pension schemes within Quilter Cheviot, the Quilter Cheviot Limited Retirement Benefits Scheme (the "**UK Final Salary Scheme**") and the Quilter Cheviot Channel Islands Retirement Benefits Scheme (the "**CI Final Salary Scheme**"). The UK Final Salary Scheme was closed to new entrants from 31 December 1997 and the CI Final Salary Scheme was closed to new entrants from 29 April 2005. In addition, the schemes are closed to future accruals, all members are now deferred members or pensioners (not accruing any further service benefits) and pension increases are linked to salary at the time of closure (1 January 2015) and now receive statutory increases, predominantly based on the Consumer Price Index.

There are inherent risks associated with DB schemes, including the UK Final Salary Scheme and the CI Final Salary Scheme. A variety of events could result in a material deterioration in the strength of the schemes in respect of funding, IAS19 and other valuation bases. In some cases, a deficit between the pension scheme's assets and liabilities could develop or increase and this could lead to the need for additional contributions to be paid. The UK Final Salary Scheme and the CI Final Salary Scheme are both subject to risks that the respective value of their assets, which move in line with markets, may not fully cover the amount of their DB liabilities, which are affected by changes in life expectancy, inflation and the discount factor used by the scheme actuaries to calculate the present value of future benefit payments. Moreover, the schemes may be subject to errors in the underlying actuarial models, which could lead to liabilities being understated, or errors in the calculation of pension already in payment, which could lead to increased liabilities. Any of the above could require the Group to recognise an increased funding deficit on its balance sheet, and therefore its contribution requirements in respect of the schemes.

Factors that affect the position of the schemes include: investment performance of the scheme's assets; contributions; assumption changes and experience relative to the assumptions. Changes in fixed income, credit, equity, property, derivative and other markets may impact both the value of scheme assets and the value placed on scheme liabilities. Other changes in market conditions, the economic environment (such as inflation), demographics (including, but not limited to, member longevity) and the choices of scheme members can also impact the financial position of the schemes. Additionally, the strength and reported position of each scheme could be affected by applicable changes in regulation and legislation and relevant changes in financial reporting standards, guidance and interpretation.

Following a material change in the financial standing of a scheme, appropriate action would be agreed with the trustees. Upon a funding deficit arising, this may require a funding plan to be agreed to make good the deficit over a period of time, but could also include a range of other actions to manage the liabilities. The funding position of the schemes and the requirement to make contributions into the relevant schemes by the Group are reviewed regularly as required by the regulator. The financial position of the DB pension schemes may affect the Group's financial performance and financial statements. As at 31 December 2017, both schemes were in surplus on an IAS19 basis. The triennial actuarial valuation for the UK Final Salary Scheme is currently in progress, but the results of this valuation will not be known until after the publication of this Prospectus, and the triennial actuarial valuation for the CI Final Salary Scheme will take place next year.



**2.35 *Catastrophic events, which are often unpredictable by nature, could result in material losses and abruptly and significantly interrupt business activities.***

Whilst the Group does not generally take principal risk in these areas, the Group is indirectly exposed to volatile natural and man-made disasters such as pandemics, hurricanes, floods, windstorms, earthquakes, terrorism, riots, fires and explosions. Such events could adversely impact investment markets and cause falls in the value of customers' investment portfolios. Furthermore, pandemics, natural disasters, terrorism and fires could disrupt operations and result in significant loss of property, key personnel and commercial information. Because the majority of the Group's operations are centralised in one location, the Group may be more vulnerable to such catastrophic events. If the Group's business continuity plans have not included effective contingencies for such events, or if the Group's disaster recovery processes are insufficient, these events could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In addition, the Group is exposed to the risk of catastrophic mortality through its life insurance operations, so that an event such as a pandemic or other event that causes a large number of deaths in the UK could have an adverse impact on the Group's financial results in any period. Catastrophic events could also harm the financial condition of the Group's reinsurers and thereby increase the probability of default on reinsurance recoveries. Catastrophic events, depending on their severity, could therefore have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**2.36 *The Group's financial statements are based, in part, on judgements, assumptions and estimates.***

The preparation of the Group's financial statements requires management to make judgements, assumptions and estimates that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Judgements, assumptions and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The areas where judgements, assumptions and estimates have the most significant effect on the amounts recognised in the consolidated financial statements include consolidation; recognition and measurement of insurance contracts; provisions and contingent liabilities; deferred tax; and goodwill and intangible assets. Examples of these judgements, assumptions and estimates include those made in relation to the implementation costs of the UK Platform Transformation Programme, the acquisition of Caerus and the FCA's industry-wide thematic review into the treatment of long-standing customers invested in closed-book products sold by the life insurance sector. The critical accounting judgements, assumptions and estimates, and the associated accounting policies are set out in Note 1 and Note 4 of the Group's historical financial information.

If one or more of these judgements, estimates and assumptions is subsequently revised as a result of new factors or circumstances emerging, the Group may face reputational damage, which could, in turn, have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**3. Risks relating to regulation and legislation**

**3.1 *The Group's regulated businesses are subject to extensive regulation both in the UK and internationally, and the Group faces risks associated with compliance with these regulations.***

The Group is subject to extensive regulation in each of the jurisdictions in which it conducts business. Likewise, some of the investment vehicles it uses (such as UCITS funds operated under the UCITS Directive) also have to satisfy various regulatory requirements in order to be authorised for distribution in some jurisdictions. The Group is also obliged to complete extensive and complex disclosures relating to assets held within the Group to meet UK and international regulations. Regulatory agencies have broad regulatory and administrative powers over many aspects of financial services businesses such as the Group, which may include governance, systems and controls requirements, conduct of business requirements (including marketing and selling practices, advertising, customer documentation and service standards), market conduct, product authorisation and governance, solvency, liquidity, intra-group transactions, risk concentration and permitted investments. Regulators are concerned primarily with financial stability, market integrity and the protection of customers rather than with the interests of the shareholders or creditors of financial services firms.

In the UK, the Group's business is subject to regulation by the FCA and the Prudential Regulation Authority ("PRA"). The FCA and the PRA have broad powers, including the authority to grant, vary the terms of or cancel a regulated firm's authorisation, to investigate marketing and sales or advice practices and to require the maintenance of adequate financial resources. The FCA and the PRA have the power to take a range of investigative, disciplinary or enforcement actions, including public censure, customer restitution, fines or sanctions and (in practice) to require compensation. The Group has been subject to increased levels of engagement with the FCA and PRA in the months preceding publication of this Prospectus, and there is the risk that this level of engagement will continue post listing, which could divert management's attention from the day-to-day running of the Group's business. The FCA and the PRA may make enquiries of the companies that they regulate regarding compliance matters and, like all UK regulated financial services firms, the Group faces the risk that the FCA or

the PRA could find that it has failed to comply with applicable regulations or has not undertaken corrective action as required. A Group company is currently under regulatory investigation by the FCA. See “—3.2 A Group company is under regulatory investigation by the FCA, which could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects.”

Companies within the Group are responsible for contributing to compensation schemes such as the UK Financial Services Compensation Scheme (the “FSCS”) in respect of banks and other authorised financial services firms that are unable to meet their obligations to customers. Going forward, increased provisions in respect of these costs are likely to be necessary for firms required to make FSCS contributions, including the Group. The ultimate cost to the industry, which will also include the cost of any compensation payments made by the FSCS and, if necessary, the cost of meeting any shortfall after recoveries on the borrowings entered into by the FSCS, remains uncertain but may be significant and may have a material adverse effect on the Group’s business, financial condition, results of operations and prospects.

Outside the UK, the Group’s businesses are regulated by local regulators that often have similar powers to the FCA or PRA, including the Isle of Man Financial Services Authority (the “Isle of Man FSA”), the Central Bank of Ireland (“CBI”), the Monetary Authority of Singapore (“MAS”), the Dubai Financial Services Authority (“DFSA”), the Jersey Financial Services Commission (“JFSC”) and the Hong Kong SFC and the Insurance Authority in Hong Kong. The Group has also recently established a branch of the Group’s service company in Uruguay, which is regulated by the Central Bank of Uruguay.

Under Sections 1471 through 1474 of the US Internal Revenue Code of 1986, as amended (the “Revenue Code”) commonly referred to as the Foreign Account Tax Compliance Act (“FATCA”), the Group is subject to the FATCA reporting regime, which may lead to a compliance risk for the Group. Some countries (including the UK) have entered into, and other countries are expected to enter into, intergovernmental agreements with the United States to facilitate the reporting of information required under FATCA. Intergovernmental agreements often require financial institutions in those countries to report information on their US account-holders to the taxing authorities of those countries, which will then pass the information on to the US Internal Revenue Service (the “IRS”). Various companies in the Group are financial institutions for purposes of FATCA and the intergovernmental agreement between the United States and the UK. While the Directors believe the Group has taken all necessary steps to comply with FATCA and any legislation implementing the intergovernmental agreement between the United States and the UK, if the Group is deemed not to be FATCA compliant, the Group could face certain withholding penalties, which may lead to reputational damage, regulatory fines, loss of market share, financial losses and legal risk.

Enforcement or other action taken by regulators against the Group could have a detrimental impact on the Group’s reputation or have a material adverse effect on the Group’s business, financial condition, results of operations and prospects. Costs relating to skilled person reviews on areas of regulatory concern and subsequent remediation projects can be significant. Fines imposed by regulators for breaching regulatory requirements can also be substantial. In addition, if the FCA’s Senior Managers & Certification Regime (the “SMCR”) is extended to all UK authorised firms in 2019 as anticipated, enforcement or other action could also be taken against key individuals at the Group, including senior management. Any such actions may last a number of years and could divert management’s attention from the day-to-day running of the Group’s business, result in increased turnover if senior staff elect to leave the Group due to exposure, and involve considerable cost and expense.

The Group is also exposed to risk from potential non-compliance by staff with policies, employee misconduct or negligence and fraud, which could result in regulatory sanctions and serious reputational or financial harm. In recent years, a number of financial institutions have suffered material losses due to the actions of “rogue traders” or other employees. It is not always possible to deter or prevent employee misconduct, and the precautions the Group takes to detect and prevent this activity may not always be effective or up to date.

A determination that the Group has failed to comply with applicable regulation could have an adverse impact on the Group’s reported results or on relations with the Group’s regulators and current and potential customers. Regulatory action against a member of the Group could result in the suspension or revocation of regulatory authorisations, permissions or approvals, financial penalties, customer restitution, and adverse publicity for, or negative perceptions regarding, the Group. This may result in regulators subjecting the Group to closer scrutiny than would otherwise be the case, which in turn may result in higher compliance costs, fines or other sanctions for the Group. The Group may also be subject to regulatory action and restitution payments to customers with respect to historical business and legacy products, whether or not still managed or administered, including where the Group no longer sells into a jurisdiction or no longer sells certain products or solutions. Any of these matters may have a material adverse effect on the Group’s business, financial condition, results of operations and prospects, and it could divert management’s attention from the day-to-day running of the Group’s business.

### **3.2 A Group company is under regulatory investigation by the FCA, which could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects.**

On 3 March 2016, the FCA issued a report detailing the findings of its industry-wide thematic review into the treatment of long-standing customers invested in closed-book products sold by the life insurance sector, with a focus on four areas or “outcomes”: strategy and governance, communications, fund performance and charges

(in particular exit charges and paid-up charges) (the **"Thematic Review"**). At the same time, the FCA announced that its enforcement division was initiating investigations into six firms in connection with the findings of the Thematic Review. The FCA discontinued its investigation into one of these firms on 7 September 2017. The FCA's investigations into the five remaining firms are ongoing.

One of the firms being investigated by the FCA in relation to the findings of the Thematic Review is Old Mutual Wealth Life Assurance Limited ("**OMWLA**"). OMWLA is a subsidiary of the Group which will be rebranded, and is referred to elsewhere in this Prospectus, as Quilter Life Assurance.

The FCA's investigation into OMWLA commenced on 2 March 2016 (the **"Investigation"**). As noted above, the Investigation relates to the outcomes/areas of focus identified in the Thematic Review. In particular, as described in the FCA's press release dated 3 March 2016 relating to the Thematic Review, the Investigation relates to:

- (a) OMWLA's *"behaviour in respect of the disclosure of exit and paid-up charges [...] after December 2008"* (Outcomes 2 and 4 in the Thematic Review); and
- (b) whether OMWLA contravened regulatory requirements across a number of other areas assessed in the Thematic Review. These other areas are aspects of OMWLA's strategy and governance in relation to its closed-book customers (Outcome 1 in the Thematic Review) and aspects of fund performance, again in relation to OMWLA's closed-book customers (Outcome 3 in the Thematic Review).

OMWLA is working with the FCA and is cooperating with its Investigation. To date, the FCA has issued, and OMWLA has given responses in respect of, a number of information requirements.

As with any regulatory investigation of this nature it is difficult to predict when the investigation will be completed or its outcome. If the FCA takes further action, the Group may incur a public censure, customer restitution, fines or sanctions, adverse publicity or reputational damage, and individuals employed by the Group could be censured, any of which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. There can be no assurance at this stage as to the outcome of the matter.

### 3.3 ***The Group's businesses are subject to the risk of adverse changes in the laws, regulations and regulatory requirements in the markets in which they operate.***

Financial services laws, regulations and regulatory requirements currently affecting the Group (and the financial products that it manufactures) may change at any time in ways that could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. It is difficult to accurately predict the timing, scope or form of future regulatory initiatives, although it is widely expected that there will continue to be a substantial amount of regulatory change and a high degree of supervisory oversight of regulated financial services firms. In addition, under certain principles-based rules and regulations, there may be different industry views about how to achieve particular outcomes. Regulators may from time to time have different views about how market participants should meet regulatory outcomes and interpretations may differ from generally accepted market practice.

The Group will not always be able to predict accurately the impact of future legislation or regulation or changes in the interpretation or operation of existing legislation or regulation on its business, financial condition, results of operations and prospects. Changes in government policy, legislation or regulatory interpretation applying to companies in financial services industries in any of the markets in which the Group operates, which may be applied retrospectively, may adversely affect the Group's product range, distribution channels, capital requirements, results and financing requirements. For example, the Group may be unable to sell, or may decide not to sell, products or solutions in certain jurisdictions if regulations or interpretations change. In addition, the Group may face regulatory action on products or solutions, which were designed to meet legislation in force at the time of design or sale that has subsequently been amended, including potentially with regard to DB transfers.

Such changes could include, for example, alterations to the regulatory framework for pension arrangements and policies or the regulation of selling or advice practices and solvency requirements. The Group may face increased compliance costs due to the need to establish additional compliance controls or the direct cost of such compliance because of changes to financial services legislation or regulation. The Group faces significant compliance challenges because the regulatory environment is evolving rapidly and supervisory authorities around the world are assuming an increasingly active and assertive role in introducing, interpreting and enforcing regulations in the jurisdictions in which the Group operates. For example, in the UK the regulator has, in recent years, had a renewed focus on the way in which financial services providers provide investment advice or sell and administer insurance policies, investment solutions and other financial products.

In addition, regulations may change in such a way as to prohibit or restrict "vertically integrated" wealth firms from recommending their own products or solutions, including potentially as a result of the FCA's ongoing market study on the retail investment platforms market in the UK. See "**—3.5 Regulatory authorities or customers may attempt to seek redress against the Group where it is alleged that advice given generally or in relation to products or services was unsuitable or unfairly priced, or otherwise failed to meet regulatory requirements or customer expectations**".

3.4 ***A number of complex regulatory change initiatives have recently been delivered or are expected to be delivered in the short term, and the effect of these regulatory initiatives is uncertain.***

Regulatory reform initiatives could lead to increased compliance costs or other adverse consequences for firms within the financial services industry, including the Group. Recent and ongoing regulatory reform initiatives which could impact the Group include, in particular, the MiFID II, GDPR, the Packaged Retail and Insurance-Based Investment Products ("PRIIPs") Regulation, the SMCR, the Insurance Distribution Directive ("IDD") and changes to the Isle of Man Conduct of Business regime.

MiFID II, which came into force on 3 January 2018, involves the introduction of extensive new rules, including new requirements in relation to costs and charges disclosure, a ban on soft commission and a new product governance regime. While the Group continues to adapt to MiFID II, a degree of uncertainty persists around changes to market practice and how certain requirements should be interpreted. As a result, there is a risk that implementing the changes required as a result of MiFID II could give rise to unforeseen compliance costs for the Group. Failure to comply with MiFID II requirements could lead to enforcement action by the FCA or PRA, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. More generally, the implementation of MiFID II is likely to have a substantial impact on the economics of the investment services sector generally (including the asset management and investment advice sectors). It is possible that this may be intensified in the longer term by EU plans for the Capital Markets Union. The additional reporting required by MiFID II could also result in confusion for customers (for example, a 10% drop in portfolio value triggers automatic reporting to customers), and the increased disclosure may lead to customers seeking lower-cost alternatives or choosing not to invest at all.

UK data protection law is also likely to be subject to material change in the medium term, following the introduction of GDPR in May 2018. See "*3.10 The Group must comply with data protection regulations, and the Group will be required to comply with the proposed General Data Protection Regulation*" below for a further discussion.

Under the SMCR, certain firms (including banks, building societies, credit unions and PRA-designated investment firms) are required to allocate responsibility for certain senior management functions to individuals which, in certain roles, must be pre-approved by the FCA and PRA. While no entities in the Group were subject to the SMCR as at the date of this Prospectus, the Group expects the FCA to extend the SMCR to all UK-authorized firms in 2019.

There is an ongoing focus by the FCA on the fair treatment of customers, in particular on the way in which the banking, insurance and asset management industries sell and administer products. There is also a strong regulatory focus on conflicts of interest and value for money. IDD came into force on 22 February 2016 and EU member states had until 23 February 2018 to transpose and implement its provisions. Notwithstanding the UK's proposed exit from the EU, the UK government has transposed IDD into UK law within this time frame. The EU has also developed the PRIIPs Regulation, entered into force on 1 January 2018 and aims to harmonise pre-contractual disclosures and selling practices for such products.

The Group's international business is regulated, principally, by the Isle of Man FSA (with selling and marketing activities in various jurisdictions being regulated on a country-specific basis). The Isle of Man FSA is currently focused on the modernisation of its regulatory framework to align with international standards under the banner of the Isle of Man FSA Roadmap (the "**Roadmap**"). The Roadmap covers a number of areas including enhanced regulatory powers and changes to primary legislation, supervision and policyholder protection. However, the two primary areas of impact are the implementation of a new risk-based capital regime similar to Solvency II and new Conduct of Business rules. In particular, the Isle of Man FSA's regulatory change may result in fewer distributors available to Quilter International's core markets if a number of distributors fail to adapt to the new regulatory environment, which could result in less support for the Group in this jurisdiction.

In the United Arab Emirates, the Emirates Securities and Commodities Authority ("**ESCA**") has recently implemented new licence and product registration requirements, and there is a risk that Quilter International's current product could be interpreted to fall between two regulatory regimes. Any potential uncertainty or confusion caused by the new ESCA requirements could negatively impact Quilter International's sales. In addition, a transition period is expected for both product providers and brokers which may also create potential uncertainty or confusion.

The continuing introduction of new regulation, if applicable to the Group, could significantly impact the manner in which it operates and could materially and adversely impact the profitability of one or more of the Group's business lines or the level of capital required to support its activities. Although the full impact of the regulations described above cannot be determined, many of their requirements could have material and adverse consequences on the Group and the industry in which the Group operates. These regulations could make it more expensive for the Group to conduct its business, require that the Group makes changes to its business model, require that the Group satisfies increased capital requirements, necessitate time-consuming and costly implementation measures, or subject the Group to greater regulatory scrutiny. In addition, the Group's multi-channel business model may mean that regulatory changes impact aspects of the Group's business which would not be relevant to some of its competitors. Individually or in aggregate, these regulations could therefore have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

From time to time, regulators may launch a review of a particular industry or product. While the Group may not be specifically targeted, these reviews could negatively impact the Group's reputation or demand for the Group's products. For example, the FCA announced in January 2017 a thematic review of pension transfers, which have been a key part of the Group's recent flows. If the review results in new rules on how advice should be provided to customers in this area, it could lead to reduced demand for pensions transfers, which could in turn have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**3.5 *Regulatory authorities or customers may attempt to seek redress against the Group where it is alleged that advice given generally or in relation to products or services was unsuitable or unfairly priced, or otherwise failed to meet regulatory requirements or customer expectations.***

The Group is exposed to the risk of regulatory action or claims from customers regarding unsuitable advice or misleading information from advisers, including within Quilter Financial Planning and Quilter Cheviot. For example, regulators or customers could allege that customers were recommended products or solutions that were not suitable for them, or that the terms and conditions of relevant products or solutions, the nature of the products or solutions, or the circumstances under which the products or solutions were recommended, were misrepresented to them. In the UK, any such issues or disputes arising in relation to private individuals that cannot be resolved privately may be resolved ultimately by the FOS, by FCA enforcement action or by litigation.

Complaints may also arise if customers feel that they have not been treated reasonably or fairly, or that the duty of care which they are owed has been breached. Issues may also arise if it is alleged that investment decisions for discretionary portfolios do not properly match investments to objectives or adequately balance risk against performance, leading to inappropriate risk exposure for customers, financial loss or reputational damage. The Group may also receive complaints resulting from recommendations for products or services that were not or are not suitable, with the potential for customer detriment, resulting in the Group's financial loss, damage to reputation, or regulatory fines or censure. In the UK, suitability has been an important area of regulatory focus, as demonstrated by FCA thematic reviews and proposed follow-up work. The FCA's supervisory focus on suitability could result in additional skilled person reviews and enforcement actions, which may increase the Group's exposure in this area.

The Group may be exposed, in particular, to risks relating to "vulnerable customers", which the FCA has defined as someone who, due to their personal circumstances, is especially susceptible to detriment, particularly when a firm is not acting with appropriate levels of care. The FCA has noted that vulnerability can affect consumers across all financial products and services. Failure to identify customer vulnerability could lead to poor customer outcomes and detriment, including if a customer is not able to fully understand products or services or if information is not provided in an appropriate format for the customer's needs. If the Group does not have adequate policies to identify vulnerable customers, or if such policies are not embedded in a way that promotes the fair treatment of all customers, the Group's UK-regulated firms could fall below regulatory expectations in this area, which could result in regulatory action.

In addition, in recent years the industry in general has experienced an increase in the use of social media by customers, commentators and claims management companies to exert influence over financial services firms in their decision-making (including with regard to Payment Protection Insurance claims). While a considerable amount of time and resources may have been invested in reviewing and assessing historical sales or advice practices and in the maintenance of risk management, legal and compliance procedures to monitor current sales practices, there can be no assurance that all of the issues associated with current and historical practices have been, or will be, identified in the course of any review by the Group, nor that any issues already identified will not be more widespread than presently estimated. The negative publicity associated with issues identified in any sales or advice practices, any compensation payable in respect of any such issues and regulatory changes resulting from such issues, have had, and may continue to have, a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Issues and disputes may arise from time to time from the way in which the insurance, banking, asset management and advisory industries have sold or administered an insurance policy, investment solution or other product or in the way in which they have treated policyholders, investors or customers, either individually or collectively. The regulator may intervene directly where larger groups or matters of public policy are concerned. There have been several industry-wide financial product mis-selling issues in the past in which the regulator in the UK has intervened directly, including the sale of personal pensions, the sale of mortgage-related endowments and investments in split capital investment trusts. Certain designated consumer bodies are also empowered under FSMA to make "super-complaints" to the FCA in relation to issues causing detriment to large numbers of consumers.

The FCA launched a market study into the asset management sector in November 2015, publishing its interim findings in November 2016 and a final report in June 2017. The final report identified a number of concerns in relation to the UK asset management industry, including a concern that there is weak competition in a number of areas in the market, that on average the funds reviewed in the study did not outperform their own benchmarks after fees, that there is little evidence of persistent outperformance and that a number of funds in the UK market are priced in line with active rather than passive management but closely mirror the market. The FCA also expressed

concerns as to how asset managers communicate their objectives to customers. The final report also concluded that investors' awareness of charges is often poor and that sustained, high profits have been generated by firms from such charges in this market over a number of years. The FCA has proposed remedies to address some of these concerns and on 5 April 2018 published a policy statement regarding the implementation of final rules and guidance. The remedies included measures to strengthen the rules on authorised fund managers to act in their investors' best interests, governance reforms to hold asset managers to greater account, a requirement for more independent directors on fund management boards, and more express regulatory requirements on fund managers to consider value for money. From April 2019, managers of dual-priced authorised funds that make risk-free profits when dealing as principal in the units of their funds will be required to repay such profits to the funds or individual investors rather than retaining them. Although the Group's wealth management business primarily invests customer assets in portfolios managed by third party asset managers rather than by the Group itself, there can be no assurance that the foregoing remedies will not ultimately result in increased compliance costs by the Group or otherwise have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Following on the asset management market study, the FCA launched a market study on the retail investment platforms market in the UK in 2017. The FCA has noted, in particular, that a number of platforms operate within a "vertically integrated" business model and is seeking to explore whether this has the potential to distort competition and give rise to conflicts of interest, to the potential detriment of customers. While the outcome of the market study is uncertain as the interim report with findings and recommendations has not yet been published, if reforms are introduced as a result of the FCA's market studies over time, the Group may face reduced margins, increased compliance costs or may be prohibited or restricted from selling products within its multi-channel business model, which could in turn have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**3.6 *Differing regulatory requirements in the jurisdictions where the Group operates may increase the costs and risks of doing business in such locations, may impede further international growth and may present barriers to growing the customer base of the business.***

The laws and regulations to which the Group is subject are becoming increasingly extensive and complex and regulators are placing increased scrutiny on the sectors in which the Group operates, and on the Group itself, leading to an increasing burden on the Group's resources and expertise, including through costly implementation and monitoring measures. In some cases, the laws and regulations to which the Group is subject have increased because governments are increasingly enacting laws with extra-territorial jurisdiction, such as GDPR, FATCA, the UK Bribery Act 2010 and the US Foreign Corrupt Practices Act. As compliance with applicable laws and regulations across multiple jurisdictions is time-consuming and personnel-intensive, and changes in laws and regulations have increased, and may further increase, the cost of compliance has risen and is expected to continue to rise. Such increased costs may impede further international growth and may present barriers to growing the international customer base of the business.

Over the last few years, the Group has made the strategic decision to focus on fewer core worldwide regions, which has resulted in the Group ceasing to write new business in a large number of countries. Whilst a "back book" of business continues to be maintained in such "closed" countries, the number of countries of client residency that Quilter International considers accepting new business from has decreased significantly. The Group has historically written business in these jurisdictions and may be exposed to risks in respect of historical and legacy business in these jurisdictions, which could lead to reputational damage, regulatory action or litigation.

Financial regulation in the EU Member States in which the Group operates is primarily based on EU directives, which are required to be implemented into national law. Due to differences in the way EU Member States may implement EU directives, and their discretion to impose more stringent requirements in certain areas, financial regulation is not fully harmonised across the EU. Different approaches to implementing EU directives in the EU Member States in which the Group operates may increase compliance costs and place the Group's business at a competitive disadvantage to financial services groups operating in fewer or certain other EU jurisdictions. Such regulatory divergence also increases the risk of the Group failing to comply with certain regulations. In addition, changes in the local regulatory regimes and conduct of business requirements of non-European jurisdictions in which the Group operates could affect the calculation of the Group's solvency position.

**3.7 *Changes in the interpretation of tax laws, changes to tax rates or the introduction of new tax legislation could impact demand for the Group's products or otherwise have a material adverse effect on the Group's business, financial condition, results of operations and prospects.***

Adverse changes in taxation laws (including changes to rates of taxation) and adverse changes in the interpretation and application of existing taxation laws by courts or taxation authorities in any of the jurisdictions in which the Group operates could impact demand for the Group's products, which could in turn have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group currently benefits from customer demand supported by government policies aimed at encouraging personal savings through the application of tax relief to certain types of investment. The Group also benefits from

tax policies which offer customers cross-border tax benefits, in particular with regard to Quilter International's single premium portfolio bonds. Changes in taxation legislation and policy, either as a result of a change in government or otherwise, could affect investor sentiment, making investment generally, and specific types of investment products or solutions in particular, either more or less appealing. For example, the Group may be adversely affected by the loss of favourable tax treatment on savings by individuals through Individual Savings Accounts ("ISAs") or tax wrapper products, an increase in rates of capital gains tax, an increase in tax rates on cross-border products for UK residents or a reduction in disposable income as a result of an increase in income tax or the introduction of wealth taxes.

The Group cannot predict the impact of future adverse changes in tax legislation on the tax efficiency and attractiveness of its products and services or its business generally. Amendments to existing legislation (particularly if there is a withdrawal of any tax relief or an increase in tax rates) or the introduction of new rules in the UK or other jurisdictions where the Group operates may have an impact on the investment decisions of either existing or potential customers or the advice provided to customers. Changes from time to time in the interpretation of existing tax laws, amendments to existing tax rates or the introduction of new tax legislation could significantly change saving and investment patterns, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**3.8 *The Group is involved in various legal and regulatory proceedings and may be involved in more in the future.***

The Group, like other financial services firms, is, and may in the future be, subject to legal proceedings, ombudsman processes, regulatory investigations and general litigation. Depending on the context, these may be initiated by regulators, customers or other third parties and arise in the normal course of its business (together, "proceedings"). Due to the nature of these proceedings, it is not feasible to forecast or determine the final results of all such proceedings. It is also possible that a regulator in one of the jurisdictions in which the Group conducts its business may carry out a review of products previously sold or services previously supplied, whether as part of an industry-wide review, a firm-specific assessment or otherwise. It is not possible to predict the outcome of such reviews. Possible outcomes include a requirement to compensate customers for losses they have incurred as a result of the products they were sold or services they received or the initiation of regulatory enforcement action against the Group, which could result in various possible remedies such as the imposition of a fine. This may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**3.9 *The Group may fail to detect or prevent money laundering and other financial crime activities if financial crime risks are not correctly identified and if effective controls to mitigate those risks are not implemented. This could expose the Group to heavy fines, additional regulatory scrutiny and reputational risk.***

The Group is required to comply with applicable anti-money laundering, anti-terrorism, sanctions, anti-tax evasion, anti-fraud, anti-bribery and corruption, insider dealing and other laws and regulations in the jurisdictions in which it operates, including the UK Bribery Act 2010, the UK Criminal Finances Act 2017 and the extra-jurisdictional reach of international laws such as the US Foreign Corrupt Practices Act. These laws and regulations require the Group, among other things, to conduct customer due diligence regarding fiscal evasion, anti-money laundering, sanctions and politically exposed persons screening, keep customer and supplier account and transaction information up to date and implement effective financial crime policies and procedures. Where applicable, these laws restrict or prohibit transactions with certain countries and with certain companies and individuals identified on lists maintained by the US government, the EU, various EU Member States and other governments.

Financial crime has become the subject of enhanced scrutiny and supervision by regulators globally. Anti-money laundering, anti-bribery and anti-corruption, and insider dealing and economic sanctions laws and regulations are increasingly complex and detailed and have become the subject of enhanced regulatory supervision, requiring businesses to invest in improved systems, sophisticated monitoring and skilled compliance personnel. The FCA and other regulatory authorities may from time to time make enquiries of companies within their respective jurisdictions regarding compliance with regulations governing the conduct of business or the operation of a regulated business (including the degree and sufficiency of supervision of the business) and the handling and treatment of customers or conduct investigations when it is alleged that regulations have been breached. Responding to such enquiries may be time-consuming and expensive.

Financial crime is continually evolving, and the expectations of regulators are increasing. This requires similarly proactive and adaptable responses from the Group so that it is able to effectively deter threats and criminality. Even known threats can never be fully eliminated, and there may in the future be instances where the Group may be used by other parties to engage in money laundering and other illegal or improper activities. In addition, the Group relies on its employees, external administrators and certain other third parties to identify and report such activities. There is a risk that they will fail to do so or otherwise fail to comply with or implement the Group's policies and procedures relating to financial crime.

Where the Group is unable to comply with applicable laws, regulations and expectations, regulators and relevant law enforcement agencies have the ability and authority to impose significant fines and other penalties, including requiring a complete review of business systems, day-to-day supervision by external consultants and ultimately the revocation of regulatory authorisations and licences. In the UK, anti-money laundering and financial crime compliance is expected to remain a key regulatory priority from a supervisory and enforcement perspective. The reputational damage to the Group's business and global brands could be severe if it were found to have

breached anti-money laundering or sanctions requirements. The Group's financial position and reputation could also suffer if it were unable to protect customers or prevent the business from being used by criminals for illegal or improper purposes.

The Group cannot guarantee that its current policies and procedures are sufficient to completely prevent situations of fiscal evasion, money laundering, bribery, fraud or corruption, including actions by the Group's employees, for which the Group might be held responsible. Any such event may have severe consequences, including sanctions, fines and reputational consequences, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**3.10 *The Group must comply with data protection regulations, and the Group will be required to comply with the proposed General Data Protection Regulation.***

The Group is subject to regulations in the jurisdictions in which the Group operates regarding the use of personal data. The Group collects and processes personal data (including name, address, age, bank and credit card details and other personal data) from its customers, third party claimants, business contacts and employees as part of the operation of its business, and therefore it must comply with data protection and privacy laws. Those laws generally impose certain requirements on the Group in respect of the collection, retention, use and processing of such personal information. Failure to operate effective data collection controls could potentially lead to regulatory censure, fines, reputational and financial costs as well as result in potential inaccurate rating of policies or overpayment of claims. The Group seeks to ensure that procedures are in place to comply with the relevant data protection regulations by its employees and any third party service providers, and also implement security measures to help prevent cyber-theft, including as part of the Information Security Improvement Programme. Notwithstanding such efforts, the Group is exposed to the risk that this data could be wrongfully appropriated, lost or disclosed, stolen or processed in breach of data protection laws. In addition, the Group may not have the appropriate controls in place today and may be unable to invest on an ongoing basis to ensure such controls are current and keep pace with the growing threat. Within Quilter Financial Planning, both the Group and AR firms are data controllers for the same data, which adds complexity to the delivery and increases the requirements for the business post-deployment.

In particular, UK data protection law is subject to material change. In 2012, the European Commission published a proposal for the GDPR, which would replace the current UK Data Protection Act 1998 (and the equivalent laws in other EU and EEA Member States) with an EU regulation having direct effect in the UK and all other EU and EEA Member States. The European Commission, European Parliament and the Council of Ministers agreed the GDPR on 15 December 2015 and the GDPR will apply from 25 May 2018. The GDPR is likely to increase the regulatory burden on the Group in processing personal customer, employee and other data in the conduct of its business and may also increase the potential sanctions for breach as the GDPR includes significant financial penalties of up to 4% of the annual worldwide turnover of company groups. The Group is undertaking a detailed program to develop and implement further data protection policies and procedures designed to comply with the GDPR, which is expected to continue into 2019. The Group may not be fully compliant with its obligations under the GDPR when it becomes effective, and therefore the Group may be subject to regulatory action or financial penalties, which could also result in adverse publicity and reputational damage.

If the Group or any of the third party service providers on which it relies (including non-subsidiary affiliates of the Group) fails to comply with existing data protection laws or fails to adapt to new or amended data protection laws, including the GDPR, due to any failure to store or transmit customer information in a secure manner or any loss or wrongful processing of personal customer data, the Group could be subject to investigative and enforcement action by relevant regulatory authorities, claims or complaints from the individuals to whom the data relates or could face liability under data protection laws. Any of these events could also result in the Group suffering reputational damage as well as the loss of new or repeat business, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**3.11 *The Group may be subject to regulatory action or financial penalties if it fails to comply with the CASS rules.***

As the Group holds and controls client money and safe custody assets, it must comply with the FCA's Client Asset sourcebook ("**CASS**") rules. The CASS requirements help to protect clients' assets and money when a firm is responsible for them and helps to ensure that client assets and money could be returned within a reasonable timeframe in the event of a firm's insolvency. Client money and asset protection remains at the core of the FCA's agenda, and larger firms (such as those within the Group) are therefore required to submit monthly Client Money and Asset Returns to the FCA to provide key data in relation to CASS processing. This enables the FCA to oversee firms' CASS processing and to discuss any potential areas of concern. Adherence to CASS requirements relies on a number of complex operational processes and systems, both internal and external, resulting in a high inherent risk of non-compliance. Any CASS breaches are reported to the FCA, including as part of the firms' annual external CASS audit, and the FCA would be immediately notified of any material breaches. If any such breaches were not fully remediated, or the FCA considered the Group does not have sufficient regard for the protection of clients' assets, the Group may be subject to regulatory action or financial penalties, which could also result in adverse publicity and reputational damage, and ultimately have a material adverse effect on the Group's business, financial condition, results of operations and prospects.



### 3.12 *The Group is subject to the risk of having insufficient capital resources to meet the minimum required by regulators.*

The Group is subject to the Solvency II Directive (Directive 2009/138/EC) and the related implementing legislation ("**Solvency II**") regulations in relation to the overall Group capital and solvency. In addition, three life assurance companies based within the European Economic Area ("**EEA**") (Old Mutual Wealth Life & Pensions Limited, Old Mutual Wealth Life Assurance Limited and Old Mutual International Ireland dac) are subject to Solvency II supervision at an entity level. Solvency II is a risk-based capital regime which includes requirements for the calculation of the regulatory balance sheet and capital requirements, systems of governance for insurance entities and groups, risk management system and the Own Risk and Solvency Assessment ("**ORSA**") and public and private reporting requirements. Solvency II requires insurance firms and groups to identify, assess and quantify the broad range of risks facing the firm and make judgements in relation to calculation methodologies and assumptions on future experience. Several of the Group's international business entities are also subject to capital requirements overseas. For example, the business on the Isle of Man is subject to the Solvency I Directive ("**Solvency I**"), but the jurisdiction is moving toward a new risk-based capital regime similar to Solvency II.

Non-insurance entities within the Group are included within the overall Solvency II balance sheet for the Group based on local sectoral rules. In particular, this applies to the group of entities subject to prudential regulation under the Internal Capital Adequacy Assessment Process ("**ICAAP**") under the European Capital Requirements Directive IV (Directive 2013/36/EU) and the Capital Requirements Regulation (Regulation 575/2013), as well as the PRA and FCA's rules and policy statements.

The ICAAP regulations require financial institutions to conduct an ICAAP assessment to demonstrate that they have implemented methods and procedures to ensure adequate capital resources, with due attention to all material risk. Regulators then must conduct a Supervisory Review and Evaluation Process to assess the soundness of the financial institution's ICAAP and take any appropriate actions that may be required. In addition, the FCA can impose a capital add-on, which would require the Group's ICAAP companies to increase capital if the FCA believes the internal assessment does not adequately reflect the risks within the firm. Old Mutual plc contributed additional equity into the Group following the most recent guidance from the FCA.

In certain respects ICAAP marks a change from rules-based applications to principles-based interpretation, which could introduce regulatory uncertainty. ICAAP also requires more advanced and complex financial modelling than was the case under the prior regime.

In the future, the Group may also be subject to the requirements of the Financial Conglomerates Directive ("**FICOD**"), pending an application made by the Group in December 2017 under the FCA General Prudential Sourcebook ("**GENPRU**") 3, which sets out a prudential regime for Financial Conglomerates (as defined therein). FICOD is also known as the Financial Groups Directive. Financial Conglomerates are supervised on a group basis under FICOD and the parent is considered to be a mixed financial holding company ("**MFHC**"). A MFHC must be treated as being a member of the relevant financial sector (i.e. banking and investment or insurance).

FICOD has been adopted by the UK regulatory authorities and is primarily contained within the PRA Financial Conglomerates Rulebook, and the GENPRU Rulebook. These rulebooks set out the rules and guidance to firms when assessing whether or not a firm is Financial Conglomerate. FICOD provides for a supplementary supervisory framework for Financial Conglomerates to be applied in addition to the sectoral rules.

FICOD contains various provisions under which the relevant regulator can modify the rules or waive the PRA Rulebook rules which apply to Financial Conglomerates. These approvals are given effect under Section 138A of the Financial Services and Markets Act 2000.

In addition, the Group may become subject to additional capital requirements as a result of new regulations, including new prudential requirements for investment management firms currently under consultation by the European Banking Authority, adjustments to Solvency II implementation following the UK House of Commons Treasury Select Committee report on Solvency II implementation, or any other adjustments from the European Insurance and Occupational Pensions Authority regarding Solvency II, such as the potential re-calibration of Standard Formula stresses which would impact the level of capital requirements the Group is required to hold. A perceived or actual shortage of capital could result in actions or sanctions, which may have a material adverse effect on the Group's business, financial condition, results of operations and prospects. This, in turn, may affect the Group's capacity to continue its business operations, pay future dividends or pursue acquisitions or other strategic opportunities, impacting future growth potential. Furthermore, if in the event of a stressed scenario the Group has insufficient capital to absorb all losses up to a confidence level defined in the Group's capital risk appetite, it could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's regulatory positions under the Solvency II, ICAAP and FICOD regimes require management to make judgements, estimates and assumptions. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, there can be no assurance that one or more of these judgements, estimates and assumptions will not be subsequently revised as a result of new factors or circumstances emerging, which could result in the Group having insufficient capital resources and could, in turn, have a material adverse effect on the Group's business, financial condition, results of operations and prospects. While management's

assumptions are subject to the Directors' approval, regulators can challenge this approval and may come to a different view on what capital requirement consequences that may have. In certain circumstances, management actions may require regulatory approval, which, if not granted, may have an impact on the Group's solvency position.

The Group may be unable to meet its regulatory solvency and capital requirements for a number of reasons. For example, the Group's capital bases could be eroded over time due to poor trading and losses therefrom or other impacts outside of the Group's control, such as regulatory fines or increased compliance costs. If the Group's capital bases are eroded significantly, the Group may have insufficient capital resources to meet the minimum required by regulators. Any of the above could lead to reputational damage as a result of decreased investor confidence or regulatory action, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

### **3.13 *The Group is subject to risks relating to tax, including transfer pricing.***

The Group is subject to risks relating to transfer pricing, including as a result of changes in law and practice arising from the Organisation for Economic Cooperation and Development base erosion and profit sharing ("BEPS") recommendations. Any future taxation audits of companies within the Group could result in pricing adjustments which are deemed to be required from a transfer pricing perspective. The Group's tax position could thus change through a decision by relevant authorities, as well as other tax matters, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

## **4. Risks relating to the Quilter Separation**

### **4.1 *The actual costs incurred to create infrastructure necessary to operate as an independent public company and the expected ongoing costs in connection with being an independent public company could be higher and could extend for a period longer than expected.***

As part of the Quilter Separation, the Group has incurred significant one-off costs of £32 million in the financial year ended 31 December 2017. The Group will incur additional one-off restructuring and separation costs in 2018. These costs are likely to be significant, and the Group currently expects to incur approximately £36 million of Quilter Separation one-off costs, including costs incurred in connection with listing. These comprise a mixture of standalone, advisor and other transaction costs, and will be charged outside of operating profit to reflect their one-off nature. Of these, approximately £12 million are expected to be in respect of the rebrand of the business from "Old Mutual Wealth" to "Quilter".

In addition, the Group expects up to £30 million per annum of additional fixed costs above operating expense levels reported in the year ended 31 December 2016 as a consequence of the Quilter Separation and the Group's operating on a fully standalone basis. Of the additional expenses, approximately £16 million on an annual basis were reflected in 2017 year-end reported results, and the Directors expect incremental costs of up to approximately £14 million will be incurred during 2018. The actual costs of these one-off and recurring costs could be higher and the period over which they are incurred could be longer than expected. All of the above cost estimates are stated before any applicable tax deductions.

The Group's restructuring costs include those incurred in the establishment of the Group's stand-alone arrangements in a wide range of areas including finance, investor relations, risk and governance functions, which it either did not previously require or where it previously relied on support and services from Old Mutual plc. While these services and functions are relatively new to the Group, they have been subject to pilot testing and are now fully implemented into the ordinary operational and reporting processes of the Group. However, as with any business, there remains a risk that the Group could suffer operational difficulties in due course, which, either directly or as a result of the need for further investment in these new services and functions, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, the Group has not previously been required to manage capital and liquidity as an independent company, which may require additional resources in the longer term, particularly in light of the heightened costs incurred as part of the Quilter Separation, and which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

### **4.2 *The Separation Agreements and other agreements entered into by the Group with Old Mutual plc in connection with the Quilter Separation expose the Group to counterparty risk with Old Mutual plc.***

In anticipation of, and in connection with, the Quilter Separation, the Group has entered into several agreements (the "Separation Agreements") with Old Mutual plc, including the Separation Agreement and the Tax Matters Agreement. As part of the Managed Separation, Old Mutual plc will become a non-operating subsidiary of Old Mutual Limited, holding certain residual non-operating entities and legacy liabilities and potential future liabilities that do not directly relate to the business of Old Mutual Limited. Neither Old Mutual plc, nor any of its subsidiaries, is currently expected to generate any material operating revenue. Whilst the Company has been informed that, at the time of Quilter Separation, Old Mutual plc is expected by its directors to maintain assets intended to satisfy its legacy and potential future liabilities, including any liabilities owed to the Group under the

Separation Agreements and the Tax Matters Agreement, the Company has no contractual rights to ensure that such assets will either remain within Old Mutual plc, nor can it be certain that those assets will be sufficient to meet all of its liabilities including any under the Separation Agreements and the Tax Matters Agreement. As a result, Old Mutual plc may fail to discharge its obligations in respect of those liabilities in the absence of support from Old Mutual Limited at the relevant time, and such failure could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

- 4.3 ***As a result of the Quilter Separation, the Group's ability to attract and retain customers may be negatively impacted, third parties may re-price, modify or terminate their relationships with the Group and the Group may be forced to lower the prices of its products.***

The Quilter Separation could change customers' perception of the Group and adversely affect its ability to attract and retain customers, which could result in reduced sales of its products. In addition, the Quilter Separation may prompt some third parties to re-price, modify or terminate their distribution or other relationships with the Group. The Group's ability to maintain a competitive network of distributors for the sale and distribution of its products may also be negatively affected. The Group may be required to lower the prices of its products, increase its fees, change long-term selling and marketing agreements and take other action to maintain its relationships with its customers and third party distributors. Should any of the consequences set out above occur, individually or in combination with others, they could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

- 4.4 ***The Group faces potential risks associated with its acquisitions relating to the Quilter Separation.***

As part of the Quilter Separation, the Group acquired Skandia UK Limited ("Skandia UK") from Old Mutual plc and Old Mutual plc has transferred GET to the Group. The integration of these acquisitions may not be successful or in line with the Group's expectations. In addition, the Group will be exposed, whether known or unknown at the time of the Quilter Separation, to historical liabilities as a result of these acquisitions, which may result in the Group receiving claims from counterparties. If the Group does or did not know about any such liabilities at the time of the Quilter Separation, or if the Group has incorrectly quantified any such liabilities, the Group may be exposed to unexpected liabilities, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In connection with the GET transaction, the Group has also entered into a transitional services agreement with Old Mutual Life Assurance Company (South Africa) Limited ("OMLACSA"), pursuant to which OMLACSA will continue to provide certain operational services to GET under a transitional services agreement for a limited period (the "GET TSA"). If OMLACSA fails to provide the services envisaged, or provide them in a timely manner, under the GET TSA, such failure could negatively impact the Group's operations or the orderly separation of OMLACSA and GET as part of the broader Managed Separation. This could, in turn, have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

- 4.5 ***If Managed Separation (including the Quilter Separation) does not take effect as anticipated, there may be a material adverse impact on the price of the Ordinary Shares.***

It is possible that Managed Separation (including the Quilter Separation) may not take effect either at all or in the manner currently envisaged by the Company (for example, if the requisite approvals, including approval by Old Mutual plc shareholders and the UK Court approved scheme of arrangement process which will facilitate the Quilter Separation, are not obtained or, at the relevant time, the board of Old Mutual plc no longer considers that it continues to be in the best interests of the OM plc shareholders that Managed Separation be implemented). In such circumstances, the Issuer will continue to be owned (in whole or in part) by Old Mutual plc. Old Mutual plc may choose to continue to hold shares in the Issuer or to dispose of its shareholding in the Issuer in whole or in part to third party purchasers. There can be no guarantee as to the identity of such third party purchasers or, moreover, whether there will be any such third party purchasers.

## 5. Risks relating to the Offer

- 5.1 ***There is no existing market for the Ordinary Shares and an active trading market for the Ordinary Shares may not develop or be sustained.***

Prior to the Offer and Admission, there has been no public trading market for the Ordinary Shares. There can be no assurance that an active trading market will develop or, if it does develop, that it will be maintained. The trading price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, including short-term selling pressures, equity market fluctuations, general economic conditions and regulatory changes which may adversely affect the market price of the Ordinary Shares, regardless of the Company's actual performance or conditions in its key markets.

Moreover, the Offer Price will be determined by the Selling Shareholder in consultation with the Joint Global Coordinators, on behalf of the Underwriters, taking into account a number of factors, including market conditions in effect at the time of the Offer, which may not be indicative of future performance. The Offer Price may be higher than the maximum price as set in the Offer Price Range.

The market price of the Ordinary Shares may fall below the Offer Price. The market price of the Ordinary Shares may also fluctuate substantially due to various factors, some of which may be specific to the Company, and some of which may be related to the financial services industry and equity markets in general. The Company cannot guarantee that investors will be able to (re)sell their Ordinary Shares at or above the Offer Price, or at all. An inactive market may also impair the Company's ability to raise equity capital by further issues of Ordinary Shares. If an active and liquid trading market does not develop or is not sustained, the liquidity and trading price of the Ordinary Shares could be materially and adversely affected and investors may have difficulty selling their Ordinary Shares.

**5.2 *The Company may not be able to, or may decide not to, pay dividends at a level anticipated by Shareholders on its Ordinary Shares, which could reduce investors' return on shares.***

The Company's results could fluctuate and its ability to pay dividends is dependent on, among other things, it achieving sufficient post-tax profits and free cash flow. The Company may not pay dividends if the Directors believe this would cause the Company to be less than adequately capitalised or that there are otherwise insufficient distributable reserves or for various other reasons. The payment of dividends is at the discretion of the Directors and will be subject to, among other things, applicable law, regulations, restrictions in the Group's financing arrangements, the Group's financial position, regulatory capital requirements, working capital requirements, finance costs, general economic conditions and other factors the Directors deem significant from time to time.

As a holding company, the Group's ability to pay dividends in the future is affected by a number of factors, principally the Company's ability to receive sufficient dividends from its subsidiaries. The payment of dividends by subsidiaries is, in turn, subject to restrictions, including regulatory non-objection or approval, the existence of sufficient distributable reserves and cash in those subsidiaries as well as certain restrictions in the Company's debt financing arrangements. These restrictions could limit or prohibit the payment of dividends to the Company by its subsidiaries, which could restrict the Company's ability to pay dividends to Shareholders.

**5.3 *The Ordinary Shares will be subject to market price volatility and the market price of the Ordinary Shares may decline in response to developments that are unrelated to the Group's operating performance.***

The Ordinary Shares in the Company will be subject to market price volatility and the market price of the Ordinary Shares may decline in response to developments that are unrelated to the Company's operating performance. The market price of the Ordinary Shares may be volatile and subject to wide fluctuations as a result of a variety of factors, including, but not limited to, those referred to in this *Part I – "Risk Factors"* as well as period to period variations in operating results or changes in revenue or profit estimates by the Company, industry participants or financial analysts. The market price of the Ordinary Shares could also be affected by developments unrelated to the Company's operating performance, such as the operating and share price performance of other companies that investors may consider comparable to the Company, speculation about the Company in the press or the investment community, strategic actions by competitors, including acquisitions or restructurings, changes in market conditions and regulatory changes in any number of countries, whether or not the Company derives significant revenue therefrom. Investors may not be able to sell their Ordinary Shares at or above the Offer Price. Further, Shareholders may earn a negative or no return on their investment in the Company.

**5.4 *Substantial future sales of Ordinary Shares could impact the trading price of the Ordinary Shares.***

The Company is subject to restrictions on the issue of new Ordinary Shares during the period from the date of this Prospectus until 180 days from the date of Admission. However, the issue of a substantial number of Ordinary Shares in the public market after the lock-up restrictions in the Underwriting Agreement expire (or are waived by a majority of the Joint Bookrunners), or the perception that such an issue may occur, may depress the market price of the Ordinary Shares and could impair the Group's ability to raise capital through the sale of additional equity securities.

If the Offer does not proceed, or if the Offer proceeds but for only some of the Offer Shares (and assuming no exercise of the Over-allotment Option), the Selling Shareholder may own up to 9.6% of the Ordinary Shares on the date of Admission. The Selling Shareholder is not subject to any lock up arrangements and it may seek to sell those retained Ordinary Shares as soon as reasonably practicable following Admission, which may adversely affect the prevailing trading price of the Ordinary Shares.

**5.5 *The issuance of additional Ordinary Shares in the Company in connection with future acquisitions, any share incentive or share option plan or otherwise may dilute all other shareholdings.***

The Company may seek to raise financing to fund future acquisitions and other growth opportunities, invest in its business, or for general corporate purposes. The Company may, for these and other purposes, such as in connection with share incentive and share option plans, issue additional equity or convertible equity securities. As a result, the Company's existing Shareholders may suffer dilution in their percentage ownership or the price of the Ordinary Shares may be adversely affected.

**5.6 Overseas Shareholders may be subject to exchange rate risk.**

The Ordinary Shares are, and any dividends to be paid in respect of them will be, denominated in British pounds sterling. An investment in Ordinary Shares by an investor whose principal currency is not British pounds sterling exposes the investor to foreign currency exchange rate risk. Any depreciation of British pounds sterling in relation to such foreign currency will reduce the value of the investment in the Ordinary Shares or any dividends in foreign currency terms.

**5.7 Payment of dividends to South African Shareholders must comply with South African Exchange Control Regulations.**

In terms of the inward-listing approval by FinSurv in relation to the secondary listing of the Company on the JSE, all dividends and any other distributions declared and paid by the Company to South African shareholders are required to be remitted by the Company to a specially designated account in South Africa in terms of regulation 6 of the Exchange Control Regulations and paid to South African shareholders in Rand, at the then prevailing exchange rate.

Any requests to issue Ordinary Shares or other securities to South African shareholders *in lieu* of a cash dividend will be subject to the prior approval of FinSurv, and if such prior approval is not obtained by the Company, South African shareholders may not be entitled to participate in any such issue of Ordinary Shares or other securities.

**5.8 The Company expects that it will be classified as a passive foreign investment company for US federal income tax purposes, which would subject US investors that hold the Company's Ordinary Shares to potentially significant adverse US federal income tax consequences.**

If the Company is classified as a passive foreign investment company ("PFIC") for US federal income tax purposes in any taxable year, US investors holding the Company's Ordinary Shares generally will be subject, in that taxable year and all subsequent taxable years (whether or not the Company continued to be a PFIC), to certain adverse US federal income tax consequences, which could be significant, including increased tax liability on gains from dispositions of the Ordinary Shares and certain distributions and a requirement to file annual reports with the US Internal Revenue Service (the "IRS"). The Company will be classified as a PFIC in respect of any taxable year in which, after taking into account its income and gross assets, including the income and assets of 25% or more owned subsidiaries, either (i) 75% or more of its gross income consists of certain types of "passive income" or (ii) 50% or more of the average quarterly value of its assets is attributable to "passive assets" (assets that produce or are held for the production of passive income). PFIC status is a factual determination that needs to be made annually after the close of each taxable year, on the basis of the composition of the Company's income, the relative value of its active and passive assets, and its market capitalisation. For this purpose, the Company's PFIC status depends in part on the application of complex rules, which may be subject to differing interpretations, relating to the classification of the Company's income and assets. Based on the Company's interpretation of the law, its recent financial statements, and taking into account expectations about its income, assets and activities, the Company believes that it was a PFIC for the taxable year ended 31 December 2017 and expects that it will be a PFIC for the current taxable year. See Part XIV – "Taxation—3. US Federal Income Taxation—3.1 Passive Foreign Investment Company Rules".

**5.9 Following the Offer, the Company will have several significant shareholders, who may be able to exert influence over the Company.**

Following the Offer, the Company expects that its top five shareholders will own 26.2% of the total issued share capital in the Company whilst the top ten will own 35.9% of the total issued share capital in the Company (assuming all of the Offer Shares are sold in the Offer and exercise of the Over-allotment Option). If the Offer does not proceed (and assuming no exercise of the Over-allotment Option), the Company's top five shareholders will own approximately 32.8% of the total issued share capital of the Company. As a result, these shareholders may have the ability to exercise influence over the business of the Group and determine the outcome of certain matters submitted to the vote of shareholders. In particular, certain shareholder resolutions requiring approval by more than a simple majority to pass, such as special resolutions, could be blocked by a small number of the Group's significant shareholders. Accordingly, the Group may be unable to deliver its strategy in the future, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**5.10 The Company may be subject to risks arising from the South African Exchange Control Regulation.**

Following the Offer, the Company is likely to have a meaningful South African share register. As a result, the Company may be subject to South African Exchange Control Regulation. Since 1995, certain exchange controls in South Africa have been relaxed. The extent to which such exchange controls may be further relaxed by the South African Government cannot be predicted with certainty, although it has committed itself to a gradual approach of relaxing exchange controls. Further relaxation or abolition of exchange controls may change the capital flows to, and from, South Africa.

FinSurv has approved the Offer and the listing of the Shares on the Main Board of the exchange operated by the JSE, and classified the Shares to be inward listed as “domestic” for exchange control purposes. Accordingly, South African resident investors may trade the Shares on the exchange operated by the JSE without having recourse to their foreign portfolio allowances. If there is a change in applicable laws and regulations and, in particular, exchange control policy and regulation, there is no guarantee that South African resident investors will be able to do so in future.

Any future capital raise by the Company in South Africa that would result in the movement of capital outside of South Africa would also require approval from FinSurv. Though the Company is not aware of any reason why FinSurv approval, if required, would not be granted, there remains a risk that FinSurv may not approve the movement of proceeds from any capital raising (including rights offers) out of South Africa, which could limit the Company’s ability to raise equity capital in the future.

---

## PART II

### PRESENTATION OF FINANCIAL AND OTHER INFORMATION

---

Unless the context requires otherwise, in this Prospectus references to the “**Company**” are to Quilter plc and references to the “**Group**” are to Quilter plc and its subsidiaries and subsidiary undertakings as constituted as of the date of this Prospectus.

The Group has contracted to sell the Single Strategy Business. The sale of the Single Strategy Business has not yet completed, with completion currently expected to occur in the second half of 2018. Therefore, in this Prospectus, all key performance indicators relating to the Group (including, without limitation, those discussed in “—4. Key Performance Indicators” below, numbers of customers, IFAs, RFPs and/or employees, NCCF, AuM, AuA, AuMA and other operating metrics) are stated excluding the Single Strategy Business and other discontinued operations.

#### 1. General

This Prospectus comprises a prospectus for the purposes of Article 5 of Directive 2003/71/EC and amendments thereto, including Directive 2010/73/EU and any implementing measure (the “**Prospectus Directive**”) and is issued in compliance with the Listing Rules.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of, the Company, the Selling Shareholder, the Directors or the Banks to subscribe for or purchase any Ordinary Shares in any jurisdiction where it is unlawful to make such an offer or invitation. The distribution of this Prospectus and the offering of the Ordinary Shares in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Company, the Selling Shareholder, the Directors and the Banks to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of the Ordinary Shares and distribution of this Prospectus, see Part XV – “Details of the Offer—16. Selling Restrictions”.

Investors should only rely on the information in this Prospectus. No person has been authorised to give any information or to make any representations in connection with the Offer, other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Directors, the Selling Shareholder or any of the Banks. No representation or warranty, express or implied, is made by any of the Banks or any selling agent or any of their respective affiliates as to the accuracy completeness, verification or sufficiency of such information, and nothing contained in this document is, or shall be relied upon as, a promise or representation by any of the Banks or any selling agent as to the past, present or future. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to FSMA, neither the delivery of this document nor any subscription or sale of Ordinary Shares pursuant to the Offer shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Group since the date of this document or that the information contained herein is correct as of any time subsequent to its date.

The Company will update the information provided in this document by means of a supplement hereto if a significant new factor that may affect the evaluation by prospective investors of the Offer occurs after the publication of the Prospectus and prior to Admission or if this document contains any material mistake or substantial inaccuracy. The Prospectus and any supplement thereto will be subject to approval by the FCA and will be made public in accordance with the Prospectus Rules. If a supplement to the Prospectus is published prior to Admission, investors shall have the right to withdraw their applications for Ordinary Shares made prior to the publication of the supplement. Such withdrawal must be made within the time limits and in the manner set out in any such supplement (which shall not be shorter than two clear business days after publication of the supplement).

The contents of this document are not to be construed as legal, business or tax advice. Each prospective investor should consult his or her own lawyer, business adviser, financial adviser or tax adviser for legal, business, financial or tax advice. In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Company and the terms of the Offer, including the merits and risks involved.

Each of Merrill Lynch International, J.P. Morgan Securities plc and Goldman Sachs International is authorised and regulated by the Financial Conduct Authority in the United Kingdom. Merrill Lynch South Africa Proprietary Limited is regulated by SARB. Avior Capital Markets is authorised and regulated by the JSE in South Africa. BNP PARIBAS is lead supervised by the European Central Bank (“**ECB**”) and the Autorité de Contrôle Prudentiel et de Résolution (“**ACPR**”), and is authorised by the ECB, the ACPR and the PRA and subject to limited regulation by the FCA and the PRA. Each of the Banks is acting exclusively for the Company and no one else in connection with the Offer. None of the Banks will regard any other person (whether or not a recipient of this Prospectus) as a client in relation to the Offer and will not be responsible to anyone other than the Company and the Selling Shareholder for providing the protections afforded to their respective clients or for the giving of advice in relation to the Offer or any transaction, matter, or arrangement referred to in this Prospectus. None of the Banks nor any of their respective affiliates accepts any responsibility whatsoever for the contents of this Prospectus including its accuracy, completeness and verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Ordinary Shares or the Offer. Each of the Banks and each of their respective affiliates accordingly disclaim, to the fullest extent permitted by applicable law or regulation (including under FSMA or the regulatory regime established thereunder), all and any liability whether arising in tort, delict, contract or otherwise (save as referred to above) which they might otherwise be found to have in respect

of this Prospectus or any such statement. Subject to the foregoing sentence, no representation or warranty express or implied, is made by any of the Banks or any of their respective affiliates as to the accuracy, completeness, verification or sufficiency of the information set out in this Prospectus, and nothing in this Prospectus will be relied upon as a promise or representation in this respect, whether or not to the past or future.

This document is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Directors, the Selling Shareholder or any of the Banks or any of their representatives that any recipient of this document should subscribe for or purchase the Ordinary Shares. Prior to making any decision as to whether to subscribe for or purchase the Ordinary Shares, prospective investors should read this document. Investors should ensure that they read the whole of this document carefully and not just rely on key information or information summarised within it. In making an investment decision, prospective investors must rely upon their own examination, analysis and enquiry of the Company and the terms of this document and the Offer, including the risks involved.

Investors who subscribe for or purchase Ordinary Shares in the Offer will be deemed to have acknowledged that: (i) they have not relied on any of the Banks or any person affiliated with any of them in connection with any investigation of the accuracy of any information contained in this document or their investment decision; and (ii) they have relied only on the information contained in this document, and (iii) that no person has been authorised to give any information or to make any representation concerning the Group or the Ordinary Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Directors, the Selling Shareholder or any of the Banks.

None of the Company, the Directors, the Selling Shareholder or any of the Banks or any of their representatives are making any representation to any offeree, subscriber or purchaser of the Ordinary Shares in the Offer regarding the legality of an investment by such offeree, subscriber or purchaser. Each investor should consult with its, his or her own advisers as to the legal, tax, business, financial and related aspects of a purchase of the Ordinary Shares.

In connection with the Offer, the Banks and any of their respective affiliates, acting as investors for their own accounts, may subscribe for and acquire Ordinary Shares as a principal position and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Ordinary Shares and other securities of the Company or related investments in connection with the Offer or otherwise. Accordingly, references in this document to the Ordinary Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue, offer, subscription, acquisition, dealing or placing by, each of the Banks and any of their affiliates acting as investors for their own accounts. In addition certain of the Banks or their affiliates may enter into financing arrangements (including swaps) with investors in connection with which such Banks (or their affiliates) may from time to time acquire, hold or dispose of Ordinary Shares. None of the Banks intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

In connection with the Offer, Merrill Lynch International and/or Merrill Lynch South Africa (Pty) Limited, as the context requires (the “**Stabilising Manager**”), or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot Ordinary Shares or effect other transactions with a view to supporting the market price of the Ordinary Shares at a higher level than that which might otherwise prevail in the open market. The Stabilising Manager is not required to enter into such transactions and such transactions may be effected on any securities market, over-the-counter market, stock exchange or otherwise and may be undertaken at any time during the period commencing on the date of the commencement of conditional dealings of the Ordinary Shares on the London Stock Exchange and ending no later than the 30th calendar day thereafter. However, there will be no obligation on the Stabilising Manager or any of its agents to effect stabilising transactions and there is no assurance that stabilising transactions will be undertaken. Such stabilisation, if commenced, may be discontinued at any time without prior notice. In no event will measures be taken to stabilise the market price of the Ordinary Shares above the Offer Price. Except as required by law or regulation, neither the Stabilising Manager nor any of its agents intends to disclose the extent of any over allotments made and/or stabilisation transactions conducted in relation to the Offer.

In connection with the Offer, the Stabilising Manager may, for stabilisation purposes, over-allot Ordinary Shares up to a maximum of 10% of the total number of Ordinary Shares comprised in the Offer. For the purposes of allowing the Stabilising Manager to cover short positions resulting from any such over-allotments and/or from sales of Ordinary Shares effected by it during the stabilising period, it is expected that the Selling Shareholder will grant the Stabilising Manager an Over-allotment Option pursuant to which the Stabilising Manager may purchase or procure purchasers for additional Ordinary Shares up to a maximum of 10% of the total number of Ordinary Shares comprised in the Offer at the Offer Price. The Over-allotment Option will be exercisable in whole or in part, upon notice by the Stabilising Manager, at any time on or before the 30th calendar day after the commencement of conditional dealings of the Ordinary Shares on the London Stock Exchange. Any Over-allotment Shares made available pursuant to the Over-allotment Option will rank *pari passu* in all respects with the Ordinary Shares, including for all dividends and other distributions declared, made or paid on the Ordinary Shares, will be purchased on the same terms and conditions as the Ordinary Shares being issued or sold in the Offer and will form a single class for all purposes with the other Ordinary Shares.

The Banks and any of their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services for the Company and the Selling Shareholder, for which they would have received customary fees. The Banks and any of their respective affiliates may provide such services to the Company and the Selling Shareholder and any of their respective affiliates in the future.



## 2. Presentation of Financial Information

Unless otherwise stated, the financial information in this Prospectus has been prepared in accordance with the requirements of the Prospectus Directive and the Listing Rules and International Financial Reporting Standards as adopted by the European Union (“IFRS”). The significant accounting policies applied in the financial information of the Group are applied consistently in the financial information in this Prospectus and are set out within Note 4 in *Part XII – “Historical Financial Information”*.

The Company’s financial year ends on 31 December. The Group’s financial information for the three years ended and as at 31 December 2015, 2016 and 2017 included in Section B of *Part XII – “Historical Financial Information”* is covered by the accountants’ report included in Section A of that *Part XII*, which was prepared in accordance with Standards for Investment Reporting issued by the Financial Reporting Council.

This Prospectus also includes the financial statements of Quilter Cheviot Limited for the years ended and as at 31 December 2014 and 2015. Quilter Cheviot Limited was acquired by the Company in the year ended 31 December 2015. Quilter Cheviot’s financial information for the years ended and as at 31 December 2014 and 2015 included in Section D of *Part XII – “Historical Financial Information”* is covered by the accountants’ report included in Section C of that *Part XII*, which was prepared in accordance with Standards for Investment Reporting issued by the Financial Reporting Council.

Unless otherwise stated in this document, financial information in relation to the Group referred to in this Prospectus has been extracted without material adjustment from the historical financial information in *Part XII – “Historical Financial Information”* of this Prospectus or has been extracted from those of the Group’s accounting records and its financial reporting and management systems that have been used to prepare that financial information. Investors should ensure that they read the whole of this Prospectus and not only rely on the key information or information summarised within it.

Unless otherwise indicated, none of the financial information relating to the Group or any operating data or key performance indicators relating to the Group have been audited (even where such operating data or key performance indicators include certain financial metrics).

## 3. Non-IFRS Financial Measures

This Prospectus contains certain financial measures that are not defined or recognised under IFRS, including operating profit from continuing operations, normalised operating profit from continuing operations, normalised net management fee, normalised other revenue and normalised expenses (the “**Non-IFRS Financial Measures**”).

- **Operating profit from continuing operations**, as used in this Prospectus, represents operating profit before tax attributable to shareholders’ profits. The key adjustments are for goodwill and amortisation of purchased intangibles, business transformation costs, finance costs, Quilter Separation one-off costs and voluntary customer remediation costs. Goodwill and amortisation of purchased intangibles reflect acquisition costs and the amortisation of intangible assets acquired by the Group in relation to policies sold by acquired businesses pre-acquisition. Business transformation costs primarily represent the costs the Group has incurred in connection with its UK Platform Transformation Programme. The cost of developing the new technology typically cannot be capitalised, hence these costs and the costs of decommissioning existing technology and migrating of services are excluded from operating profit from continuing operations. Only costs that are directly attributable to the programme are excluded from operating profit from continuing operations. Finance costs represent the cost of interest and finance charges on the Group’s borrowings from Old Mutual plc, borrowed to primarily fund acquisitions, including Quilter Cheviot in 2015. Quilter Separation one-off costs represent the one off transition costs to separate the Group from Old Mutual plc to become standalone and any additional one off costs associated with listing. In addition to the aforementioned adjustments, there may be other one-off costs arising in the future which require adjustment in order for operating profit to continue to reflect the Directors’ view of the underlying long-term performance of the Group. Voluntary customer remediation costs represent the costs the Group expects to incur in relation to the decision to commence voluntary remediation of customers in certain legacy products within Quilter Life Assurance.

The Directors use operating profit from continuing operations as a key measure of the Group’s financial results. The Group uses operating profit from continuing operations in its business to, among other things, evaluate the performance of its operations, develop budgets and measure performance against those budgets. The Directors view operating profit from continuing operations as a supplemental tool to assist in evaluating business performance as it excludes the impact of the separately disclosed items described above. The Directors believe that operating profit from continuing operations is a more accurate reflection of the normal operating performance of the Group and believe that this measure provides additional useful information for prospective investors on the Group’s performance, enhances comparability from period to period and with other companies in its industry, and is consistent with how business performance is measured internally. For a reconciliation of operating profit from continuing operations to profit for the year after tax, see *Part IX – “Selected Financial Information—Non-IFRS Financial Information”*.

- **Normalised operating profit from continuing operations**, as used in this Prospectus, represents operating profit from continuing operations adjusted for the Quilter Life Assurance fee restructure and other normalisation adjustments. The Quilter Life Assurance fee restructure adjustment relates to the removal of the impact of the Quilter Life Assurance fee restructure, a fee restructure exercise conducted on Quilter Life Assurance’s pension products in the year ended

31 December 2016 following the FCA Thematic Review. This includes the one-off revenue impact, expenses incurred in relation to the Thematic Review and compensation paid to policyholders for the understatement of fund rebates. Other normalisation adjustments relate to certain one-time adjustments and rebates. These adjustments include (i) the normalised investment return on shareholder funds, determined and calculated assuming a long-term investment return to eliminate any fluctuations in results due to unrealised gains, (ii) the release of non-utilised property provisions directly attributable to the Wealth Platform segment which were booked as a result of the Group's prior platform transformation initiative, (iii) staff and non-staff expenses incurred in relation to the Quilter Separation in the year ended 31 December 2016 and (iv) an expense and provision relating to rebate errors discovered in Quilter Investors during the year ended 31 December 2016.

- **Normalised net management fee**, as used in this Prospectus, represents revenue generated from AuMA, fixed fee revenues and policyholder tax contributions, netted off by trail commissions payable and adjusted for the Quilter Life Assurance fee restructure and other normalisation adjustments (each as described above).
- **Normalised other revenue**, as used in this Prospectus, represents revenue not directly linked to AuMA (i.e. early encashment charges, risk result, adviser initial fees and adviser fees linked to AuMA in Quilter Financial Planning (recurring fees)), adjusted for the Quilter Life Assurance fee restructure and other normalisation adjustments (each as described above).
- **Normalised expenses**, as used in this Prospectus, represents expenses adjusted for the Quilter Life Assurance fee restructure and other normalisation adjustments (each as described above).

The Non-IFRS Financial Measures are not defined under IFRS and other companies may calculate such measures differently or may use such measures for different purposes than the Group does, limiting the usefulness of such measures as comparative measures. Prospective investors should not consider the Non-IFRS Financial Measures in isolation, as an alternative to consolidated profit before tax, as an indication of operating performance, as an alternative to cash flows from operations or as a measure of the Company's profitability or liquidity.

For a reconciliation of the Non-IFRS Financial Measures, see *Part IX – "Selected Financial Information – Non-IFRS Financial Information"*.

#### 4. Key Performance Indicators

To assist prospective investors in comparing the Group's historical financial performance from period to period, certain key performance indicators and other operating metrics have been presented in this Prospectus, and are defined as follows:

- **NCCF**, as used in this Prospectus, represents the difference between money received from and returned to customers during the relevant period for the Group (excluding Quilter Life Assurance) or for the business indicated.
- **Closing AuMA**, as used in this Prospectus, represents the total market value of all financial assets managed and administered on behalf of customers as at 31 December for each financial year.
- **Average AuMA**, as used in this Prospectus, represents the average total market value of all financial assets managed and administered on behalf of customers during the financial year ended 31 December. Average AuMA is calculated using a 13-point average of monthly closing AuMA.
- **Operating margin**, as used in this Prospectus, represents reported operating profit from continuing operations divided by total revenue, including policyholder tax and adviser fees. Operating margin excludes financing costs.
- **Revenue margin**, as used in this Prospectus, represents net management fee, including policyholder tax, divided by average AuMA.

The key performance indicators and other metrics included in this Prospectus and described above are derived from management estimates, are not part of Quilter's financial statements or financial accounting records and have not been audited or otherwise reviewed by outside auditors, consultants or experts. Quilter's use or computation of these terms may not be comparable to the use or computation of similarly titled measures reported by other companies in the Group's industry. Any or all of these terms should not be considered in isolation or as an alternative measure of performance under IFRS. For definitions of certain other terms relating to key performance indicators, please see *Part XVIII – "Definitions and Glossary of Technical Terms"*.

#### 5. Currency Presentation

Unless otherwise indicated, all references in this document to "British pounds sterling", "sterling", "pounds sterling", "GBP", "£" or "pence" are to the lawful currency of the UK. The Company prepares its financial information in pounds sterling.

All references to "rand" or "R" are to the lawful currency of South Africa. All references to the "euro" or "€" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended. All references to "US dollars" or "US\$" are to the lawful currency of the United States.

## 6. Roundings

Certain data in this document, including financial, statistical and operating information has been rounded. As a result of the rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data. Percentages in tables have been rounded and accordingly may not add up to 100%.

## 7. Market, economic and industry data

Certain information regarding market size, market data, market share, market position, growth rates and other industry data pertaining to the Group and its business contained in this document consist of Directors' estimates based on data compiled by professional organisations and on data from other external sources. In addition, the following sources have been cited throughout this Prospectus:

- Association of Professional Financial Advisers ("**APFA**"), including "2016/FCA's Product Sales Data Q2 2016" and "2016/NMG Consulting's Financial Adviser Census Quarterly Trends";
- Association of British Insurers ("**ABI**"), 2016;
- Asset Risk Consultants ("**ARC**"), June 2017;
- Boston Consulting Group ("**BCG**"), including "Global Asset Management 2016";
- Compeer UK Wealth Management Industry Report 2017;
- Defaqto DFM market update 2016 and April 2015;
- Deloitte, "Funding our future: Meeting the long-term savings challenge";
- EY Global Wealth and Asset Management Industry Outlook;
- FCA Assessing Suitability Review 2016;
- Financial Express;
- Financial Ombudsman website;
- *Financial Times* top 100 Financial Advisers 2017;
- Fundscape Platform Report, Q3 2017 and Q4 2017;
- GlobalData, including "Wealth in the UK: Sizing the Market Opportunity 2017" and "HNW Offshore Investment: Drivers and Motivations 2017, April 2017";
- Investment Association ("**IA**") statistics;
- IA Echoweb;
- Investment Trends, including "UK Adviser Technology & Business Report 2017";
- Office of National Statistics ("**ONS**");
- Private Asset Managers ("**PAM**"), including the 2017 Report;
- Pridham Report;
- PricewaterhouseCoopers ("**PwC**"), including "Asset & Wealth Management Revolution: Embracing Exponential Change"; and
- Rathbones, including "Five-Minute Guide to Discretionary Fund Management" report April 2016.

Industry publications and market research generally state that the information they contain has been obtained from sources the Directors believe to be reliable but that the accuracy and completeness of such information is not guaranteed and any estimates or projections they contain are based on a number of significant assumptions.

In some cases there is no readily available external information (whether from trade and business organisations and associations, government bodies or other organisations) to validate market-related analyses and estimates, requiring the Group to rely on internally developed estimates. The Group does not intend, and does not assume any obligation, to update industry or market data set forth in this document. Because market behaviour, preferences and trends are subject to change, prospective investors should be aware that market and industry information in this document and estimates based on any data therein may not be reliable indicators of future market performance or the Group's future results of operations.

The Company confirms that all such data contained in this document has been accurately reproduced and, so far as the Company is aware and able to ascertain, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Where third party information has been used in this document, the source of such information has been identified.

## 8. Service of process and enforcement of civil liabilities

The Company has been incorporated under the laws of England and Wales. Service of process upon Directors and officers of the Company, all of whom reside outside the United States, may be difficult to obtain within the United States. Furthermore, since most directly-owned assets of the Company are outside the United States, any judgement obtained in the United States against it may not be collectible within the United States. There is doubt as to the enforceability of certain civil liabilities under US federal securities laws in original actions in English courts, and, subject to certain exceptions and time limitations, English courts will treat a final and conclusive judgement of a US court for a liquidated amount as a debt enforceable by fresh proceedings in the English courts.

## 9. No incorporation of website information

The contents of the Company's website do not form part of this document.

## 10. Definitions and glossary

Certain terms used in this document, including all capitalised terms and certain technical and other items, are defined and explained in *Part XVIII – "Definitions and Glossary of Technical Terms"*.

## 11. Information not contained in this document

No person has been authorised to give any information or make any representation other than those contained in this document and, if given or made, such information or representation must not be relied upon as having been so authorised. Neither the delivery of this document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in this document is correct as of any time subsequent to the date hereof.

## 12. Forward-looking statements

This document includes forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Group's control and all of which are based on the Directors' current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believe", "expects", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "predicts", "continues", "assumes", "positioned" or "anticipates" or the negative thereof, other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the Directors or the Group concerning, among other things, the results of operations, financial condition, prospects, growth, strategies and dividend policy of the Group and the industry in which it operates. In particular, the statements under the headings "*Summary Information*", "*Risk Factors*", "*Business Description*" and "*Operating and Financial Review*" regarding the Company's strategy, targets and expectations in respect of the Group's expected net revenue, growth, capital expenditures, corporate segment costs, separately disclosed items, depreciation and amortisation and accounting tax rates as well as other expressions of the Group's targets and expectations and other future events or prospects are forward-looking statements.

These forward-looking statements and other statements contained in this document regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Group. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed or implied in such forward-looking statements. Important factors that could cause the Group's actual results to so vary include, but are not limited to:

- difficult conditions or volatility in the global capital markets and the global economy generally and the UK economy specifically;
- exposure to domestic and global political developments and their impact on financial markets, including the UK's withdrawal from the EU;
- the ability of the Group to anticipate and respond to competitive change, adviser or customer preferences or demographic trends in a timely and cost-effective manner;
- a deterioration in demand or an increase in supply for wealth management and retirement-related products;
- factors which may adversely affect the level of customer investment portfolios and the Group's AuMA, including a decline in equity markets, a rise in interest rates, fluctuations in currency exchange rates, a widening in credit spreads, a fall in property prices, changes in short- or long-term inflation or liquidity risk;
- failure by the Group to offer products, services and platforms that meet adviser and customer needs and which are considered suitable;
- a decline in demand for the Group's products as a result of the asset classes or investment strategies underlying the portfolios managed by the Group becoming less attractive to customers or their advisers;
- failure by the Group to capture new business resulting from increased demand following the Pension Freedom or changing trends or regulations;
- actual or perceived underperformance of customer assets that are managed by the Group;
- the ability of the Group to successfully execute its strategic initiatives;
- risks relating to the disposal of OMGI;
- failure by the Group to manage conflicts of interest between its advice channel and other businesses across the Group;
- a computer system failure, security breach or cyber-attack;
- the Group's ability to maintain or adapt its current and legacy IT systems, or failure to implement its IT initiatives;
- failure to deliver on the Group's UK Platform Transformation Programme;
- the ability of the Group to continually attract or retain talented advisers, investment managers and portfolio managers;

- failure by the Group to attract or retain senior management or other necessary personnel;
- the Group's ability to implement its significant change initiatives;
- the ability of the Group to maintain the strength of its brands, which are vulnerable to adverse market perception or negative publicity, or to successfully complete its ongoing rebranding initiative;
- conduct risk, including with regard to decisions and behaviours by the Group, its employees, its advisers or its appointed representatives;
- exposure to heightened local political, economic, regulatory and business risks and challenges in international jurisdictions in which the Group operates;
- operational risks, including the risk of direct or indirect loss resulting from inadequate or failed internal and external processes, systems and human error or from external events;
- the Group's reliance on the outsourcing and procurement of services to third party contractors, suppliers, agents and service providers;
- the Group's ability to keep pace with continued improvements in operational infrastructure;
- errors affecting the calculation of unit prices or deduction of charges for the Group's unit-linked products or mutual funds;
- breaches by the Group of investment mandates;
- counterparty default;
- over-exposure with regard to its insurance risks due to a failure in the underwriting process or an inability to secure appropriate reinsurance coverage;
- the ability of the Group to adequately insure against specific risks;
- the Group's to fully capture the expected value from acquisitions, or the Group's exposure to liabilities arising from historical corporate transactions;
- catastrophic events;
- the Group's ability to comply with regulations in the UK and internationally;
- adverse changes in the laws, regulations and regulatory requirements (including tax laws and rates) in the markets in which the Group operates;
- regulatory action or claims from customers alleging that advice given generally or in relation to products or services was unsuitable or unfairly priced, or otherwise failed to meet regulatory requirements or customer expectations;
- legal proceedings, ombudsman processes, regulatory investigations or general litigation;
- failure by the Group to detect or prevent money laundering and other financial crime activities if financial crime risks are not correctly identified and if effective controls to mitigate those risks are not implemented;
- the ability of the Group to comply with data protection regulations, including the proposed GDPR;
- third parties' perception of the Group following the Quilter Separation;

and other factors described in *Part I – "Risk Factors"*.

Forward-looking statements contained in this document speak only as of the date of this document. The Company, the Directors, the Selling Shareholder and the Banks expressly disclaim any obligation or undertaking to update these forward-looking statements contained in the document to reflect any change in their expectations or any change in events, conditions or circumstances on which such statements are based unless required to do so by applicable law, the Prospectus Rules, the Listing Rules or the disclosure and transparency rules of the FCA made under section 73A of the FSMA (the "**Disclosure and Transparency Rules**").

---

## PART III

### DIRECTORS, SECRETARY, REGISTERED AND HEAD OFFICE AND ADVISERS

---

**Directors**

Glyn Jones – *Chairman*  
Paul Feeney – *Chief Executive Officer*  
Rosie Harris – *Independent Non-Executive Director*  
Moira Kilcoyne – *Independent Non-Executive Director*  
Jon Little – *Independent Non-Executive Director*  
George Reid – *Independent Non-Executive Director*  
Tim Tookey – *Chief Financial Officer*  
Cathy Turner – *Independent Non-Executive Director*

**Company Secretary**

Patrick Gonsalves

**Registered and Head Office of the Company**

Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ

**UK Sponsors**

J.P. Morgan Securities plc  
25 Bank Street  
Canary Wharf  
London E14 5JP  
United Kingdom

Merrill Lynch International  
2 King Edward Street  
London EC1A 1HQ  
United Kingdom

**JSE Sponsor**

Merrill Lynch South Africa Proprietary Limited  
The Place  
1 Sandton Drive  
Sandhurst  
Johannesburg 2196  
South Africa

**Joint Global Coordinators**

Goldman Sachs International  
Peterborough Court  
133 Fleet Street  
London EC4A 2BB  
United Kingdom

J.P. Morgan Securities plc  
25 Bank Street  
Canary Wharf  
London E14 5JP  
United Kingdom

Merrill Lynch International  
2 King Edward Street  
London EC1A 1HQ  
United Kingdom

**Lead Manager**

Avior Capital Markets Proprietary Limited  
11th Floor, South Tower  
140 West Street  
Sandton 2196  
South Africa

<b>Joint Bookrunner</b>	BNP PARIBAS 16, boulevard des Italiens 75009 Paris France
<b>US and English Legal Advisers to the Company</b>	Allen & Overy LLP One Bishops Square London E1 6AD United Kingdom
<b>South African Legal Advisers to the Company</b>	Allen & Overy (South Africa) LLP 6th Floor, 90 Grayston 90 Grayston Drive Sandton 2196 South Africa
<b>US and English Legal Advisers to the Sponsors, Joint Global Coordinators and Joint Bookrunners</b>	Freshfields Bruckhaus Deringer LLP 65 Fleet Street London EC4Y 1HS United Kingdom
<b>South African Legal Advisers to the Sponsors, Joint Global Coordinators and Joint Bookrunners</b>	Bowman Gilfillan Inc. 165 West Street Sandton 2196 South Africa
<b>US and English Legal Advisers to the Selling Shareholder</b>	Linklaters LLP 1 Silk Street London, EC2Y 8HQ United Kingdom
<b>South African Legal Advisers to the Selling Shareholder</b>	Webber Wentzel Attorneys 90 Rivonia Road Sandton Johannesburg 2196 (PO Box 61771, Marshalltown 2107) South Africa
<b>Reporting Accountants and Auditors</b>	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL United Kingdom
<b>Registrars and Receiving Agent/Bank</b>	Equiniti Aspect House Spencer Road Lancing West Sussex BN99 6DA
<b>South African Transfer Secretaries</b>	Link Market Services 13th Floor 19 Ameshoff Street Braamfontein South Africa 2001

---

## PART IV

### EXPECTED TIMETABLE OF PRINCIPAL EVENTS

---

#### Expected timetable of principal events

Publication of this Prospectus	Friday, 20 April 2018
Publication of Q1 Results Supplement	Monday, 30 April 2018
Publication of Price Range Supplement	Monday, 11 June 2018
Abridged pre-listing statement for the JSE listing released on SENS and the RIS	Monday, 18 June 2018
Abridged pre-listing statement for the JSE listing published in the press	Tuesday, 19 June 2018
Allocation of Offer Shares in connection with the Offer	7:00 a.m. (London) on Monday, 25 June 2018
Admission to the London Stock Exchange and commencement of unconditional dealings on the London Stock Exchange	8:00 a.m. (London) on Monday, 25 June 2018
Admission to the JSE and commencement of unconditional dealings on the JSE	9:00 a.m. (South Africa) on Monday, 25 June 2018
CREST accounts credited	as soon as possible after 8:00 a.m. (London) on Monday, 25 June 2018
CSDP accounts credited	Monday, 25 June 2018
Despatch of share certificates for South Africa	Thursday, 28 June 2018
Despatch of share certificates for the UK	Friday, 6 July 2018

*Each of the times and dates in the above timetable is subject to change. References to times are to London time unless otherwise stated. Temporary documents of title will not be issued.*



---

## PART V

### INDUSTRY OVERVIEW

---

*The information in the following section has been provided for background purposes. The information has been extracted from a variety of sources released by public and private organisations as described in Part II – “Presentation of Financial and Other Information”.*

*The Company confirms that the information in this section has been accurately reproduced from these sources and, as far as the Company is aware and is able to ascertain from information published by these sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. The Company believes that these industry publications, surveys and forecasts are reliable but the Company has not independently verified them and cannot guarantee their accuracy or completeness.*

*The projections and forward-looking statements in this section are not guarantees of future performance and actual events and circumstances could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See Part I – “Risk Factors” and Part II – “Presentation of Financial and Other Information—12. Forward-looking statements”.*

#### 1. UK Macroeconomic Context

After a challenging period following the global financial crisis, the UK economy returned to growth in the third quarter of 2009 to post-crisis peak growth of 3.3% in 2014, benefitting from a continued low interest rate environment, with the services industries, particularly financial services, leading that growth. At the same time, the labour market recovered quickly, with the unemployment rate coming down from a post-crisis high of 8.5% in October 2011 to 4.4% in the three months to December 2017 (Source: Bank of England, February 2018 Inflation Report). CPI inflation, meanwhile, though slightly exceeding the Bank of England’s 2.0% target in 2012 and 2013, fell back below that threshold in 2014 to 1.5%, even reaching a period of slight deflation in 2015 amidst an environment of low oil prices, supermarket price cuts and a strong sterling.

In June 2016, following the EU referendum vote (commonly referred to as Brexit), the UK economy entered a period of significant uncertainty with immediate downgrades to its credit rating and outlook by each of S&P, Moody’s and Fitch, GDP forecasts revised lower by the Bank of England and IMF in subsequent months and expectations of significantly reduced business investment. However, the UK economy demonstrated relative resilience in 2016, with growth for the year of 1.9%, the second highest amongst the G7 economies, driven by strong consumer spending, a continued expansion of the services industry and the sharp depreciation in sterling (falling to a thirty year low vs. the US dollar) which supported exports.

Within the context of this macroeconomic background, liquid assets in the UK grew by over 8% in 2016 to £2.9 trillion, the highest growth rate recorded since the financial crisis, in part due to the strong performance of mutual funds, which benefited from continued low interest rates and strong stock market performance in the UK. This strong stock market momentum continued into 2017 and 2018, with UK indices, including the FTSE 100, FTSE 250 and FTSE All Share as well as international indices such as the S&P 500, hitting all-time highs over the period.

Against the continued backdrop of Brexit uncertainty, however, the economy began to show signs of a slowdown in 2017, with household purchasing power coming under pressure from higher inflation (driven by higher import costs), and quarterly GDP growth declining from 0.7% in the fourth quarter of 2016 to 0.3% for the two subsequent quarters in the first half of 2017. Nevertheless, GDP growth picked up in the second half of 2017. The housing market also experienced a slowdown, with annualised growth falling from above 8.2% in June 2016 to a low of 3.8% in March 2017. In November 2017, reacting to the higher inflation rate, the Bank of England’s Monetary Policy Committee increased interest rates for the first time in 10 years, from 0.25% to 0.50%, though their outlook for both inflation and economic activity remained broadly the same compared to their previous projections in August 2017. In their latest February 2018 Inflation Report, the Bank of England left these inflation expectations unchanged, whilst raising their 2018 GDP growth forecast to account for stronger global growth and a lessening draft from the fiscal tightening announced in November.

Although the unemployment rate has continued to decline, the pace of improvement also began to slow in 2017. Productivity levels, meanwhile, remain only marginally above pre-crisis levels, whilst wage growth has been muted and remains below historical levels, suggesting a certain degree of spare resources in the labour market. As a consequence of a continued strong consumer spending, inflation and subdued wage growth, household saving ratios have experienced a steady decline since 30 September 2015, falling from 9.5% to 3.7% in the first quarter of 2017, the lowest savings ratio in 20 years, before recovering slightly to 5.2% by the third quarter of 2017. However, the net financial wealth of the UK has continued to trend upwards to an all-time high, with total net worth<sup>(1)</sup> of £9.8 trillion in 2016, a 9% increase on the previous year, boosted to a large extent by higher house prices.

Going forward, given the significant uncertainty relating to Brexit and continued pressure on household incomes, the Bank of England expects growth to remain sluggish in 2018 and 2019 at 1.7% and 1.8%, respectively (Source: Bank of England, February 2018 Inflation Report). However, in the medium-term, assuming a “smooth” transition to post-Brexit trading arrangements, the Bank of England expects growth to rebound slowly with strong global demand, support from export growth and a pickup in business investment growth supporting UK economic growth. CPI, meanwhile, having risen to 3.3% in November 2017, is expected to fall back gradually to 2.3% over the course of 2019, reflecting continued gradual pass-through of higher import prices due to the weak sterling.

In terms of demographics, the UK’s population has continued to expand, reaching a peak of 65.6 million in 2016, and the Office for National Statistics expect the population to exceed 69 million in 2026. With the population steadily rising, improvements in healthcare and lifestyles mean that it is also getting older: in 2016, 18.0% of the UK population was aged 65 or over, compared to 15.9% in 2006. With the proportion of those of a working age shrinking whilst the proportion of those of a pensionable age increases, such demographic changes will result in individuals increasingly needing to save more to provide security in retirement, adding to the UK’s savings gap, which is already estimated to be one of the largest in Western Europe and estimated by Deloitte to reach £350 billion by 2050.

	2012A	2013A	2014A	2015A	2016A	2017A	2018E
<i>Metric (%)</i>							
Real GDP Growth YoY at Constant Prices <sup>(2)</sup>	1.5	2.1	3.1	2.3	1.9	1.7	1.7
Annual CPI Inflation <sup>(2)(3)</sup>	2.8	2.6	1.5	0.0	0.7	2.7	2.9
Bank of England Base Rate <sup>(2)(4)</sup>	0.50	0.50	0.50	0.50	0.25	0.50	0.75
Average Unemployment Rate <sup>(2)</sup>	8.0	7.6	6.2	5.4	4.9	4.4	4.3

(1) Estimated market value of financial assets (e.g. shares and deposits) and non-financial assets (e.g. dwellings and machinery), net of liabilities.

(2) Historical data from the Office of National Statistics. Forecasts from the Bank of England, February 2018 Inflation Report.

(3) Forecasts on a four-quarter basis.

(4) As at 31 December each year and forecast based on market-implied path as disclosed by the Bank of England.

## 2. Overall UK wealth and liquid assets

### 2.1 Overview

The UK is one of the largest wealth markets globally with an estimated £2.9 trillion of onshore liquid assets as of 2017. Since 2012, the total UK wealth market has grown at a compound annual growth rate (“**CAGR**”) of 6%. Looking forward, the UK wealth market is expected to reach a total of £3.3 trillion of onshore liquid assets by 2020 (Source: GlobalData, Wealth in the UK: Sizing the Market Opportunity 2017).

Based on 2016 estimates, £0.4 trillion of liquid assets is held in the high net worth segments (defined as individuals with investable assets of £5 million or more), £1.7 trillion is held in the affluent segment, and £0.8 trillion is held in the mass retail segment (defined as individuals with investable assets of less than £100,000). Affluent individuals in the UK, with liquid assets between £100,000 and £5 million, hold 57% of liquid wealth but represent only 10% of the UK adult population as of 2016 (Source: Globaldata). There also exists a large degree of regional disparity in the distribution of assets in the high net worth and affluent segments, with significant concentration in London and the surrounding South East region. According to Globaldata, London accounts for 13.8% of total liquid assets in the UK, the South East 15.5%, the North West 10.2% and East Anglia 10.1%, as of 2016.

Wealth management and financial advice in the UK is provided by a number of different types of firms and is typically correlated to a customer segment and the complexity of the customer’s financial needs:

- *Private banks* provide wealth management and advice to the high net worth customer segments. Products provided often include lending and deposit-taking services. Examples would include Coutts, UBS and Pictet.
- *Wealth managers* provide advice, platforms, investment management and wealth solutions. Some firms target a specific segment of the value chain, while some firms pursue an integrated model with provision of services across all aspects of the value chain. Examples would include Quilter and St. James’s Place.
- *Insurers* focus on retirement and pension solutions, often via the provision of products held through tax efficient wrappers such as ISAs or SIPPs. Examples would include Prudential and Aviva.
- *Retail banks* target the lower mass affluent segment of the market, typically through self-directed fund platforms or risk-based model portfolio services, with limited provision of financial advice. Examples would include Santander UK and Lloyds Banking Group.
- *Direct-to-consumer (“D2C”) platforms* are self-directed stock broking type services where no advice or investment management service is provided. An example would be Hargreaves Lansdown.

It is estimated that, as of 2017, there are approximately 25,000 high net worth individuals, with over £5 million in liquid assets, in the UK who are mostly served by global private banks. In the affluent segment, there are approximately 5 million individuals. This segment remains a highly fragmented market served by traditional life insurers, platforms and wealth managers. In the mass retail segment, there are approximately 45 million individuals, where many rely on auto enrolment to serve their savings and retirement needs (Source: GlobalData, Wealth in the UK: Sizing the Market Opportunity 2017).

## 2.2 **Market Trends**

There are a number of long-term structural trends and regulatory drivers that are expected to continue to drive flows into the UK wealth market and increase the demand for financial advice and wealth solutions.

### 2.2.1 **Favourable macro, structural and demographic trends**

The long-term trend of an increase in the saver population segment (aged 30 to 60) is expected to drive continued growth of wealth market flows. According to Globaldata, the population of affluent individuals (as defined above) is expected to grow at a CAGR of 4% from an estimated approximately 5.3 million individuals in 2017 to an estimated approximately 6.0 million individuals by 2020.

Furthermore, according to the World Bank, UK average life expectancy (male and female) has increased from 71 years in 1960 to 82 years in 2015, increasing the savings requirement of individuals to see them through retirement. The proportion of the UK that is over the age of 65 has increased from 16% in 1991 to 18% in 2016, and is forecast to increase further to 24% of the population by 2041 (Source: Office for National Statistics).

The savings gap, defined as the difference between retirement income expectations and the cost of funding such projections, is forecast to reach £350 billion in the UK by 2050. This means that, the average adult in the UK would need to save an additional £10,000 per year between now and retirement. This is likely to increase the propensity of customers to utilise financial advice and wealth management products in the UK (Source: Deloitte).

Lastly, the continued transition from DB to DC pension schemes is expected to continue to drive flows in the wealth management market. Pensions represent the largest share of net sales in the platform market, arising from the Pension Freedom legislative change in April 2015. This represented a fundamental change to the structure of the UK pensions market, removing the legal requirement to buy an annuity with pension savings at retirement and allowing for a range of flexible, alternative solutions.

### 2.2.2 **Search for yield and solutions**

The current “lower for longer” interest rate environment, with negative real interest rates on many savings accounts, has precipitated the search for yield by investors and savers in the UK. This is driving demand for investment solutions products that deliver a risk-adjusted return. This has driven increased flows into mutual funds, growing from 18% of retail and savings allocations in 2010, to an expected 23% by 2019 (Source: Globaldata). These mutual funds are predominantly invested in equities, as of 2016, representing 50% of assets versus 16% of assets invested in fixed income products (Source: Globaldata).

### 2.2.3 **Government policy initiatives**

There have also been a number of regulatory changes and government initiatives which have contributed to the growth in demand for financial advice and wealth management products in the UK, including the pension reforms in 2014, which saw the end of compulsory annuitisation, and policies designed to stimulate and encourage higher savings such as pensions auto-enrolment and increasing ISA subscription limits.

### 2.2.4 **Ongoing regulatory focus**

Following the financial crisis, regulators worldwide have intensified their approach to the regulation of financial services.

In the UK wealth and asset management sector, in addition to an increased focus from the PRA, the FCA has focused specifically on ensuring good customer outcomes. The Retail Distribution Review (“RDR”) was implemented by the FCA in 2013 and amongst other things, led to changes in the way advice was provided and charged for in the UK. In addition, MiFID II came into force on 3 January 2018 and introduced changes for financial markets across a multitude of areas, primarily focused on managing conflicts of interest. MiFID II introduced additional disclosure requirements around costs and charges providing greater transparency to retail customers. This may impact the provision of advice and on-going servicing as the value of the services being provided is assessed.

In addition, the FCA has also recently carried out a number of thematic reviews and market studies on the broader UK wealth and asset management industry, including the Asset Management Market Study, the Investment Platforms Market Study and the Assessing Suitability Review. Through these market studies and reviews, the FCA appears to be increasingly focused on the transparency of customer fees and charges and treating customers fairly. See *Part VII – “Regulatory Overview”*.

#### 2.2.5 **Changing customer behaviour and preferences**

Customer behaviour and preferences are constantly evolving, and customers today increasingly value ease of access and interaction via an online or digital interface, including web-based browsers or applications on a mobile device. This is increasingly true for millennials, defined as individuals born after 1980, who demonstrate different preferences and investing habits compared to the previous generation. Millennials are also becoming an increasingly important segment given they are expected to benefit significantly from intergenerational wealth transfer. It is estimated that £920 billion of wealth will be transferred from those over the age of 55 to younger generations over the next 30 years (*Source: St James’s Place/Capital Economics*). Consequently, the rise in popularity of digital and technology driven wealth and asset management solutions in response to evolving customer preferences mean cyber security is becoming increasingly important.

### 3. **UK Advice Market**

#### 3.1 **Overview**

Financial advisers provide planning and advice services ranging from wealth and investments, retirement, estate, tax and inheritance. There are also a number of mortgage and protection advisers in the UK, who provide advice specifically on mortgage applications and life insurance products. Typically, financial advisers do not have a mandate to buy, sell or execute investment decisions on a discretionary basis and are instead focused on the provision of financial advice and recommendations that are most suited to the customer’s risk profile and financial objectives.

Financial advice can be either independent or restricted. IFAs provide unrestricted advice based on a comprehensive analysis of retail investment products and options available to the customer across the whole market. RFPs can only give advice on certain types of products, or on products from one or a limited number of providers. In the case of restricted advice, regulations require that customers must be informed up front that the advice provided is restricted advice and specifically how it is restricted – by product or by provider.

Volumes of protection and retail investment product sales by financial advisers have been dominated by pension products, which accounted for 63% of total advice sales in the UK as of 30 June 2016, while protection products accounted for 16% of total advice sales in the UK and ISAs, Open Ended Investment Collective Schemes and Investment Trusts accounted for a combined 13% of total advice sales in the UK (*Source: APFA 2016/FCA’s Product Sales Data Q2 2016*).

Following the implementation of RDR in 2013, fees must be charged in exchange for advice provided instead of via commission from the product provider. These fees are usually charged as a percentage of assets under advice. In 2012, prior to the implementation of RDR, 84% of total advice income from retail investments in the UK was in the form of net commission and 11% was in the form of fee income. In 2016, net commission only made up 25% of total advice revenues in the UK while fee income made up 73% of total advice revenues in the UK, illustrating the changing customer charging model (*Source: APFA*).

#### 3.2 **Competitive Landscape**

As of December 2016, there were a total of 14,054 financial advice firms and a total of 24,761 financial advisers in the UK. This compares to 14,648 financial advice firms and a total of 27,080 advisers in the UK as of December 2009 (*Source: APFA 2016*). The UK advice market remains highly fragmented with only two businesses in the market with more than 1,000 CF30 Advisers in 2017, being St James’s Place with 4,206 CF30 Advisers providing restricted advice and the Group with 2,323 CF30 Advisers (excluding 46 CF30 Advisers within the Single Strategy Business), composed of a mix of restricted and independent advisers, the majority of which are within Quilter Financial Planning. The third largest financial advisory network in the UK in 2017 was Openwork, with 946 financial advisers (*Source: Financial Times*).

### 3.3 **Market Trends**

#### 3.3.1 **Increasing need for financial advice**

A number of regulatory changes and government initiatives in the UK, including Pension Freedom, increasing ISA subscription limits and the continued shift from DB to DC pensions has put the onus of long-term and retirement savings on the individual. However, the availability of financial advice remains relatively scarce. There are only approximately 25,000 financial advisers for the approximately 50 million adults in the UK aged 20 and above, equating to approximately 2,000 adults per adviser (Source: ONS/APFA). Although this ratio is a blunt measure, it provides an indicative view of the potential demand for financial advice in the UK market. The accessible number of customers is likely to in fact be lower than 50 million as for a considerable number of these adults, personalised financial advice may not be economical. Furthermore, the 25,000 financial advisers includes a number of qualified individuals who do not provide financial advice to retail customers, such as licensed para planners and business owners. As financial complexities for the retail customer increase, the need for quality advice increases and this is expected to drive the continued growth in demand for financial advice.

#### 3.3.2 **Impacts of RDR and other regulatory changes to the market for financial advice**

Post-RDR, financial advisers are required to charge the customer a fee for their services, as opposed to the prior predominant model of earning a commission from the sale of products that they had recommended. Accordingly, the revenue model of the industry has shifted away from commissions and towards a fee-based model. As of 2016, ongoing advisory fees made up the majority of UK advisory income at 41%, with initial advisory fees making up a further 31% (Source: APFA).

Another consequence of RDR was the expansion of the definition of “whole of market” and “independent”. Under these new rules, if an adviser cannot meet the definition for independence, they are deemed to be restricted. This has caused a shift in the number of advisers from being classified as independent to restricted.

Furthermore, RDR created a greater compliance and administration burden for financial advisers and financial advisory firms. As a result, many advisers are moving flows onto adviser platforms, which provide the necessary tools and administration support to be fully compliant with RDR and to simplify their back office processes. Higher regulatory and overhead costs for financial advisers have also driven consolidation in the market, resulting in larger advisory networks acquiring smaller firms.

#### 3.3.3 **Outsourcing of investment management**

There is also an increasing trend of financial advisers preferring to outsource investment management and fund selection as an attempt to reduce costs and the risk of mis-selling. This has resulted in an increase in the usage of multi-asset funds and discretionary fund management (“DFM”) services.

#### 3.3.4 **Focus on suitability and disclosure**

The FCA has been increasing its focus on the suitability of advice provided to customers and providing fair outcomes for customers. In April 2016, it carried out the Assessing Suitability Review, which assessed 1,142 individual pieces of advice given by 656 firms against the suitability and disclosure rules in the FCA’s Conduct of Business Sourcebook (“COBS”). The results concluded that in 93.1% of cases, the sector provides suitable advice. Disclosure was found to be an area requiring further focus, with only 52.9% of cases deemed acceptable. The majority of cases of unacceptable disclosure related to initial disclosures around costs and services, specifically the disclosure of a wide range of charging structures and firms using hourly charging rates while failing to provide indication of the number of hours for the provision of each service (Source: FCA Assessing Suitability Review 2016).

## 4. **Wealth solutions**

### 4.1 **Overview**

#### 4.1.1 **Multi-asset market**

The UK multi-asset market is a product segment within the broader UK asset management industry, focused on the development of solutions-based retail and institutional investment management products. Multi-asset funds allocate different asset classes into one portfolio with the aim of maximising the absolute investment return, while achieving greater diversification and lower volatility when compared to single asset class funds.

The UK multi-asset market's total AuM has increased from £131 billion in December 2012 to £222 billion as at December 2017, corresponding to a CAGR of 11% during this period (Source: Investment Association).

Net retail sales in multi-asset funds amounted to £13.4 billion in 2017, representing 29% of total net retail sales during this period. The largest category by sales was fixed income funds, with net retail sales of £14.3 billion whilst third largest category was equity funds, with net retail sales of £10.6 billion (Source: Investment Association).

Retail fund management products in the UK are distributed to the end customer via a number of channels: direct, execution only intermediaries, discretionary fund managers, platforms and other intermediaries including financial advisers. In 2017, gross retail sales on platforms amounted to approximately 44% of total sales, with IFAs and other intermediaries accounting for approximately 27%, discretionary fund managers accounting for approximately 13% and direct sales accounting for approximately 1% (Source: Investment Association).

#### 4.1.2 **Discretionary Fund Management**

DFM is a form of wealth management whereby the client fully delegates portfolio asset allocation and all investment decisions to an investment manager, who designs and manages the investment portfolio in order to meet the client's specific needs and in line with their pre-agreed risk appetite. As of 2016, there were £473 billion of AuM under discretionary mandates, representing approximately 71% of total UK assets managed by wealth managers. Discretionary AuM has been growing at a CAGR of 11% since 2012, versus 1% for advisory AuM and 9% for non-managed AuM (Source: Compeer UK Wealth Management Industry Report 2017).

There are two types of portfolios. (i) Managed Portfolio Service ("**MPS**") portfolios are risk-based model portfolios managed by the investment manager on a centralised basis, typically addressing the affluent market. These products are typically available either direct with the discretionary fund manager, or through a third party platform. (ii) Bespoke Discretionary portfolios are individually tailored mandates where the investment strategy is unique to a client, typically aimed at higher net worth client segments.

DFM products and services are typically distributed either direct or through a financial adviser. DFM solutions, especially MPS, are also increasingly available through a platform rather than direct with a DFM. Since 2012, the number of new launches of MPS products on platforms have outnumbered launches of MPS through the DFM. Some firms only make their discretionary solutions available through a platform (Source: Defaqto 2016).

### 4.2 **Competitive Landscape**

#### 4.2.1 **Multi-asset market**

Over the last 6–7 years, the UK multi-asset market has expanded and become more sophisticated. Traditionally, there were only a few providers offering multi-asset funds or ranges, mainly limited to the large fund houses and some life insurance companies. Today, the majority of fund houses offer a multi-asset product or fund range, with a lot of niche players gathering increasing net flows.

According to the Pridham Report, Quilter Investors is the number one UK multi-asset manager by net sales for 2017, capturing £2.1 billion, with its top four competitors capturing £0.7 billion, £0.7 billion, £0.5 billion and £0.2 billion of total net sales, respectively (Source: Pridham Report).

#### 4.2.2 **Discretionary Fund Management**

As of December 2016, Brewin Dolphin was the largest discretionary fund manager in the UK with £38 billion of total AuM. This is followed by Investec Wealth & Investment with £31 billion, Rathbones with £30 billion, Cazenove with £29 billion and Quilter Cheviot, with £21 billion (Source: PAM 2017 report, excluding private banks and St James's Place). Brooks Macdonald is also another key competitor in the space, with £9.3 billion of discretionary AuM as of December 2016.

### 4.3 **Market Trends**

#### 4.3.1 **Increasing demand for sophisticated solutions**

Investment solutions accounted for 13% of global AuM in 2015 and are expected to capture an outsized share of net flows in coming years, forecasted to capture 51% of the expected flows from 2016 to 2020 (Source: BCG Global Asset Management 2016, where investment solutions flows include absolute return, target date, global asset-allocation, flexible, income and volatility funds; LDIs; and multi-asset and traditional balanced products).

RDR has been a key driver of the UK trend of financial advisers outsourcing investment management and fund selection to manage advice risk and ensure fair customer outcomes. Smaller financial advisory firms tend to lack sufficient scale to support the compliance costs associated with advice provision and in-house portfolio construction capabilities. As a result, an increased number of advisers are using risk based multi-asset solutions and discretionary outsourcing to reduce their advice risk associated with managing client assets and the overall administration of managing funds. In 2016, 66% of financial advisers said they expected to use an outsourced portfolio management service in the next few years, with 54% of advisers saying that reducing risk is a key benefit of outsourcing (Source: Rathbones, "Five-Minute Guide to Discretionary Fund Management" report April 2016).

A benign asset return environment where investment yields remain low and are likely to remain lower for longer, has also contributed to the demand for higher-yielding, risk-adjusted solutions products as investors seek to broaden the scope of their investment universe with enhanced diversification and greater flexibility. In addition to the number and range of multi-asset funds increasing in recent years, they have also evolved from simple balanced equity and bond strategies into highly diversified, outcome driven funds, often with volatility targets. Many multi-asset funds are also managed to a risk level and not return targeted. Providers are deploying increasingly sophisticated approaches to asset allocation, including a greater use of alternatives.

In addition, Pension Freedom and the end of compulsory annuitisation created a structural need for decumulation and income products to support retirees in the drawdown phase. Data published by the FCA show that income drawdown accounted for 76% of retirement income sales (decumulation products only) between April and June 2017, with a total of 42,776 products sold during the three-month period. This compares with just 13,875 annuity sales, which represented 24% of the total market sales. Compared to the period between January and March 2014, being the last quarter prior to the announcement of the Pension Freedom, annuities accounted for 81% of sales (with 62,774 products sold) while drawdown accounted for 19% of sales (with 14,827 products sold).

#### **4.3.2 FCA focus on customer outcomes and the fair treatment of customers**

The FCA has also been increasingly focused on firms in the wealth and asset management industry delivering good customer outcomes and treating customers fairly. This has been beneficial to demand for multi-asset products given they are perceived to be more transparent and designed for a specific customer need given its risk targeted nature and flexibility (for example, providing drawdown functionality). As a result, demand for multi-asset solutions from financial advisers has increased significantly, contributing to the trend of increasing flows and AuM. Per the Investment Association, Mixed Asset is the fastest growing asset class (excluding Money Market and Other) over the last 10 years in the UK, growing at a CAGR of approximately 16% over the period 2008 to 2017.

#### **4.3.3 Rise of passive investment strategies and ongoing fee compression**

PwC forecasts that active management will represent just 60% of global AuM by 2025, down from 71% in 2016, while passives will gain significant market share, rising from 17% of AuM in 2016 to 25% by 2025 (equivalent to a more than doubling of passive AuM, from US\$14.2 trillion to US\$36.6 trillion). In part, this is driven by a period of relatively poor performance by active funds, coinciding with the advent of low-cost passive funds and increased cost transparency in what has been several years of strong equity market growth. Furthermore, transparent, flexible, cheap, passive exchange-traded funds ("ETFs") are expected to continue to grow, primarily led by demand from younger investors, and also as a result of the rising popularity of "robo-advisers" and other forms of digital advice, which will further increase the take up of these inexpensive funds globally (Source: Asset & Wealth Management Revolution: Embracing Exponential Change, PwC). As a result, this is leading to a level of fee compression across the whole asset management industry, which means scale becomes increasingly important to compete effectively. This trend may drive consolidation amongst smaller players in the industry.

#### **4.3.4 Declining revenue and profitability margins in DFM segment**

RDR precipitated a change in revenue model for DFM, away from trail and rebate income, towards all-encompassing fee structures, which are usually based on the total value of the portfolio. Fee margin has been further impacted by the sustained low interest rate environment, which has eroded interest spreads. Such pricing levels may not be sustainable for smaller, less efficient players in a scaled sector.

#### **4.3.5 Consolidation in a saturated DFM market**

The DFM market in the UK remains fragmented and, with increasing regulatory overheads, firms who lack sufficient scale may struggle to generate profits. As a result, drive the potential for consolidation in the discretionary market. A recent example would be the proposed merger between Rathbones and Smith & Williamson in August 2017, although the transaction did not ultimately go ahead.

## 5. UK Retail Platform Market

### 5.1 Overview

A retail platform is a vehicle to hold and consolidate investments, providing customers and financial advisers an interface to view, manage and administer investments online. They are the most widely used solution for modern financial planning. As a value proposition for customers, the retail platforms allow consolidation of investment holdings in one interface, access to online valuations and financial information, provision of tax efficient products and the provision of customer services, such as performance tracking and financial reporting. For advisers, retail platforms provide tools and technical support, aggregate customer relationships in one interface and provide back office functionality and reporting services.

The platform market is an attractive segment which has captured a significant share of UK retail savings and pension flows, with strong growth in both assets and flows in the UK. The total UK platform market has grown at a CAGR of 22% from approximately £401 billion of AuA as at 31 December 2015 to approximately £592 billion as at 31 December 2017 (Source: Fundscape Platform Report, Q4 2017).

The platform market can be segmented into three categories: (i) the retail advised platforms play an intermediary role between financial advisers and customers, (ii) the corporate and institutional platforms are primarily used by discretionary fund managers, employee benefit consultants and workplace pension product providers, (iii) D2C platforms offer customers the opportunity to directly invest in stocks, bonds, mutual funds and other investment products on their own account and at their own discretion. Each of the three segments has grown over the past three years, with total closing AuA increasing at a CAGR of 22%, from £400 billion as at 31 December 2015 to £592 billion as at 31 December 2017 (Source: Fundscape Platform Report, Q4 2017).

The retail advised segment represents the largest channel, with £352 billion of AuA as of 31 December 2017 (approximately 60% of total AuA) and gross sales of £70 billion for 2017 (approximately 56% of total gross sales). Additionally, the corporate and institutional segment accounts for £114 billion of AuA (approximately 19% of total AuA) as of 31 December 2017 with £34 billion of gross sales (approximately 27% of total gross sales), and finally D2C representing £126 billion of AuA (approximately 21% of total AuA) and £22 billion of gross sales for 2017 (approximately 17% of total gross sales) (Source: Fundscape Platform Report, Q4 2017).

In the retail advised segment, there are two sources of fund flows onto platforms; the open market channel and the advised channel. Through the open market channel, third party IFAs direct flows onto the platform. Alternatively, in the advised channel, flows are directed by RFPs who are linked to the platform provider.

Retail products offered on UK retail platforms typically belong to one of two sub-segments, “wrappers” or “non-wrapped” (Source: Fundscape Platform Report, Q4 2017). Tax-efficient “wrappers” include ISAs, personal pension plans, such as flexible drawdown and SIPP, other pension products and investment bonds. Whereas “non-wrapped” products include general investment accounts (“GIAs”), typically used by customers once they have utilised their tax-free ISA allowance. Some providers may also hold old-style, legacy assets on their retail platforms which are closed to new business and managed for run-off.

During 2017, SIPPs represented the largest proportion of gross sales on platforms, accounting for 39% of total gross sales. This was followed by non-wrapped products with 33%, ISAs with 16%, other pension products with 10% and bonds with 1% (Source: Fundscape Platform Report, Q4 2017).

### 5.2 Competitive Landscape

In 2017, the top five retail advised platforms by AuA account for 57% of the total platform market. The largest retail advised platform player is Standard Life with approximately £54 billion, followed by Quilter Wealth Solutions (approximately £51 billion), Aegon including Cofunds (approximately £40 billion), Fidelity (approximately £34 billion) and AJ Bell (approximately £30 billion). Comparatively, by gross sales made during the fourth quarter of 2017, the best performing provider was Standard Life (£2.5 billion), followed by Quilter Wealth Solutions (£2.3 billion), Aegon including Cofunds (£2.3 billion), Aviva (£1.8 billion) and AJ Bell (£1.6 billion) (Source: Fundscape Platform Report, Q4 2017).

### 5.3 Market Trends

#### 5.3.1 Platforms capturing majority of retail flows

Currently, 78% of all retail fund flows in the UK are onto platforms as customers access more flexible drawdown products and consolidate maturing investments from older-style pensions or savings products (Source: FCA Investment Platforms Market Study Terms of Reference). This has been assisted by Pension Freedom which was initiated in 2015, whereby pension savers are no longer required to buy an annuity at retirement, but rather have flexibility on withdrawing pensions saving. This has also resulted in the growth of decumulation products, which are offered on UK retail platforms. The shift by employers from



old-style DB to new-style DC pension schemes has also contributed to the growth in flows onto platforms. Platform AuA is forecast to reach £1.4 trillion by 2022, growing at 20% per annum (Source: Fundscape Platform Report, Q3 2017).

#### 5.3.2 **Differentiated competitive strategies**

While price generally remains a differentiating factor between platforms, certain providers opt to compete and differentiate on other value-based factors. Value-added services are critical in differentiating between platforms and an important source of competitive advantage. For example, online reporting and risk profiling tools, information services, data analytics and efficiency-generating technologies. Furthermore, some differentiate by the product supported on the platform. For example, some platforms do not support DFM products, or the purchase of single equities. Still, price competition is sufficient to contribute to margin pressure in the space and given lower relative margins, scale is increasingly critical to compete effectively. It is also worth noting that for integrated players, capturing flows into multi-asset solutions may be as important as maintaining margin.

#### 5.3.3 **Re-platforming**

A number of players, including major players in the platform market such as Fidelity, Quilter Wealth Solutions, Aviva and Aegon, have recently been through or are currently undergoing re-platforming exercises. This process involves upgrading the system and related technology to meet the evolving needs of advisers and their clients and to enhance functionality to positively differentiate in a relatively commoditised industry.

#### 5.3.4 **Consolidation**

There are currently over 20 retail platforms in the UK, although many are considered to be sub-scale. Market commentators, including Calastone, believe there will likely be consolidation in the years ahead as increased competition and regulation add downward pressure to margins in an industry where scale matters. This builds on a growing trend in the platform sector with recent transactions including AXA UK selling its Elevate platform to Standard Life, Aegon acquiring the Cofunds platform from Legal & General and Lloyds Banking Group acquiring Zurich's workplace pensions intermediary platform. In addition, the Aegon and Cofunds transaction represents the first transaction which will involve the integration of two different technology platforms and could prove an important milestone in the platform market place.

#### 5.3.5 **FCA Investment Platforms Market Study**

As part of increasing regulatory scrutiny across all segments of the UK wealth management value chain, in 2017 the FCA launched a market review on the retail investment platforms market in the UK. The study makes reference to the increasing use of platforms across the UK, and hence the greater imperative to assess the level of competition within the industry and determine whether providers are delivering beneficial outcomes to customers. An interim report with findings and recommendations is due to be published in 2018.

## 6. **International**

### 6.1 **Overview**

At a global level, approximately 19% of high net worth wealth is invested outside an individual's country of residence. The most important driver for UK investors in offshoring assets is a desire to achieve tax efficiencies, followed by geographic diversification reasons, access to better investment options and then the expectation that wealth managed offshore will generate better returns (Source: GlobalData, HNW Offshore Investment: Drivers and Motivations 2017, April 2017).

Providers of cross-border investment solutions and tax wrappers serve three main customer segments, namely high net worth and affluent clients seeking jurisdictional diversification; expatriates living overseas; and high net worth and affluent residents who have reached their domestic tax efficient investment limits. Providers based in the Isle of Man and Dublin tend to focus on UK high net worth, affluent and expatriate clients.

The primary insurance-wrapped offshore product offered by the Isle of Man and Dublin providers is a single premium portfolio bond product, which tends to be a multi-currency, tax-efficient wrapper that can hold an extensive range of underlying investments. UK residents who have exhausted their contribution limits for ISAs and pensions can use international portfolio bonds for additional financial planning. It is estimated that this UK resident offshore market recorded £3.2 billion total sales in 2016 (Source: ABI 2016). The cross-border, multi-currency investment platform also serves working UK and international expatriates who are more likely to travel during their careers. Other UK and international investors, including high net worth investors, are principally attracted to the ability to invest in a politically and economically stable jurisdiction with a wide variety of investment choice.

## 6.2 Competitive Landscape

The main competitors in the UK offshore market are Quilter International, Canada Life, Prudential and Standard Life. In each international market, there are also domestic competitors. In Singapore, Quilter International has the largest market share with 50% of the single premium individual linked market as at 30 June 2017, followed by St. James's Place (23% market share) (*Source: Life Insurance Association of Singapore*). In Hong Kong, the largest players in the single premium individual linked market are Manulife International (70% market share), AXA China (10% market share) and Quilter International (5% market share), each as at 30 September 2017 (*Source: Hong Kong Insurance Authority*).

## 6.3 Market Trends

### 6.3.1 *Growth in offshore bond markets for affluent and high net worth customers*

Global wealth has continued to grow, driven by economic development and growth supporting wealth creation and accumulation of savings, particularly in the high net worth and affluent segments. This global structural growth supports continued demand for offshore wealth and demand for portfolio bonds as clients continue to seek access to global markets and to diversify their investments outside of their home country.

### 6.3.2 *Transformational regulatory change and increased scrutiny on offshore investment products and vehicles*

The Isle of Man FSA is introducing commission disclosure and asset suitability controls from 1 January 2019, which is likely to negatively impact the product proposition and reduce the number of distributors in the market, particularly in markets where Quilter International competes with domestic providers who are not subject to the same disclosure requirements.

Furthermore, there were recently a number of leaks which resulted in negative press surrounding the use of offshore investments in low tax jurisdictions. This included the leak of the Paradise Papers in late 2017 and the Panama Papers in early 2016.

---

## PART VI

### BUSINESS DESCRIPTION

---

*The following should be read in conjunction with the other information regarding the Group in this Prospectus, including Part I – “Risk Factors”, Part X – “Operating and Financial Review” and the Group’s consolidated historical financial information and the related notes included in Part XII – “Historical Financial Information”. Unless otherwise stated, the financial information relating to the Group set out in this part of the document has been extracted without material adjustment from the Financial Information in Part XII – “Historical Financial Information” of this Prospectus.*

*Except where expressly stated otherwise, this Part VI is a discussion of the Group’s continuing operations and therefore excludes the Single Strategy Business and other discontinued operations.*

*This section includes forward-looking statements that reflect the current view of the Directors and involve risks and uncertainties. The actual results of the Group could differ materially from those contained in any forward-looking statements as a result of factors discussed below and elsewhere in this Prospectus.*

#### 1. Overview

The Group is a leader in the UK and in selected offshore markets in wealth management, providing advice-led investment solutions and investment platforms to over 900,000 customers, principally in the affluent market segment. At the core of the Group are a multi-channel wealth management proposition and a strong investment performance track record, driving Integrated NCCF and long-term customer relationships. As at 31 December 2017, the Group had £114.4 billion of AuMA following the elimination of intra-Group assets.

The Group operates through two segments, Advice & Wealth Management and Wealth Platforms.

The Group’s Advice & Wealth Management segment, with £41.7 billion of AuM as at 31 December 2017, comprises:

- *Quilter Financial Planning*, which is a network of over 3,500 financial advisers, including approximately 2,000 CF30 Advisers, of which 1,561 are RFPs, who deliver face-to-face financial advice tailored to meet the specific needs of the customer. Quilter Financial Planning is the second largest restricted advice network in the UK, as measured by the number of CF30 Advisers as at 31 December 2017 (*Source: Financial Times*);
- *Quilter Investors*, which is a leading provider of multi-asset investment solutions in the UK, offering a broad range of solutions for its customers’ accumulation and decumulation needs; and
- *Quilter Cheviot*, which is a leading UK-based private-client wealth manager providing discretionary and advisory wealth management services to private clients, corporates, pension funds, trusts and charities.

The Group’s Wealth Platforms segment, with £84.6 billion of AuA as at 31 December 2017, comprises:

- *Quilter Wealth Solutions*, which is a leading investment platform provider of advice-based wealth management products and services in the UK. Quilter Wealth Solutions serves a largely affluent customer base through both Quilter Financial Planning and third party advisers. The UK Platform Transformation Programme is expected to be a major enhancement of Quilter Wealth Solutions’ range of products and capabilities and is designed to improve clients’ and advisers’ experience and expand the proposition;
- *Quilter Life Assurance*, the Group’s book of legacy UK life insurance, insurance bonds and pension business, as well as the Group’s open protection book of business. It also includes the Group’s institutional life business, which is closed to new business and the majority of which the Group expects will run off over the next one to two years. Quilter Life Assurance’s retail book is also in a steady managed run-off expected to be at around 15% per annum; and
- *Quilter International*, which is a leading investment platform provider of cross-border investment solutions (portfolio bonds and unit-linked products) aimed primarily at affluent and high net worth UK residents seeking investment solutions outside of the UK, as well as expatriates and international investors in selected offshore markets.

The Group has adopted a multi-channel access model, using both advised and open market approaches, designed for better customer outcomes by giving customers greater accessibility and choice. As at 31 December 2017, the Group’s advised channel included approximately 200,000 advised customers paying ongoing advice fees, 1,561 RFPs (who advise on a range of investment solutions offered by the Group and from third parties that have been pre-researched by the Group) and 422 IFAs on the Quilter Financial Planning network (who advise on an unrestricted whole of market basis). The Group’s open market channel included approximately 700,000 customers (of which approximately 400,000 are customers of Quilter Wealth Solutions) who are primarily serviced by over 4,000 active third party UK advice firms using the Group’s platforms and investment solutions. The Directors believe that the Group’s multi-channel wealth management proposition provides greater market breadth and customer and adviser choice which support long-term customer relationships. The Group’s multi-channel wealth management proposition has also contributed to growth in the Group’s Integrated NCCF (excluding Quilter Life Assurance), which has increased from £1.6 billion in the year ended 31 December 2015 to £5.2 billion in the year ended 31 December 2017. The Group’s open market NCCF (excluding Quilter Life Assurance) has decreased from £2.7 billion in the year ended 31 December 2015 to £2.4 billion in the year ended 31 December 2017. Growth in Integrated NCCF has also been supported by the increase in the Group’s RFPs from 930 as at 31 December 2014 to 1,561 as at 31 December 2017, an increase of 68% as a result of acquisitions, organic growth and transition of advisers from IFAs to RFPs.

The Group has delivered attractive top-line growth in recent years. From 31 December 2015 to 31 December 2017, AuMA has increased from £85.3 billion to £114.4 billion following the elimination of intra-Group assets, NCCF (excluding Quilter Life Assurance) has increased from £4.3 billion to £7.6 billion and normalised operating profit from continuing operations has decreased from £213 million to £209 million.

## 2. Competitive Strengths

The Group is one of the UK's leading wealth management businesses, with more than £114.4 billion of AuMA as at 31 December 2017 and a demonstrated track record of growth (16% AuMA compound annual growth and 11% revenue compound annual growth over the three-year period to December 2017). Through its unique combination of capabilities and scale across each segment of the value chain, the Group offers its customers choice through a multi-channel wealth proposition. The Group provides financial advice, investment solutions and discretionary fund management for affluent customers, alongside its wealth platforms which offer a range of modern retirement and investment wrappers. The Directors believe that the Group benefits from the following key strengths.

### 2.1 *The Group operates in one of the world's largest wealth markets with strong structural growth drivers*

The UK is one of the world's largest wealth markets, with an estimated UK onshore wealth of £3.0 trillion, measured in liquid assets, as at 31 December 2017, according to GlobalData Financial, 2017. The UK onshore wealth market has grown at a CAGR of 6% since 2012 (*Source: GlobalData Financial, 2017*). The Group has made a strategic choice to focus primarily on the affluent customer segment of the UK wealth market, which comprises approximately five million adults with liquid assets of between £100,000 and £5 million. This segment in aggregate represented approximately £1.7 trillion of liquid assets, or 57% of onshore wealth in the UK in 2017 (*Source: GlobalData Financial, 2017*).

The Directors believe that the Group's full service and multi-channel wealth management offering is competitively positioned in the affluent customer segment and has the greatest potential for growth as compared to the mass retail segment. Typically, affluent customers need and place value on financial advice and more sophisticated investment solutions. In turn, financial advisers are increasingly outsourcing investment decisions, including asset allocation and fund selection, to specialist investment firms, such as Quilter Investors or Quilter Cheviot, and administering customers' assets through wealth platforms.

The UK wealth market has strong structural drivers of growth and the Directors expect these to continue, particularly in the affluent customer segment in which the Group operates:

- The need for financial advice is growing in the UK, yet since implementation of RDR in 2012, the number of advisers in the UK remains broadly unchanged. In the UK, there are approximately 2,000 adults per adviser (*Source: ONS; APFA, 2016*). The on-going shift in responsibility for long-term savings and retirement provision from the state or companies towards individuals means customers increasingly need to make their own financial plans. Changes in legislation and regulation, including Pension Freedom, have served to increase the complexity that individuals face, further increasing the relevance of professional financial advice. The Directors believe that the Group's established advice business, Quilter Financial Planning, positions the Group well to meet this growing demand.
- Demographic trends and changes in legislation and regulation support long-term growth in assets. The UK has the second largest savings gap in Europe (estimated annual savings gap of approximately £300 billion in 2016 (*Source: Deloitte*)). Any closing of this savings gap can be expected to lead to growth in the wealth management market. This growth is expected to be supported by the existing government policy to stimulate higher savings, combined with the shift towards individual responsibility for long-term savings. Pensions reform in the UK, which removed compulsory annuitisation for the majority of savers at retirement, allows individuals to keep their pension savings rather than transferring those funds into an annuity. This is expected to increase the opportunity for wealth managers to retain and continue to advise on and manage customers' funds beyond the savings phase into the retirement phase, potentially significantly extending the longevity of customer relationships and increasing the size of the market.
- Investment solutions have experienced rapid adoption by customers and advisers yielding strong growth in the UK and globally. Total UK mutual fund AuM has grown 73% over the last five years to 31 December 2017. These trends are expected to continue as customers (and their advisers) focus increasingly on assessing their future financial objectives against their appetite for risk and demanding outcome-orientated solutions designed to meet their needs, rather than traditional benchmark-orientated solutions. The market size for UK investment solutions is expected to increase due to flows driven by the financial advisers who are increasingly outsourcing this activity to specialist investment firms due to lack of financial adviser investment expertise. The trend is evidenced globally and estimates from BCG indicate that, approximately 51% of total net flows across the asset management industry globally over the five years to 2020 are expected to be into multi-asset solutions (*Source: BCG, 2016*). Quilter Cheviot operates in the £473 billion discretionary wealth market, which has been growing at an 11% CAGR from 2012 to 2016. This growth has primarily been driven by RDR, industry consolidation, increasing demand, demographic and digital developments. Through Quilter Investor's leading range of multi-asset funds and Quilter Cheviot's discretionary portfolios, the Directors believe the Group is well-positioned to continue to capture these trends.

- The UK platform market also has experienced strong growth, which is expected to continue. As at 31 December 2017, there were approximately £592 billion of AuA on platforms in the UK, having grown at a CAGR of 22% from £401 billion of AuA as at 31 December 2015, with the retail advised segment representing the largest channel with approximately 60% of total AuA (Source: Fundscape Platform Report, Q4 2017). Growth in the UK platform market has been driven by a number of trends which are expected to continue in the medium-term, including pension and investment consolidation onto platforms, favourable regulatory developments and consolidation. Platforms allow advisers to have their customer's investments in one place, enabling access to a full range of wrappers, financial planning tools, administrative support and service, while receiving scale benefits as they grow the size of customer assets on the platform. As such, platforms have become critical service components in the wealth management market, and the Group's platforms support not only its own financial advisers, but also third party advisers, positioning the Group well to capture the ongoing shift towards platform use. The strong competitive positioning of the Group's UK platform is evidenced by the proportion of the Group's NCCF and AuA having been sourced through third party advisers.

These trends combine to support continued strong growth in the UK wealth market and the Directors believe that the Group is well-positioned to take advantage of this growth.

## 2.2 ***The Group has leading market positions in its chosen segments, which positions the Group to benefit from the market's structural growth dynamics***

The Group's market leading positions reflect its strong customer franchise in the UK wealth market. The strength of its full service wealth offering has resulted in attractive levels of growth in NCCF, AuMA and revenues in recent years.

In Advice & Wealth Management:

- The Group had 2,323 CF30 Advisers (excluding 46 CF30 Advisers within the Single Strategy Business) as at 30 June 2017 (Source: Financial Times), the majority of which were in Quilter Financial Planning, making it the second-largest financial adviser in the UK by number of CF30 Advisers. Quilter Financial Planning provides ongoing advice to more than 200,000 customers. Including Quilter Financial Planning, there are only two businesses in the market with more than 1,000 CF30 Advisers. St James's Place is the largest in the market with 4,206 CF30 Advisers as at 30 June 2017 (Source: Financial Times).
- Quilter Investors is one of the leading providers of multi-asset investment solutions in the UK by net flows, with £16.9 billion of AuM as at 31 December 2017, and generating £3.3 billion of net sales in the year ended 31 December 2017. As reported by Pridham, Quilter Investors generated £2.1 billion of net multi-manager sales in the year ended 31 December 2017. In comparison, Quilter Investors' four primary competitors generated £0.7 billion, £0.7 billion, £0.5 billion and £0.2 billion of net multi-manager sales in the year ended 31 December 2017, respectively (Source: Pridham Report).
- Quilter Cheviot is the fifth-largest discretionary wealth manager in the UK by AuM, with £23.6 billion of AuM as at 31 December 2017, and generating £1.1 billion of NCCF in the year ended 31 December 2017. As at December 2016, Brewin Dolphin was the largest discretionary wealth manager with £38 billion AuM, followed by Investec (£31 billion), Rathbones (£30 billion), Cazenove (£29 billion) and Quilter Cheviot (£21 billion, as at December 2016) (Source: Private Asset Managers 2017 report, excluding private banks and St James's Place).

In Wealth Platforms:

- Quilter Wealth Solutions is the second-largest retail advised platform in the UK by AuA, with £50.2 billion of AuA as at 31 December 2017, NCCF of £4.5 billion as at 31 December 2017, and with over 4,000 active third party UK advice firm relationships. These advisers use Wealth Solutions' services on behalf of more than 700,000 customers. The top five players in the segment represent a market share of 60% on an AuA basis. As reported by Fundscape, Standard Life is the leader with £54 billion AuA as at 31 December 2017 followed by Quilter Wealth Solutions (£51 billion), Aegon (including the Cofunds retail platform, £40 billion), Fidelity (£34 billion) and AJ Bell (£30 billion) (Source: Fundscape Q4 2017).
- Quilter International is a leading provider of offshore bonds and was ranked fourth by total UK offshore sales with £622 million in the year ended 31 December 2017 (Source: ABI). Canada Life leads the market with £803 million of offshore sales followed by Prudential (£596 million) and Standard Life (£554 million) as at 30 September 2017 (Source: ABI). Quilter International also has a broad geographical footprint, servicing UK and International expatriates in selected markets globally. It is a leader in this market in Singapore and positioned third in Hong Kong in the single premium individual linked market, which demonstrates focus on a clear cross-border competitive advantage.

Competition in the UK wealth market remains fragmented, with traditional life and pensions companies, platform firms, specialised wealth managers and retail and private banks all participating in the provision of wealth management services. The fragmentation is more evident in the upper affluent wealth segment in which the Group operates, relative to high net worth and mass affluent segment. The Directors believe that the Group's scale and leading market positions in each of its chosen segments should enable the Group to benefit from strong structural growth dynamics and capture an increased share of the market.

### 2.3 ***The Group is a full service wealth manager, focused on delivering good customer outcomes***

Over a number of years, the management of the Group has led the transformation of the business, through a combination of organic investment, acquisitions and disposals, from a traditional UK and European life assurance firm into a modern, full service UK wealth manager. The Directors believe its business model today is positioned to benefit from recent and on-going industry and regulatory trends, in particular through its differentiated multi-channel model.

The Group's ability to provide good customer outcomes and bespoke solutions in line with risk appetites and time horizons, represents a compelling proposition for customers and its customers have the flexibility of seamless access between its Financial Advice, Platform and Investment Solutions products. The Group's unbundled pricing offers flexibility to use any component, pay for that product or service only at comparable levels to the market, and maintain oversight of the Group's transparent charging structure.

The quality of the Group's customer franchise, its competitive positioning and the growth in AuMA over recent years is, in part, due to its focus on and track record of delivering good customer outcomes, in terms of quality of advice, investment performance, and customer service.

The Directors believe the Group has delivered good outcomes for customers across its segments:

- Both Quilter Investors and Quilter Cheviot have delivered strong investment returns. Quilter Investors' leading and largest range of funds, Cirilium Balanced, Moderate and Dynamic have delivered strong risk adjusted returns, outperforming comparable peer fund strategies over the nine years since launch to 31 December 2017 (Source: Financial Express). Of the funds measured against the peers, 70% have performed above median over a 3-year period and of those measured against an index or target, 80% have outperformed over the same period. Quilter Investors and Quilter Cheviot also have a strong track record of developing services and products that provide the desired outcomes for our advisers and customers. With its wide range of funds, Quilter Investors provides customers with optionality and performance. Quilter Cheviot's investment performance across its Balanced discretionary portfolio has been consistently in the first and second quartiles over the last ten years ended 31 December 2017 (Source: ARC, December 2017). The Directors believe that the combination of above elements has been a strong driver of NCCF.
- Through its network of over 3,500 financial advisers (including 1,584 Mortgage & Protection Advisers) in Quilter Financial Planning, the Group provides high quality, professional financial planning advice, including the identification of, and ongoing monitoring of, customers' risk appetites to deliver desired outcomes. For example, the ratio of complaints upheld for Quilter Financial Planning over the six months ended 30 June 2017 was 21%, compared to an industry average of 36% for the same period (Source: FOS). The Group's robust risk management and compliance processes are designed to ensure suitability of advice and the highest standards are maintained.
- Quilter Wealth Platforms is the most widely used platform among advisers with over 4,000 active third party UK advice firm relationships (Source: May 2017 Investment Trends UK Adviser Technology & Business Report). Over 70% of those advisers regard it as their primary or secondary platform (Source: Fundscape). Furthermore, the Directors expect the UK Platform Transformation Programme to enhance the Group's platform and service offering. The new platform will offer a wider product and investment range to customers including SIPP functionality, cash accounts, adding a Junior ISA, ETFs and investment trusts, thereby providing greater accessibility and functionality to advisers and customers. The Group is focused on delivering good customer outcomes and helping customers create a financially secure future.
- The Group offers unbundled and transparent pricing for its products. Customers are charged separately and at comparable levels to the market for different services, depending on the service selected.

By seeking to deliver good customer outcomes, the Group has developed a strong customer franchise and reputation in the provision of wealth management services in the UK. This is evident in the growth in NCCF and AuMA delivered by the Group in recent years. Furthermore, it has contributed to strong retention of both customers and customer assets by the Group. The Group has also won a number of awards for excellent customer service, in particular from Defaqto, where Quilter Wealth Solutions was the only company in 2017 to receive a gold rating across all elements of the proposition – platform, pension, onshore bond and protection.

### 2.4 ***The Group's multi-channel wealth management proposition is driving Integrated NCCF, open market NCCF and long-term customer relationships***

The Group has achieved annual NCCF (excluding Quilter Life Assurance) of 6%, 6% and 9% of opening AuMA in the years ended 31 December 2015, 2016 and 2017, respectively, ahead of the target stated in 2016 of delivering NCCF (excluding Quilter Life Assurance) of 5% of opening AuMA per annum over the medium term. In addition to a full service wealth management offering, the Group has built a multi-channel distribution model. These channels combine to provide customers and advisers with choice in the way they use the Group's services and have enabled increasing integration between the Group's business segments, while supporting strong NCCF and growth in AuMA at attractive revenue margins.

The Directors believe that the Group is differentiated from many of its competitors in the flexibility it offers customers and advisers to use its services. Customers may use one of the 3,567 financial advisers within the Quilter Financial Planning network (including 1,584 Mortgage & Protection Advisers) or one of the approximately 4,000 active third party UK advice firms that use the Group's investment solutions and/or wealth platforms. The restricted platform proposition for the Group's RFPs consists of three platforms, enabling RFPs to choose between Quilter Wealth Solutions and two third party platforms to best meet the needs of their customers. This choice benefits customers and their advisers, while enabling the Group to maximise its opportunity to capture share in the UK wealth market. The Directors believe that growth in the number and productivity of advisers and investment managers will support continued strong levels of Integrated NCCF, following the recent trend. NCCF from Quilter Financial Planning to Quilter Investors has increased from £1.0 billion in the year ended 31 December 2015 to £2.5 billion in the year ended 31 December 2017.

Increasingly, customers and advisers are choosing to use more than one of the Group's services. This integration of the Group's wealth management propositions offers benefits for both customers and advisers through the various elements of the proposition aligning to meet the needs of customers. It also supports strong NCCF through increased Integrated NCCF (excluding Quilter Life Assurance), which has increased from £1.6 billion in the year ended 31 December 2015 to £5.2 billion in the year ended 31 December 2017. In the year ended 31 December 2017, Integrated NCCF comprised £2.7 billion of NCCF into Quilter Investors or Quilter Cheviot, which originated from the Group's advisers, and £1.0 billion of NCCF from third party independent advisers, which is managed by Quilter Investors or Quilter Cheviot and is held on one of the Group's wealth platforms.

Furthermore, the Directors expect the implementation of the UK Platform Transformation Programme to provide enhanced DFM functionality and this could provide the opportunity for the UK platform to expand its offering to include more sophisticated MPS propositions.

The Directors believe that the Group's business model supports long-term customer relationships, as evidenced by the high asset retention over the last three financial years ended 31 December 2017. Excluding Quilter Life Assurance, total Group asset retention (calculated as  $1 - (\text{gross outflows/opening AuMA})$ ) has been 90% for each of the years ended 31 December 2015, 2016 and 2017. In addition, the full service multi-channel wealth model enables the Group to meet the changing needs of affluent customers over their life cycle, with an opportunity to serve customers for approximately 60 years. Longer-term customer relationships, combined with many of the trends previously outlined in this section, underpin good levels of retention of customer assets and the Directors currently expect this trend to continue.

The Group's multi-channel model also provides it with the ability to diversify across market segments, asset classes, customer types and products as its distribution covers a significant part of the asset and product spectrum. The Directors believe that the Group's strong positions in each of its market segments also offer strategic flexibility to respond to and capitalise on changing market and regulatory conditions over time.

## 2.5 ***The Group has a strong track record of delivering growth in NCCF, AuMA and Revenues***

The Group has delivered strong growth across its business in recent years, which reflects a combination of continued growth in the UK wealth market, supportive financial markets and the Group's increasing market shares (driven by the various factors outlined above). The table below shows the growth in Quilter Financial Planning advisers, NCCF, AuMA, and revenues over the three years ended 31 December 2017.

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
Adviser numbers (RFPs + PCA)	1,230	1,423	1,561
Total NCCF (£bn)	3.9	3.3	6.3
Total NCCF (excluding Quilter Life Assurance) (£bn)	4.3	4.2	7.6
Total AuMA (£bn)	85.3	98.2	114.4
Total normalised revenue (£m)	587	646	728

The growth in Advice & Wealth Management has been strong, with AuMA up 51% and revenue up 51% over the three-year period ended 31 December 2017. Substantial growth in the number of advisers has resulted in strong Integrated NCCF into the Group's investment solutions and wealth platforms. NCCF growth in Advice & Wealth Management has been strong, increasing 159% over the three year period ended 31 December 2017. Management is focused on continuing to grow the number of advisers and improve their productivity, which the Directors expect will continue to support attractive NCCF into Quilter Investors, onto the Wealth Platforms, and increasingly into Quilter Cheviot. Over the three-year period, Advice & Wealth Management has delivered NCCF over opening AuMA of 13%, in excess of the Group's target of delivering NCCF (excluding Quilter Life Assurance) of 5% of opening AuMA per annum over the medium term.

The growth in Wealth Platforms has been robust, with AuMA up 33% and revenue up 9% over the three-year period ended 31 December 2017. While third party adviser numbers have remained stable, NCCF (excluding outflows from Quilter Life Assurance) has been strong, up 84% to £5.9 billion for the year ended 31 December 2017, representing a CAGR of 59%. In the year ended 31 December 2017, Wealth Platforms has delivered NCCF over opening AuMA of 10% (excluding Quilter Life Assurance). The investment into the platform is expected to enhance the functionality and quality of services for advisers. The Directors expect the Group to achieve better adoption by both its own advisers and third party financial advisers, supporting higher Integrated NCCF and open market NCCF to support the Group's annualised NCCF target.

The Directors believe that the positive structural growth dynamics in the UK wealth market and the Group's leading market positions and full service, multi-channel model, position the Group for continued success and should enable the Group to continue to target delivering NCCF (excluding Quilter Life Assurance) of 5% of opening AuMA per annum over the medium term. In recent periods, the Group has exceeded this medium-term target (excluding Quilter Life Assurance) and, should market conditions remain supportive, the Directors expect the Group to exceed the annualised NCCF target in the financial year ending 31 December 2018. In particular, the Directors expect this elevated near-term NCCF to be driven by the continued growth of inflows into Quilter Investors as a result of the Group's planned adviser growth and adviser productivity initiatives. As evidenced in prior periods, the Directors also expect the NCCF growth profile to continue to be different between segments, with higher percentages of NCCF over opening AuMA in the Advice & Wealth Management segment.

## 2.6 **The Group has undertaken considerable investment as part of its transformation, underpinning the opportunity for operating leverage over the medium term**

The Group has delivered attractive top-line growth in recent years and has undertaken considerable investment as a part of its transformation to be a full-service, multi-channel wealth manager including investing in order to operate on a fully standalone basis. Whilst this has resulted in declining operating margins, costs as a percentage of AuMA have remained broadly stable over this period, as set out in the table below.

	As at 31 December		
	2015	2016	2017
AuMA (£bn)	85.3	98.2	114.4
Total normalised expenses (£m)	374	438	519

The Group has largely completed the transformation from a traditional UK and European life assurance firm into a modern, multi-channel UK wealth manager through a combination of investment, acquisitions and disposals.

Recent and on-going investment has been focused more on building the business and the integration of the front-end parts of the model to maximise the ability to capture customers and NCCF, as well as the separation from Old Mutual plc. Over this period there has been a reduced focus on the integration, optimisation and efficiency of the Group's operations. Going forward, the Group intends to focus more on business optimisation and scaling areas for potential increased efficiency by improving processes and optimising infrastructures, and by identifying and removing, where appropriate, any areas of duplication or inefficient hand-offs. Investment in the UK Platform Transformation Programme is expected to provide enhanced functionality, integrated systems, increased straight through processing and scalability for the years ahead. The Directors believe that increasing levels of NCCF and AuMA should result in the potential for improvement in the operating margin in the medium term from 29% in the year ended 31 December 2017. The Directors currently expect the Group should achieve an operating margin, before interest costs, of 30% for the year ending 31 December 2020 after the full impact of the additional expenses expected in 2018, but before it implements (and benefits from) any future optimisation initiatives that the Group intends to consider.

Following Admission, management expects to review the standalone cost base and operating model of the Group to identify long-term optimisation initiatives to improve expense efficiency. However, at this stage, the initiatives, potential efficiency savings and restructuring costs to achieve this optimisation have not yet been scoped. The Directors expect that this review will be conducted commencing in the second half of 2018, and that an update will be provided at the time of publication of the results for the financial year ending 31 December 2018.

## 2.7 **The Group's strong balance sheet and improving cash generation is expected to drive attractive shareholder returns**

The Group plans to maintain a strong solvency and liquidity position through disciplined management of capital resources and risks. The backing of a financially strong group is important for the Group's businesses given the security and peace of mind that it affords customers and advisers.

The Company maintains a disciplined approach to capital, in order to balance its current and anticipated liquidity, regulatory capital and investment needs, with a view to returning any excess capital to shareholders as appropriate. As part of its disciplined approach to capital, the Group has a prudent capital management and liquidity policy. The Group also currently maintains a high quality of capital, with unrestricted Tier 1 capital



accounting for £1.9 billion or 90% of total Own Funds as at 31 December 2017, adjusted to include the Tier 2 Bond.

At 31 December 2017, the Group had a Solvency II ratio of 155% after the 14% adjustment following the European Insurance and Occupations Pensions Authority ("EIOPA") update of the Individual Capital Guidance requirements in investment firms subject to the ICAAP regime. In developing the appropriate capital and liquidity position as part of the Managed Separation process, the Group entered into the New Term Loan on 23 February 2018, a £300 million senior unsecured term loan with a number of relationship banks with an opening interest rate of 45 basis points above LIBOR, subject to a margin ratchet linked to the Company's credit rating. On 28 February 2018, the Group issued a £200 million subordinated debt security in the form of a 10-year Tier 2 Bond with a one-time issuer call option after five years to J.P. Morgan Securities plc, paying a semi-annual coupon of 4.478%.

Adjusting to include the New Term Loan and the Tier 2 Bond, the *pro forma* Solvency II ratio would have been 171% at 31 December 2017. This *pro forma* ratio is stronger than the reported year end ratio and allows for the Group's near-term cash needs. The New Term Loan, the Tier 2 Bond and the New Revolving Facility have been issued to ensure that the Group has sufficient capital and liquidity to maintain strong capital ratios and free cash balances in line with its prudent capital management and liquidity policy. The Group aims to maintain sufficient holding company liquid resources to complete all committed strategic investments (including the UK Platform Transformation Programme); to allow for any further potential costs associated with the FCA's Thematic Review, including for any potential fine which may be levied by the FCA and in respect of which no provision has yet been made to date; and to withstand severe but plausible stress scenarios. These include, despite the Directors considering it to be a remote event, the sale of the Single Strategy Business failing to complete. The impact of this prudent policy is that the Group expects to maintain a solvency position in excess of its policy in the near-term.

The *pro forma* ratio of 171% does not include the expected Solvency II benefit arising on completion of the sale of the Single Strategy Business. The Solvency II impact of the completion of the sale of the Single Strategy Business would have increased the *pro forma* 31 December 2017 Solvency II ratio by approximately 40 percentage points before taking into account any potential distribution of surplus proceeds to the Company's shareholders.

The Group will reduce the amount of gross debt by repaying the New Term Loan in full using proceeds from the sale of the Single Strategy Business following the completion of the OMGI Transaction.

The Group defines cash generated in a financial year as free cash generated by the Group's operating profit from continuing operations, net of tax and normal cash movements supporting changes in the capital requirements of the business but before the payment of debt servicing costs and non-expensed investments in distribution. The cash generated from continuing operations in the year ended 31 December 2017 was £163 million, equivalent to 83% cash conversion of post-tax operating profit from continuing operations.

The Directors believe that the level of cash conversion from post-tax operating profit should remain strong given the recent significant levels of investment in the business, the Directors' expectations for future normal incremental capital requirements of the business on an annual basis, and the disciplined management of costs. The Directors continue to expect conversion of approximately 80% of post-tax operating profit from continuing operations into free cash.

In future, the cash generated will be partially utilised to fund debt servicing costs and targeted acquisitions of distribution (which are currently expected to be up to £20 million per annum). For the avoidance of doubt, the levels of targeted acquisitions of distribution noted here are those which the Directors expect will result in balance sheet accounting as they are driven principally by acquisitions of intangible assets and goodwill. This is separate from, and different in nature to, the investments in distribution and distribution capabilities which are generally staff and staff related and the Group expenses against operating profit as incurred.

Over the three years ended 31 December 2017 cash generation has been utilised to fund a number of significant actions for the Group and as a result the overall net generation of cash available to be distributed to Old Mutual plc has been significantly lower. These significant actions have included: the investments in the UK platform transformation programmes; the costs of distribution growth and strategic investments; one-off costs for the Quilter Separation; and the costs related to the Thematic Review.

As noted above, the Group aims to maintain sufficient holding company liquid resources to complete all committed strategic investments (including the UK Platform Transformation Programme) and to allow for any further potential costs associated with the Thematic Review, including for any potential fine which may be levied by the FCA. As a result, the Directors do not believe that there will be any demand on cash generated from operating earnings for these matters. However, the Group does currently expect further one-off costs of approximately £36 million, charged outside of operating profit, in respect of the completion of the Quilter Separation, which will utilise cash generated. These comprise a mixture of standalone, advisor and other transaction costs. Of these, approximately £12 million is expected to be incurred in respect of the rebrand of the business from Old Mutual Wealth to Quilter.

The Directors expect the combination of a strong balance sheet and improved net cash conversion to provide the resources from which the Group can continue to invest in its businesses for growth and deliver returns to shareholders through the Company's stated dividend policy.

The Company's dividend policy is to target a dividend pay-out range of 40 to 60% of post-tax operating earnings and it is expected that the split of interim and final dividends will be approximately one-third and two-thirds, respectively, of the total dividends payable in respect of a financial year, taking into account the underlying cash generation, cash resources, capital position, distributable reserves and market conditions at the time. The first dividend payment following Admission is expected to be the final dividend in respect of the year ending 31 December 2018, which would be paid following approval of the financial statements for the year ending 31 December 2018 at the Annual General Meeting of the Company, currently expected to be held in May 2019. The Directors currently expect this dividend to be determined by a pay-out at the lower end of the target range and to reflect the expected split of interim and final dividends.

Subject to the Group's prudent capital management and liquidity policy, following the completion of the sale of the Single Strategy Business, the Directors will also consider a distribution by the Company from the surplus sale proceeds to its shareholders. In determining the size of any potential return to shareholders, the Company will take into account a number of factors including certain matters directly related to that sale such as: (i) the repayment in full of the senior unsecured term loan, (ii) the costs associated with the sale of the Single Strategy Business, and (iii) the costs associated with the establishment of the standalone Quilter Investors Multi-Asset Business. Any distribution by the Company from the surplus proceeds of the sale of the Single Strategy Business would be outside the scope of the Company's dividend policy.

### 3. Strategy

The Group aims to be the leading UK wealth manager by continuing to focus on delivering good customer outcomes. The breadth of the Group's model helps to create wealth for customers through providing the services to develop suitable financial plans, manage customers' investments in attractive solutions (in line with their objectives and risk appetites) and by helping customers access modern wealth wrappers via the Group's platforms. The Group's purpose and strategy are underpinned by core beliefs, which include: better choice for customers, sound financial advice and modern, simple and transparent products that are easily accessible. The Directors believe that the Group's competitive advantage lies in its strong market positions in attractive markets and its ability to offer high quality solutions across each element of the value chain at a competitive, transparent and unbundled price; allowing advisers and customers the choice to select the solutions that best meet their individual needs. See "*—2. Competitive Strengths*" above.

The breadth of the Group's offering allows it to source NCCF both from existing and new customers from across the market spectrum. The Group has the benefit of being able to support and source new customers through both an advised channel with a growing restricted advice base, as well as an open market channel with access to a large group of independent advisers. Through the successful implementation of its strategy, the Group aims to continue to grow its business through both of these channels, improving its market position and increasing NCCF. The Directors believe that based on the specific strategic initiatives described below, the Group can continue to deliver annualised NCCF (excluding Quilter Life Assurance) of 5% of opening AuMA per annum over the medium term and, should market conditions remain supportive, exceed the targeted annualised level of 5% of opening AuMA in 2018. Subject to delivering currently expected AuMA volumes and business mix from these growth initiatives, the Directors believe that the Group's overall annual rate of revenue margin decline should slow in the near-term, and the Group's revenue margin should become increasingly stable. At a business unit level, the businesses will be managed with the intention of delivering revenue and profit growth, which may lead to mix driven changes in segment revenue margins over time. A greater proportion of flows into the higher revenue margin Advice & Wealth Management segment, and the run-off of the Quilter Life Assurance Institutional book over the next one to two years, are each expected to provide support to the Group's revenue margin in the near term. In addition, the Directors expect that the growth of Integrated NCCF will support the Group's revenue margin going forward.

Furthermore, the Directors currently expect that the Group should achieve an operating margin, before interest costs, of 30% for the year ending 31 December 2020 including the full impact of the additional expenses expected in 2018, but before it implements (and benefits from) any future optimisation initiatives that the Group intends to consider from the review which will be conducted following Admission, commencing in the second half of 2018.

The Group intends to achieve these targets while maintaining a disciplined approach to capital in order to balance its current and anticipated liquidity, regulatory capital and investment needs, with a view to returning any excess capital to shareholders as appropriate.

Specifically, the Group aims to pursue the strategic initiatives described below.

#### 3.1 **Expand the number of RFPs in its Quilter Financial Planning network and in PCA as well as investment managers in Quilter Cheviot**

Over the three years ended 31 December 2017, the Group has focused on delivering growth and increasing Integrated NCCF by expanding the number of RFPs through acquisitions and organic recruitment. RFPs numbers have grown by 930 since the beginning of 2014 to 1,561 as at 31 December 2017. This increase in RFPs is 28% due to organic growth, 31% due to transition of IFAs to RFPs, and 41% due to acquisitions. Continuing to expand the number of RFPs in the network and Quilter Private Client Advisers ("**PCA**") through recruitment, small acquisitions and training and retention, is an important component to the Group's growth strategy. The Directors believe that the fragmented market place gives the Group further acquisition opportunities to bring more RFPs into

both the network and PCA. The establishment of the Financial Adviser School (“FAS”) has already started to add new RFPs to the Group and is expected to continue. Adviser retention is also important to the Group’s strategy. In 2015, Quilter Financial Planning established a Practice Buyout Scheme to provide an exit for retiring advisers and a safe transition for customers, retaining customers within the Group and providing continuity of service. As at 31 December 2017, Quilter Financial Planning had facilitated 41 Practice Buyouts since the Practice Buyout Scheme was established.

RFP growth will also be supplemented, in Quilter Cheviot, by pursuing targeted investment manager recruitment to expand the regional coverage of that business.

### **3.2 *Improve the productivity of the Group’s RFPs and investment managers***

The Group’s 1,561 RFPs have a broad regional coverage, and the age demographic of the Group’s RFPs is believed to be younger than peers, with 53% of RFPs under 50, compared to 45% under 50 across the broader industry. Furthermore, nearly two-thirds of the RFPs have been with the Group for fewer than five years as a result of recent adviser acquisitions. In the year ended 31 December 2017, RFP productivity (measured as average NCCF per adviser) was £1.8 million, as compared to £0.9 million in 2015, an increase of 100%. The performance in 2017 was exceptionally strong, driven by both markets and demand for pensions, including defined benefit transfers. Although this level is not expected to continue every financial year, increasing the level of productivity of the Group’s RFPs is a strategic focus of the Group. Increasing productivity is driven by three key elements: (i) demand in the market; (ii) inherent growth in the restricted model; and (iii) increased support and coordination across the Group. Accordingly, the Directors believe that there are opportunities for growth in productivity as the Group’s RFP model matures, as it seeks to improve its services and support that it provides to RFPs, as it develops a wider range of appropriate products for customers, and as RFPs and their customers become more established with the Group’s propositions.

The strong levels of Integrated NCCF in recent periods have helped the Group exceed its target of delivering NCCF (excluding Quilter Life Assurance) of 5% of opening AuMA per annum over the medium term and, should market conditions remain supportive, the Directors expect to exceed this target in 2018. In particular, the Directors expect this elevated near-term NCCF to be driven by the continued growth of inflows into Quilter Investors as a result of the Group’s planned adviser growth and productivity initiatives. As evidenced in prior periods, the Directors also expect the NCCF growth profile to continue to be different between segments, with higher percentages of NCCF over opening AuMA in the Advice & Wealth Management segment.

### **3.3 *Continue the development of the Group’s investment propositions and solutions***

Quilter Investors’ objective is to deliver institutional quality multi-asset management to the retail market and to provide excellent outcomes to its customers. In the last three years, Quilter Investors has delivered strong performance across its range of products, in particular the Cirilium range has been consistently first quartile over the period. All funds investment performance is assessed either by assessing performance relative to the median fund in each peer group or, in the case of those funds without a peer group, the performance above the published target (on an AuM weighted basis). 84% of the funds that were measured against peers performed above the peer median over a three-year period. Delivering the right outcomes from the Group’s range of investment solutions is particularly important and the Group will continue to focus on sustaining its record of investment outperformance for its customers.

Being an integral part of the Group provides distinct advantages and allows for close collaboration between the Group’s entities. Quilter Financial Planning, Quilter Wealth Solutions and other Group entities understand their customers and the financial needs of their customers, along with the current range of investment solutions available in the broader market. This knowledge, coupled with research, allows Quilter Investors to devise solutions that are specifically designed to meet the needs of their customers. A practical example of this was the activity to develop the Generation range following Pension Freedom legislation in 2015, where a decumulation product was developed to meet the needs of customers of Quilter Financial Planning and Quilter Wealth Solutions. In the future, the Group expects to develop additional products to directly meet the needs of customers, including further attractive solutions in decumulation, income and absolute return products.

### **3.4 *Implement the UK Platform Transformation Programme and increase the strength of independent adviser relationships accessing the Group’s platform***

The Group is currently implementing the UK Platform Transformation Programme in its Quilter Wealth Solutions business. The new platform is intended to enhance the Group’s service levels, support the Group’s advisers and customers and enrich the Group’s proposition. The new platform will offer a wider product and investment range to customers including SIPP functionality, cash accounts, adding a Junior ISA, ETFs and investment trusts, and thereby providing greater accessibility and functionality. The implementation of the UK Platform Transformation Programme is expected to provide enhanced DFM functionality and this could provide the opportunity for the UK platform to expand its offering to include more sophisticated MPS propositions.

These new capabilities align Quilter Wealth Solutions with the Group’s market offering and provide access to a broader proposition, which the Directors believe will strengthen the Group’s position with existing advisers and

appeal to new advisers; leading to greater new business from the Group's existing adviser base and bringing in NCCF from new advisers and customers. The Group will retain key customer experience differentiators for its customers and advisers, such as its easy to use online portal and rebate mechanism, which allows the Group to offer funds at competitive prices and is critical to ensuring the Group retains its strong market position. The investment in the UK Platform Transformation Programme is also expected to provide enhanced functionality, integrated systems, increased straight through processing and scalability for the years ahead, providing greater efficiency benefit opportunities.

### 3.5 ***Improve operational leverage through enhanced scale, increasing efficiency and supporting profitability of acquired distribution***

The historical and ongoing investments made into the Group's distribution platforms, technology operations and strengthening of capabilities ahead of separation have, in recent years, resulted in costs increasing and pressures on the operating margin. Whilst the Group expects to continue to invest for growth, the Directors believe that the Group's operations are capable of supporting higher levels of AuMA at relatively lower levels of incremental cost.

The Directors currently expect the Group should achieve an operating margin, before interest costs, of 30% for the year ending 31 December 2020 after the full impact of the additional expenses expected in 2018, but before it implements (and benefits from) any future optimisation initiatives that the Group intends to consider from the review which will be conducted following Admission, commencing in the second half of 2018.

The Directors' current expectations with regard to the Group's operating margin takes into account the following considerations on near-term cost trends:

- Over the last two years, the Group has invested significantly in new initiatives to grow the business, most notably in the build out of Quilter Financial Planning and PCA. These incremental investment initiatives increased the Group's operating expenses by £25 million in the year ended 31 December 2016 and by a further £12 million in 2017. The Directors expect to continue to target selective investments in advice distribution. The timing and quantum of potential investments is difficult to predict. However, the Directors currently expect investment in distribution to have an incremental impact on the annual expense base of approximately £20 to 30 million in aggregate over the next three years.
- The Group expects to incur up to £30 million per annum of additional recurring fixed costs above 2016 operating expense levels as a consequence of Managed Separation. Of the additional expenses, approximately £16 million on an annual basis were reflected in 2017 year-end reported results, and the Directors expect incremental costs of up to approximately £14 million will be incurred during 2018.
- Long-term incentive plan ("LTIP") awards under the new Quilter Performance Share Plan will result in additional staff costs in 2018 and later years. The Directors expect the LTIP costs will increase steadily on a phased basis to approximately £15 million per annum by 2020. Adviser incentive costs are unaffected.

On 23 February 2018, the Group entered into, and fully drew down on 28 February 2018, the New Term Loan. The New Term Loan will be repaid in full using proceeds from the sale of the Single Strategy Business following the completion of the OMGI Transaction. On 28 February 2018, Group issued the Tier 2 Bond. In addition, the Group entered into the New Revolving Facility for £125 million. The New Revolving Facility is currently undrawn and is expected to remain undrawn during 2018. The issuance of the New Term Loan and the Tier 2 Bond will increase operating expenses in the Group's Head Office. Whilst the interest cost on such facility will be charged against operating profit, the Group has excluded such interest from the 2020 operating margin target.

At 31 December 2017, the Group had total gross intercompany indebtedness to other companies within the Old Mutual plc group totalling £782 million, offset by a £16 million receivable. Subsequent to the year-end, and as part of a series of internal transactions, £566 million of intercompany indebtedness to other companies within the Old Mutual plc group has been effectively equitised, with the indebtedness to other companies within the Old Mutual plc group being replaced with equity in the form of share capital and a merger reserve. The overall indebtedness also reduced by £16 million from ordinary course transactions. The remaining £200 million intercompany indebtedness was repaid in full from the new facilities referred to above and from existing cash resources on 28 February 2018. On the same date, the £70 million revolving credit facility with Old Mutual plc was cancelled.

Following Admission, management expects to review the standalone cost base and operating model of the Group to identify long-term optimisation initiatives to improve expense efficiency. However, at this stage, the initiatives, potential efficiency savings and restructuring costs to achieve this optimisation have not yet been scoped. The Directors expect that this review will be conducted commencing in the second half of 2018, and that an update will be provided at the time of the publication of the results for the financial year ending 31 December 2018.

The Directors expect the ongoing corporate tax rate for the Group to remain below the UK marginal rate going forward, reflecting the mix of profit in the business and the lower corporate tax rate on profits in Quilter International.

The Directors believe that given the currently expected higher levels of NCCF growth and the scalability of Quilter Investors' cost base and reflecting the expected run-off of the Quilter Life Assurance business, there is a greater opportunity to deliver operating margin improvement in the Advice & Wealth Management segment

(compared to the Wealth Platforms segment which includes the Quilter Life Assurance business which is in run-off) as the business grows and delivers higher levels of Integrated NCCF.

#### 4. History and Development

Old Mutual acquired the Skandia Group in 2006. Skandia was a life assurance group headquartered in Sweden, which originally launched in the UK in 1979 and operated in the Isle of Man as Royal Skandia. Skandia pioneered the concept of open architecture fund platforms which have since become the industry norm. In September 2014, the Group merged all of the Skandia businesses, including its platform, into a single business under the “Old Mutual Wealth” brand. The Group announced in November 2017 that it will list under its new, unifying brand of “Quilter”.

In March 2016, the board of Old Mutual plc announced that the long-term interests of Old Mutual plc shareholders and other stakeholders would be best served by separating the four businesses then owned by the Old Mutual plc group from each other so that they could operate as fully independent businesses. This was described as a “Managed Separation”. For further information on the Managed Separation, see *Part XVI – “Managed Separation”* and *Part I – “Risk Factors—4. Risks relating to the Quilter Separation”*.

The Group began transforming its business in 2012, from a traditional UK and European life assurer to a full service, UK-focused wealth manager. The Group’s strategic decisions principally comprised:

- first, the Group decided to focus on the large and growing affluent UK market, where it believed the market and various structural shifts offered the Group the most significant growth opportunity;
- second, the Group chose to focus on being an advice-led (rather than execution only) business, as it believed there was a significant financial advice gap in the UK. The Group set out to build a wealth manager for people seeking sound and insightful financial advice and investment solutions;
- third, the Group believed it was more important to deliver investment solutions to customers in simple, straightforward retirement and investment wrappers rather than continuing to follow the traditional life company model of being product-centric with structured and annuitised products;
- fourth, the Group focussed on building a wealth management business rather than being just a funds “supermarket”, as the Group believed a wealth management proposition utilising a platform was the better way forward to deliver better customer outcomes; and
- fifth, the Group chose to focus on building a multi-channel offering designed to generate better customer outcomes, providing choice and flexibility to customers seeking to access the Group, rather than determining one method through which they should access the Group.

Based on these strategic decisions, the Group began transforming its business over the following five years from a traditional UK and European life assurer, which was dependent upon legacy business, to a full service, UK-focused wealth manager with the majority of profits coming from advice-driven wealth management. The Group has undertaken this transformation through disposals, acquisitions and a number of other strategic steps and operational investments. In particular:

- the Group divested its European life assurance businesses (including Skandia Life Finland in 2012, Skandia Germany and Skandia Austria in March 2014, Skandia Poland in May 2014, Skandia Lichtenstein in November 2014, Skandia France and Skandia Luxembourg in February 2015, Skandia Switzerland in September 2015, and Old Mutual Wealth Italy in January 2017) to streamline and de-risk the business and support the financing of its acquisitions, allowing the Group to focus on its core UK and re-focused international business;
- the Group exited its capital intensive UK with profits fund in November 2013;
- the Group made the strategic decision to focus on fewer core worldwide regions, which has resulted in the Group ceasing to write new business in a large number of countries;
- the Group announced in November 2017 that it would exit the institutional platform business, which is expected to increase operating margin slightly and reduce operational risk;
- the Group entered into an agreement in December 2017 to sell OMGI (excluding the Multi-Asset Business), which operates the Single Strategy Business through certain subsidiaries including OMGIUK, to Bidco (a special purpose vehicle ultimately owned by funds managed by TA Associates and certain members of OMGIUK’s management) for an expected total consideration of approximately £600 million, comprising cash consideration of approximately £570 million payable on completion and approximately £30 million anticipated to be payable thereafter. These values are subject to a number of potential price adjustments, depending on the net asset value of the business and other factors at the disposal date. With this divestment, the Group fully focussed its business on the advice-led wealth management market, where it sees the greatest long-term shareholder value creation opportunities. For a further discussion of the OMGI disposal, see “—5. Business Overview—5.3 Business held for disposal – OMGI and the Single Strategy Business” below and *Part XVII – “Additional Information—14. Material contracts—14.6 Material disposals—14.6.1 OMGI Transaction”*;
- the Group launched WealthSelect, its Global Partner managed portfolio service (“MPS”), in February 2014;
- the Group acquired Intrinsic Financial Services (“Intrinsic”) in July 2014, which will be rebranded as Quilter Financial Planning. Intrinsic increased the Group’s distribution capabilities by approximately 3,000 advisers and has grown to become the second largest restricted financial advice business in the UK. Intrinsic also owned 50% of the Cirilium fund range;

- the Group acquired the remaining 50% stake in the Cirilium fund range that it did not already own from Henderson Global Investors (“**Henderson**”) in December 2014, providing continuity of ownership to financial advisers and their customers and further strengthening the resources available to the Group’s multi-asset funds;
- the Group acquired Quilter Cheviot, one of the UK’s leading discretionary wealth managers, in February 2015, representing a significant milestone in the Group’s transition from primarily a platform business to a multi-channel wealth management business that delivers increased value to customers and advisers;
- the Group entered into an agreement with Friends Life, naming the Group as the “Preferred Partner” of Sesame Bankhall (“**Sesame**”) in August 2015 following the closure of Sesame’s independent adviser network, which resulted in an additional 245 advisers joining Intrinsic;
- the Group launched PCA in October 2015 as a Group-branded advice proposition serving affluent and high net worth customers through an employed adviser model and, since its launch, PCA has grown its customer base, assets under advice and geographic footprint through acquisitions, including the purchase of DQS Financial Management, Beaumont Robinson, Premier Planning, Premier Wealth, Infiniti Financial Planning and Coleman Clough;
- the Group acquired the FAS from Sesame in February 2016, supporting the growth and development of the adviser community;
- the Group acquired AAM Advisory, a leading expatriate adviser business in Singapore, in March 2016, demonstrating the Group’s long-term commitment to this core region and to the financial advice market;
- the Group acquired Caerus Capital Group (“**Caerus**”) in June 2017, building on the Group’s controlled distribution strategy in the UK by adding 300 advisers to the Group’s network (of which 130 were RFPs);
- the Group completed the transfer of GET, an IT company which had previously been part of the wider Old Mutual plc group, in November 2017. GET provides key application services for Quilter Wealth Solutions and Quilter Life Assurance and is key to the operation of certain of the Group’s IT activities; and
- the Group began investing in platform transformation to grow its UK and international platforms, including through its ongoing UK Platform Transformation Programme, which aims to broaden the Group’s product range and modernise and improve the Group’s offering to new and existing customers and advisers.

The Group has also made several leadership appointments over this period. Paul Feeney joined as Chief Executive of the Group in August 2012; Glyn Jones was appointed as the independent non-executive Chairman of the Board in September 2016; and Tim Tookey, who joined in February 2017 as a non-executive director of the Group, took up the role of Chief Financial Officer in August 2017, with Mark Satchel appointed as Corporate Finance Director. The Group also appointed Rosie Harris, Moira Kilcoyne, Jon Little, George Reid and Cathy Turner as independent non-executive directors over the course of 2016 and 2017. See *Part VIII – “Directors, Senior Management and Corporate Governance”* for more information.

The Group is focused on continuing to service its customers by delivering strong long-term investment performance and a broad range of investment solutions which underpins its business model, further integrating its businesses to work more closely together to improve the customer experience and drive profitability, and delivering on its UK Platform Transformation Programme to broaden its capabilities and enable it to operate more efficiently.

Other than as outlined in this Prospectus, there have been no material changes to the business of the Company during the past five years.

## 5. Business Overview

The Group’s operations are divided into two main operating segments. The Advice & Wealth Management segment is comprised of Quilter Financial Planning, Quilter Cheviot and Quilter Investors, with £41.7 billion of AuM as at 31 December 2017. The Wealth Platforms segment is comprised of Quilter Wealth Solutions, Quilter International and Quilter Life Assurance, with £84.6 billion of AuA as at 31 December 2017.

The Group has adopted a multi-channel access model, using both its own advised and open market approaches, to deliver financial advice, investment solutions and wrappers, which are provided on platforms. The advised channel can be accessed through Quilter Financial Planning (including RFPs, IFAs and Mortgage & Protection Advisers) and the open market channel can be accessed through a third party adviser. As at 31 December 2017, the Group’s advised channel included approximately 200,000 advised customers paying ongoing advice fees, 1,561 RFPs (who advise on a range of investment solutions offered by the Group and from third parties that have been pre-researched by the Group) and 422 IFAs on the Quilter Financial Planning network (who advise on an unrestricted whole of market basis). The Group’s open market channel included approximately 700,000 customers (of which approximately 400,000 are customers of Quilter Wealth Solutions) who are primarily serviced by over 4,000 active third party UK advice firms using the Group’s platforms and investment solutions. The Directors believe that the Group’s multi-channel wealth management proposition provides greater market breadth and customer and adviser choice, which support long-term customer relationships. The Group’s multi-channel wealth management proposition has also contributed to growth in the Group’s Integrated NCCF (excluding Quilter Life Assurance), which has increased from £1.6 billion in the year ended 31 December 2015 to £5.2 billion in the year ended 31 December 2017. The Group’s open market NCCF (excluding Quilter Life Assurance) has decreased from £2.7 billion in the year ended 31 December 2015 to £2.4 billion in the year ended 31 December 2017.

## 5.1 **Advice & Wealth Management**

### 5.1.1 **Quilter Financial Planning**

Quilter Financial Planning was established in 2006, became part of the Group in 2014 and is based on the belief that one of the best ways for customers to achieve good outcomes is through face-to-face advice with a professional. Quilter Financial Planning provides expert face-to-face financial advice to affluent and high net worth customers in the UK to meet their financial planning, mortgage and protection needs. Quilter Financial Planning does this through its network of 3,567 advisers located across the UK (of which 1,561 were RFPs, 422 were IFAs and 1,584 were Mortgage & Protection Advisers as at 31 December 2017). Quilter Financial Planning is the second largest advice business in the UK as at 31 December 2017, as measured by the number of CF30 Advisers, meaning advisers who are approved by the FCA to carry out a customer function and may provide investment advice. Advisers and AR firms operate as appointed representatives under the regulatory permissions of the Quilter Financial Planning network, sharing revenue in return for a range of support services provided by Quilter Financial Planning.

The Directors believe that advisers and AR firms choose the Quilter Financial Planning network because of the strength, stability and scale of the Group, which provide a secure environment in which advisers and AR firms can operate, with a robust and effective oversight framework that is designed to keep their customers and businesses safe. This framework enables advisers and AR firms to trade with confidence and plan for the longer-term. In addition, Quilter Financial Planning offers advisers a strong customer proposition, where the Group carries out due diligence on the products and providers and where solutions are designed and built with the end customers in mind. Quilter Financial Planning's knowledge of the advice business allows it to serve advisers and AR firms effectively, and the Group's investment in technology benefits advisers and AR firms who would otherwise face significant costs and disruption sourcing IT solutions in the open market. Quilter Financial Planning has successfully grown its adviser numbers and also supports advisers in growing their own business, including through its field management team.

Quilter Financial Planning is closely aligned to the Group's other business units, delivering £3.9 billion of NCCF to the Group in the year ended 31 December 2017. The Directors believe that there are further opportunities for Quilter Financial Planning to deliver growth and increased Integrated NCCF within the Group, driven by increasing the number of RFPs, improving adviser productivity and continued focus on delivering good customer outcomes. Following the implementation of the RDR in 2012 and the Pension Freedom legislation in 2015, there has been increased customer demand for financial planning throughout retirement and a limited supply of advisers to meet the demand. The Group has sought to meet this demand by growing its number of RFPs through acquisitions and organic recruitment. RFPs numbers have grown by 930 since the beginning of 2014 to 1,561 as at 31 December 2017. This increase in RFPs is 28% due to organic growth, 31% due to transition of IFAs to RFPs, and 41% due to acquisitions. Quilter Financial Planning's significant acquisitions include Positive Solutions in 2013 (adding over 740 advisers) and, since the acquisition of Quilter Financial Planning by the Group in 2014 (adding over 3,000 advisers), Caerus (adding 300 advisers in 2017, of which 130 were RFPs). In addition, following the closure of Sesame's IFA network, Intrinsic (as Quilter Financial Planning was then known) was named as Sesame's "Preferred Partner" (adding 245 advisers in 2015). Quilter Financial Planning also acquired the FAS from Sesame in 2016 to further support the Group's growth strategy and to encourage the development of the adviser community.

Nearly two-thirds of the RFPs have been with the Group for fewer than five years as a result of recent adviser acquisitions. Accordingly, the Directors believe that there are opportunities for growth as this model matures and as RFPs and their customers become more established with the Group's proposition. The Group also aims to build out PCA, driven by further acquisitions of client banks that fit the Group's customer profile, and increase Integrated NCCF, in particular through PCA's alignment with Quilter Cheviot.

Quilter Financial Planning has driven growth across the Group's business. NCCF from Quilter Financial Planning to Quilter Investors has increased from £1.0 billion in the year ended 31 December 2015 to £2.5 billion in the year ended 31 December 2017. NCCF into Quilter Cheviot, primarily driven by the PCA business, has increased from nil in the year ended 31 December 2015 to £238 million in the year ended 31 December 2017. NCCF from Quilter Financial Planning to Quilter Wealth Solutions has increased from £0.7 billion in the year ended 31 December 2015 to £1.2 billion in the year ended 31 December 2017.

Quilter Financial Planning currently operates under the "Intrinsic" brand and will continue to do so until the rebranding described in "—6. Brand" occurs.

#### (a) *Products and Services*

Quilter Financial Planning offers regulated face-to-face advice to individuals and businesses in financial planning, mortgages and protection through qualified financial advisers and mortgage and protection advisers.

Quilter Financial Planning offers three different advice models, each focused on meeting the differing needs of the target customers: PCA, Financial Advisers and Mortgage & Protection Advisers. Of the three advice models, PCA is provided on a restricted basis, while Financial Advisers and Mortgage & Protection Advisers are provided on either a restricted or an independent basis. Where advice is provided on a restricted basis, Quilter Financial Planning defines the range of products and investment solutions available through the proposition. Where advice is provided on an independent basis, the adviser provides advice based on a comprehensive analysis of the whole of market, free from any restrictions.

AR firms choose one of the advice models depending on the majority needs of their target customer base. For example, if the preponderance of an AR firm's customers require mortgage advice, then the AR firm would be categorised within the Mortgage & Protection Advisers advice model, although the AR firm may also contain RFPs. The Group's ability to recruit and develop its three advice models has allowed Quilter Financial Planning to build a strong national footprint.

Quilter Financial Planning earns revenue through a share of the advice charges, commissions and procurement fees that are charged. Advice charges are paid by retail customers, typically on an initial basis (at the implementation stage) and an ongoing basis (at the review stage). Commissions and procurement fees for insurance and mortgage services are paid by insurance companies and lenders, typically on an initial basis only.

#### Quilter Private Client Advisers

The Group launched PCA in 2015, in part to align with the Quilter Cheviot customer base, focused on delivering financial planning advice to upper affluent and high net worth customers. PCA employs its own RFPs who operate under the Group's brand. Therefore, the Group controls the RFP's relationship with the customer, and PCA is responsible for delivering the service and overall customer experience. PCA's national adviser network has coverage across the UK, with six offices in London, Chester, Devon, Yorkshire, Birmingham and Cumbria. As at 31 December 2017, PCA had 62 RFPs and 5,177 retail customers with £2.1 billion of total assets under advice.

PCA is growing its customer coverage and assets under advice through targeted acquisitions of advice businesses and client banks which have the same target customer profile, geographic alignment and approach as PCA. As at 31 December 2017, PCA had made 15 acquisitions since its launch on 1 October 2015. These acquisitions have been integrated into one of the six offices under PCA's management, with customers advised by an employed PCA adviser.

PCA offers its customers a centrally-defined restricted advice proposition, which includes a centralised investment proposition consisting of solutions from Quilter Cheviot and Quilter Investors, which PCA believes meets the needs of the majority of its target customer base.

Within the PCA advice model, PCA holds the advice revenues from advice charges, commissions and procurement fees. PCA's revenue model is an ongoing advice fee and an initial advice fee, less adviser costs.

#### Financial Advisers

The Financial Advisers model comprises AR firms and advisers operating under their own brand but under the oversight, controls and processes of the network. These AR firms hold financial advisers, either RFPs or IFAs, with a number also holding Mortgage & Protection Advisers where required to meet the needs of their customers. The AR firm controls the financial planning relationships with its own customers. Therefore, if the AR firm leaves the network, the customer may leave too. Quilter Financial Planning aims to retain and motivate its top AR firms through, among other things, profit share arrangements, paid in the form of rebates on Quilter Financial Planning charges to these firms.

As at 31 December 2017, the Financial Advisers model contained 1,442 RFPs. RFPs operate under Quilter Financial Planning's controlled advice process, using a centrally determined proposition, where Quilter Financial Planning uses its scale and research capability to construct a "panel" of products and providers designed to meet the needs of the majority of the customer base. RFPs can recommend products from the panel of pre-approved products selected by Quilter Financial Planning. RFPs and customers can also choose from a wider solution base if the restricted suite of solutions does not meet a particular customer's needs. The average RFP delivered £1.8 million of Integrated NCCF in the year ended 31 December 2017.

As at 31 December 2017, the Financial Advisers model also contained 416 IFAs, who are subject to Quilter Financial Planning's controlled advice process, but advise their customers on an unrestricted whole of market basis. IFAs consider and recommend all types of retail investment products from all firms across the market. Quilter Financial Planning facilitates this whole of market analysis through IT solutions to independent advisers. Since 2014, 376 IFAs have also transitioned to become RFPs, primarily because they believe the centrally defined restricted advice proposition is more



appropriate for their customer base. The Directors believe this is because RFPs benefit from robust initial assessment and ongoing monitoring, developed upon Quilter Financial Planning's skills and overseen by independent and non-executive governance. The Directors also believe this transition can deliver operational and commercial benefits to AR firms and their advisers.

Within the Financial Advisers model, advice revenues from advice charges, commissions and procurement fees are split between Quilter Financial Planning and the AR firm (with 80–85% going to the AR firm, given they incur the cost of the advisers, local office costs, marketing, and fixed charges for FSCS levies, insurance and technology, among others).

#### Mortgage & Protection Advisers

Quilter Financial Planning's Mortgage & Protection Advisers model was established in 2006 and contains AR firms operating under their own brand but under the oversight, controls and processes of the network. These AR firms hold Mortgage & Protection Advisers, as well as some RFPs and IFAs. Control of the financial planning relationship with the customer sits with the AR firm, so if the firm leaves the network, the customer may leave too.

Mortgage & Protection Advisers typically operate under Quilter Financial Planning's controlled advice process, using a centrally determined proposition, where Quilter Financial Planning uses its scale and research capability to construct a "panel" of products, lenders and providers designed to meet the needs of the Group's customer base.

As at 31 December 2017, the Quilter Financial Planning network contained 1,584 Mortgage & Protection Advisers. Including both Mortgage & Protection Advisers and Financial Advisers, the Group advised on a total mortgage lending volume of £16.8 billion in the year ended 31 December 2017.

The Group's Mortgage & Protection Advisers model is an "entry point" to the Group for both customers and financial advisers. According to FCA data, in general, customers first seek mortgage and protection advice in their early 30s, which may provide the Group an opportunity to build long-term relationships with them before they become net savers. In terms of advisers, due to the lower qualifications required to advise in this market, individuals can commence their career as a Mortgage & Protection Adviser and progress through to full financial advice over time. Since the beginning of 2014, the Group has had more than 100 Mortgage & Protection Advisers change roles in this way.

Within the Mortgage & Protection Advisers model, advice revenues from advice charges, commissions and procurement fees are split between Quilter Financial Planning and the AR firm with the majority going to the AR firm, as they incur the cost of the advisers, local office costs and marketing, among others.

#### **(b) Customers**

Quilter Financial Planning helps customers at all stages of their lifecycle to build, protect, maximise and transfer their wealth.

The Mortgage & Protection Advisers model focuses on mass market customers with less than £100,000 investable assets. In the year ended 31 December 2017, Mortgage & Protection helped nearly 62,000 customers secure their home, delivering £12.8 billion of lending.

The Financial Advisers model has a broad distribution of customers, but over two-thirds of its customers are in the mass affluent space (wherein customers have £100,000 to £250,000 in invested assets). Because of Financial Adviser's focus on the mass affluent market, it is closely aligned with Quilter Investors. From time to time, Financial Advisers has commissioned Quilter Investors to develop solutions which meet the needs of their target customers. As at 31 December 2017, Financial Advisers has over 200,000 customers contracted for ongoing service and realising the benefits of an ongoing relationship with an adviser.

The PCA model targets upper affluent and high net worth customers with more than £250,000 investable assets, and is closely aligned with Quilter Cheviot. As at 31 December 2017, over 38% of PCA assets were held by households who have entrusted over £1 million of their wealth to the Group.

The Group seeks to protect customers and deliver positive customer outcomes by managing advice risk, through its adviser on-boarding and training process, ongoing skills assessment, conflict of interest procedures and independent oversight. The Group carefully manages its advice risk and potential conflicts of interest through its enterprise-wide risk management ("ERM") approach. For more information on the Group's risk management processes, see "*9. Risk Management and Internal Control*". Critical to managing advice risk is the rigorous checking of advice cases, to ensure the Group is delivering demonstrably suitable advice for customers. Quilter Financial Planning checked over 38,000 advice cases in the year ended 31 December 2017, the majority

as a pre-approval process to prevent any unsuitable advice in higher risk areas. Quilter Financial Planning's prudent approach means that the customer complaints Quilter Financial Planning deals with are low, with 597 in 2017 and 93 referred for the FOS out of more than 1.2 million in-force advice cases. Where complaints were referred to the Ombudsman, the ratio of complaints upheld for Quilter Financial Planning over the six months ended 30 June 2017 was 21%, which is lower than the industry average of 36% (Source: FOS).

(c) *Sales & Marketing*

Quilter Financial Planning has grown the number of RFPs from 930 as at 31 December 2014 to 1,561 as at 31 December 2017, and the Group aims to further increase this number through acquisitions and organic recruitment. The fragmented marketplace provides acquisition opportunities into both Financial Advisers and PCA. In addition, Quilter Financial Planning has a team of 10 regional directors who have delivered net organic recruitment of RFPs at an average of 8% per annum since the beginning of 2014.

To further support its growth strategy, Quilter Financial Planning also acquired the FAS from Sesame in 2016 to encourage new entrants into the market. The FAS aligns with the Group's purpose and commitment to the future of face-to-face advice, supporting the growth of AR firms and promoting professionalism and confidence in the industry. As at 31 December 2017, 42 students had graduated and found employment with advice firms (including on the Quilter Financial Planning network) and a further 83 were enrolled.

Adviser retention is important to the Group's strategy in Quilter Financial Planning. Quilter Financial Planning established a Practice Buyout Scheme in 2015 to provide an exit for retiring advisers and a safe transition for customers, retaining customers within the Group and providing continuity of service. Under the Practice Buyout Scheme, the Group offers loans to advisers to acquire the client relationships and the recurring income of exiting AR firms. Quilter Financial Planning typically mitigates the risk of default on these loans by lending to trusted partners who have worked with the Group for a minimum of three years and have a profitable and cash generative business (against which the loan is secured), taking loan payments from the borrower's trail commission which are directly received by Quilter Financial Planning, and performing financial analysis of the borrower's business and its ability to repay the loan from existing business. As at 31 December 2017, Quilter Financial Planning had facilitated 41 Practice Buyouts since the Practice Buyout Scheme was established.

(d) *Operations*

Quilter Financial Planning provides a range of business-to-business services to AR firms, including regulatory and compliance support, research and advice on products and providers, IT services and training to support continued professional development. Quilter Financial Planning provides all AR firms with XPLAN, a bespoke point-of-sale and back office platform, along with other IT solutions to help AR firms manage their businesses effectively. In addition, PCA provides a full range of operational services required for a customer-facing advice business, including administration and paraplanning support for RFPs in the PCA advice model.

As at 31 December 2017, Quilter Financial Planning had 38 employees on its field management team who support business development, in addition to telephone-based support desks to answer questions about products, processes and technology. Quilter Financial Planning also runs a comprehensive programme of academies and master classes to help RFPs, IFAs and Mortgage & Protection Advisers develop skills and knowledge in specific markets.

### 5.1.2 **Quilter Investors**

Originating from the merger of Old Mutual Asset Management and Skandia Investment Group and following the separation of the single strategy business, Quilter Investors is one of the largest providers of retail market investment solutions in the UK multi-asset market. Quilter Investors has grown its AuM from £9.8 billion as at 31 December 2015 to £16.9 billion as at 31 December 2017, an increase of 72%. According to the Pridham Report, Quilter Investors had the highest net new inflows in the UK multi-asset space in each quarter in 2017.

Quilter Investors' mission is to deliver institutional quality multi-asset management to the retail market and to provide excellent outcomes to the Group's customers. Being an integral part of the Group provides distinct advantages and allows for close collaboration between the Group's entities. Solutions are often designed together with Quilter Financial Planning and satisfy a clear customer need.

The market dynamics in which the business operates are becoming more challenging. Asset returns are likely to remain lower for longer, passive solutions will continue to put pressure on margins, and regulation and politics will provide a degree of uncertainty going forward. Customer tastes and investment habits are also changing, with a greater acceptance of alternative solutions and an increased need for retirement income being two recent examples.

To ensure that Quilter Investors remains a modern, scalable and successful business able to take advantage of these shifting trends, the Group began an upgrade programme two years ago. Through a series of management actions, acquisitions and product/process evolution, such as the acquisition of the Cirilium range from Henderson and the development of the WealthSelect and Generation ranges, Quilter Investors has become a peer-leading business.

Quilter Investors currently operates as part of the "Old Mutual Global Investors" brand and will continue to do so until the rebranding described in "—6. Brand" occurs.

(a) *Products and Services*

Supported by an experienced team of professionals and using a range of proprietary processes and tools, Quilter Investors provides an extensive range of attractive multi-asset solutions which are categorised by style of investment, including whole of market ranges, Global Partner ranges, a fettered range and passive ranges. These solutions have been designed to meet the needs of Quilter Financial Planning and Quilter Wealth Solutions' target customers, in particular.

**Whole of market ranges:** Solutions in this category seek the potential for higher levels of active returns from a wide investment universe and investment toolkit. Investments are made across all asset classes through a diverse range of instruments, including open and closed ended funds, direct equity and fixed interest securities and derivatives.

- *Cirilium* – Launched in 2008 as a joint venture between Intrinsic and Henderson and acquired by the Group in 2014, the Cirilium Portfolios are the Group's flagship accumulation products for the UK market. Cirilium is a range of risk targeted multi-asset funds which have been designed for customers who desire the potential for higher levels of returns using investment strategies and managers from a wide investment universe and toolkit. The Cirilium active portfolios provide the flexibility to make asset allocation decisions, at asset class, sector and geographic level, whilst remaining aligned to associated risk tolerances. The Cirilium portfolios have a broad investment proposition and wide asset class remit, including access to liquid and illiquid alternatives. As at 31 December 2017, the Cirilium range had £7.5 billion of AuM.
- *Generation* – Quilter Investors' flagship decumulation proposition, the Generation Portfolios are designed to meet the needs of people who seek to draw an income from pension savings while remaining invested in markets, via a range of multi-asset portfolios. The portfolios aim to beat inflation and offer the potential for capital growth. At the same time, they seek to dampen the impact of market falls through a focus on short-term risk management. The Generation range was launched in October 2015. As at 31 December 2017, the Generation range had £0.4 billion of AuM.
- *Compass* – Designed for Quilter Investors' offshore customers, the Compass Portfolios are available across a number of jurisdictions, including Singapore, the Middle East and Europe, and in a number of currencies. The four portfolios are risk targeted with five different risk levels to give customers flexibility in choosing the investment solution that best meets their needs, with the aim of generating a long-term total return through investing in a diversified range of asset classes. The Compass range was launched in April 2016. As at 31 December 2017, the Compass range had £0.5 billion of AuM.

**Global Partner ranges:** Solutions in this category are invested in a defined range of funds (the "Global Partner fund range") managed by some of the industry's leading fund managers from 17 of the best-known asset management brands. These products are designed for customers that want cost-effective access to fully active fund management and are willing to give up some of the potential diversification benefits received through a whole of market solution.

- *Creation* – The Creation Portfolios are an actively managed, risk targeted, range of multi-asset funds. It is comprised of five risk-rated portfolios to give customers working with their advisers the flexibility to choose the investment solution that best meets their needs. In addition to holding funds managed by the 17 global partner fund groups, Creation also invests directly in company shares and bonds to allow the portfolio managers to target investments in specific markets or sectors with more precision amid a broader focus on generating efficiency for investors. As at 31 December 2017, the Creation range had £1.4 billion of AuM.
- *WealthSelect* – WealthSelect is an MPS, meaning that customers have an individual portfolio of securities as opposed to holding units in a multi-asset fund. The WealthSelect MPS is exclusively available via the Old Mutual platform and only invests into the Global Partner fund range. The portfolios are risk targeted, with eight levels of risk offered, and each offers a choice of four tax-optimised versions (ISA, Collective Retirement Accounts ("CRAs"), Collective Investment Bond ("CIB") and Collective Investment Account ("CIA")). As at 31 December 2017, the WealthSelect range (including Blackrock and Henderson) had £4.8 billion of AuM.

**Fettered range:** Funds in this category are limited to investing into products from one fund group, OMGI. This range is designed for customers who seek low cost access to fully active management recognising the reduction in diversification from limiting choice to just one fund group.

- *Foundation* – The Foundation Portfolios are an actively managed range, investing exclusively in funds managed by OMGI as part of its Single Strategy Business. The range consists of three portfolios, designed for investors who are seeking growth. The portfolios aim to deliver annual returns of 3, 4 or 5% above inflation over a five, seven or ten year rolling period. As at 31 December 2017, the Foundation range had £0.5 billion of AuM.

**Passive ranges:** Solutions in this category are predominantly invested in securities that track specific market indices or asset classes and are designed for investors for whom reducing the cost of investment is more important than seeking potential outperformance.

- *Cirilium Passive* – The Cirilium Passive portfolio range consists of five risk targeted solutions with their asset allocations optimised to deliver the greatest return for each target level of risk. Comprised mainly from ETFs, index funds and other collective investment schemes, the portfolios are managed by the same team that looks after the active ranges and benefits from quarterly rebalancing. As at 31 December 2017, the Cirilium Passive range had £0.5 billion of AuM.

### Product pricing

In order to provide the broadest possible range of investment solutions at attractive prices, Quilter Investors uses different instruments to achieve its outcomes across the ranges. For example, the Cirilium range is a premium product which is unconstrained in its investment universe and which can access unique and hard-to-find strategies. This is reflected both in its premium pricing and in its performance.

The Creation range uses a narrower range of fund managers (the Global Partners), where Quilter Investors has used its negotiating power to reduce underlying costs. Up to 50% of the portfolio may be held in direct investments, thereby reducing fund manager fees and sharing the benefits with customers in the form of reduced overall charges.

The focus of Quilter Investors on delivering value to customers is reflected in the pricing policy for the solutions on offer. The product pricing is driven by a number of factors, including:

- *Level of sophistication* – The categories of investment solutions offered by Quilter Investors provide differing levels of sophistication and diversification for customers, ranging from the highest levels for whole of market solutions, to much simpler passive solutions. There is an inherent increase in costs of the underlying securities within portfolios as the sophistication and diversification increases, which is reflected in the prices of the ranges.
- *Revenue requirement* – On the establishment of each solution, a required revenue level is agreed which is reflective of the level of work required in the management of the solution. The greater the level of sophistication and diversification, the more effort that is required by the portfolio management team and therefore the greater the level of revenue that is required.
- *Peer review* – When considering the appropriate pricing for the solutions offered, Quilter Investors undertakes a comparison to equivalent products to ensure that pricing is competitive and reflective of the sophistication of each solution.

### Investment Performance

During the period under review, Quilter Investors has delivered a strong outperformance across its range of products. Over a three-year period, 84% of funds measured against peers (including all funds which are measured against a peer group and have a three-year track record) have performed above the peer median, and the Cirilium range has consistently been first quartile over the period.

Notably, two Generation products had a period of under-performance before Quilter Investors modernised its investment process, and the under-performance has since been remedied through the modernisation programme. While WealthSelect cannot be benchmarked against an index, it has also performed above the Group's targets.

In calculating investment performance, Quilter Investors includes all funds with a three-year track record, except those sub-advised to external investment managers. The Directors believe this better reflects the active investment performance of Quilter Investors' own fund managers. All fund returns are on a net fee basis (after all fees and expenses), with the exception of segregated mandates, which represent approximately 5% of Quilter Investors' AuM. Segregated mandates, which are largely with institutional clients, are stated gross of management fees, in-line with the Global Investment Performance Standards. The combined fund performance is calculated by aggregating the fund return on an AuM weighted basis. To determine outperformance or underperformance at an individual fund level, each fund is compared against a relevant peer group, index or target as specified in publically available documentation or by agreement with the relevant investment committee. The published performance metrics for Quilter Investors are consistent with those presented internally to investment committees and relevant Boards.

The following table presents the performance of the Group's key funds as at 31 December 2017:

	AuM	Performance quartile		
	(£ millions)	1Y	3Y	5Y
Sector-based performance				
Cirilium Balanced	2,441	1	1	1
Cirilium Moderate	2,283	2	1	1
Cirilium Dynamic	1,666	2	1	1
Cirilium Conservative	596	2	1	1

The following table presents the investment performance of Quilter Investors' funds ahead of the peer median, market index benchmark and target, as at 31 December 2017.

	Performance quartile		
	1Y	3Y	5Y
	(%)		
All funds <sup>(1)</sup> as a% of AuM ahead of:			
Peer median	79	84	89
Market index benchmark	50	45	53
All	68	70	80

(1) All funds investment performance is assessed either by assessing performance relative to the median fund in each peer group or, in the case of those funds without a peer group, the performance above the published target (on a funds under management weighted basis).

Overall, the performance of the ranges continues to deliver the performance and outcomes customers and their advisers desire, which is reflected in the sales numbers (Cirilium Balanced was the top selling Multi-Asset fund in the UK in 2017, according to Pridham). In addition, a significant proportion of net inflows come via Group companies.

The business has invested significantly in an experienced team, processes and intellectual property to ensure that it remains a modern and institutional-class investment management firm.

#### Investment team and process

Quilter Investors' asset management capability has four key components which combine within the wider investment team:

- a fundamental research team, which focuses on primary fund research, selection and monitoring;
- a relative value team, which ensures genuine diversification in portfolios and focuses on downside risk;
- a direct investment team which has capabilities in both equities and fixed income; and
- a quant team, which manages and evolves the models and tools used at every stage of the investment process.

The investment process central to Quilter Investors is the product of over 20 years of experience and innovation and uses technology and proprietary quantitative techniques extensively. It is scalable, repeatable and is designed with the objective of enhancing investment returns within a risk-governed framework.

There are five key steps to the investment process:

1. *Strategic asset allocation* – Quilter Investors determines a robust allocation using Monte Carlo modelling, stochastic optimisation and focusing on customer outcomes. The team uses proprietary tools and processes to design products to meet bespoke outcomes depending on customer needs (i.e. accumulation/decumulation, active/passive and unitised/portfolio).
2. *Bottom-up manager, fund and security selection* – Quilter Investors' fund research capabilities focus on identifying return-generating managers with a sustainable edge. Where using a manager or wrapper is inappropriate or when a purer sector exposure is sought, the team can and does invest a proportion of portfolios directly into stocks and bonds.
3. *Tactical asset allocation* – Using the broadest toolkit available (including derivatives), the team will conservatively size positions and ensure that capital is efficiently protected where appropriate.
4. *Risk management* – Quilter Investors uses a range of proprietary tools to manage risks across products and the desk as a whole. To provide additional oversight, an independent risk team ensures that risks taken are aligned with customer expectations and outcomes.
5. *Execution* – Through a combination of academic insight and market experience, Quilter Investors has developed a proprietary execution model which has a track record of generating active returns and ensures an efficient deployment of investment views.

(b) *Customers*

Quilter Investors currently has a predominantly retail customer business originated through intermediary channels across the UK and international markets. Since its origins as one of the UK's first multi-manager enterprises in the 1980s, Quilter Investors has had an established presence in the financial adviser channel and has been recognised for its innovative approach, such as launching the first risk targeted fund range in the UK (Creation) or the diverse use of alternative solutions (Cirilium).

Quilter Investors aims to further develop its customer base following demographic and market trends. Due to the Group's presence in advice, from mass affluent in Quilter Financial Planning to high net worth in Quilter Cheviot, Quilter Investors is able to leverage this collective insight to understand customer needs. For example, following UK pension reforms in 2015, Quilter Investors teamed up with Quilter Financial Planning and panels of key advisers to launch its Generation range which, as a decumulation product, is particularly suited for increasing flows of pension assets. In the future, Quilter Investors expects to develop additional products jointly with Group entities.

(c) *Sales & Marketing*

As part of the Group's strategy to operate a multi-channel model, Quilter Investors provides solutions both for the Group and third party advisers via internal and external platforms. In the year ended 31 December 2017, Group companies provided the majority of AuM and NCCF, with Quilter Financial Planning accounting for approximately 46% of AuM. Furthermore, out of the £3.3 billion NCCF as at 31 December 2017, 100% of NCCF came via the Group's businesses, predominantly from Quilter Financial Planning, but also from Quilter Wealth Solutions and, increasingly, Quilter International. NCCF from Quilter Financial Planning to Quilter Investors has increased from £1.0 billion in the year ended 31 December 2015 to £2.5 billion in the year ended 31 December 2017.

(d) *Operations*

Quilter Investors' philosophy is that for customer interests to be best served the operating functions must be an integral part of all investment and customer facing activity, providing the third pillar to the customer offering.

The core principles of the model are centered on delivering efficiency, extensive capability and scalability within a culture of strong governance and risk management. This has led to the development of an outsourced model based on relationships with a limited number of providers across customer and investment facing operations, under-pinned by strong internal oversight.

This approach gives Quilter Investors access to a global network of specialists, high levels of automation and straight-through-processing and extensive instrument and market access. Having a few meaningful outsource partners means Quilter Investors can influence at a senior level and ensure robust outsource oversight through joint operations executives and risk committees, all overseen by an experienced internal team.

### 5.1.3 **Quilter Cheviot**

The Group offers bespoke investment management through Quilter Cheviot, a UK-based wealth manager providing discretionary and advisory wealth management services to over 36,000 private clients, corporates, pension funds, trusts and charities.

Quilter Cheviot's core focus is on discretionary wealth management for clients with a minimum portfolio size of £200,000, and it offers a MPS for clients with less than £200,000 to invest. In the year ended 31 December 2017, approximately 72% of Quilter Cheviot's clients were discretionary wealth management clients. Quilter Cheviot also offers its clients non-discretionary advisory services, advice and dealing services and transaction execution services. As at 31 December 2017, Quilter Cheviot had total AuM of £23.6 billion, an increase of 33% since 31 December 2015.

Quilter Cheviot can trace its origins back to 1771, when William Morris and Sons was formed. Following mergers with a number of smaller organisations, Quilter Goodison & Co. was established in 1981. After a number of acquisitions and expansions, including the acquisition of Cheviot in January 2013, Quilter Cheviot was acquired by the Group in February 2015.

Quilter Cheviot's head office is located in London and is complemented by a further nine regional offices across the UK and two international offices in Dublin and Jersey. Quilter Cheviot also has a sales presence in Dubai, and almost 400 new customers have joined the business since the Dubai office opened in 2016. The sales teams are organised by region and are focused on financial advisers. Quilter Cheviot has a strong regional footprint, with 52% of its AuM in London, 10% in Birmingham, 9% in Jersey, 6% in Bristol, 5% in Liverpool, 3% in Glasgow, 3% in Dublin and 11% in all other UK locations (including Belfast, Edinburgh, Leicester, Manchester and Salisbury), each as at 31 December 2017.

The Directors expect that flows into Quilter Cheviot should grow with increasing integration with the broader Group business, which has been part of the strategy since its acquisition in 2015. Quilter Cheviot benefits from being part of the Group, as its extensive experience with financial advisers gives it significant traction evidenced by inflows from PCA and the overall Quilter Financial Planning network. The total AuM managed by Quilter Cheviot for PCA was £0.4 billion in the year ended 31 December 2017, as compared to £0.1 billion in the year ended 31 December 2016. The total AuM managed by Quilter Cheviot for the Quilter Financial Planning network was £0.5 billion in the year ended 31 December 2017, compared to £0.2 billion in the year ended 31 December 2016. Quilter Cheviot managed a further £0.4 billion for clients of Quilter International in the year ended 31 December 2017, as compared to £0.2 billion in the year ended 31 December 2016.

#### (a) *Products and Services*

Quilter Cheviot offers a structured investment proposition defined by a firm-wide investment framework, targeting consistent and replicable returns for clients. The framework allows development of bespoke and client-centric investment solutions. Quilter Cheviot offers personalised wealth management services based on a broad range of investments. A typical diversified portfolio may include equities, fixed income securities and alternative investments, all of which can be accessed either directly or through third party collective investment funds. It offers a long-term approach to investment with emphasis on diversification and growth. Quilter Cheviot's approach to its client relationships is driven by its 164 investment managers as of 31 December 2017, who are responsible for developing and maintaining Quilter Cheviot's client relationships as well as managing each client's portfolio.

Quilter Cheviot's core services are:

- the Discretionary Portfolio Service ("**DPS**"), where a client's assets are managed at the investment manager's discretion according to the client's specific needs; and
- the Managed Portfolio Service ("**MPS**"), wherein a range of standardised investment strategies are available according to a client's objectives and risk profile. The MPS is available both under Quilter Cheviot's in-house custody and under certain third-party platforms.

Quilter Cheviot's approach to portfolio management is underpinned by its robust investment process, which includes a dedicated investment oversight function and Quilter Cheviot's in-house research capabilities, including a team comprised of equity and fund research analysts who cover a large security universe across direct equities, collective funds and fixed income. A team of 21 in-house analysts provide sector-specific recommendations, based upon external and proprietary research.

The DPS has produced strong and consistent performance versus peers and benchmarks, attracting clients and advisers to Quilter Cheviot. According to the ARC Private Client Index, Quilter Cheviot's core "Balanced Strategy" portfolio (category defined as relative risk of 40 to 60% of world markets) has outperformed the peer group in nearly all risk categories across all time periods (up to 10 years) since inception, as has its "Steady Growth" portfolio (category defined as relative risk of 60 to 80% of world markets). The ARC Private Client Index is comprised of actual client returns submitted by more than 50 discretionary investment management firms.

The following table shows Quilter Cheviot's quartile rankings in the ARC Private Client Index as at 31 December 2017:

	AuM	Performance quartile			
	(£ millions)	1Y	3Y	5Y	10Y
ARC PCI Balanced Strategy	2,037	2	2	1	1
ARC PCI Steady Growth	6,714	2	1	1	1
ARC PCI Equity Risk	2,649	2	2	1	2

In addition to its core offering, Quilter Cheviot offers the following non-discretionary wealth management services:

- the advisory managed service and the advice & dealing service, where the investment manager provides advice but client authorisation is needed to conduct any portfolio changes; and
- execution only, where clients bear the sole responsibility for selection and ongoing management of their investments.

Of Quilter Cheviot's total £23.6 billion AuM in the year ended 31 December 2017, 93% were DPS and MPS clients and 7% were advisory managed clients. Advice and dealing and execution only clients are not included in reported AuM.

For DPS, MPS and the advisory managed service, Quilter Cheviot charges clients either a clean fee (as a fixed percentage or a tiered fee structure based on value of portfolio at each month-end averaged over the charging period) or a fee plus commission (a fee structure which is generally lower than the clean fee plus a commission based on the value of the transactions). For the advice & dealing service and execution only, Quilter Cheviot charges commission only, and the tiered commission structure is based on the value of the trade.

(b) *Clients*

Quilter Cheviot has a diverse range of clients, with approximately 21,500 private clients, 7,300 SIPP clients, 2,600 trust clients, 2,400 bonds clients, 900 pension clients, 700 corporate clients, and 600 charity clients, each as at 31 December 2017. As at 31 December 2017, the average customer's portfolio was over £649,000. Quilter Cheviot's distribution channel model was roughly balanced, with approximately 46% of its total AuM sourced from a financial adviser and approximately 54% coming from non-financial adviser channels (direct clients, charities and professional connections) as at 31 December 2017. However, the majority of new business is sourced from financial adviser introductions and an average of 89% of NCCF have come from financial advisers over the past two years.

Quilter Cheviot's established presence in the financial adviser channel remains one of its key competitive strengths. Quilter Cheviot had a dedicated team of 20 business development managers to service the adviser market as at 31 December 2017. Quilter Cheviot's client base is served by over 2,600 financial advisers, and approximately 38% of these advisers have had a relationship with Quilter Cheviot for more than ten years. Quilter Cheviot's client base has also remained consistent, with client asset retention rates at 92%, 91% and 92% in the years ended 31 December 2015, 2016 and 2017, respectively. The Group expects increased regulation to continue to be a driver for financial advisers to outsource investment management.

In connection with the UK Platform Transformation Programme described under "—5.2 *Wealth Platforms*—5.2.1 *Quilter Wealth Solutions*—(a) *Products and Services*", the DPS is planned to become part of the core platform offering, which will be a further step in the development of the Quilter Cheviot proposition and is expected to enable wider access to its core offering.

In addition, Quilter Cheviot does not offer itself financial advisory services such as tax or financial planning as these may pose a potential conflict of interest with financial advisers who refer a significant amount of new business to Quilter Cheviot.



(c) *Sales & Marketing*

Quilter Cheviot's investment managers are at the core of its client relationships. Quilter Cheviot does not split the role of investment manager and relationship manager, enabling its investment managers to develop closer relationships with their clients and provide tailored investment portfolios based on their clients' investment needs. The Directors believe that Quilter Cheviot's strong tradition of personalised service, together with its consistent investment performance, has resulted in client loyalty, which contributes to AuM growth. As a result of these efforts, Quilter Cheviot has developed long-standing relationships with its clients. Approximately 24% of Quilter Cheviot's clients have been clients for over 10 years as at 31 December 2017. In addition, with the Group's announced intention to rebrand as "Quilter" and the Company to be listed under the name "Quilter plc", Quilter Cheviot expects to benefit from greater brand spread and awareness.

In addition to developing current client relationships, Quilter Cheviot focuses on generating new business and growing its AuM through various distribution channels, namely:

- *Financial advisers:* Driven by its dedicated, local sales team, Quilter Cheviot uses national financial adviser roadshows, specialist advertising, events programmes and digital engagement. As at 31 December 2017, 20 members of the business development team were dedicated to maintaining and building Quilter Cheviot's relationships with financial advisers, and Quilter Cheviot has relationships with over 2,600 financial advisers.
- *Direct clients:* Quilter Cheviot relies on referrals from existing clients, advertising, direct mail and digital channels such as "Find a Wealth Manager" and other social sales' platforms. In addition, Quilter Cheviot undertakes brand building initiatives, such as headline sponsorship of Countryfile Live (with footfall of more than 130,000 individuals in August 2017), events with the Spectator, country show exhibitions and a host of local activities, including classic car rallies and sponsorship of the National Scottish Orchestra. Quilter Cheviot manages the number of clients per investment manager to ensure quality of advice and risk management. Quilter Cheviot operates in teams to teach investment managers to manage risk.
- *Charities:* Driven by a dedicated sales resource and a network of charity champions across Quilter Cheviot's investment managers, Quilter Cheviot uses national events programmes, specialist press advertising, regular speaker engagements and a digital acquisition strategy, including innovations such as "TrustEnews" (a monthly aggregation of the best news content for trustees).
- *Professional connections:* Quilter Cheviot is also focused on solicitors, accountants and trustees for new business. In addition, Quilter Cheviot undertakes considerable local activity to encourage referrals through professional connections.

As at 31 December 2017, financial advisers accounted for £10.7 billion in AuM and over 22,000 client mandates, with direct business accounting for £12.9 billion in AuM and over 13,000 client mandates. For Quilter Cheviot's DPS, as at 31 December 2017, approximately 46% of AuM was attributable to financial advisers, with direct business accounting for the remaining 54%. As at the same date, approximately 85% of Quilter Cheviot's MPS was attributable to financial advisers, with the remaining 15% attributable to direct business.

Quilter Cheviot works closely with a number of the Group's businesses and shares clients with Quilter Financial Planning (particularly PCA) and Quilter International. For example, NCCF from Quilter Financial Planning into Quilter Cheviot, primarily driven by the PCA business, has increased from nil in the year ended 31 December 2015 to £238 million in the year ended 31 December 2017. Quilter Cheviot and PCA are working together to identify opportunities to grow businesses across the Group, including through the potential acquisition of new client banks. In addition, Quilter Cheviot and Quilter International have positive Integrated NCCF from the Dubai office, and they are considering further leveraging shared distribution capabilities internationally.

(d) *Operations*

Quilter Cheviot is committed to providing a premium administration service both to its clients and to advisers. It derives substantial benefit from the insourcing of all settlement functions, which leads to higher quality service levels, greater control and faster response times. In particular, Quilter Cheviot is conscious not only of the need to provide a quality service on a day-to-day basis, but also of the necessity of adapting and delivering additional enhanced or bespoke services to its clients in a secure and timely manner. In an effort to meet client needs, Quilter Cheviot provides its clients with several options for income distribution, including monthly, quarterly or semi-annually. Clients are also provided with an annual consolidated tax certificate showing all income received during the last fiscal year, or calendar year for offshore clients.

All settlement functions related to Quilter Cheviot's business are dealt with centrally, within the London office. As such, there are no settlement or custody functions in the regional offices. The Directors believe that this is a key feature enabling Quilter Cheviot to control the settlement and custody process.

Quilter Cheviot's operations utilise the JHC-owned Figaro settlement and portfolio management system across all operations, which is used by many industry leading investment managers. The scope of Figaro's service capabilities includes portfolio management; order management and routing; automated dealing via direct interfaces with the market and Cofunds; capital gains tax calculations for the United Kingdom and Ireland; daily performance measurement; fee processing; client reporting; CFA accounting and cash management; and administrative functions, such as ISA subscriptions and corporate action elections.

## 5.2 **Wealth Platforms**

Wealth Platforms comprises Quilter Wealth Solutions, Quilter International and Quilter Life Assurance. It provides wealth products and solutions, tools, technology and service for customers and financial advisers.

### 5.2.1 **Quilter Wealth Solutions**

Quilter Wealth Solutions was formed through the integration of Skandia Multifunds and Selestia, following Old Mutual's acquisition of Skandia's global operations in February 2006. The business rebranded to "Old Mutual Wealth" in 2014 and is in the process of rebranding to "Quilter Wealth Solutions". In the last five years, the Group's strategy has been shifting from a traditional life company to an advice-led wealth management business with customers at its centre. Quilter Wealth Solutions is an integral element of that strategy.

Quilter Wealth Solutions allows customers to use flexible, tax-efficient wrappers to grow and manage their wealth, including pensions, ISAs, bonds and CIAs. It provides a way to easily manage and monitor investments in one convenient central hub, thereby playing an important role in customer wealth management within the Group. Quilter Wealth Solutions provides access to a wide fund choice from a range of third party investment managers, including Quilter Investors, as well as tax and financial planning tools to maximise efficiency. Quilter Wealth Solutions' platform also delivers back office functionality, including custody, settlement and reporting services.

Quilter Wealth Solutions is a top-three provider (with AuA of £50.2 billion and NCCF of £4.5 billion for the year ended 31 December 2017) of advice-based wealth management products and services in the UK. It serves a largely affluent customer base through advised multi-channel distribution, supporting both third party advisers and RFPs to make appropriate recommendations for customers. Platforms are currently capturing the majority of UK retail savings flows. The Group has a leading position in the UK platform market and, for the reasons outlined below, the Directors believe it is well placed to continue to grow.

Quilter Wealth Solutions currently operates under the "Old Mutual" brand and will continue to do so until the rebranding described in "—6. Brand" occurs.

#### (a) *Products and Services*

Given the complexity of financial planning, Quilter Wealth Solutions promotes its products and services through financial advisers. The interactions between different tax wrappers and investments can be more easily optimised and managed as customers' needs evolve over time by bringing them together on a single platform.

Quilter Wealth Solutions offers a range of product wrappers with a consistently-performing fund range and one simple tiered charge. Through these wrappers, customers have access to two investment ranges: SelfSelect and WealthSelect. SelfSelect allows the customer to build their own portfolio from a wide range of 1,500 funds. WealthSelect is a managed portfolio service, which gives the customer a choice of investment approaches.

Pensions represent the largest share of net sales in the platform market, impacted by the Pension Freedom legislative change in April 2015. Pension Freedom represented a fundamental change to the structure of the UK pensions market, removing the legal requirement to buy an annuity with pension savings at retirement and allowing for a range of flexible, alternative solutions. The Group offers the full range of flexi-access drawdown facilities via a platform pension account, the Group's CRA.

Pensions currently represent the largest part of Quilter Wealth Solutions' NCCF. Of Quilter Wealth Solutions' total £50.2 billion AuA as at 31 December 2017, £21.7 billion were personal pensions, £15.0 billion were ISAs, £9.8 billion were general investment accounts (including £0.5 billion of shareholder assets) and £3.7 billion were onshore bonds. The impact of Pension Freedom on Quilter Wealth Solutions has been significant, and, as a result, sales in the pension propositions

have accounted for 48%, 56% and 61% of Quilter Wealth Solutions' gross sales in the years ended 31 December 2015, 2016 and 2017, respectively. The shift by employers from old-style DB to new-style DC pension schemes has also contributed to the growth in flows onto platforms.

The Group's stocks and shares ISA is a tax-efficient investment account that allows customers to put money into a range of different funds. Demand for this product has benefited from the recent increase in ISA limit to £20,000.

The CIB is a flexible way for customers to invest money over the medium- to long-term. It allows customers to put money into a range of different investment funds. It is designed to allow customers' investments to grow while they make regular, tax-efficient withdrawals, as needed. It can also be useful for inheritance tax planning.

Quilter Wealth Solution's general investment account, the CIA, allows customers to hold a wide range of collective investments outside of a tax wrapper in one place. The CIA is a flexible way for customers to invest money over the medium- to long-term, with no limits on the amount they can invest. As such, while the CIA is not a tax wrapper, it allows customers to make full use of their tax allowances by utilising their annual capital gains tax exemption.

(b) *Customers*

Through third-party financial advisers, Quilter Wealth Solutions serves customers who are in the affluent customer segment and who often have complex financial planning needs. Customers may want to save for retirement, invest for a specific goal or intend to manage their wealth for intergenerational wealth transfer. Given the many factors that impact customers' financial planning needs and decisions, Quilter Wealth Solutions customers value face-to-face financial advice from their third-party financial advisers.

As such, the relationship with the adviser is critical to the customer, as is the reputation of the platform recommended by the adviser. The Directors believe customers take comfort in the strength and reputation of Quilter Wealth Solutions.

As at 31 December 2017, Quilter Wealth Solutions served approximately 400,000 affluent customers, of which approximately 75% were over the age of 50 and who had invested an average of approximately £120,000.

Quilter Wealth Solutions provides advisers and customers with an easy-to-use platform which allows them to access information and transact online when they need to, with most elements of their financial plan in one place.

- Quilter Wealth Solutions has constructed its platform to support customers in their financial goals, including:
- Simple sliding scale tariff which reduces the charge in basis points as customer assets increase;
- Simple, transparent pricing with no additional charges for wrappers, transactions or fund trading;
- Client linking, which enables spouses and family members to benefit from lower charges; and
- Cheaper fund costs for customers negotiated through Quilter Wealth Solutions' scale.

In addition, customers and advisers value the expertise of the Group's staff, and Quilter Wealth Solutions has regularly won awards for the quality of its service provision.

While Quilter Wealth Solutions recommends customers seek financial advice, the business is also able to offer a high quality service to customers who choose not to retain the services of an adviser. These customers can contact the business directly through the contact centre or use the online customer portal. This is a small part of Quilter Wealth Solutions' business.

Large account firms contribute the majority of Quilter Wealth Solutions' AuA and NCCF. Of the advisers that utilise Quilter Wealth Solutions as at 31 December 2017, approximately 1,650 advice firms, or 22% of the 7,400 total independent advisory firms on the platform, are large account firms which account for approximately 81% of the total AuA and approximately 98% of NCCF. Approximately 2,500 advice firms, or 34% of the total, are mid-tier firms which account for approximately 14% of AuA and approximately 9% of NCCF. The remaining approximately 3,250 advice firms, or 44% of the total, are low activity firms which account for approximately 5% of AuA and an outflow of NCCF.

(c) *Sales & Marketing*

Quilter Wealth Solutions' sales force comprises field consultants, telephone-based consultants and product specialists. The field consultants have a face-to-face relationship with adviser firms, built up over many years. The telephone-based team manages a further tranche of adviser firms through proactive marketing campaigns, as well as email and telephone contact. This model enables the business to provide appropriate and efficient levels of interaction with the various adviser business models.

As a result of this distribution reach, Quilter Wealth Solutions is the platform of choice for more advisers than any other platform in the UK market. As at 31 December 2017, Quilter Wealth Solutions had transacted business with over 4,000 active third party UK advice firms and it was the number one platform of choice for primary adviser relationships (*Source: UK Adviser Technology & Business Report Investment Trends 2017*).

RFPs on the Group's Quilter Financial Planning network may also use Quilter Wealth Solutions. Quilter Financial Planning contributed 27% of Quilter Wealth Solutions' NCCF for the year 31 December 2017, and AuA from Quilter Financial Planning comprised £4.5 billion (or 9%) of the Quilter Wealth Solutions' AuA. NCCF from Quilter Financial Planning to Quilter Wealth Solutions has increased from £0.7 billion in the year ended 31 December 2015 to £1.2 billion in the year ended 31 December 2017.

In addition, through third party advisers and RFPs, 42% of Quilter Wealth Solutions' NCCF flowed into the Group's investment solutions in the year ended 31 December 2017, including WealthSelect, Cirilium, Creation and Generation. In the year ended 31 December 2017, over 16% of Quilter Wealth Solutions' assets were invested in the Group's investment solutions.

Advisers use Quilter Wealth Solutions because it provides tools, support and technology to help advisers create the required financial plans for their customers and to drive efficiencies into their businesses. In addition, the Group has a strong team of technical specialists helping advisers across the country. The Group also has robust, secure and dependable trading functionality, and flexible products, trusts and investment solutions. Advisers also take comfort in the scale and financial strength of the Group's business, as well as the Defaqto "Gold" rated service (an award which is voted for by advisers).

Quilter Wealth Solutions benefits from the Group's multi-channel distribution model, with 27% of NCCF coming through the advised channel and 73% of NCCF coming through the open market channel in the year ended 31 December 2017.

As at 31 December 2017, Quilter Wealth Solutions had £4.6 billion of integrated advice AuMA and £45.6 billion of open market AuA. Its top 100 firms only accounted for 31% of Quilter Wealth Solutions' AuMA as at 31 December 2017. With more than 20 platforms currently in the UK market, Quilter Wealth Solutions' offering has differentiated its proposition over the years by a focus on user experience and a number of innovations, including award-winning investment analysis tools like UScan for advisers.

(d) *Operations*

Operations, called "Client Services" within Quilter Wealth Solutions, is integral to the business. It is the part of the business where there is direct interaction with customers and provides the opportunity to build and retain customer relationships.

Quilter Wealth Solutions has an award-winning customer and adviser service centre in Southampton, where multi-skilled teams provide a flexible professional service to approximately 400,000 Quilter Wealth Solutions customers. The provision of services in Southampton includes a dedicated key accounts team, which provides adviser firms with a large number of customers on the platform with dedicated support.

The Quilter Wealth Solutions Client Services team has won a number of industry awards over the period under review and achieved Gold Standard Defaqto status across all of its products in 2017.

UK Platform Transformation Programme

The Group is investing in the UK Platform Transformation Programme to modernise its technology and improve its offering to existing customers and advisers and attract new ones. The Group's existing platform was built over 20 years ago and developed incrementally to meet various proposition and regulatory requirements. The Group's current UK Platform Transformation Programme is the replacement for its prior re-platforming project, which ended in May 2017 due to significant budget overruns and delays to the timetable. The Group has undertaken an extensive review of the prior re-platforming project, including internal audit and external assurance, to ensure the programme governance structure and oversight has improved and the lessons learnt are reflected in the UK Platform Transformation Programme.

The Group has contracted with FNZ to deliver the UK Platform Transformation Programme. Under the UK Platform Transformation Programme, FNZ will supply the Group with a new platform that will provide an increased range of products and functionality, integrated systems, increased straight-through processing and scalability. The new platform is expected to enable the business to further improve on its customer and adviser experience, and strengthen the future platform resilience. The new platform will offer a wider product and investment range to customers, including SIPP functionality, cash account, extended ISA range with a Junior ISA and wider market assets, such as

investment trusts and exchange traded funds. These new capabilities align Quilter Wealth Solutions with the Group's market offering and provide access to a broader proposition, which the Directors believe will strengthen the Group's position with existing advisers and appeal to new advisers. The Group will retain key customer experience differentiators for its customers and advisers, such as its easy to use online portal and rebate mechanism, which allows the Group to offer funds at competitive prices and is critical to ensuring the Group retains its strong market position.

The UK Platform Transformation Programme is currently in the development and testing phase. The configuration of the core solution is complete, and the Group has finalised its requirements with FNZ. The UK Platform Transformation Programme is scheduled to soft launch in late 2018 or early 2019, with migration of existing clients and advisers to follow thereafter. The Group's preliminary cost estimates for the operational delivery of the new platform are approximately £120 million to £160 million from the restart of the programme in May 2017, of which £21 million had been incurred as at 31 December 2017. The Group expects to incur £75 million in 2018, with the balance in 2019. The UK Platform Transformation Programme remains on time and within budget and excellent progress has been made with all key deliverables to date being within the Group's planned timelines.

### 5.2.2 **Quilter Life Assurance**

Quilter Life Assurance was founded in 1979 to provide innovative retirement, investment and protection products. As part of the Group's planning for RDR, a decision was taken to close a number of products in Quilter Life Assurance to new business in 2012. Consequently, Quilter Life Assurance is predominantly closed books of life insurance, insurance bonds and pension business made up of products sold over the last 30 to 40 years. These products have generally been closed to new business over the last decade and are in steady, managed run-off. Quilter Life Assurance also includes the open protection (life and critical illness cover) book of business. Finally, Quilter Life Assurance also includes the institutional life business, which is part of the platform that is used by employee benefit consultants who advise on large trustee pension schemes. On 15 November 2017, the Group announced that it would cease to take on new institutional clients as the institutional life business was not regarded as core to the Group's strategy. The Directors expect that the majority of the institutional life business will run off over the next one to two years.

Quilter Life Assurance served approximately 222,500 customers as at 31 December 2017, with AuA running off at approximately 15% per year (excluding institutional and transfers to Quilter Wealth Solutions). As at 31 December 2017, the closed book contained onshore bonds, which represented approximately 47,400 plans and £3.5 billion in AuA; pensions, which represented approximately 92,000 plans and £5.4 billion in AuA; and protection, which represented approximately 44,300 plans and £0.3 billion in AuA. The institutional life business contained approximately 114 plans and £4.9 billion in AuA as at 31 December 2017, but had a low revenue margin of approximately 4 basis points. The open protection business had approximately 27,900 plans as at 31 December 2017. The savings products business contained approximately 7,600 plans and £0.4 billion of AuA as at 31 December 2017.

Quilter Life Assurance is a source of free cash flow, and as such is an important source of funding to the capital investment in the rest of the Group. The scale of Quilter Life Assurance and its closed book nature means it delivered 32% of the Group's operating profit from continuing operations in the year ended 31 December 2017 but only 13% of AuM in the year ended 31 December 2017. Quilter Life Assurance has historically been a strong contributor of the Group's capital and dividends.

Delivering fair outcomes for closed book customers has been a key theme of regulatory scrutiny in recent years. On 3 March 2016, the FCA issued a report detailing the findings of its industry-wide Thematic Review into the treatment of long-standing customers invested in closed-book products sold by the life insurance sector, with a focus on four areas or "outcomes": strategy and governance, communications, fund performance and charges (in particular exit charges and paid-up charges). At the same time, the FCA announced that its enforcement division was initiating investigations into six firms (although the investigation into one of those firms was subsequently discontinued on 7 September 2017). One of the firms being investigated is OMWLA, a subsidiary of the Group and the trading name of Quilter Life Assurance prior to the rebranding. The Investigation covers the four outcomes/areas of focus identified in the Thematic Review.

In particular, the FCA is investigating OMWLA in relation to: (i) its behaviour in respect of the disclosure of exit and paid up charges after December 2008 (Outcomes 2 and 4 in the Thematic Review; and (ii) whether OMWLA contravened regulatory requirements across a number of other areas assessed in the Thematic Review. In relation to point (ii), these other areas are aspects of OMWLA's strategy and governance in relation to its closed-book customers (Outcome 1 in the Thematic Review) and aspects of fund performance, again in relation to OMWLA's closed-book customers (Outcome 3 in the Thematic Review).

OMWLA is working with the FCA and is cooperating with the Investigation. To date, the FCA has issued, and OMWLA has given responses in respect of, a number of information requirements. For more information, see Part VII – "Regulatory Overview—5. Recent and Future Regulatory Developments—5.1 United Kingdom and European Union—5.1.2 FCA Thematic Reviews".

Quilter Life Assurance currently operates under the “OMWLA” brand and will continue to do so until the rebranding described in “—6. Brand” occurs.

(a) *Products and Services*

Quilter Life Assurance comprises closed books and open protection products.

Quilter Life Assurance managed 77 different products as at 31 December 2017, 42 of which were closed retail pensions products, 15 of which were closed investment and saving products, 13 of which were closed Swedish and Norwegian investment and pension products, one is a closed German critical illness product and one of which was a recently closed institutional pension product. The open products comprise two retail pensions products and three protection products.

Although the Quilter Life Assurance investment products are closed to new business, the Group leverages the Quilter Wealth Solutions’ distribution team to continue to manage relationships with advisers and promote the suite of personal protection products (including Guaranteed Whole of Life, Fixed Term and Rolling Term products).

In line with FCA requirements, an independent governance committee has been established to oversee Quilter Life Assurance’s contract based workplace pension schemes.

(b) *Customers*

Quilter Life Assurance had approximately 222,500 customers as at 31 December 2017. Within its pension and investment business, the average age of customers is increasing and, as a result, every year a tranche of customers is expected to redeem their investment to fund their retirement needs.

A number of Quilter Life Assurance’s customers acquired their products many years ago when different regulatory requirements applied. In recent years, Quilter Life Assurance has invested in improved frequency and enhanced communications with their customers to help customers make decisions about their investments.

Quilter Life Assurance customers can elect to transfer into the flexible drawdown products offered by Quilter Wealth Solutions to take advantage of the Pension Freedom legislation when it is in the customers’ best interest.

Quilter Life Assurance’s suite of personal protection products has been targeted to an affluent customer base, aligned with the overall target customer of the business. Protection is an important element of the overall ethos of holistic financial planning for Quilter Life Assurance’s target customers. Quilter Life Assurance encourages customers to save, but also to protect their financial future in the event of an unexpected setback. Quilter Life Assurance encourages customers to do this through financial advisers.

Obtaining protection products can be a lengthy process due to underwriting requirements, need for medical checks and the lengthy health questionnaires. Quilter Life Assurance has invested in online systems that provide straight through underwriting capabilities, helping to support efficient new business processes.

(c) *Sales & Marketing*

*Closed Book:* Quilter Life Assurance benefits from the sales and marketing team supporting Quilter Wealth Solutions, who also manage the adviser relationship for Quilter Life Assurance.

In an effort to ensure good outcomes for closed book customers, Quilter Life Assurance provides clear, regular information on the value of investments, regulatory changes, and any developments that might have a material impact on the investment. Quilter Life Assurance also recognises the need to encourage closed book customers to seek advice before making any changes to long-standing investments, for example to move the investment into a different vehicle.

*Protection:* Product development, sales and marketing for the open protection book are delivered through a dedicated specialist team. The protection specialist team supports advisers in understanding products and opportunities through face-to-face support, seminars, educational materials and webinars.

(d) *Operations*

In terms of operations, the UK operations are integrated with Quilter Wealth Solutions to manage efficiency. The policy administration system is shared with part of Quilter International and supporting technology is shared with Quilter Wealth Solutions and Quilter International. Therefore, closed book customers benefit from the same knowledge and experience within the Client Services team as the Quilter Wealth Solutions customers, which is discussed above in “—5.2.1 Quilter Wealth Solutions—(d) Operations”. Quilter Life Assurance is not within the scope of the UK Platform Transformation Programme.

### 5.2.3 *Quilter International*

Quilter International is a leader in cross-border investment solutions aimed primarily at affluent and high net worth UK residents seeking investment solutions outside of the UK, as well as British expatriates and international investors around the world. With nearly 700 staff globally, it has significant experience in the offshore insurance and wealth management markets developed over its 25 year history. Quilter International has evolved over the years in sync with the locations of British expatriates. Quilter International is headquartered in the Isle of Man and has branch offices in Hong Kong, Singapore and the United Arab Emirates. Quilter International also has an office in Dublin, which provides the Group access to the European market under freedom of services legislation. Quilter International is also currently establishing a branch in Uruguay.

Quilter International primarily focuses on high net worth and affluent local customers and British expatriates in Asia, the Middle East, Europe and Latin America, offering customers diversification, portability, security, tax and estate planning. Quilter International's products and solutions are underpinned by a wide choice of investment options and ways to monitor and manage them online, with the help of customers' financial advisers. The Group has successfully transitioned Quilter International from a traditional life assurance company to a modern life-wrapped platform, which attracts, consolidates and provides investment flows to the Group's Advice & Wealth Management business. The Directors believe the markets in which Quilter International operates have an appetite for modern, multi-channel wealth management solutions, and there has been an increasing global regulatory emphasis on good customer outcomes.

Quilter International currently operates under the "Old Mutual International" brand and will continue to do so until the rebranding described in "—6. Brand" occurs.

#### (a) *Products and Services*

Quilter International predominantly offers single premium portfolio bonds, as well as unit-linked life assurance policies that are generally smaller in value than the single premium portfolio bonds. The personal portfolio bond is a modern, multi-currency, tax-efficient wrapper which can hold an extensive range of investments. The portfolio bond offers varying attractions to different groups of investors. UK residents who have exhausted their contribution limits for ISAs and pensions can use international portfolio bonds for additional financial planning. The cross-border, multicurrency investment platform also serves working UK and international expatriates who are more likely to travel during their careers. Other UK and international investors, including high net worth investors, are principally attracted to the ability to invest in a politically and economically stable jurisdiction with a wide variety of investment choice.

Within that personal portfolio bond, Quilter International offers its customers investment solutions ranging from multi-asset funds managed by Quilter Investors, discretionary asset management services provided by Quilter Cheviot and third party solutions. This means that customers can invest in a wide range of assets, including mutual funds, shares, bonds and structured products, and can transfer any existing investment portfolios into their bond.

Quilter International had £19.3 billion of AuA and £1.4 billion of NCCF as at 31 December 2017. Quilter International derives its income from a variety of sources, with the majority from a percentage charge calculated on either (i) the premium invested, (ii) the policy value or (iii) the higher of premium invested and policy value. Although Quilter International's products are primarily sold on a premium charging basis (rather than on a market value charging basis, as is the case in the Group's other businesses), Quilter International uses a variety of charging structures, allowing advisers to tailor the fees to meet the needs of the customer. For example, advisers can take a commission recouped via an annual management charge levied by Quilter International or a fee payable by the customer. The premium charging structure provides the Group with a stable and resilient revenue source. In the year ended 31 December 2017, 46% of Quilter International's total revenue contribution was based on market value charging as compared to premium and administrative fees, this proportion having increased over two years as investment markets have risen. The closure of new regular premium contractual savings business at the end of 2016 has reduced the volume of new business where income is heavily linked to market value, however charging structure changes on the portfolio bond business will help to increase the proportion of income linked to market value.

Quilter International also derives income from fixed monetary administration charges, rebates from fund managers and dealing fees.

#### (b) *Customers*

Customers in the UK and internationally purchase a portfolio bond from Quilter International for a variety of reasons including: tax efficiency (which comes from the legal construct of a wrapper), portability (which comes from the multi-currency and multi-jurisdictional reach of the platform) and security (including the economic and political stability of the Isle of Man and the integrity of Quilter International's wealth management solutions). As at 31 December 2017, Quilter International had

approximately 109,000 policies in force, 95% of which had an adviser. Quilter International predominantly serves UK customers, including resident investors, high net worth investors and expatriates, which collectively accounted for 60% of the business' AuA as at 31 December 2017. The remaining 40% of Quilter International's customers are non-UK customers, whether expatriates of other nationalities, international high net worth investors or other investors whose needs require cross-border investment solutions. Quilter International complements Quilter Wealth Solutions by providing international tax efficient wealth management solutions to UK customers, and it offers modern wealth management solutions in other international centres serving customers with similar needs. As at 31 December 2017, the customer breakdown of Quilter International's AuA was as follows: 28% UK resident; 23% UK expatriate; 17% international high net worth; 14% cross-border; 10% international expatriate; and 9% UK high net worth.

Over the last few years, the Group has made the strategic decision to focus on fewer core worldwide regions, which has resulted in the Group ceasing to write new business in a large number of countries. Whilst a "back book" of business continues to be maintained in such "closed" countries, the number of countries of client residency that Quilter International considers accepting new business from has decreased significantly. Going forward, Quilter International intends to continue to focus its resources on developing deeper roots in fewer core regulated markets. The Directors believe this strategy should enable Quilter International to drive growth while retaining control of quality, including with regard to customer service and risk management. The Group's share of the UK resident offshore market has grown from 11% in the year ended 31 December 2015 to 18% as at 30 September 2017, despite a declining overall market (Source: ABI Q3 2017). Total sales for the UK resident offshore market increased from £2.5 billion in the year ended 30 September 2015 to £2.7 billion in the year ended 30 September 2017. In the international markets, the Group maintains a leading position in Singapore, where, having acquired AAM Advisory (a Singapore financial advisory business), it is the leader in the Defined Market Segment of the Single Premium individual unit linked market with a 46% market share as at 31 December 2017. In Hong Kong, it is in the top four providers in the Single Premium individual unit linked class C market with a 5% market share as at 31 December 2017. Outside the UK, each region faces competition from rival insurers and discretionary fund managers. In Europe, the principal markets are Sweden and the offshore pensions market via Malta and Gibraltar. In Latin America, the Group is focused on the lump sum market via Aiva, with which the Group has a long-term distribution agreement.

(c) *Sales & Marketing*

Quilter International offers life assurance policies and investment solutions around the world to UK residents seeking investment solutions outside of the UK, as well as expatriates and local investors in selected offshore markets. Quilter International's products and services are available through financial advisers, and Quilter International positions itself as able to help manage and grow customers' investments for their future and for their families future. Quilter International is one of the few providers to operate in multiple international markets. As well as its life companies based in the Isle of Man and Ireland, Quilter International has fully equipped offices (including local language speakers) in major markets including the UK, Hong Kong, Singapore and the United Arab Emirates. Quilter International understands local cultures and regulations, which enables it to develop suitable wealth management solutions and have strong relationships with its distributors in these markets. In 2016, Quilter International acquired AAM Advisory in Singapore, which was a network of 34 RFPs as at 31 December 2017. Quilter International also has a long-term distribution agreement with Aiva for distribution in Latin America.

Quilter International aims to provide good service to financial advisers and their customers by providing advisers with comprehensive support for their business. Quilter International has a strong team of sales and technical specialists supporting advisers on sales, investments, marketing and technical matters from experts on hand to help advisers navigate complex tax, trust and regulatory issues. In the local branch offices, Quilter International is able to fast-track administration and respond quickly to enquiries. In line with Quilter International's strategy to develop its investment proposition, Quilter International has recently celebrated the anniversaries of its multi-asset portfolios run by Quilter Investors and Quilter Cheviot opening in Dubai, which have both had successful first years. Quilter International has had to adapt to a number of new regulations across the globe and has developed a modular programme, "Future Fit", to support firms and advisers through this change. In 2017, Quilter International added an additional focus on its high net worth proposition, enhancing its offering with high death-benefit life insurance solutions and expanding the distribution footprint with private client divisions of banks and specialist high net worth brokers. For the year ended 31 December 2017, gross sales into each region outside the UK were 36% into Latin America, 25% into the Middle East, 17% into Europe (excluding Sweden), 8% into Hong Kong, 8% into Sweden and 7% into Singapore.



Flows into Quilter Investors have been modest to date, however these only started in late 2016, and the Directors believe there is a growing opportunity to grow the Integrated NCCF here. Quilter Cheviot and Quilter Investors have done well in the international market – IFA firms have turned to Quilter Cheviot and Quilter Investors as the IFA firms de-risk their business models in the face of growing regulatory change. Quilter International has had particular success in Dubai driving NCCF to Quilter Cheviot. Quilter International is in discussions with Quilter Cheviot about opening an office in Singapore, where Quilter International already has a regulated presence and distribution capabilities.

(d) *Operations*

Quilter International focuses on customer service, and has embedded a strong risk management and control framework. Its operations support a regional office network, providing services to customers and advisers in their local time zones, which is reinforced by bilingual customer service agents who understand the culture and environment. The Group is currently transitioning its back-office customer operations into regional servicing teams in order to further enhance this customer focused delivery. Quilter International continues to develop its online proposition to provide customer and adviser self-service and is now launching specific online-only products, such as the recent UK Select Bond, to deliver operational leverage.

Quilter International employs processes and controls to mitigate against the risk of financial crime, and utilises an enhanced due diligence process for higher value cases. Senior managers identify and own key risks, and monitor the effectiveness of the Group's controls through quarterly assessment and attestation. In addition, all new customers are assessed at policy inception and regular screening of the existing customer book takes place on a daily basis in order to safeguard and mitigate financial crime risk. Quilter International also has a team of professionals in its Risk & Regulation unit who review the financial crime ratings of the countries in which it operates, who maintain transparent relationships with the Group's regulators. For further information about the Group's risk and control management, see "—9. Risk Management and Internal Control".

Operational processes are supported by two main platforms, Wealth Interactive, with TCS BaNCS systems at its core, and Quilter International's unit-linked life assurance platform. Both platforms continue to be maintained in line with regulatory change in Quilter International's chosen markets, and Wealth Interactive is being further developed to support the international business strategy for growth and effectiveness. Both Wealth Interactive and Quilter International's unit-linked life assurance platform provide an element of self-service to advisers and customers who wish to view their policies and transact online. Quilter International's investment in its platform enables customers and advisers to go online and check the value of their portfolios and trade underlying investments, such as funds and shares.

### 5.3 **Business held for disposal – OMGI and the Single Strategy Business**

In December 2017, the Group entered into an agreement to sell OMGI, which operates the Single Strategy Business through certain subsidiaries including OMGIUK, to Bidco (a special purpose vehicle ultimately owned by funds managed by TA Associates and certain members of OMGIUK's management), subject to certain conditions, including in relation to mandatory regulatory change of controller approvals and a re-organisation pursuant to which all the shares in OMIML and the Multi-Asset Business will be separated and retained by the Group. The parties currently expect the sale to complete in the second half of 2018. The material terms of the OMGI Transaction are summarised in *Part XVII – "Additional Information—14. Material contracts—14.5 OMGI Transaction"*.

The consideration payable under the OMGI SPA is subject to a number of adjustments and the expected total consideration payable to the Company is approximately £600 million, comprising cash consideration of approximately £570 million payable on completion, with approximately £30 million anticipated to be payable thereafter, anticipated to be paid primarily in 2019 to 2021 as surplus capital of the Single Strategy Business associated with the separation from the Group is released. These values are subject to a number of potential price adjustments, depending on the net asset value of the business and other factors at the disposal date. The deferred consideration is not subject to performance conditions. At completion, economic ownership of the Single Strategy Business will pass to Bidco effective from 1 January 2018 with all profits and performance fees generated up until 31 December 2017 for the account of the Company. Proceeds from a completed transaction will be used to repay the New Term Loan in full and for general corporate purposes.

Bi-lateral transitional services are required for the duration of the transition period to ensure a smooth separation of OMGI and the Single Strategy Business from the Group and the Multi-Asset Business from OMGI. The period of services will vary on a service by service basis but can be up to 36 months. Under the OMGI Reverse TSA, OMGIUK will continue to provide certain IT, operational and other services to OMIML in order to assist OMIML in continuing the Multi-Asset Business following the completion of the OMGI Transaction. Under the OMGI TSA, Old Mutual Wealth Business Services Limited will continue to provide certain IT, human resources, finance and facilities management services to OMGI in order to assist OMGI in continuing to operate the Single Strategy Business following completion of the OMGI Transaction. See *Part I – "Risk Factors—2. Risks relating to the Group's business—2.6 The Group faces risks relating to the disposal of OMGI"*.

## 6. Brand

On 15 November 2017, the Group announced its plans to re-brand the Company to “Quilter”, which will ultimately be a single brand across the Group’s businesses. The Quilter brand builds on part of the Group’s heritage, with its origins tracing back to the City of London in 1771. The Directors believe that the Quilter brand stands for quality, personalised service and dependability – values which remain central to the Group’s business today. The Group plans to phase in the new branding for its business units over a period of approximately two years from listing, and not all business units have been rebranded as at Admission.

Prior to the rebranding, the Group marketed a significant portion of its products and services using the “Old Mutual Wealth” brand name and logo. Following the Quilter Separation, the Group will require a licence to continue to use certain “Old Mutual” trade marks for a transitional period. For a summary of the transitional trade mark licence agreement, see *Part XVII – “Additional Information—14. Material Contracts—14.5 Transitional Trade Mark Licence Agreement”*.

## 7. Social Responsibility

The Group is committed to operating in a responsible manner and is focused on its core purpose of helping to create prosperity for the generations of today and tomorrow. This is underpinned by the Group’s culture defined by three shared values of “pioneering”, “dependable” and “stronger together”. The Group recognises the value of diversity and aims to create an inclusive, diverse and rewarding workplace. As a responsible business, the Group seeks to build financial capability, enable secure financial futures and promote responsible investment markets, all with the aim of creating long-term sustainable value for the business, its stakeholders and society more broadly.

## 8. Technology

The Group maintains a technical environment tailored to its own needs, as well as industry standard settlement and portfolio management systems which allow the business to operate efficiently.

The Group’s IT systems are designed to support its business with a focus on delivering customer value and to serve the business in an effective and efficient manner. As a result of significant corporate acquisitions and limited operational integration, the business units have limited IT and operational overlaps. Quilter Wealth Solutions, Quilter Life Assurance and Quilter International share functionality, with approximately half of the applications shared between these business units. The business units within the Wealth Platforms segment, as well as the Group’s central head office functions, have largely outsourced their IT services and share a common set of third party suppliers. The business units within the Advice & Wealth Management segment generally use separate operational third party suppliers. The Group has started aligning activities in the business units for enterprise-wide areas, such as governance and controls, policies and procedures.

The core IT platforms used by each business unit are distinct, reflecting the different nature of the underlying businesses. All business units, except Quilter Life Assurance, have either changed their core platform in the last five years or are in the process of doing so: Quilter Wealth Solutions is in the process of migrating to an FNZ solution as part of the UK Platform Transformation Programme; Quilter Investors is undergoing a transformation to replace Data Hub; Quilter International implemented BaNCS in 2014; Quilter Cheviot completed its migration onto Figaro in 2017; and Quilter Financial Planning completed its implementation of XPLAN in 2017. The core IT platforms of all business units are supported by their respective third party suppliers, except for Quilter Wealth Solutions (largely supported by GET) and Quilter Life Assurance (largely supported by HCL). For a discussion of the business units’ technology and operations, see “—5. Business Overview”.

The Group has also recognised that the risk of cyber-crime is increasing, and there is an increased expectation of IT resilience on behalf of the Group’s regulators and customers. The Group has responded to this by increasing investment in the mitigation of these risks and ensuring that governance of these items is carried out at the highest level, including with a Group-wide Information Security Improvement Programme. Quilter Wealth Solutions is also delivering a strategic UK Platform Transformation Programme to outsource elements of its operations to FNZ and interface such to the retained estate business operations. See “—5. Business Overview—5.2 Wealth Platforms—5.2.1 Quilter Wealth Solutions—(d) Operations” for further information on the UK Platform Transformation Programme.

## 9. Risk Management and Internal Control

### 9.1 Board ownership

The Board is responsible for establishing appropriate systems of risk management and internal control within the Group and for reviewing their effectiveness.

To discharge this responsibility, the Board has established a system of governance as well as an enterprise-wide risk management (“ERM”) framework using the ‘three lines of defence’ model, which is designed to establish clear accountabilities and to protect the interests of our customers, shareholders and other stakeholders. In recent years, the Group has strengthened its second and third lines of defence ahead of its transition to become an independent public company.

## 9.2 **Internal control**

The UK Corporate Governance Code published in April 2016 by the Financial Reporting Council (the “**UK Corporate Governance Code**”) requires a board to maintain a sound system of internal control to safeguard shareholders’ investments and the Group’s assets. The Group has established a Group Governance Manual as an integral part of meeting this requirement and the various regulatory regimes under which the Group operates. The Group Governance Manual sets out the Group’s approach to governance, sets out the rules and procedures for making decisions on corporate affairs and demonstrates the Group’s internal control processes.

The Group’s principles of internal control are:

- *Clearly defined delegated authorities* – The Group is managed in accordance with the authorities delegated by the Board.
- *Lines of responsibility* – Each business and function should have clearly defined lines of responsibility and delegated authority.
- *Robust recording and reporting* – Transactions are appropriately recorded to permit the preparation and reporting of reliable financial statements.
- *Financial reporting control procedures and systems* – The internal control system should include control procedures and systems which are regularly reviewed.
- *Protection of assets* – The Group’s assets are appropriately safeguarded.
- *Financial crime (fraud and money laundering)* – Financial crime is prevented or detected.

The Group also has appropriate governance processes in place to oversee any conflict of interest challenges across the business and to protect customer interests. The Group and business unit CEOs are responsible for ensuring that all appropriate steps are taken to identify and assess all actual or potential conflicts of interest which may result in damage to the interests of the Group, its businesses or its customers. All potential and actual conflicts identified are recorded on a locally-held Conflicts of Interest Register which is overseen by the CROs and escalated to the appropriate board and committee.

## 9.3 **Risk framework**

The Board has developed an ERM framework. The ERM framework has been designed to identify, assess, measure, manage, monitor and report on the principle risks of the Group. Risk management is designed to increase the Group’s understanding of the risks inherent in the business, improve decision-making and prevent the Group from failing to achieve its business objective, including delivery of fair customer outcomes. The ERM framework does not, and is not intended to, eliminate all risks or provide absolute assurance against material misstatement or losses.

The ERM framework is codified through risk policies and business standards which set out the management framework for key risk types, including risk appetite, and minimum standards for the Group’s operations. To ensure completeness and consistency when comparing risk information across the Group, a common methodology for categorising risk has been adopted.

Risk appetite is the amount and type of risk that is acceptable to the Group, as determined by the Board, and is a function of the Group’s strategic and business objectives and its capital resources. Risk appetite therefore refers to the Group’s attitude towards risk taking and whether it is willing and able to tolerate either a high or a low level to specific risks or risk groups. As a result, risk appetite has a central role in informing decision-making across the Group and assisting in the maximisation of return on capital invested.

The Board delegates responsibility for day-to-day risk management to the Group’s CEO. This includes ensuring that the Group is aware of its key risks, defining an appropriate risk appetite with respect to the risks, and cascading this down into the firm through an appropriate risk management framework to define and embed a risk-aware culture. In turn, this enables management to take risks in a manner that is transparent and in line with the Group’s business and risk strategy.

## 9.4 **Regulatory compliance**

Within the remit of the risk management function, dedicated Financial Crime, Policy & Advisory, Monitoring and Regulatory Relationship teams are established to oversee the Group’s regulatory compliance. These teams define the regulatory risk frameworks under which the businesses operate by setting policy, minimum reporting, escalation and governance requirements, and support the Group’s central functions.

Regular written and oral regulatory risk reports are provided to senior management through the Group’s governance structure, as defined in the Group Governance Manual. Where significant issues are identified, the regulatory risk function will report these promptly to senior management and the Board, together with any associated remedial actions to mitigate the regulatory risk.

### 9.5 **Customer outcomes**

The Group supports delivery of fair customer outcomes through effective risk management. The Group has a system of internal controls with risk and internal audit functions that provide oversight to manage the Group's risk profile. The Group also has appropriate governance processes in place to oversee any conflict of interest challenges across the business to protect customer interests.

### 9.6 **Assessment of effectiveness**

To support an assessment of the Group's governance, internal control and risk management requirements, the CEO of each business must certify compliance with the Group-wide policies through a prescribed Letter of Representation semi-annually.

The Letter of Representation process supports the Board in making their annual acknowledgement of compliance with the UK Corporate Governance Code.

### 9.7 **Regulation**

For an overview of regulations the Directors believe are material to the Group's business, see *Part VII – "Regulatory Overview"*.

## 10. **Employees**

In the year ended 31 December 2017, the Group employed an average of approximately 4,223 people globally. The following table sets out the average number of employees by operating segment as at 31 December 2015, 2016 and 2017:

	As at 31 December		
	2015	2016	2017
Advice & Wealth Management	1,005	1,162	1,360
Wealth Platforms	2,151	2,341	2,514
Head Office	47	51	66
<b>Total continuing operations</b>	<b>3,203</b>	<b>3,554</b>	<b>3,940</b>
Discontinued operations	343	380	283
<b>Total</b>	<b>3,546</b>	<b>3,934</b>	<b>4,223</b>

The Group's contracts with employees vary by employing entity, reflecting the Group's history. For example, acquisitions such as Quilter Cheviot, Intrinsic, AAM Advisory and within PCA mean that there are variations in contractual terms in the business. In addition, there are jurisdictional variations to ensure compliance with local labour requirements.

## 11. **Insurance**

In order to protect the Group's business against major financial losses arising from the risks in performing the Group's activities and services, the Group carries insurance policies, which the Directors believe are customary for the industry, to cover certain risks associated with its activities and services. Broadly, these policies are a combination of directors' and officers' liability insurance, trustees' professional indemnity insurance, comprehensive crime and civil liability insurance, property damage, business interruption and terrorism insurance, public liability insurance, employer liability insurance and various other liability and accident insurance policies. As at the date of this Prospectus, the Directors believe the Group has appropriate insurance policies in place.

## 12. **Intellectual Property**

Trademarks for the words and images used by the companies within the Group have been registered in the countries in which they are located. The Group has a worldwide trademark, business names and domain watching service in place covering any worldwide trademark applications for certain of the marks. Moreover, the Group is the owner of the main domain names containing "Quilter", and the Group's companies own several domain names for the ".com" and ".co.uk" domains. The Directors believe that the Group's core intellectual property rights are adequately protected.

---

## PART VII

### REGULATORY OVERVIEW

---

#### 1. Overview

The Group is one of the UK's leading advice-led, investment and wealth management groups. The Group operates in large and growing markets, including financial advice, life assurance, discretionary wealth, investment solutions, retail asset management and investment administration. As such the Group operates in a highly regulated environment in the UK, as well as in other jurisdictions, through Quilter International and a number of international arrangements within its UK-based businesses. This section of the prospectus is intended to give an overview of the regulatory framework that currently applies to the Group.

#### 2. Regulation in the United Kingdom

##### 2.1 *Financial Services Act 2012*

Between 1 December 2001 and 31 March 2013, UK regulated firms in the Group were required to be authorised by the Financial Services Authority (the "FSA"). Accordingly, those firms were required to comply with the rules and guidance made by the FSA pursuant to Financial Services and Markets Act 2000 ("FSMA") and set out in the FSA Handbook of rules and guidance.

The Financial Services Act 2012 ("FS Act") (and the secondary legislation made under it) reformed the framework for financial regulation in the UK. In 2013, the FSA was replaced by the FCA, the PRA and the Financial Policy Committee (the "FPC"). Therefore, with effect from 1 April 2013, a majority of UK regulated firms in the Group became authorised and regulated by the FCA. OMWLA and Old Mutual Wealth Life & Pensions Limited are insurance undertakings that are dual regulated, which means that they are authorised, prudentially regulated and supervised by the PRA, and regulated for conduct of business purposes by the FCA. UK regulated entities in the Group must comply with the rules and guidance of the PRA and FCA (as applicable) made under FSMA.

The FPC is a subcommittee of the court of directors at the Bank of England, and has powers and responsibilities in relation to systemic risk within the financial services sector, responding to sectoral issues that could threaten UK economic and financial stability. The FPC has powers to give directions to the PRA and the FCA.

##### 2.2 *Financial Conduct Authority*

The FCA regulates the conduct of every authorised firm. Its "operational objectives" are to secure an appropriate degree of protection for consumers, protect and enhance the integrity of the UK financial system and promote effective competition in the interests of consumers. The FCA also has a "strategic objective" of ensuring that relevant markets function well.

##### 2.3 *Prudential Regulation Authority*

The PRA is responsible for the prudential regulation of insurance companies, banks, building societies, credit unions and certain designated investment firms, with three statutory objectives. The PRA's general objective is to promote the safety and soundness of PRA-authorised persons. It also has a specific "insurance objective" of contributing to the securing of an appropriate degree of protection for those who are or may become policyholders of PRA-authorised insurers, as well as a secondary objective to facilitate effective competition.

##### 2.4 *Financial Services and Markets Act 2000*

###### 2.4.1 *FCA/PRA rule making powers*

The FCA and the PRA have powers under FSMA to make rules, which are set out in the PRA's Rulebook of rules and guidance (the "PRA Rulebook") and the FCA Handbook, respectively. These rules are legally binding. FSMA contains checks and balances in relation to the exercise of these powers, including the procedures that the regulators must follow in the exercise of their rule-making powers. The FCA has the statutory power to make general rules, applying to firms for which it is the sole regulator and rules applying to PRA-authorised firms, although only in pursuance of its objectives. The PRA has the statutory power to make general rules that apply to PRA-authorised firms, although, in line with the power designated to the FCA, only to advance its objectives. The PRA and the FCA are required to consult with one another before making any rules.

#### 2.4.2 **Permission to carry out regulated activities in the UK**

In order to authorise a person to carry on regulated activities in the UK, the PRA and/or the FCA must determine that the applicant meets regulatory requirements, including certain “threshold conditions”. The threshold conditions are the minimum conditions which must be satisfied (both at the time of authorisation, and on an ongoing basis) in order for a firm to gain and continue to have permission to carry on the relevant regulated activities under FSMA. Dual-regulated firms must meet both the PRA and the FCA threshold conditions. These relate to matters including the applicant’s legal form, whether the applicant has adequate resources (both financial and non-financial) to carry on its business and whether, having regard to all the circumstances (including whether the applicant’s affairs are conducted soundly and prudently), and the applicant is a fit and proper person to conduct the relevant regulated activities.

Once authorised, in addition to continuing to meet the threshold conditions, firms must comply with the provisions of FSMA, related secondary legislation and the rules made by the PRA and the FCA under FSMA.

#### 2.4.3 **Supervision and enforcement**

The nature and extent of the PRA and FCA’s supervisory relationship with a firm depends on, among other considerations, how much of a risk the PRA and FCA consider that firm could pose to the achievement of their statutory objectives.

The PRA and the FCA have powers to take a range of enforcement actions, including the ability to sanction UK authorised firms. In particular, enforcement action may include restrictions on undertaking new business, public censure, restitution, fines and, ultimately, revocation of permission to carry on regulated activities. The FCA may also take enforcement action against individuals performing certain controlled functions in relation to authorised persons, while the PRA and/or FCA may take direct enforcement action against senior insurance management function holders, significant influence holders and key function holders under the Senior Insurance Managers Regime.

The PRA and the FCA have further powers to obtain injunctions against UK authorised firms where a UK authorised firm has breached relevant requirements, including requirements imposed by or under FSMA or under certain EU legislation, and to impose or seek restitution orders where clients or other affected parties have suffered loss, or the firm has obtained a profit as a result of a breach of a relevant requirement. In certain circumstances, the PRA and the FCA also have the power to take action against unauthorised parent undertakings of UK authorised persons (such as Old Mutual Wealth Management Limited or the Company), including by issuing directions to do or refrain from doing a particular activity.

### 2.5 **Principles for Businesses and Fundamental Rules**

The FCA’s Principles for Businesses (the “**Principles**”) set out high-level principles that apply to all authorised persons in the UK. Amongst other things, the Principles require firms to treat customers fairly, maintain adequate financial resources and communicate with customers in a way that is clear, fair and not misleading.

The FCA has also established six key outcomes it expects firms to focus on in order to ensure that they are treating customers fairly in accordance with the Principles. These include ensuring that consumers can be confident they are dealing with firms where the fair treatment of customers is central to the firm’s corporate culture, and that products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted accordingly.

In addition to the Principles, PRA-authorised persons are also subject to certain overarching rules issued by the PRA, known as the “**Fundamental Rules**”. These rules are core to the PRA’s supervisory approach and underpin the PRA Rulebook. The Fundamental Rules require firms to conduct their business with integrity, maintain adequate capital resources and organise and control their affairs responsibly and effectively, amongst other things. The emphasis and reliance on these overarching rules and principles by the PRA and the FCA has marked a move to more judgment based regulation in recent years, focusing on the achievement of good outcomes.

### 2.6 **Senior Management, Systems and Controls**

Within the FCA Handbook, the Senior Management, Systems and Controls (“**SYSC**”) Sourcebook contains general organisational requirements that apply to a number of different types of UK authorised firms, including UK authorised asset management and investment firms. These requirements elaborate on Principle 3 of the FCA Principles for Businesses, which requires firms to take reasonable care to organise and control their affairs responsibly and effectively, with adequate risk management systems.

Among other things, in broad terms, the SYSC Sourcebook contains rules relating to the persons who effectively direct the business of a Markets in Financial Instruments Directive (“**MiFID**”) investment firm, UCITS management company or AIFM. It requires firms to employ personnel with the skills, knowledge and expertise necessary for the discharge of the responsibilities allocated to them, requires firms to implement systems and controls relating to compliance and risk controls and contains requirements relating to outsourcing and conflicts of interest, amongst other things.

## 2.7 **Remuneration**

While the PRA expects all UK insurers within the scope of Solvency II to comply with the remuneration requirements set out in Solvency II, its attention in this area is focused on “significant” insurers (i.e. those firms whose size and type of business means that there is a significant or very significant capacity to cause disruption to a substantial number of policyholders). Such firms, including certain firms within the Group, are required to report to the PRA on their compliance with the requirements set out in Solvency II, either in the form of the Remuneration Policy Statement reporting template provided by the PRA or by means of an alternative format if preferred.

## 2.8 **Approved Persons Regime**

Non-significant MiFID investment firms, UCITS management companies, AIFMs and insurance companies are required to take reasonable care to ensure that individuals performing certain “controlled functions” in relation to their regulated activities have the prior approval of the FCA. Individuals who perform controlled functions fall broadly into two categories: those who exercise significant influence over a firm’s affairs and those who deal with its customers. The FCA will only approve an individual to carry out a controlled function if it is satisfied that he or she is a “fit and proper” person to carry out the relevant function. Individuals approved by the FCA to carry out controlled functions are subject to other requirements imposed by the FCA. Where an individual breaches these rules, the FCA may impose sanctions on the individual concerned.

As set out in more detail below, the scope of the SMCR (which currently only applies to certain firms) is expected to be extended in 2019 to cover more authorised firms, including the UCITS management companies, AIFMs and MiFID investment firms in the Group.

## 2.9 **Conduct of Business Requirements**

The FCA regulates, through the Conduct of Business Sourcebook (“COBS”), the Mortgage and Home Finance: Conduct of Business Sourcebook (“MCOB”) and the Insurance Conduct of Business Sourcebook (“ICOBS”), the distribution and sale of certain investment products. COBS applies to various firms in the Group (including as regards the distribution of funds and where such insurance products have an investment element), MCOB applies to firms and appointed representatives in the Group carrying out home finance activities and ICOBS applies to non-investment insurance products issued by the Group.

The scope and range of the obligations imposed on an authorised firm under COBS, MCOB and ICOBS vary according to the scope of the firm’s business and the nature of its clients. By way of example, the rules in COBS, MCOB and ICOBS require firms to provide clients with information about the firm, meet certain standards of product disclosure, assess suitability when advising on certain products, report appropriately to clients and provide certain disclosures, including in relation to client assets held in custody.

## 2.10 **Retail Distribution Review**

In June 2006, the FSA launched the RDR, which was a key retail priority for the FSA at that time, and more recently for the FCA, and complements its long-term work to ensure that firms treat their customers fairly.

The key initiatives are:

- a ban on commission for advised sales of investment products. The cost of advice must be agreed between the customer and the adviser;
- an increase in the professional qualifications needed by advisers; and
- clearer descriptions on the nature of the advice being provided. Where an adviser offers advice on a restricted product range or from a restricted range of product providers, this will need to be made clear.

The new rules were implemented from 31 December 2012. They have had a significant impact on the investment advisory industry, as well as on the charging models of relevant product providers and distributors. With limited exceptions, adviser firms and platforms are no longer able to receive commission or trail (i.e., the fee which was historically paid to financial advisers by their customers on an annual basis for the lifetime of the product), but have to operate their own fee-based charging tariffs for advising clients and/or providing platform services.

## 2.11 **Client Assets**

Principle 10 of the FCA’s Principles for Businesses requires firms to arrange adequate protection for assets when the firm is responsible for them. CASS elaborates on this requirement, setting out the rules that apply to firms that are permitted to hold client money and assets. This includes certain firms in the Group.

The requirements set out in CASS aim to protect money and assets belonging to a firm’s clients from the insolvency of that firm and to ensure that, if a firm is subject to insolvency proceedings, client money and assets can be promptly returned to the client. The rules seek to achieve this by requiring firms to keep client money and assets separate from their own, by preventing firms from using client money and assets for their own purposes and by requiring firms to keep records of the client money and assets that they do hold.

## 2.12 Prudential Requirements

Regulatory capital requirements form an integral part of the FCA and the PRA's prudential supervision of the Group's solo regulated UK authorised firms. The FCA and the PRA have detailed rules relating to the maintenance of minimum levels of regulatory capital for authorised firms, which amplify the general principle under which a firm must maintain adequate financial resources in order to be able to meet its liabilities as they fall due. The adequacy of a firm's financial resources is assessed in relation to the particular risks to which the firm may be exposed, given its business activities. The FCA and the PRA also expect firms to take a proactive approach to monitoring and managing risks.

Regulatory capital requirements exist on two levels. The first is a solo requirement aimed at individual authorised entities (with the relevant firm being required to submit periodic returns to demonstrate compliance with the relevant requirement). The second is a consolidated (or group) requirement and relates to a part of or the entire group of which an authorised firm or firms form part. Generally, the FCA and the PRA exercise consolidated supervision up to the level of the highest EEA entity in the group, although they have the discretion to extend this to non-EEA entities in certain circumstances.

The solo prudential requirements that apply to the FCA and PRA-authorised firms in the Group depend on the FCA and the PRA's prudential classification of individual firms. This in turn depends on the level of risk involved in performing the activities the relevant entity is authorised to perform.

The Capital Requirements Directive IV ("**CRD IV**") applies to all full scope investment firms. Investment firms falling within the scope of the requirements of CRD IV are subject to the regulatory capital requirements of the Prudential sourcebook for Investment Firms ("**IFPRU**") and GENPRU in the FCA Handbook. Other firms that are not subject to additional rules in CRD IV are instead subject to less stringent rules set out in the FCA Handbook in the Prudential sourcebook for Banks, Building Societies and Investment Firms ("**BIPRU**") and GENPRU, or in the Interim Prudential sourcebook for Investment Businesses ("**IPRU-INV**"), depending on their prudential categorisation.

The prudential classification of UCITS management companies and AIFMs depends on whether the firms in question are also authorised to carry on MiFID activities such as portfolio management, investment advice and the safekeeping and administration of assets. Where this is the case, UCITS management companies and AIFMs are required to comply with the prudential requirements of GENPRU and either IFPRU or BIPRU, depending on whether they fall within scope of additional rules in CRD IV. All UCITS management companies and AIFMs (regardless of whether they carry on any MiFID activities) are required to comply with certain base own funds requirements in IPRU-INV.

Additionally, a firm is subject to consolidated supervision under CRD IV and may also be subject to additional requirements relating to prudential supervision under the Financial Conglomerates Directive, as implemented in the UK, pending an application made by the Group to the FCA in December 2017, as set out in further detail in *Part I – "Risk Factors—3.12 The Group is subject to the risk of having insufficient capital resources to meet the minimum required by regulators"*.

## 2.13 Data Protection Act and the Information Commissioner's Office

The 1998 Data Protection Act ("**DPA**"), which came into force in March 2000 and gives effect to an EU Directive, regulates in the United Kingdom the obtaining and use of personal data relating to living individuals. Personal data includes any data about an individual by which he or she can be identified (including, for example, a name, address, age, bank or credit card details).

The data need not in any sense be private. The DPA applies to both computerised data and to certain sets of manual data such as address books and filing systems. It lays down certain principles, which, in general, must be followed by those who hold personal data. The Group and everyone working at its businesses must comply with local jurisdiction data protection and privacy requirements.

Breach of the DPA may give rise to criminal or civil liability and other enforcement action can be taken.

The Information Commissioner's Office (the "**ICO**") upholds information rights in the public interest, promoting openness by public bodies and data privacy for individuals.

UK data protection law is likely to be subject to material change in the medium term, following the introduction of GDPR in May 2018. For a further discussion of GDPR, see "*—5. Recent and Future Regulatory Developments—5.1 United Kingdom and European Union—5.1.6 EU General Data Protection Regulation*".

## 2.14 Consumer Complaints and Compensation

### 2.14.1 Financial Ombudsman Service

UK authorised firms fall under the compulsory jurisdiction of the FOS, which is a body established under FSMA. Authorised firms are required to have adequate complaints handling procedures in place but, where these are exhausted and the complaint or dispute has not been resolved, the FOS provides for dispute resolution in respect of certain categories of customer complaints brought by individuals and small business customers. Firms covered by the FOS are required to pay levies and case fees, which provides the funding for the FOS.



#### 2.14.2 **Financial Services Compensation Scheme**

The FSCS, established under FSMA, seeks to protect customers of UK authorised firms that are unable or unlikely to be able to meet their financial obligations to customers. The FSCS provides compensation to certain categories of customer who suffer loss as a consequence of the failure by a regulated firm to meet its liabilities arising from claims made in connection with regulated activities. The FSCS is funded by way of levies imposed on all of its participating financial services firms, including certain authorised firms within the Group.

#### 2.14.3 **Pensions**

The Pensions Ombudsman investigates and decides complaints and disputes over the manner in which pension schemes are run, and works closely with the FOS in cases where their remit overlaps.

#### 2.15 **Fair Treatment of Long-Standing Customers in the Life Insurance Sector**

On 3 March 2016, the FCA published a thematic report setting out the findings from its thematic review of the fair treatment of long-standing customers in the life insurance sector. The FCA found a mixed picture with most firms demonstrating good practice in one or more areas and poor practice in other areas. In December 2016, the FCA published non-Handbook guidance to improve firms' behaviour in order to drive better outcomes for customers, which applies to life insurers who have closed-books. The guidance was also intended to help firms better understand the FCA's expectations. The FCA requested firms to review their business practices within three months of the date of its finalised guidance (9 December 2016) and then make changes, where necessary, in light of the guidance. See "*—5. Recent and Future Regulatory Developments—5.1.2 FCA Thematic Reviews*" and *Part I – "Risk Factors—3. Risks relating to regulation and legislation—3.2 A Group company is under regulatory investigation by the FCA, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects"*.

#### 2.16 **Codes of Practice**

Insurance firms within the Group also comply with certain binding and non-binding codes of practice and other guidance issued by various trade associations, including the Association of British Insurers.

### 3. **Regulation in the European Union**

#### 3.1 **Markets in Financial Instruments Directive & Markets in Financial Instruments Directive II**

MiFID sets out the framework for the regulation of firms in the EEA that engage in certain investment activities, such as (in certain circumstances) investment advice and portfolio management. MiFID sets out detailed and specific requirements relating to investment firms within its scope, including provisions relating to systems and controls, outsourcing, customer classification, conflicts of interest, best execution, client order handling, suitability and appropriateness, transparency and transaction reporting. MiFID also confers passporting rights on investment firms authorised in accordance with its provisions, enabling them to carry on certain investment activities in other EEA States without needing to obtain separate authorisations there.

MiFID II and local implementing rules have applied from 3 January 2018 and introduced changes to MiFID that are intended to make financial markets more efficient and resilient, increase transparency of both equity and non-equity markets, reinforce supervisory powers, and strengthen investor protection. These include requirements relating to transaction reporting, costs and charges disclosure, product governance and conduct of business requirements that will affect the Group's operations. The Group has identified the impacts of MiFID II and is currently implementing changes to systems and business practices. In the UK, aspects of MiFID II were also extended to firms not otherwise governed by MiFID, such as AIFMs and UCITS managers. This includes the new ban on soft commission and detailed telephone taping requirements.

#### 3.2 **Alternative Investment Fund Managers Directive**

The Alternative Investment Fund Managers Directive ("**AIFMD**") sets out the framework for the regulation of the management of certain non-UCITS collective investment undertakings in the EU. AIFMD applies to AIFMs, that is, to legal persons whose regular business it is to manage an alternative investment fund ("**AIF**") within the meaning of AIFMD. In broad terms, an AIF is a non-UCITS collective investment undertaking that raises capital from a number of investors with a view to investing it in accordance with a defined investment policy for the benefit of those investors.

AIFMD covers matters such as authorisation, capital requirements, conduct of business standards, remuneration, the valuation of assets, delegation, depositaries, transparency, and marketing. It also provides for passporting rights that allow AIFMs to manage and market EU AIFs to professional investors throughout the EU. Certain parts of AIFMD are yet to apply; when fully applicable, these passporting rights will also apply to the management and marketing of AIFs by non-EU AIFMs and to the marketing of non-EU AIFs by EU AIFMs.

### 3.3 ***PRIIPs Regulation***

The PRIIPs Regulation has applied in EU member states from 1 January 2018. The Regulation requires manufacturers of PRIIPs to provide a key information document ("**KID**") containing certain pre-contract product disclosures to retail consumers when they are considering buying a PRIIP. The KID must provide a comprehensible explanation of the PRIIP, as well as enable retail investors to compare the KID with other similar investment product KIDs and is intended to enable investors to make more informed investment choices. This includes, for example, details of future performance scenarios and the assumptions made to produce them, but does not include details of past performance.

PRIIPs include both packaged retail investment products (that is, investment products in relation to which the amount repayable to the retail investor fluctuates because of exposure to reference values or to the performance of one or more assets that are not directly purchased by the retail investor) and insurance based investment products (that is, insurance products that offer a maturity or surrender value that is directly or indirectly exposed to market fluctuations). Subject to limited transitional provisions, this includes products such as units in an investment fund, life insurance policies with an investment element and structured deposits. As such, the Group is required to comply with KID requirements when manufacturing or distributing such products.

### 3.4 ***Solvency II Directive***

Solvency II sets out the framework for the solvency and supervisory regime for EU insurance firms and has been fully implemented in the UK since 1 January 2016. The aims of the prudential framework under Solvency II are to ensure the financial stability of the insurance industry across the EU and protect policyholders through establishing solvency requirements better matched to the true risks of the business. Solvency II requires insurers to establish and maintain remuneration policies and procedures that promote sound and effective risk management, so as not to encourage excessive risk taking. Specific requirements apply to "material risk takers" (in very broad terms, executive directors, senior executives and heads of certain support and control functions), including in relation to the proportion of variable to fixed remuneration.

Solvency II firms within the Group must comply with the rules set out in those parts of the PRA Rulebook that apply to Solvency II firms. The FCA Handbook also contains rules and guidance that apply to dual-regulated firms, including insurance firms.

### 3.5 ***Capital Requirements Directive IV and Regulation***

The CRD IV package sets out the EU framework for the regulation of credit institutions and certain investment firms, applicable in the main since January 2014, in particular in respect of capital adequacy. Certain MiFID investment firms and, in particular, those with permissions relating to the safeguarding of client assets or handling of client money, are subject to the provisions of CRD IV as regards prudential and capital standards. This includes certain firms within the Group.

### 3.6 ***Capital Requirements Directive III***

Capital Requirements Directive III ("**CRD III**") set out the capital requirements applicable to credit institutions and investment firms in the EU prior to 1 January 2014. CRD III was repealed by the CRD IV package with effect from that date, but continues to be relevant to certain UK investment firms, including certain firms in the Group that are permitted not to apply the more stringent requirements of CRD IV. Such firms are permitted to apply the UK rules implementing CRD III, rather than applying CRD IV, as applicable or implemented in the UK.

### 3.7 ***Fourth Money Laundering Directive***

The Fourth Money Laundering Directive ("**MLD4**") entered into force on 25 June 2015 and was required to be transposed into UK law by 26 June 2017. Key changes introduced by MLD4 include changes to the scope of the anti-money laundering regime, measures designed to provide enhanced clarity and accessibility with regard to beneficial owner information, and a tightening of the rules on when simplified due diligence can be used. MLD4 applies to all of the regulated entities in the Group.

### 3.8 ***Market Abuse Regulation***

The FCA has the power to impose fines and other civil sanctions on individuals and firms that commit market abuse. The definition of market abuse is set out in the Market Abuse Regulation ("**MAR**"), which repealed and replaced the Market Abuse Directive and its implementing legislation with effect from 3 July 2016. MAR refers to three abusive behaviours which, when committed in relation to publicly traded financial instruments, commodity derivatives or emission allowances, constitute market abuse. The relevant behaviours are: insider dealing; the unlawful disclosure of inside information; and market manipulation.

The FCA may impose an unlimited fine on any person that engages in market abuse, or that has encouraged or required another person to do so. As an alternative to imposing a fine, the FCA may publish a statement of public censure or apply to the court under FSMA for an injunction or restitution order. The FCA also has the power to impose other administrative sanctions, including the power to enter premises under a warrant and the power to cancel or suspend trading in financial instruments.

In addition to the civil regime under FSMA and MAR, the FCA has the power to prosecute the criminal offences of insider dealing under the Criminal Justice Act 1993 and the criminal offences of making false or misleading statements, creating false or misleading impressions and making false or misleading statements or creating a false or misleading impression in relation to specified benchmarks under the FS Act.

### 3.9 **Insurance Distribution Directive**

The Insurance Mediation Directive required EU member states to establish a framework to:

- ensure that insurance and reinsurance intermediaries have been registered on the basis of a minimum set of professional and financial requirements;
- ensure that registered intermediaries will be able to operate in other member states by availing themselves of the freedom to provide services or by establishing a branch; and
- impose requirements on insurance intermediaries to provide specified minimum information to potential customers.

IDD came into force on 22 February 2016 and was required to be implemented by 23 February 2018. IDD has amended and replaced the Insurance Mediation Directive. The IDD significantly raises the minimum standards set out in the Insurance Mediation Directive and is intended to strengthen policyholder protection and make it easier for firms to provide services cross-border.

### 3.10 **Undertakings for Collective Investment in Transferable Securities Directive**

The UCITS Directive sets out the framework for the regulation of UCITS and UCITS management companies in the EU. The UCITS Directive includes rules on authorisation, the operation of management companies, depositaries, mergers and investment policies, and on the information that must be provided to investors. It also requires UCITS management companies to establish and apply remuneration policies and practices consistent with sound and effective risk management.

The UCITS Directive provides that a UCITS fund or management company authorised in accordance with the UCITS Directive in one EEA member state (the “**home state**”) may carry on certain activities in another EEA member state without being separately authorised there (so-called “**passporting rights**”). Funds authorised in accordance with the UCITS Directive may therefore be marketed and sold to retail investors throughout the EEA, while management companies authorised in one EEA member state in accordance with the UCITS Directive may exercise passporting rights to operate a fund established in another EEA member state.

### 3.11 **European Market Infrastructure Regulation**

European Market Infrastructure Regulation (“**EMIR**”) introduced a number of requirements for counterparties to derivative transactions, including (i) the mandatory obligation to clear certain classes of over-the-counter (“**OTC**”) derivative contracts via a central counterparty (“**CCP**”); (ii) risk mitigation requirements relating to uncleared OTC derivative contracts including collateral exchange and daily valuation; and (iii) reporting and recordkeeping obligations for all derivatives contracts. The application of EMIR requirements to a derivatives counterparty pairing will depend on the classification of the counterparties to such derivative transactions. EMIR came into force on 16 August 2012 but some key requirements relating to clearing and collateral do not yet apply in respect of all in-scope counterparties. Generally speaking, from 14 February 2014, the reporting obligation has applied in relation to all new derivative contracts (and certain amendments will be made to the format and content of reports (amongst other things) with effect from 1 November 2017). Variation margin requirements for all in-scope counterparties are in force, while initial margin requirements are still being phased in. The initial margin compliance date for the most systemically-important counterparties was 4 February 2017 with the compliance date for other in-scope counterparties being phased in from 1 September 2017 to 1 September 2020. The time frames for the phase-in of clearing requirements for certain interest rate swaps and index credit default swaps have been confirmed and phase-in is underway with the timing dependent on counterparty type and transaction type.

The European Commission published a proposal on 4 May 2017 to amend certain aspects of EMIR, including reclassifying certain counterparties, which is not expected to be finalised until the end of 2018.

### 3.12 *Securities Financing Transactions Regulation*

The Securities Financing Transactions Regulation ("**SFTR**"), which entered into force on 12 January 2016, imposes a number of requirements on the parties to securities financing transactions ("**SFTs**") and other market participants including (i) reporting and record keeping requirements for certain counterparties to SFTs; (ii) limitations on the reuse of collateral (not only in the securities financing markets but also in the wider collateral markets); and (iii) new investor disclosure rules for management companies of UCITS, UCITS investment companies and AIFMs.

In broad terms, the SFTR requires the conclusion, modification or termination of an SFT to be reported to a trade repository which is registered or recognised in accordance with the SFTR. Counterparties are also required to keep a record of any SFT that they have concluded, modified or terminated for at least five years following the termination of a relevant transaction. An SFT is defined as (i) a repurchase transaction; (ii) securities or commodities lending and securities or commodities borrowing; (iii) a buy-sell back transaction or sell-buy back transaction; and (iv) a margin lending transaction, each as further defined in the SFTR. Recordkeeping requirements were effective from 12 January 2016 but the reporting requirements will be phased-in depending on counterparty type (and this is currently not expected to occur before July 2019).

A right of reuse of financial instruments received as collateral is subject to at least both of the following conditions: (i) risks and consequences have been communicated in writing; and (ii) prior express consent of the providing counterparty has been granted. In addition, the exercise of a right of reuse is subject to at least both of the following conditions: (i) reuse is undertaken in accordance with the terms specified in the relevant collateral arrangement; and (ii) financial instruments are transferred from the account of the providing counterparty. Reuse of collateral requirements applied to new and existing arrangements from 13 July 2016.

SFTR imposes new investor disclosure rules for management companies of UCITS, UCITS investment companies and AIFMs in respect of the use they make of SFTs and total return swaps in periodical reports and in pre-contractual documents. In respect of periodic reports, the requirements applied from 13 January 2017 (for new periodic reports going forward). In respect of pre-contractual documents, the requirements applied from 12 January 2016 or 13 July 2017 in the case of collective investment undertakings subject to the UCITS Directive or AIFMD that were constituted before 12 January 2016.

## 4. *Regulation in Other Jurisdictions*

The Group includes regulated entities that are active in a number of non-UK jurisdictions.

### 4.1 *Isle of Man*

The Group's international operations are principally conducted through Quilter International and regulated by the Isle of Man FSA. The Isle of Man FSA was established by the Transfer of Functions (Isle of Man Financial Services Authority) Order 2015, which was approved by Tynwald (the parliament of the Isle of Man) in March 2015, with the main provisions of the order coming into force on 1 November 2015. As well as establishing the Isle of Man FSA, the order transferred the functions of the Financial Supervision Commission and the Insurance and Pensions Authority to the Isle of Man FSA. The regulatory objectives of the Isle of Man FSA are (i) to secure an appropriate degree of protection for policyholders, members of retirement benefits schemes and the customers of persons carrying on a regulated activity; (ii) the reduction of financial crime; and (iii) the maintenance of confidence in the Isle of Man's financial services, insurance and pensions industries through effective regulation, thereby supporting the Isle of Man's economy and its development as an international financial centre.

### 4.2 *Europe, the Middle East and Africa*

The Group contains operating subsidiaries regulated in Ireland by the CBI and on a cross-border basis within the EEA, in Jersey by the JFSC and in Guernsey by the Guernsey Financial Services Commission. The Group also contains an operating subsidiary in Dubai that is regulated by the DFSA.

### 4.3 *Asia*

The Group contains operating subsidiaries in Asia, which are regulated in Singapore by the MAS and in Hong Kong by the Hong Kong SFC and the Insurance Authority, an independent regulatory body which replaced the Office of the Commissioner of Insurance in June 2017.

### 4.4 *Americas*

The Group distributes in the United States through Aiva under an insurance license exemption with the Florida Office of Insurance Regulation. Quilter Cheviot relies on a foreign private client adviser exemption for its US clients. The Group contains an operating subsidiary in Trinidad and Tobago, which is regulated by the Securities and Exchange Commission of Trinidad and Tobago. The Group has also recently established a branch of the Group's service company in Uruguay, which is regulated by the Central Bank of Uruguay.

## 5. Recent and Future Regulatory Developments

### 5.1 *United Kingdom and European Union*

#### 5.1.1 *Brexit*

On 23 June 2016, the United Kingdom voted to leave the EU and on 29 March 2017 Prime Minister Theresa May notified the European Council in accordance with Article 50(2) of the Treaty on European Union of the UK's intention to withdraw from the European Union. The terms of the UK's departure from the EU remain unclear, as does its impact on the UK regulatory framework. As set out above, much of the regulatory framework that applies to UK insurers, insurance intermediaries, asset and fund management and investment firms is derived from EU legislation. While the UK is currently required to implement and apply such legislation, this may no longer be the case following Brexit. As such, Brexit may have a significant impact on UK financial services legislation and the regulatory environment in which the Group operates, including in relation to the impact of the EU initiatives described in this section.

It is also not yet clear how Brexit will affect UK financial institutions with assets or operations (including branches) in the EU (and vice versa). At present, and as set out above, EU legislation grants passporting rights to certain categories of financial institution, including insurers, investment firms, UCITS management companies and AIFMs as well as facilitating mutual rights of access to market infrastructure such as payment and settlement systems. Once the UK ceases to be a Member State of the EU, the current passporting arrangements may cease to be effective, as may the current mutual rights of access to market infrastructure.

The ability of regulated entities within the Group to continue to do business with customers or investors in the remaining EEA Member States after Brexit may be subject to separate arrangements between the UK and the remaining EEA Member States, in respect of which negotiations are ongoing. There can be no assurance that any such arrangements will be concluded and, if they are concluded, on what terms.

#### 5.1.2 *FCA Thematic Reviews*

Thematic reviews are part of the FCA's approach to supervising the firms it regulates. The FCA publishes thematic reviews to assess a current or emerging risk regarding an issue or product across a number of firms in a sector or market. From time to time regulated firms in the Group are asked to participate in thematic reviews.

The Group monitors thematic reviews to identify FCA findings that may be relevant to its businesses. Recent FCA thematic reviews that are relevant to the Group's businesses include, for example: TR16/3: "Meeting investors' expectations", which is relevant to the fund management industry; TR15/12: "Wealth management firms and private banks: suitability of investment portfolios", which relates to suitability of customer investment portfolios; and TR16/6 "Principals and their appointed representatives in the general insurance sector", where the FCA noted that their findings about shortcomings in relation to principal firms' understanding of their regulatory obligations for their appointed representatives in the general insurance sector, and their control and oversight of their appointed representatives' activities, may be more widely applicable to the UK financial services industry.

There has also been a further thematic review relevant to the Group relating to legacy issues in the insurance sector. In March 2016, the FCA published TR16/2: "Fair treatment of long-standing customers in the life insurance sector". The FCA's review analysed information relating to investment-based life insurance products sold before 2000 from a sample of 11 firms, including OMWLA, which is a dual regulated firm in the Group. The FCA looked at approximately £153 billion held in closed-book individual personal pensions, whole-of-life, endowment and investment bond products, across approximately 9.4 million customers. The term "closed-book" refers to products that are closed to new business, where the only new monies that may be invested are additional investments from existing customers. The FCA carried out this thematic review because they had identified some risks which could lead to long-standing customers being treated unfairly, such as firms benefitting from customer inertia by keeping them in high-charging, poorly performing products or by cutting costs in a way that was detrimental to customers. The FCA assessed firms in its sample against four high-level outcomes: (i) the firm's strategy and governance framework results in the fair treatment of closed-book customers; (ii) the firm's closed-book customers receive clear and timely communications about policy features at regular intervals and at key points in the product lifecycle that enable them to make informed decisions; (iii) the firm gives adequate consideration to and takes proper account of fund performance and policy values in a way that ensures it treats its closed-book customers fairly and proportionately; and (iv) the firm's closed-book customers are able to move from products that are no longer meeting their needs in a fair and reasonable manner. The FCA found that most firms were demonstrating good practice in one or more areas and

poor practice in other areas, while a small number of firms in the sample were delivering poor customer outcomes across a majority of areas assessed. For further information, see Part I – “Risk Factors—3. Risks relating to regulation and legislation—3.2 A Group company is under regulatory investigation by the FCA, which could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects”.

#### 5.1.3 **FCA Asset Management Market Study**

The FCA launched a market study into the asset management sector in November 2015, publishing interim findings in November 2016 and a final report in June 2017. The final report identified a number of concerns in relation to the UK asset management industry, including concerns of weak competition in a number of areas in the market, that on average the funds reviewed in the study did not outperform their own benchmarks after fees, that there is little evidence of persistent outperformance, and that a number of funds in the UK market are priced in line with active rather than passive management but closely mirror the market. The FCA also expressed concerns as to how asset managers communicate their objectives to clients and in the final report concluded that investors’ awareness and focus on charges is often poor, finding that sustained, high profits have been generated by firms in this market over a number of years.

The FCA has proposed remedies to address some of these concerns and on 5 April 2018 published a policy statement regarding the implementation of final rules and guidance. The remedies include measures to strengthen the rules on authorised fund managers to act in their investors’ best interests, governance reforms to hold asset managers to greater account, a requirement for more independent directors on fund management boards, and more express regulatory requirements on fund managers to consider value for money. From April 2019, managers of dual-priced authorised funds that make risk-free profits when dealing as principal in the units of their funds will be required to repay such profits to the funds or individual investors rather than retaining them.

The FCA has also consulted on measures to introduce an end to the payment of trail commission payment, which has been a controversial and long standing issue in the industry. The FCA has recently stated that it has no immediate plans to bring forward proposals for policy change at this time.

The FCA has also foreshadowed that further reforms may be introduced as part of a wider package of remedies, including among other things how fund objectives are articulated, the way benchmarks are used and how performance fees are calculated and disclosed to investors.

#### 5.1.4 **FCA Financial Advice Market Review**

The Financial Advice Market Review was launched in August 2015 by HM Treasury and the FCA to explore ways in which government, industry and regulators can take individual and collective steps to stimulate the development of a market to deliver affordable and accessible financial advice and guidance to everyone.

#### 5.1.5 **FCA Investment Platforms Market Study**

In July 2017, the FCA published the Terms of Reference for the Investment Platforms Market Study, setting out the scope and topics that will be covered. Key aims are to explore the impact that platforms have on the charges investors pay for relevant investment products, whether they use their bargaining power to negotiate good deals for investors, and whether in turn, they compete on their own costs. The FCA has also noted that a number of platforms operate within a “vertically integrated” business model (which is the case with the Group), and is seeking to explore whether this has the potential to distort competition and give rise to conflicts of interest, to the potential detriment of customers. Another key aim of the study is to assess the impact these relationships are having on competition and whether they are working in the interests of investors.

In the study, the FCA will (i) explore whether platforms help investors make good investment decisions, and if their solutions offer investors value for money, (ii) look at how platforms compete in practice and whether they use their bargaining power to get investors a good deal and (iii) assess whether relationships between investment platforms and other platforms, advisers, asset managers, and fund ratings providers, work in the interests of investors. The FCA’s investment platforms market study will include in its scope (i) platforms and other firms that offer access to retail investment products through an online portal, (ii) retail investors who access retail investment products through an online portal, (iii) intermediaries, including financial advisers and wealth managers who use intermediated platforms to access different retail investment providers on behalf of their clients, (iii) product and wrapper providers who use platforms to distribute their products, (iv) technology providers to whom platforms outsource services and (v) fund ratings and data providers whose information platforms use and distribute.

This market study follows on from the FCA Asset Management market study final report noted above, which highlighted a number of potential competition issues in the platforms sector. The FCA aims to publish an interim report by summer 2018, setting out its analysis and preliminary conclusions including, where appropriate, possible remedies to address any concerns identified. This will be followed subsequently by the FCA's final report.

#### 5.1.6 **EU General Data Protection Legislation**

The GDPR was published in the Official Journal of the EU on 4 May 2016 and will apply from 25 May 2018. The GDPR will repeal the Data Protection Directive. The GDPR will increase the territorial scope of the existing EU data protection framework and impose stronger sanctions on those who breach it, amongst other things. It will also change the ways in which personal data is collected and used, requiring data subjects to give unambiguous or explicit consent in some cases and introduce increased enforcement powers, empowering national data protection authorities to impose fines of up to 4% of annual turnover, or €20 million, whichever is greater.

#### 5.1.7 **Senior Managers and Certification Regime**

The SMCR came into force in the UK in March 2016. The SMCR requires UK banks, building societies and significant investment firms to allocate responsibility for certain senior management functions to individuals pre-approved by the FCA and PRA ("**Senior Managers**"). The SMCR also introduced a certification regime for staff employed in positions where they could pose a significant risk of harm to their firm or its customers. A new set of Conduct Rules were also introduced that apply to Senior Managers, certified employees and almost all other individuals working for firms that are subject to the SMCR. Additional Conduct Rules apply to Senior Managers.

At present, no entities in the Group are subject to the SMCR. The Bank of England and Financial Services Act 2016 has, however, given the FCA the power to extend the SMCR to all UK authorised firms. This is expected to take place in 2019. While it is anticipated that the rules that will apply to other UK authorised firms will for the most part follow those that apply to firms currently within scope of the SMCR, the final rules remain subject to consultation, which is currently ongoing. The feedback from this consultation process is not expected until early 2018 at the earliest. Once implemented, FCA authorised firms in the Group will be subject to the SMCR.

Other jurisdictions in which the Group operates have adopted similar senior managers regimes, such as Hong Kong.

#### 5.1.8 **EU Benchmarks Regulation**

With the exception of certain provisions relating to critical benchmarks which were already in force, and subject to certain transitional provisions, the EU Benchmarks Regulation was implemented on 1 January 2018. The Regulation places requirements on administrators of, contributors to and users of financial benchmarks, principally aimed at improving governance processes, transparency and documentation. Supervised entities within the EU are not permitted to "use" a benchmark unless it is compliant with the Regulation and it, or its administrator (as applicable), is registered in the relevant ESMA register.

The scope of the Regulation is broad, covering a number of measures which may not typically be considered to be "benchmarks" (including basket levels, customised/proprietary index levels and portfolio levels). It also covers both benchmarks published by entities within the EU and those based in third countries (e.g. if that benchmark is "used" in relevant financial products, contracts or funds by an EU supervised entity). Complying with the EU Benchmarks Regulation requires affected firms (including potentially certain firms in the Group) to make changes to their procedures and practices where they act as a user of benchmarks or (more onerous and if applicable) where they act as an administrator or contributor in relation to in-scope benchmarks.

#### 5.1.9 **Retirement Income Market Study**

In March 2015, the FCA published the final findings of its retirement income market study and its proposed remedies. The final findings set out the FCA's conclusions on the effectiveness of competition in the retirement income market and its remedies on how it intended to intervene in the market to make competition work better for consumers. The FCA examined products purchased by UK consumers with their DC pension pots that provide an income in retirement – specifically, annuities and income drawdown.

The FCA has found that competition in this market is not working well for consumers as final, stating in particular that (i) many consumers are missing out by not shopping around for an annuity and switching providers, and some do not purchase the best annuity for their circumstances, (ii) consumers are deterred from engaging with their options by the length and complexity of wake-up packs, or because they do not believe the sums involved make shopping around worthwhile, (iii) consumers' tendency to buy products

from their existing provider weakens competitive discipline on incumbent firms and makes it harder for challenger firms to attract a critical mass of customers and (iv) consumers are highly sensitive to how options are presented to them – savers reaching retirement will face a landscape that is more complex and will need support in making the right choices.

The FCA's remedies were designed to support consumer choice in this market, in light of the latest pensions reforms as follows:

- Requiring firms to provide an annuity quotation ranking so that consumers can easily identify if they could be getting a better deal by shopping around;
- Redesigning and behaviourally trialling the information that consumers receive from their providers, such as wake-up packs, in the run up to their retirement; and
- In the longer term, the creation of a pensions dashboard which will allow consumers to see all their pension pots in one place.

In addition, the FCA wants to see firms framing the options available to help consumers make good decisions, rather than to drive sales of certain products. The FCA will also monitor the market and track consumer outcomes, as well as the take-up of the Pension Wise service, a government service set up to help people understand the pension options available to them.

## 5.2 *Isle of Man*

### 5.2.1 *Conduct of Business Regime*

The Isle of Man FSA is currently focused on the modernisation of its regulatory framework to align with international standards under the banner of the Isle of Man FSA Roadmap (the "**Roadmap**"). The Roadmap covers a number of areas including enhanced regulatory powers, changes to primary legislation, supervision and policyholder protection. However, the two primary areas of impact are the implementation of a new risk-based capital regime similar to Solvency II and new Conduct of Business rules.

## 5.3 *United Arab Emirates*

### 5.3.1 *ESCA regulations*

The ESCA has recently implemented new licence and product registration requirements. A transition period is expected for both product providers and brokers. In most instances, brokers will be required to upgrade their licence from a consulting licence to a promotions licence, which is considered straightforward with minimal additional capital requirements.



---

## PART VIII

### DIRECTORS, SENIOR MANAGEMENT AND CORPORATE GOVERNANCE

---

#### 1. Directors

The following table sets out certain information with respect to the members of the Board as at the date of this Prospectus. The business address for each of the Directors is Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ.

Name	Position	Nationality	Date of birth	Date appointed
Glyn Jones	<i>Independent Non-Executive Chairman</i>	British	17 March 1952	1 November 2016
Paul Feeney	<i>Chief Executive Officer</i>	British	11 November 1963	1 August 2012
Timothy (Tim) Tookey	<i>Chief Financial Officer</i>	British	17 July 1962	10 February 2017
Rosemary (Rosie) Harris	<i>Independent Non-Executive Director</i>	British	28 January 1958	3 April 2017
Moira Kilcoyne	<i>Independent Non-Executive Director</i>	American	15 December 1961	31 December 2016
Jonathan (Jon) Little	<i>Independent Non-Executive Director</i>	British	20 December 1964	24 April 2017
George Reid	<i>Independent Non-Executive Director</i>	British	16 April 1965	8 February 2017
Catherine (Cathy) Turner	<i>Independent Non-Executive Director</i>	British	3 June 1963	31 December 2016

The management experience and expertise of each of the Directors is set out below.

#### *Glyn Jones*

Glyn Jones was appointed as independent non-executive chairman effective from November 2016 and is a member of the Remuneration Committee and chair of the Corporate Governance and Nominations Committee. Mr Jones is also the chairman of Aspen Insurance Holdings, a New York Stock Exchange listed business. Prior to this, Mr Jones was the senior independent director at Direct Line Insurance Group, a board he joined ahead of its listing on the London Stock Exchange as a FTSE 100 company. Other past chairmanships include: Aldermore Group plc, Hermes Fund Managers, BT Pension Scheme Management and Towry, a financial planning and wealth advice business.

From 1981 to 1990, Mr Jones was a senior partner in the consulting practice specialising in financial services within Deloitte, Haskins & Sells, a predecessor firm to PwC. In 1991, he joined Standard Chartered Bank where he ran their international private banking business which was headquartered in Hong Kong. On his return to the UK in 1997, he joined NatWest Bank and was appointed chief executive officer of the Coutts Group, the domestic and international private banking business, as well as having responsibility for NatWest Investments and NatWest Stockbrokers. In 2001, Mr Jones joined Gartmore Investment Management as chief executive officer until 2004. Mr Jones holds a MA in Economics, Social and Political Sciences from the University of Cambridge and is a fellow of the Institute of Chartered Accountants in England and Wales.

#### *Paul Feeney*

Paul Feeney was appointed as Chief Executive Officer in August 2012 and was responsible for creating and developing the vision and strategy for the Group. Prior to this, Mr Feeney was chief executive officer of Asset Management, Long Term Savings after joining Old Mutual in January 2012.

From 2008 to 2011, Mr Feeney was the Global Head of Distribution at BNY Mellon Asset Management International. Prior to that, Mr Feeney was Group Managing Director and Head of Distribution for Gartmore Investment Management, responsible for all sales, marketing, product development and multi-manager divisions of Gartmore globally. Mr Feeney's extensive background in both asset management and wealth management includes positions as Chief Executive of NatWest Private Bank and of NatWest Investments USA, as well as three years at Coutts. Mr Feeney holds a PhD in Financial Economics and a BA Hons degree in Banking, Insurance and Finance from the University of Wales, Bangor.

#### *Tim Tookey*

Tim Tookey was appointed as an independent non-executive director in February 2017 and subsequently as chief financial officer in August 2017. Prior to this, Mr Tookey worked at board level in financial services for over 20 years and has been responsible for managing a large number of significant business transformation and strategic projects, mergers and acquisitions.

From 1985 to 1996 Mr Tookey worked at KPMG, specialising in corporate finance advisory work and audit, moving to Heath Lambert in 1996, where he led the management buy-out of CE Heath plc in 1997 and the public takeover of Lambert Fenchurch plc in 1999. From 2002 to 2006, Mr Tookey worked for Prudential plc, where he held the position of finance director (UK and Europe). In 2006, Mr Tookey moved to Lloyds TSB Group plc (now Lloyds Banking Group plc), where he held various roles including group finance director and, from 2012 to 2015, Mr Tookey was chief financial officer of Friends Life Group.

Mr Tookey is currently a non-executive director of Nationwide Building Society, where he chairs the Board Risk Committee, and is a member of certain other Board committees including the Audit Committee. Mr Tookey holds a BSc Hons degree from the University of Bath in Building Engineering and is a member of the Institute of Chartered Accountants in England and Wales.

#### *Rosie Harris*

Rosie Harris was appointed to the Board as an independent non-executive director in April 2017 and is a member of the IT Committee and Audit Committee, as well as the chair of the Risk Committee. Ms Harris also sits on the board of Quilter Cheviot Limited.

Ms Harris has extensive financial services industry executive experience. During her 30 year career, she has undertaken a broad range of general management and chief risk officer roles. From 1985 to 2007 Ms Harris worked at Prudential plc, where she undertook various senior roles before becoming UK chief operating officer. In 2007 she was appointed group risk director at Old Mutual plc, before moving to Lloyds Banking Group plc in 2009, where she undertook chief risk officer and managing director roles. From 2012 to 2015, Ms Harris was the group chief risk officer at Friends Life plc and, following Aviva's acquisition of Friends Life plc, was appointed chief risk officer for UK Life at Aviva plc, a position which she retired from at the end of June 2017. Ms Harris is currently a non-executive director of Tokio Marine Kiln's Insurance and Syndicates businesses and chair of its Risk Committee. Ms Harris holds a BA Hons from the University of Birmingham and is a member of the Institute of Chartered Accountants in England and Wales.

#### *Moira Kilcoyne*

Moira Kilcoyne was appointed to the Board as an independent non-executive director in December 2016 and is a member of the Risk Committee and chair of the IT Committee. Ms Kilcoyne brings over 25 years of technology and cyber security leadership and has spent much of her career working in senior technology roles in both London and New York, predominantly with Morgan Stanley and Merrill Lynch. Ms Kilcoyne recently retired from Morgan Stanley having held the role of managing director and co-chief information officer for Global Technology and Data at Morgan Stanley since 2013. Ms Kilcoyne has a BSc in Mathematics from Manhattan College.

#### *Jon Little*

Jon Little was appointed to the Board as an independent non-executive director in April 2017 and is a member of the Remuneration Committee. Mr Little also sits on the board of Old Mutual Investment Management Limited.

From 1990 to 1997, Mr Little worked at Fidelity Investments, holding various roles including business development director, before moving to JP Morgan Investment Management where he was vice president, head of International Funds & European Sub-advisory. In 2000, Mr Little moved to Mellon (later BNY Mellon) and held various roles including vice chairman of BNY Mellon Asset Management, member of The Bank of New York Mellon's Global Executive Committee and head of BNY Mellon's International Asset Management Business, responsible for all non-US asset management businesses. From 2007 to 2008, Mr Little was also chairman of The Dreyfus Corporation in New York and chairman of Insight Investment Management from its acquisition in 2009. Mr Little was also a member of various asset management boards, including Newton, Walter Scott, Pareto and Alcentra. From 2011 to 2016, Mr Little was a non-executive director of Jupiter Fund Management plc. Mr Little is currently a partner at Northill Capital, a company he founded in November 2010. Mr Little is also the Chairman of the Oxford Brookes Endowment Investment Committee.

Mr Little holds a BTEC from Oxford Brookes in Business and Finance. He also holds the CFA Society of the UK – Investment Management Certificate and the Chartered Insurance Institute Financial Planning Certificate qualifications.

#### *George Reid*

George Reid was appointed to the Board as an independent non-executive director in February 2017 and is the chair of the Audit Committee and a member of the IT and Risk Committees. Mr Reid also chairs the board of Old Mutual Wealth Limited, OMWLA and Old Mutual Wealth Life & Pensions Limited.

From 1987 to 1999, Mr Reid worked at Price Waterhouse and PricewaterhouseCoopers (now PwC), undertaking various roles and overseas secondments. In 1999, he joined Standard Life where he spent seven years in various senior executive roles, including group chief accountant and financial reporting director for UK Life and Pensions. He returned to the accounting profession in 2006 and spent the next 10 years with Ernst & Young UK LLP. Initially a partner within the Financial Services Audit Practice, in 2015 he was appointed managing partner and EY's head of financial services for Scotland and UK regions, and made a member of the UK Firm's Financial Services Board. In addition, Mr Reid has been a director of the Children's Hospice Association Scotland since 2009. Mr Reid has a B.Sc Hons degree from the University of St Andrews in Statistics and is a member of the Institute of Chartered Accountants in England and Wales.

### *Cathy Turner*

Cathy Turner was appointed to the Board as an independent non-executive director in December 2016 and is also a member of the Corporate Governance and Nominations Committee and chair of the Remuneration Committee. Ms Turner is an experienced non-executive director who has spent over 30 years working in senior leadership roles at global organisations. After an initial career in consulting, Ms Turner moved into financial services in 1997 with Barclays plc, where she rose to the position of group HR director and was a member of the group executive committee. At various times, her responsibilities also included group strategy and investor relations. Her most recent executive role was as chief administration officer at Lloyds Banking Group plc where she was responsible for a number of corporate functions.

Ms Turner's current board roles include being non-executive director and chair of the Remuneration Committee at Countrywide plc and non-executive director and chair of the Remuneration Committee at Aldermore Group plc, part of the FirstRand Group. She is also a part-time partner at the senior advisory organisation Manchester Square Partners. Ms Turner holds a BA (Hons) degree from Lancaster University in Economics.

## **2. Senior Managers**

The following table sets out certain information with respect to Senior Managers as at the date of this Prospectus. The business address for each of the Senior Managers is Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ.

<b>Name</b>	<b>Position</b>	<b>Date of birth</b>	<b>Date appointed</b>
Paul Feeney	<i>Chief Executive Officer</i>	11 November 1963	1 August 2012
Tim Tookey	<i>Chief Financial Officer</i>	17 July 1962	9 August 2017
Mark Satchel	<i>Corporate Finance Director</i>	14 August 1969	1 May 2010
Martin Baines	<i>Chief Executive Officer – Quilter Cheviot</i>	28 May 1964	1 May 2017
Steven Braudo	<i>Chief Operating Officer</i>	3 November 1971	1 June 2016
Matthew (Matt) Burton	<i>Chief Internal Auditor</i>	22 December 1968	1 April 2016
Paul Hucknall	<i>Human Resources Director</i>	31 October 1971	1 January 2018
Steven Levin	<i>Chief Executive Officer – Quilter Wealth Solutions</i>	29 January 1975	29 October 2015
Paul Simpson	<i>Chief Executive Officer – Quilter Investors</i>	30 September 1958	1 January 2018
Andrew (Andy) Thompson	<i>Chief Executive Officer – Quilter Financial Planning</i>	11 November 1968	1 December 2015
Iain Wright	<i>Chief Risk Officer</i>	29 September 1965	29 February 2016

The management experience and expertise of each of the Senior Managers is set out below.

### *Paul Feeney*

See “— 1. Directors” above for Paul Feeney's biography.

### *Tim Tookey*

See “— 1. Directors” above for Tim Tookey's biography.

### *Mark Satchel*

Mark Satchel was appointed as Corporate Finance Director in August 2017 following Tim Tookey's appointment as Chief Financial Officer of the Company in preparation for listing. Mr Satchel joined Old Mutual in the UK in January 2000 and has held numerous leadership positions within the finance function at Old Mutual plc and in the operating business units. He joined the Board in 2010 on his appointment as Chief Financial Officer to the business (then branded Skandia). Mr Satchel remained as a director of the Board until 14 March 2018. Mr Satchel has been responsible for the disposal of nine businesses in Continental Europe, and played a lead role in the acquisitions of Intrinsic and Quilter Cheviot. He was instrumental in implementing the Group's successful business model and helped scope the footprint of the business which has led to the development of a business that is now fit for an independent listing.

Prior to his current role, Mr Satchel was Chief Financial Officer for Skandia's Europe & Latin America Division, and before that he spent a year in Sweden on the integration of Skandia into Old Mutual. Mr Satchel qualified as a Chartered Accountant in South Africa, and worked for KPMG in both South Africa and Canada prior to moving to the UK.

#### *Martin Baines*

Martin Baines served as Chief Executive Officer of Quilter Cheviot from 2003 to August 2015, and from May 2017 until present. He became a Director of Quilter & Co in 1998 and joined the management group in 1999. Mr Baines has previously served as Head of Onshore Branches, with specific responsibility to build the UK branch network. Following the purchase of Quilter & Co by Morgan Stanley in 2001, Mr Baines was appointed as a Managing Director of Morgan Stanley in 2002 and Chief Executive Officer of Quilter & Co in 2003. In 2011 and 2012, Mr Baines led the Bridgepoint backed buyout of Quilter & Co from Morgan Stanley. The Quilter & Co business then merged with Cheviot, a leading London based investment management company. Post integration of the two companies, Mr Baines led the subsequent deal process which resulted in Quilter Cheviot becoming part of the Group.

Mr Baines trained with KPMG before beginning a career in stockbroking and investment management. Mr Baines is a fellow of the Chartered Institute for Securities & Investment.

#### *Steven Braudo*

Steven Braudo joined Old Mutual Wealth as Chief Operating Officer in June 2016. Prior to this, Mr Braudo was Chief Executive Officer of Standard Bank Wealth, where he led the wealth businesses globally which included asset management and distribution, short and long term insurance and financial planning across all client segments. Before this, Mr Braudo held various senior roles within Liberty Holdings in their Corporate and Retail Divisions. His career at Liberty Holdings culminated when he was promoted to Group Deputy Chief Executive Officer and Director on the Liberty Holdings Board. Before joining Liberty, Mr Braudo held the Operations Director role of a start-up multi-manager firm and went on to become Managing Director of the South African and UK businesses.

An Actuary by training, Mr Braudo started his career as an Actuarial Manager in the Corporate Life department of Commercial Union Life (subsequently part of the Aviva Group).

#### *Matt Burton*

Matt Burton joined Old Mutual Wealth as Chief Internal Auditor in April 2016. Prior to this, Mr Burton was a partner in PricewaterhouseCoopers' (now PwC) Financial Services Practice, where he was responsible for the leading their Internal Audit offering within the Insurance and Investment Management sector. Mr Burton has over twenty five years' of internal audit experience across financial services having held senior roles in Credit Suisse, where he was Chief Auditor for EMEA, and Deutsche Bank. Mr Burton began his career as a Chartered Accountant with Deloitte.

Mr Burton has a BSc(Hons) in Economics from Loughborough University and is a member of the Institute of Chartered Accountants in England and Wales and a member of the Chartered Institute of Internal Auditors.

#### *Paul Hucknall*

Paul Hucknall joined Old Mutual Wealth as Human Resources Director in January 2018. Prior to this, Mr Hucknall was People Director, Centres of Excellence at Lloyds Banking Group, where he was responsible for the design and delivery of the Group's overall HR strategy. Mr Hucknall led the teams focused on developing and delivering key policies around remuneration, governance, talent and development, recruitment and employee relations for an organisation of around 75,000 people.

Mr Hucknall has over 20 years of experience and has held various senior roles working at board level in publicly listed financial services companies such as Bank of America and ING.

#### *Steven Levin*

Steven Levin has been Chief Executive Officer of Quilter Wealth Solutions (previously Investment Platforms) since October 2015 and was Global Head of Distribution from July 2014. Prior to this, he was Managing Director of Skandia International (now Quilter International). Mr Levin has extensive experience in developing and distributing financial service products as well as in asset management and investments, and he was previously Product & Proposition Director for Old Mutual in South Africa and then globally for Old Mutual plc. He has also been an equity analyst and fund manager in Old Mutual's asset management business.

Mr Levin is an Actuary by training and a Chartered Financial Analyst.

#### *Paul Simpson*

Paul Simpson was appointed Chief Executive Officer of Quilter Investors in January 2018. Mr Simpson began his capital markets career in risk management, gaining experience in major houses such as Deutsche Bank and UBS, trading a wide range of equity market neutral and arbitrage strategies. Switching to investment management he was portfolio manager on a successful merger arbitrage fund at De Putron Fund Management Ltd, later concentrating on statistical arbitrage, with two years as a portfolio manager at Millennium Partners. Mr Simpson joined Old Mutual in 2006. At Old Mutual, he initiated and was co-manager on the European Statistical Arbitrage fund (launched 2006) and Global Statistical Arbitrage fund (launched 2007). He was appointed Head of Alternatives at OMGI in 2009, having managerial responsibility for quantitative multi-factor investment processes spanning hedge funds, alternative and long only UCITS funds. He was appointed Investment Director in January 2015.

Mr Simpson is Chair of OMGI's Investment Director's Committee and sits on the Boards of the Old Mutual UK, Irish and Cayman investment funds. He is also a member of OMGI's Executive Committee. Mr Simpson has a BA in Economics from Cambridge University (1980) and an MBA from the University of Bradford Management Centre (1986).

#### *Andy Thompson*

Andy Thompson was appointed Chief Executive Officer of Quilter Financial Planning (previously Intrinsic) in December 2015, subsequently leading the acquisition of the Caerus business. Prior to that he was Distribution Director, leading the Distribution team to provide first-class products and solutions for customers and to recruit and support advisers, including the acquisitions of Positive Solutions (approximately 700 advisers) and 250 advisers from Sesame Bankhall Group. Mr Thompson joined Intrinsic in early 2012, when Intrinsic acquired his businesses, Blueprint Financial Services and Blueprint Distribution. As a start-up in 2003, Mr Thompson proved his entrepreneurial flair by growing Blueprint to 180 advisers before its sale.

Mr Thompson was a financial adviser before being appointed to become a Regional Director for the Zurich Advice Network, managing and leading the London region for over five years. Mr Thompson has an executive MBA from London Business School, having graduated in 1999.

#### *Iain Wright*

Iain Wright became Chief Risk Officer in February 2016. Prior to this, he worked for Sun Life Financial as Chief Risk Officer of the UK business in 2011 and transferred to the Head Office as Senior Vice President, Enterprise and Operational Risk in 2013. Mr Wright began his career as a chartered accountant with Deloitte, and later moved to the London Stock Exchange where he carried out a number of roles, completing his career there as Head of Equity and Debt Markets. When the FSA was formed in 2000, Mr Wright formed part of the leadership team, heading up the supervision of major insurance groups. Moving to Prudential as Chief Risk Officer of the UK and Europe business, Mr Wright remained in the role for three years before leaving to establish an insurance and regulatory consultancy in 2009.

Mr Wright has a BA (Hons) in Accounting and Financial Management from the University of Sheffield and is a fellow of the Institute of Chartered Accountants in England and Wales. Mr Wright is a member of the Board and Chair of the Audit & Risk Committee of the Institute of Risk Management.

### **3. Conflicts of interest**

There are no potential or actual conflicts of interest between any duties of the members of the Board or the Senior Managers towards the Company and their private interests and/or other duties.

### **4. Corporate Governance**

#### ***UK Corporate Governance Code***

The Board is committed to the highest standards of corporate governance. Except as described below, as at the date of this Prospectus, and on and following Admission, the Board complies and intends to continue to comply with the requirements of the UK Corporate Governance Code. The Company will report to its shareholders on its compliance with the UK Corporate Governance Code in accordance with the Listing Rules.

As envisaged by the UK Corporate Governance Code, the Board has established four committees: an Audit Committee, a Risk Committee, a Corporate Governance and Nominations Committee and a Remuneration Committee. In addition, the Board has also established an IT Committee. If the need should arise, the Board may set up additional committees as appropriate.

The UK Corporate Governance Code recommends that at least half the board of directors of a UK-listed company, excluding the chairman, should comprise non-executive directors determined by the board of directors to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the director's judgement. As at the date of this Prospectus, the Board consists of the non-executive chairman and five further independent non-executive Directors (the "**Non-Executive Directors**") and two executive Directors. The Company regards all of the Non-Executive Directors, as "independent non-executive directors" within the meaning of the UK Corporate Governance Code and free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

The UK Corporate Governance Code recommends that the board of directors of a company with a premium listing on the Official List of the FCA should appoint one of the Non-Executive Directors to be the Senior Independent Director to provide a sounding board for the chairman and to serve as an intermediary for the other directors when necessary. The Senior Independent Director should be available to shareholders if they have concerns which contact through the normal channels of the chief executive officer has failed to resolve or for which such contact is inappropriate. As at the date of this Prospectus, the Board has identified a candidate to be appointed as a Non-Executive Director and the Senior Independent Director and expects, subject to regulatory approvals and the timetable for those approvals, that individual

to have joined the Board as the Senior Independent Director before Admission. Until the appointment is confirmed, the Group will not comply with the UK Corporate Governance Code with regard to having a Senior Independent Director or with regard to the membership of the Audit Committee, the Corporate Governance and Nominations Committee and the Remuneration Committee, as the Senior Independent Director is expected to be a member of those committees.

The UK Corporate Governance Code further recommends that directors should be subject to annual re-election. The Company intends to comply with these recommendations.

In September 2017, the Board undertook a review of its effectiveness which was independently facilitated by Egon Zehnder. The outcome of the review confirmed that the Board had been operating effectively, despite undergoing a significant period of transition. The Board has agreed an action plan to address points raised as part of the review, and will be reporting progress against those actions in its 2018 Annual Report.

### **Audit Committee**

Subject to the appointment of the Senior Independent Director (as described above), in compliance with the requirements of the UK Corporate Governance Code, the Audit Committee will be made up of a minimum of three members who are all independent non-executive directors and includes one member with recent and relevant financial experience. The Audit Committee is chaired by George Reid and its current membership is as follows:

<b>Name</b>	<b>Committee Position</b>
George Reid	<i>Chair of the Audit Committee</i>
Rosie Harris	<i>Independent Non-Executive Director</i>

The third member will be the Senior Independent Director.

The Audit Committee will meet at least four times a year and otherwise as the Chair of the Audit Committee, Audit Committee members, Chief Executive Officer or Chief Internal Auditor shall require and as requested by the external Audit Lead Partner auditor. The Audit Committee has responsibility for, amongst other things, monitoring and reviewing the financial reporting process of the Group and the involvement of the auditors in that process.

The Audit Committee assists the Board in discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including reviewing the Group's annual and half-yearly financial statements, making recommendations on the appointment, reappointment and removal of the external auditors, monitoring the independence of the external auditor, reviewing the objectivity and effectiveness of the audit process and reviewing the scope of the audit and non-audit work undertaken by the external auditors.

The terms of reference of the Audit Committee covers such issues as membership and the frequency of meetings, as mentioned above, together with requirements for the quorum for and the right to attend meetings, reporting responsibilities and the authority of the Audit Committee to carry out its duties.

### **Risk Committee**

In compliance with the requirements of the UK Corporate Governance Code, the Risk Committee is made up of a minimum of three members who are all independent non-executive directors and includes one member with recent and relevant financial experience and one member with recent and relevant experience with regard to risk management issues and practices. The Risk Committee is chaired by Rosie Harris and its membership is as follows:

<b>Name</b>	<b>Committee Position</b>
Rosie Harris	<i>Chair of the Risk Committee</i>
Moir Kilcoyne	<i>Independent Non-Executive Director</i>
George Reid	<i>Independent Non-Executive Director</i>

The Risk Committee will meet at least four times a year and otherwise as the Chair of the Risk Committee, the Risk Committee members, the Chief Executive Officer or the Chief Risk Officer shall require. The Risk Committee has responsibility for, amongst other things, monitoring and reviewing the effectiveness of the Company's internal control and risk management systems.

The duties of the Risk Committee include providing advice to the Board in relation to the assessment of the principal risks facing the Group, including management and mitigation of those risks and considering the effectiveness of the Group's compliance function, as well as providing oversight and advice to the Board in relation to future risk strategy and promoting a risk awareness culture within the Group.

The terms of reference of the Risk Committee covers such issues as membership and the frequency of meetings, as mentioned above, together with requirements for the quorum for and the right to attend meetings, reporting responsibilities and the authority of the Risk Committee to carry out its duties.

### **Corporate Governance and Nominations Committee**

Subject to the appointment of the Senior Independent Director (as described above), in compliance with the UK Corporate Governance Code, the Corporate Governance and Nominations Committee will be made up of a minimum of three members, a majority of whom are independent non-executive directors. The Corporate Governance and Nominations Committee is chaired by Glyn Jones and its current membership is as follows:

<b>Name</b>	<b>Committee Position</b>
Glyn Jones	<i>Chair of the Corporate Governance and Nominations Committee</i>
Cathy Turner	<i>Independent Non-Executive Director</i>

The third member will be the Senior Independent Director.

The Corporate Governance and Nominations Committee will meet at least twice per year and otherwise as the Chair of the Corporate Governance and Nominations Committee or the Chief Executive Officer shall require. The Corporate Governance and Nominations Committee assists the Board in reviewing the structure, composition and make-up of the Board, any committees of the Board and the composition of significant subsidiary boards within the Group, succession planning, evaluating the balance of skills, experience, independence and knowledge on the Board and leading the process for board appointments and making recommendations to the Board on such matters. The Corporate Governance and Nominations Committee has agreed it is also responsible for assisting with any evaluation process to assess the overall and individual performance of the Board and its committees and reviewing the policies on diversity and progress on achieving objectives under the policy. In January 2018, the Committee agreed to set a minimum gender diversity target of 33% in line with the Hampton-Alexander Review recommendations.

The Corporate Governance and Nominations Committee is responsible for corporate governance matters such as approving material changes to, and monitoring compliance with, the Group Governance Manual. It also monitors developing trends or proposals in relation to Board governance issues and best corporate governance practice in order to determine the extent to which these initiatives impact the Group.

The Corporate Governance and Nominations Committee has recently also acquired responsibility for Board oversight of responsible business. Going forward, it will provide oversight of, and support for, the Group's aspirations and strategy with respect to responsible business.

The terms of reference of the Corporate Governance and Nominations Committee also covers issues such as membership and frequency of meetings, as mentioned above, together with the requirements for the quorum for and the right to attend meetings, reporting responsibilities and the authority of the Corporate Governance and Nominations Committee to carry out its duties.

### **Remuneration Committee**

Subject to the appointment of the Senior Independent Director (as described above), in compliance with the UK Corporate Governance Code, the Remuneration Committee will be made up of a minimum of three members who are independent non-executive directors (other than the Chairman who was independent on appointment). The Remuneration Committee is chaired by Cathy Turner and its current membership is as follows:

<b>Name</b>	<b>Committee Position</b>
Cathy Turner	<i>Chair of the Remuneration Committee</i>
Glyn Jones	<i>Independent Non-Executive Director</i>
Jon Little	<i>Independent Non-Executive Director</i>

The third Independent Non-Executive Director member will be the Senior Independent Director.

The Remuneration Committee will meet not less than four times a year and otherwise as the Chair of the Remuneration Committee or the Chief Executive Officer shall require. The Remuneration Committee assists the Board in determining its responsibilities in relation to remuneration, including making recommendations to the Board on the Group's policy on executive remuneration, determining the individual remuneration packages, including pension rights and any compensation payments of each of the Company's executive directors, members of the Executive Committee, senior executives in control functions, material risk takers and other Group employees whose total annual compensation is expected to equal or exceed £1 million.

The Remuneration Committee is also responsible for considering and making recommendations to the Board with regard to the design and targets for the Group-wide annual bonus scheme and operation of long-term incentive schemes in which executive directors and senior management participate, and reviewing the ongoing appropriateness and relevance of the remuneration policies of the Group.

The terms of reference of the Remuneration Committee cover such issues as membership and frequency of meetings, together with the requirements for the quorum for and the right to attend meetings, reporting responsibilities and the authority of the Remuneration Committee to carry out its duties.

#### **IT Committee**

The IT Committee has been established to oversee the Group IT estate and to identify any IT matters which pose a significant risk to, or have material impact on, the Group. It shall consist of at least three members, all of whom are independent non-executive directors. The IT Committee is chaired by Moira Kilcoyne and its membership is as follows:

<b>Name</b>	<b>Committee Position</b>
Moira Kilcoyne	<i>Chair of the IT Committee</i>
Rosie Harris	<i>Independent Non-Executive Director</i>
George Reid	<i>Independent Non-Executive Director</i>

The IT Committee will meet not less than six times a year and otherwise as the Chair of the IT Committee or the Chief Executive Officer may require. The terms of reference of the IT Committee cover such issues as membership and frequency of meetings, as mentioned above, together with the requirements for the quorum for and the right to attend meetings, reporting responsibilities and the authority of the IT Committee to carry out its duties.

#### **Share dealing**

The Company has adopted, ahead of Admission, a code of securities dealings in relation to the Shares and other Group-related securities and a policy with respect to the entry into transactions with persons related to the Group which is based on the rules of MAR, and will apply to the Directors and other relevant employees of the Company. The policy is based on the mandatory provisions of MAR and of the Listing Rules which apply to the Group.

### **5. Borrowing Powers**

The borrowing powers of the Directors and the directors of the Group's major subsidiaries for purposes of the JSE Listings Requirements, Old Mutual International Isle of Man and Old Mutual Wealth Life & Pensions Limited (the "**Major Subsidiaries**"), have not been exceeded during the past three years and there have not been any exchange control or other restrictions on the borrowing powers of the Company or any of its Major Subsidiaries.

There are no restrictions on the Company's borrowing powers and the business of the Company shall be managed by the Board which may exercise all the powers of the Company.

The directors of the Major Subsidiaries may exercise all powers of the Major Subsidiary to borrow or raise money, and to grant any mortgage or charge over its undertakings, property and uncalled capital, or any part of thereof, and subject to the provisions of the Companies Act 2006 or the Isle of Man Companies Acts 1931-2004 (as applicable), to issue debentures, debenture stock and other securities whether outright or as a security for any debt, liability or obligation of the Major Subsidiary or of any third party (including any member).

There are no other material limitations on the borrowing powers of the Group.



## 6. Directors of Major Subsidiaries

The following table sets out certain information with respect to the directors of the Major Subsidiaries as at the date of this Prospectus.

<b>Subsidiary</b>	<b>Name, age and nationality</b>	<b>Position</b>	<b>Business address</b>
Old Mutual International Isle of Man	Paul Quirk, 57, British	<i>Chairman</i>	King Edward Bay House, King Edward Road, Onchan, IM99 1NU, Isle of Man
	Peter Kenny, 50, Irish	<i>Managing Director</i>	King Edward Bay House, King Edward Road, Onchan, IM99 1NU, Isle of Man
	Joly Hemuss, 46, British	<i>Chief Financial Officer</i>	King Edward Bay House, King Edward Road, Onchan, IM99 1NU, Isle of Man
	Steven Braudo, 46, British and South African	<i>Chief Operating Officer</i>	King Edward Bay House, King Edward Road, Onchan, IM99 1NU, Isle of Man
	Sheelagh Malin, 53, Irish	<i>Independent Non-Executive Director</i>	King Edward Bay House, King Edward Road, Onchan, IM99 1NU, Isle of Man
	Angus Alexander, 54, British	<i>Independent Non-Executive Director</i>	King Edward Bay House, King Edward Road, Onchan, IM99 1NU, Isle of Man
	Robert Long, 50, British	<i>Independent Non-Executive Director</i>	King Edward Bay House, King Edward Road, Onchan, IM99 1NU, Isle of Man
Old Mutual Wealth Life & Pensions Limited	George Reid, 52, British	<i>Chairman</i>	Old Mutual House, Portland Terrace, Southampton, SO14 7EJ
	Steven Levin, 43, British, South African and German	<i>Chief Executive Officer</i>	Old Mutual House, Portland Terrace, Southampton, SO14 7EJ
	Simon Wood, 50, British	<i>Chief Financial Officer</i>	Old Mutual House, Portland Terrace, Southampton, SO14 7EJ
	Steven Braudo, 46, British and South African	<i>Chief Operating Officer</i>	Old Mutual House, Portland Terrace, Southampton, SO14 7EJ
	Scott Goodsir, 53, British	<i>Managing Director – UK Distribution</i>	Old Mutual House, Portland Terrace, Southampton, SO14 7EJ

## PART IX SELECTED FINANCIAL INFORMATION

The following review of the Group's financial condition and operating results sets out selected consolidated audited financial information for the Group as at and for each of the years ended 31 December 2015, 2016 and 2017, in each case prepared in accordance with IFRS. The information has been extracted without material adjustment from the financial information in Part XII – "Historical Financial Information" in this Prospectus. The following section also includes certain non-IFRS financial information for the periods indicated, which has not been extracted from the financial information in Part XII – "Historical Financial Information" and has not been prepared in accordance with IFRS.

The selected financial information should be read in conjunction with the information referred to above and in Part X – "Operating and Financial Review". Investors are advised to read the whole of this Prospectus and not rely on the information summarised in this Part IX – "Selected Financial Information".

### Consolidated Income Statement

	Year Ended 31 December		
	2015	2016	2017
	(£ millions)		
<b>Revenue</b>			
Gross earned premiums	135	141	148
Premiums ceded to reinsurers	(81)	(84)	(88)
Net earned premiums	54	57	60
Fee and commission income, and income from service activities	816	803	895
Net investment income	1,166	6,310	5,195
Other income	2	17	13
<b>Total revenue</b>	<b>2,038</b>	<b>7,187</b>	<b>6,163</b>
<b>Expenses</b>			
Claims and benefits paid	(77)	(72)	(76)
Reinsurance recoveries	56	51	54
Net insurance claims and benefits incurred	(21)	(21)	(22)
Change in reinsurance assets and liabilities	40	119	85
Change in insurance contract liabilities	(32)	(125)	(78)
Change in investment contract liabilities	(949)	(5,522)	(4,308)
Fee and commission expenses, and other acquisition costs	(362)	(299)	(320)
Change in third-party interest in consolidated funds	(76)	(575)	(673)
Other operating and administrative expenses	(565)	(654)	(816)
Finance costs	(32)	(43)	(39)
<b>Total expenses</b>	<b>(1,997)</b>	<b>(7,120)</b>	<b>(6,171)</b>
Profit on the acquisition and re-measurement of subsidiaries	–	–	3
<b>Profit/(loss) before tax</b>	<b>41</b>	<b>67</b>	<b>(5)</b>
Tax expense attributable to policyholders' funds	7	(102)	(49)
<b>Profit/(loss) before tax attributable to shareholders' profits</b>	<b>48</b>	<b>(35)</b>	<b>(54)</b>
Income tax expense	16	(94)	(41)
Less: tax attributable to policyholders' funds	(7)	102	49
Tax attributable to shareholders' funds	9	8	8
<b>Profit/(loss) after tax from continuing operations</b>	<b>57</b>	<b>(27)</b>	<b>(46)</b>
Profit after tax from discontinued operations	28	62	203
<b>Profit for the year after tax</b>	<b>85</b>	<b>35</b>	<b>157</b>

	Year Ended 31 December		
	2015	2016	2017
	<i>(£ millions)</i>		
<b>Attributable to:</b>			
Equity holders of the Parent Company	85	35	157
<b>Earnings per ordinary share on profit attributable to ordinary shareholders of the Parent Company</b>			
<b>Basic</b>			
From continuing operations (pence)	43.9	(20.8)	(35.4)
From discontinued operations (pence)	21.5	47.7	156.2
	<b>65.4</b>	<b>26.9</b>	<b>120.8</b>
<b>Diluted</b>			
From continuing operations (pence)	43.9	(20.8)	(35.4)
From discontinued operations (pence)	21.5	47.7	156.2
	65.4	26.9	120.8

#### Consolidated Statement of Comprehensive Income

	Year Ended 31 December		
	2015	2016	2017
	<i>(£ millions)</i>		
<b>Profit for the year after tax</b>	85	35	157
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to income statement</i>			
Exchange gains/(losses) on translation of foreign operations	(8)	23	–
Other comprehensive income/(expenses) for the year	–	(2)	3
	(8)	21	3
<i>Items that will not be reclassified subsequently to income statement</i>			
Measurement movements on DB plans	(1)	(1)	–
	(1)	(1)	–
<b>Total other comprehensive income, net of tax</b>	<b>(9)</b>	<b>20</b>	<b>3</b>
<b>Total comprehensive income for the year</b>	<b>76</b>	<b>55</b>	<b>160</b>
Attributable to:			
<b>Equity holders of the Parent Company</b>	<b>76</b>	<b>55</b>	<b>160</b>

## Consolidated Statement of Financial Position

	As at 31 December		
	2015	2016	2017
	<i>(£ millions)</i>		
<b>Assets</b>			
Goodwill and other intangible assets	670	654	574
Property, plant and equipment	19	18	18
Investments in associated undertakings	1	1	3
Loans and advances	190	220	199
Financial investments	49,294	52,235	64,248
Reinsurers' share of policyholder liabilities	2,507	2,863	2,908
Deferred tax assets	8	8	22
Current tax receivable	27	20	–
Trade, other receivables and other assets	716	794	497
Deferred acquisition costs	768	655	611
Derivative assets	971	26	87
Cash and cash equivalents	1,601	1,595	2,360
Assets of operations classified as held for sale	–	6,396	446
<b>Total assets</b>	<b>56,772</b>	<b>65,485</b>	<b>71,973</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Ordinary share capital	130	130	130
Ordinary share premium reserve	–	–	58
Other reserves	60	80	39
Retained earnings	723	782	872
<b>Total equity</b>	<b>913</b>	<b>992</b>	<b>1,099</b>
<b>Liabilities</b>			
Long-term business insurance policyholder liabilities	293	417	489
Investment contract liabilities	49,041	51,265	59,139
Third-party interests in consolidated funds	3,311	4,140	7,905
Provisions and accruals	35	29	104
Deferred tax liabilities	152	179	190
Current tax payable	13	20	38
Borrowings	786	839	782
Trade, other payables and other liabilities	938	1,024	1,331
Deferred revenue	312	261	244
Derivative liabilities	978	56	433
Liabilities of operations classified as held for sale	–	6,263	219
<b>Total liabilities</b>	<b>55,859</b>	<b>64,493</b>	<b>70,874</b>
<b>Total equity and liabilities</b>	<b>56,772</b>	<b>65,485</b>	<b>71,973</b>

**Consolidated Statement of Cash Flows<sup>(1)</sup>**

	<b>Year Ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>(£ millions)</i>		
<b>Cash flows from operating activities</b>			
Profit before tax	84	149	227
Non-cash movements in profit before tax	2,878	2,552	4,061
Net changes in working capital	(190)	229	1,134
Taxation paid	(40)	(59)	(9)
<b>Total net cash flows from operating activities</b>	<b>2,732</b>	<b>2,871</b>	<b>5,413</b>
<b>Cash flows from investing activities</b>			
Net acquisitions of financial investments	(2,430)	(2,810)	(4,760)
Acquisition of property, plant and equipment	(5)	(4)	(8)
Acquisition of intangible assets	(14)	(9)	(9)
Acquisition of interests in subsidiaries and associated undertakings joint ventures	(567)	(16)	(33)
Proceeds from the disposal of interests in subsidiaries	(4)	–	208
<b>Total net cash used in investing activities</b>	<b>(3,020)</b>	<b>(2,839)</b>	<b>(4,602)</b>
<b>Cash flows from financing activities</b>			
Dividends paid to ordinary equity holders of the Company	(24)	–	(210)
Interest paid	(32)	(43)	(39)
Proceeds from issue of ordinary shares	–	–	258
Loan to Employee Benefit Trust	(54)	(43)	–
Proceeds from issue of subordinated and other debt	614	53	–
Subordinated and other debt repaid	–	–	(57)
<b>Total net cash from/(used in) financing activities</b>	<b>504</b>	<b>(33)</b>	<b>(48)</b>
Net increase/(decrease) in cash and cash equivalents	216	(1)	763
Cash and cash equivalents at beginning of the year	1,386	1,601	1,595
Effects of exchange rate changes on cash and cash equivalents	(1)	(5)	2
<b>Cash and cash equivalents at end of the year</b>	<b>1,601</b>	<b>1,595</b>	<b>2,360</b>

(1) Cash flows include both continuing and discontinued operations.

## Non-IFRS Financial Information

The tables below present certain non-IFRS financial measures as at and for the years ended 31 December 2015, 2016 and 2017. The Directors believe that these measures provide useful information with respect to the performance of its business and operations. These non-IFRS financial measures are not audited. They are not meant to be considered in isolation or as a substitute for metrics of financial performance reported in accordance with IFRS. Moreover, these measures may be defined or calculated differently by other companies and, as a result, they may not be comparable to similar measures calculated by the Group's peers. See Part II – "Presentation of Financial and Other Information—3. Non-IFRS Financial Measures".

The following table sets forth the reconciliation of profit after tax to operating profit from continuing operations:

	Year Ended 31 December		
	2015	2016	2017
	(£ millions)		
<b>Profit for the year after tax</b>	<b>85</b>	<b>35</b>	<b>157</b>
<i>Adjustments:</i>			
<b>Profit after tax from discontinued operations</b>	<b>(28)</b>	<b>(62)</b>	<b>(203)</b>
<b>Profit/(loss) after tax from continuing operations</b>	<b>57</b>	<b>(27)</b>	<b>(46)</b>
Income tax on continuing business	(16)	94	41
<b>Profit/(loss) before tax</b>	<b>41</b>	<b>67</b>	<b>(5)</b>
Income tax attributable to policyholder returns	7	(102)	(49)
<b>Profit/(loss) before tax attributable to shareholders' profits</b>	<b>48</b>	<b>(35)</b>	<b>(54)</b>
Goodwill and amortisation of purchased intangibles <sup>(1)</sup>	57	52	54
Business transformation costs <sup>(2)</sup>	96	102	89
Finance costs <sup>(3)</sup>	32	43	39
Quilter Separation one off costs <sup>(4)</sup>	–	7	32
Profit on acquisition and re-measurement of subsidiaries <sup>(5)</sup>	–	–	(3)
Policyholder tax adjustments <sup>(6)</sup>	(12)	8	(17)
Voluntary customer remediation costs <sup>(7)</sup>	–	–	69
<b>Total non-operating adjusting items before tax</b>	<b>173</b>	<b>212</b>	<b>263</b>
<b>Operating profit before tax from continuing operations</b>	<b>221</b>	<b>177</b>	<b>209</b>

(1) Represents acquisition costs and the amortisation of intangible assets acquired by the Group, in relation to policies sold by acquired businesses pre-acquisition. When applying acquisition accounting, deferred acquisition costs and deferred revenue existing at the point of acquisition are not recognised under IFRS. These are reversed on acquisition in the statement of financial position and replaced by goodwill and other intangible assets. In determining operating profit, the Group recognises deferred revenue, acquisition costs and deferred revenue in relation to policies sold by acquired businesses pre-acquisition. The Group excludes the impairment of goodwill, the amortisation and impairment of acquired other intangible assets as well as the movements in certain acquisition date provisions. If the intangible assets recognised as a result of a business combination are subsequently impaired, this is excluded from operating profit. Costs incurred on completed acquisitions are also excluded from operating profit.

(2) Represents the costs the Group has incurred in connection with its UK Platform Transformation Programme and the transformation costs in relation to the South African branches. This programme is on-going and involves replacing many aspects of the existing UK platform and migration of services to third party service providers. The cost of developing the new technology typically cannot be capitalised, hence these costs and the costs of decommissioning existing technology and migrating of services are excluded from operating profit from continuing operations. Only costs that are directly attributable to the programme are excluded from operating profit from continuing operations. The contracts with IFDS came to an end by mutual agreement effective as of 2 May 2017, at which point the costs for the year ended 31 December 2017 totalled £53 million (2016: £102 million), (2015: £96 million). The Group subsequently entered into a new contract with FNZ, under which additional costs of £21 million were incurred for the year ended 31 December 2017. The transformation costs for the South African branches include charges of £15 million for the year ended 31 December 2017 related to historical arrangements with the wider Old Mutual plc group's South African businesses. As a consequence of Managed Separation, these arrangements were severed and, as a result, deferred acquisition cost balances were written off, together with a loss incurred on the cancellation of reinsurance arrangements.

(3) Represents the cost of interest and finance charges on the Group's borrowings from Old Mutual plc, borrowed to primarily fund acquisitions, including Quilter Cheviot in 2015.

(4) Represents the one off transition costs to separate the Group from Old Mutual plc to become standalone and any additional one off costs associated with listing.

(5) Relates to the Group acquiring 100% of the whole of the issued share capital of GET, a company incorporated in South Africa, from OMGUK (part of the Old Mutual plc group) for around £1 million. Along with recording the book values of the assets acquired and liabilities assumed of £4 million, the Group recognised a gain of £3 million. The excess of the book value over consideration paid was attributable to potential future integration costs which, if incurred, would be expensed in future periods. As potential future integration activities do not qualify as a liability under the acquisition method of accounting, none was recorded, resulting in a gain.

(6) Relates to the removal of distortions arising from market volatility that can, in turn, lead to volatility in the policyholder tax charge between periods. In addition, adjustments are made to remove distortions to policyholder tax arising from the utilisation of tax allowances from elsewhere in the Group (e.g. capital losses) which are regarded economically as impacting shareholder tax, and from distortions arising from other non-operating adjusting items.

(7) Represents the costs the Group expects to incur in relation to the decision to commence voluntary remediation to customers in certain legacy products within Quilter Life Assurance.

The following table sets forth a breakdown of the Group's reported and normalised operating profit from continuing operations, as well as other selected key metrics on a normalised basis for the periods indicated. See *Part II – "Presentation of Financial and Other Information—3. Non-IFRS Financial Measures"* for a further discussion of the normalisation adjustments.

	Year Ended 31 December		
	2015	2016	2017
	(£ millions, unless otherwise indicated)		
<b>Reported basis</b>			
Net management fee <sup>(1)</sup>	505	495	591
Other revenue <sup>(2)</sup>	81	121	137
Total revenue	586	616	728
Total expenses	(365)	(439)	(519)
<b>Operating profit from continuing operations</b>	<b>221</b>	<b>177</b>	<b>209</b>
<b>Adjustments to reported basis</b>			
<b>Quilter Life Assurance fee restructure<sup>(3)</sup></b>			
Net management fee	–	24	–
Other revenue	–	(1)	–
Total expenses	–	4	–
Total Quilter Life Assurance fee restructure adjustment	–	27	–
<b>Other normalisation adjustments<sup>(4)</sup></b>			
Net management fee	(2)	5	–
Other revenue	3	2	–
Total expenses	(9)	(3)	–
Total other normalisation adjustments	(8)	4	–
<b>Total adjustments</b>	<b>(8)</b>	<b>31</b>	<b>–</b>
<b>Normalised basis</b>			
Normalised net management fee <sup>(5)</sup>	503	524	591
Normalised other revenue <sup>(5)</sup>	84	122	137
Total normalised revenue <sup>(5)</sup>	587	646	728
Total normalised expenses <sup>(5)</sup>	(374)	(438)	(519)
<b>Normalised operating profit from continuing operations<sup>(5)</sup></b>	<b>213</b>	<b>208</b>	<b>209</b>
<b>Key performance indicators</b>			
Revenue margin (bps) <sup>(6)</sup>	64	59	56
Operating margin (%) <sup>(7)</sup>	36	32	29
Closing AuMA (£bn) <sup>(8)</sup>	85.3	98.2	114.4
Average AuMA (£bn) <sup>(9)</sup>	82.5	89.2	105.1
NCCF (£bn) <sup>(10)</sup>	3.9	3.3	6.3
NCCF (excl. Quilter Life Assurance) (£bn)	4.3	4.2	7.6
NCCF/Opening AuMA (%) <sup>(11)</sup>	6	6	9

(1) Net management fee consists of revenue generated from AuMA, fixed fee revenues and policyholder tax contributions, netted off by trail commissions payable.

(2) Other revenue represents revenue not directly linked to AuMA (e.g. early encashment charges, risk result, adviser initial fees and adviser fees linked to AuMA in Quilter Financial Planning (recurring fees)).

(3) The Quilter Life Assurance fee restructure adjustment relates to the removal of a fee restructure exercise conducted on Quilter Life Assurance's pension products in the year ended 31 December 2016 following the FCA Thematic Review. This adjustment impacts the Wealth Platforms segment and includes the one-off revenue impact, expenses incurred in relation to the Thematic Review and compensation paid to policyholders for the understatement of fund rebates.

(4) Other normalisation adjustments relate to certain one-time adjustments and rebates. The rebate adjustments impacts the Advice & Wealth Management segment (a decrease in revenue on a normalised basis by £2 million in the year ended 31 December 2015 and an increase in revenue on a normalised basis by £5 million in the year ended 31 December 2016). The remaining normalisation adjustments impact the Wealth Platforms segment.

(5) Adjusted for the Quilter Life Assurance fee restructure and other normalisation adjustments (each as described above).

(6) Revenue margin represents net management fee, including policyholder tax, divided by average AuMA.

(7) Operating margin represents reported operating profit from continuing operations divided by total revenue, including policyholder tax and adviser fees. Operating margin excludes financing costs.

- (8) Closing AuMA represents the total market value of all financial assets managed and administered on behalf of customers as at 31 December of the financial year, after intra-group eliminations.
- (9) Average AuMA represents the average total assets managed and administered on behalf of customers during the financial year ended 31 December, after intra-group eliminations. Average AuMA is calculated using a 13-point average of monthly closing AuMA.
- (10) NCCF measures the difference between money received from and the money returned to customers during the relevant period for the Group or for the business indicated.
- (11) Excludes Quilter Life Assurance.



---

## PART X

### OPERATING AND FINANCIAL REVIEW

---

*This Part X – “Operating and Financial Review” should be read in conjunction with Part II – “Presentation of Financial and Other Information”, Part V – “Industry Overview”, Part VI – “Business Description” and Part XII – “Historical Financial Information”. Prospective investors should read the entire document and not just rely on the summary set out below. The financial information considered in this Part X – “Operating and Financial Review” is extracted from the financial information set out in Part XII – “Historical Financial Information”.*

*The following discussion of the Group’s results of operations and financial condition contains forward-looking statements. The Group’s actual results could differ materially from those that it discusses in these forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this document, particularly under Part I – “Risk Factors” and Part II – “Presentation of Financial and Other Information— 12. Forward-looking Statements”. In addition, certain industry issues also affect the Group’s results of operations and are described in Part V – “Industry Overview”.*

*This discussion and analysis contains forward-looking statements that are subject to known and unknown risks and uncertainties. Quilter’s actual results and the timing of events could differ materially from those expressed or implied by such forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Prospectus. Quilter does not undertake any obligation to revise or publicly release the results of any revision to these forward-looking statements.*

#### 1. Overview

The Group is a leader in the UK and in selected offshore markets in wealth management, providing advice-led investment solutions and investment platforms to over 900,000 customers, principally in the affluent market segment. At the core of the Group are a multi-channel wealth management proposition and a strong investment performance track record, driving Integrated NCCF and long term customer relationships. As at 31 December 2017, the Group had £114.4 billion of AuMA following the elimination of intra-Group assets.

The Group operates through two segments, Advice & Wealth Management and Wealth Platforms.

The Group’s Advice & Wealth Management segment, with £41.7 billion of AuM as at 31 December 2017, comprises:

- *Quilter Financial Planning*, which is a network of over 3,500 financial advisers, including approximately 2,000 CF30 Advisers, of which 1,561 are RFPs, who deliver face-to-face financial advice tailored to meet the specific needs of the customer. Quilter Financial Planning is the second largest restricted advice network in the UK, as measured by the number of CF30 Advisers as at 31 December 2017 (Source: Financial Times);
- *Quilter Investors*, which is a leading provider of multi-asset investment solutions in the UK, offering a broad range of solutions for its customers’ accumulation and decumulation needs; and
- *Quilter Cheviot*, which is a leading UK-based private-client wealth manager providing discretionary and advisory wealth management services to private clients, corporates, pension funds, trusts and charities.

The Group’s Wealth Platforms segment, with £84.6 billion of AuA as at 31 December 2017, comprises:

- *Quilter Wealth Solutions*, which is a leading investment platform provider of advice-based wealth management products and services in the UK. Quilter Wealth Solutions serves a largely affluent customer base through both Quilter Financial Planning and third party advisers. The UK Platform Transformation Programme, a major enhancement of Quilter Wealth Solutions’ range of products and capabilities, is designed to improve clients’ and advisers’ experience and expand the proposition;
- *Quilter Life Assurance*, the Group’s book of legacy UK life insurance, insurance bonds and pension business, as well as the Group’s open protection book of business. It also includes the Group’s institutional life business, which is closed to new business and the majority of which the Group expects will run off over the next one to two years. Quilter Life Assurance’s retail book is also in a steady managed run-off expected to be at around 15% per annum; and
- *Quilter International*, which is a leading investment platform provider of cross-border investment solutions (portfolio bonds and unit-linked products) aimed primarily at affluent and high net worth UK residents seeking investment solutions outside of the UK, as well as expatriates and international investors in selected offshore markets.

The Group has adopted a multi-channel access model, using both advised and open market approaches, designed for better customer outcomes by giving customers greater accessibility and choice. As at 31 December 2017, the Group’s advised channel included approximately 200,000 advised customers paying ongoing advice fees, 1,561 RFPs (who advise on a range of investment solutions offered by the Group and from third parties that have been pre-researched by the Group) and 422 IFAs on the Quilter Financial Planning network (who advise on an unrestricted whole of market basis). The Group’s open market channel included approximately 700,000 customers (of which approximately 400,000 are customers of Quilter Wealth Solutions) who are primarily serviced by over 4,000 active third party UK advice firms using the Group’s platforms and investment solutions. The Directors believe that the Group’s multi-channel wealth management proposition provides greater market breadth and customer and adviser choice which support

long-term customer relationships. The Group's multi-channel wealth management proposition has also contributed to growth in the Group's Integrated NCCF (excluding Quilter Life Assurance), which has increased from £1.6 billion in the year ended 31 December 2015 to £5.2 billion in the year ended 31 December 2017. The Group's open market NCCF (excluding Quilter Life Assurance) has decreased from £2.7 billion in the year ended 31 December 2015 to £2.4 billion in the year ended 31 December 2017. Growth in Integrated NCCF has also been supported by the increase in the Group's RFPs from 930 as at 31 December 2014 to 1,561 as at 31 December 2017, an increase of 68% as a result of acquisitions, organic growth and transition of advisers from IFAs to RFPs.

## 2. Current Trading and Prospects

The Group has continued to trade in line with the Directors' expectations since the year ended 31 December 2017. Overall the Directors continue to remain confident in the Group's prospects. The Directors believe that the outlook for the Group is attractive due to the strong growth prospects of the sectors within which the Group operates.

The Group's vision is to be the leading UK wealth manager, as a purpose-built, full service wealth manager delivering good customer outcomes. The Group has leading positions in one of the world's largest wealth markets, and its multi-channel wealth management proposition and investment performance are driving integrated flows and long term customer relationships. Together this has delivered attractive top-line growth and there is the opportunity for operating leverage following the intended listing as Quilter plc.

In 2017, alongside strong investment performance, the Group attracted very high levels of net flows, and the integrated business model is proving a success in providing what customers want. This has enabled the Group to maintain profitability while still investing in the business ahead of listing, and achieving a 29% operating margin for 2017 for the go-forward business. The Group has further grown its distribution capabilities through the acquisition of Caerus, and remains on track and on budget with the UK Platform Transformation Programme. The Group has a strong balance sheet, strong capital and liquidity positions and is independently funded.

The strong levels of Integrated NCCF in recent periods have helped the Group exceed its target of delivering NCCF (excluding Quilter Life Assurance) of 5% of opening AuMA per annum over the medium term and, should market conditions remain supportive, the Directors expect to exceed this target in 2018.

The Company expects to publish the Q1 Results Supplement on or about 30 April 2018.

## 3. Segmental Reporting

The Group's operations are divided into two principal reporting segments: Advice & Wealth Management and Wealth Platforms, which accounted for 43% and 56% of the Group's revenue and 39% and 76% of the Group's operating profit from continuing operations, respectively, for the year ended 31 December 2017 (in each case, excluding Head Office). The Group's Advice & Wealth Management segment comprises the Quilter Financial Planning, Quilter Cheviot (since its acquisition in February 2015) and Quilter Investors businesses. The Group's Wealth Platforms segment comprises the Quilter Wealth Solutions, Quilter International and Quilter Life Assurance businesses. The Group's Head Office function comprises aggregate head office and other central costs, Quilter Separation and related standalone costs, as well as financing costs. In addition, the Group contains a number of businesses which constitute "Discontinued Operations" and have been, or are planned to be, divested. The Group's Discontinued Operations include the Single Strategy Business, Old Mutual Wealth Italy S.p.A (up to the date of its sale completed on 9 January 2017) and Skandia Life S.A. (Skandia Luxembourg and Skandia France) (up to the date of its sale completed on 2 February 2015). The following discussion and analysis presents the Group's historical financial information on a continuing operations basis, which therefore excludes discontinued operations from the discussion.

The business area segmentation that is presented has changed over the historical period under review. In order to facilitate the comparability of results between the periods presented, the Group has prepared the historical financial information to reflect the current segmentation of the business. For a description of the Group's current business areas, see Part VI – "Business Description".

## 4. Key Factors Affecting the Group's Results of Operations and Financial Condition

The Group's results of operations and financial condition are affected by a variety of factors, a number of which are outside the control of the Group. Set out below is a discussion of the most significant factors that have affected the Group's financial results during the periods under review and which the Group currently expects to affect its financial results in the future. Factors other than those presented below could also have a significant impact on the Group's results of operations and financial condition in the future. (i) 9.2.1

### 4.1 Economic and market conditions in the UK and internationally

The Group's results are affected by conditions in global capital markets, the economy generally and the UK economy in particular. Such conditions impact the value of customer investment portfolios, which in turn impacts the Group's results because a significant portion of the Group's income is derived from fees which are calculated as a percentage of AuM or AuA. Factors such as consumer spending, business investment, the volatility and (i) 12.1 12.2

strength of both debt and equity markets, exchange rates and inflation all affect the economic environment, investor confidence and, ultimately, the volume and profitability of the Group's business. In an economic downturn characterised by higher unemployment, lower household income, lower corporate earnings, lower business investment and lower consumer spending, the demand for savings products could be adversely affected. Further, customer sentiment regarding the future prospects of investment markets, and of the economy more generally, could impact customer behaviour and reduce demand for the Group's products and services.

The Group's results of operations may be impacted by Brexit. Due to the size and importance of the UK economy, particularly with respect to the financial services market, as well as the uncertainty and unpredictability concerning the UK's legal, political and economic relationship with Europe after Brexit, there may continue to be instability in the national and international markets, significant currency fluctuations and otherwise adverse effects on consumer confidence for the foreseeable future, including beyond the date of the UK's withdrawal from the EU, which could reduce the demand for or value of investment assets.

Despite recent fluctuations and market changes, the Directors believe that the historical strength of the UK equity markets, combined with demographic factors and government efforts to increase individual savings and self-provision for retirement, has resulted in increased consumer focus on savings and investment products. In addition, the Group has continued to perform against a challenging background of difficult capital markets, volatile equity markets and widespread economic uncertainty which has led to consumers looking for greater certainty and security through trusted and financially strong brands.

#### **4.2 Government policy, legislation and regulation**

The Group is subject to detailed and comprehensive regulation in each of the jurisdictions in which it conducts business. Changes in government policy, legislation or regulation applying to companies in the financial services industry in any of the jurisdictions in which the Group operates, particularly in the United Kingdom, has historically impacted and may continue to impact the Group's results of operations. For example, changes in taxation legislation applicable to the Group's products have impacted the Group's results of operations in the past and further changes in taxation legislation could impact the Group's results of operations in the future.

Following the implementation of the RDR in 2012 and the Pension Freedom legislation in 2015, there has been increased customer demand for financial planning throughout retirement and a limited supply of advisers to meet the demand. The Pension Freedom legislation has given retirees greater flexibility in how to access and invest DC pensions at retirement, including through platforms like Quilter Wealth Solutions. Under Pension Freedom, consumers approaching retirement have the option to take their whole pension pot as cash (the first 25% tax free, with the balance taxed at the individual's marginal rate). Consumers who do not draw down their pensions immediately have significantly more control and flexibility with respect to how their pensions are invested as a consequence of the Pension Freedom legislation. As a result, the Group has experienced an increase in demand for pension products, potentially as an alternative to annuities products. The impact of Pension Freedom on Quilter Wealth Solutions has been significant, and, as a result, sales in the pension propositions have accounted for 48%, 56% and 61% of Quilter Wealth Solutions' gross sales in the years ended 31 December 2015, 2016 and 2017, respectively. However, there can be no assurance that the Group will continue to capture new business in this manner, or that the trends seen in the aftermath of Pension Freedom will not reverse, as there is still uncertainty over the longer-term impact of the Pension Freedom on the sales of individual annuities and alternative savings products.

As part of RDR, the FCA announced that IFAs and wealth managers had to move to a more transparent and fair charging system, in which the services received are clear to the client. As a result of RDR and the shift towards clean, fee based charging for financial advice, revenue margins were suppressed as commission based charging mechanisms are no longer in place. Furthermore, in 2012 the FCA announced that platform businesses had to move to adviser charging for new business. Adviser charges are an explicit agreement between the adviser and customer to pay for a service which the adviser is providing the customer. Prior to RDR, the advisers were remunerated through a commission mechanism paid by the platforms. A Sunset Clause came into effect in April 2016 for existing business which meant that all rebates needed to be passed onto customers for ISA and CIA accounts. As a result, a number of charging structures within the Wealth Platforms segment were changed in early 2016. Most notably, UK Platform moved ISA and CIA accounts that were still on an old charging structure (SIS1 and SIS2) to the SIS3 charging structure in early 2016. CRA and CIB were not moved to the new structure as they were not impacted by the Sunset Clause, but they were naturally migrating over time.

The Group's efforts to comply with changes in regulations have historically, and may in the future, lead to increased operating and administrative expenses. Recent and ongoing regulatory reform initiatives include MiFID II, the PRIIPs regulation, Solvency II, GDPR and the IDD. These regulations could make it more expensive for the Group to conduct its business, require that the Group make changes to its business model, require that the Group satisfy increased capital requirements, necessitate time-consuming and costly implementation measures, or subject the Group to greater regulatory scrutiny.

The Group is also subject to regulatory review, whether as part of an industry-wide review, a firm-specific assessment or otherwise. The outcome of such reviews, though difficult to predict, could have an impact on the Group's results of operations. For example, possible outcomes include a requirement to compensate customers for losses or certain costs they have incurred as a result of the products they were sold or services they received.

or the initiation of regulatory enforcement action against the Group, potentially including the imposition of a fine. Further, even if the Group is not named specifically, these reviews could negatively impact the Group's reputation or demand for the Group's products.

On 3 March 2016, the FCA issued a report detailing the findings of its industry-wide Thematic Review into the treatment of long-standing customers invested in closed-book products sold by the life insurance sector, with a focus on four areas or "outcomes": strategy and governance, communications, fund performance and charges (in particular exit charges and paid-up charges). At the same time, the FCA announced that its enforcement division was initiating investigations into six firms in connection with the findings of the Thematic Review (although the investigation into one of those firms was subsequently discontinued on 7 September 2017).

OMWLA, a subsidiary of the Group which will be rebranded, and is referred to elsewhere in this Prospectus, as Quilter Life Assurance, is one of the firms under investigation by the FCA. The Investigation covers the four outcomes/areas of focus identified in the Thematic Review and in particular: (i) OMWLA's behaviour in respect of the disclosure of exit charges and paid up charges after December 2008 (Outcomes 2 and 4 in the Thematic Review); and (ii) whether OMWLA contravened regulatory requirements across a number of other areas assessed in the Thematic Review. In relation to point (ii), these other areas are aspects of OMWLA's strategy and governance in relation to its closed-book customers (outcome 1 in the Thematic Review) and aspects of fund performance, again in relation to OMWLA's closed-book customers (Outcome 3 in the Thematic Review).

OMWLA is working with the FCA and is cooperating with its Investigation. To date, the FCA has issued, and OMWLA has given responses in respect of, a number of information requirements. For further information, see *Part VII – "Regulatory Overview—5. Recent and Future Regulatory Developments—5.1 United Kingdom and European Union—5.1.2 FCA Thematic Reviews"*.

There are a number of studies and thematic reviews currently being initiated or undertaken by the UK regulators. These include the FCA's Asset Management Review, the findings of which were published on 28 June 2017, and the Investment Platforms Market Study, the terms of reference for which were announced on 17 July 2017. The Group fully supports these studies, which it believes will increase the confidence and credibility of the wealth management industry in the UK and ensure that it provides fair outcomes for customers.

The Group may also be affected by future changes in government in the UK, which may lead to changes in government policy, legislation or regulatory interpretation applying to the Group and may ultimately influence investor decisions in particular markets in which the Group operates, change the structure of those markets and the products offered, or increase the costs of doing business in those markets. Changes in government could also introduce a range of anti-wealth policies. See "*4.3 Taxation*" below.

#### **4.3 Taxation**

The Group currently benefits from customer demand supported by government policies aimed at encouraging personal savings through the application of tax relief to certain types of investment. The Group also benefits from tax policies which offer customers cross-border tax benefits, in particular with regard to Quilter International's single premium portfolio bonds. Changes in taxation legislation and policy, either as a result of a change in government or otherwise, have historically affected, and may in the future affect, investor sentiment, making investment generally, and specific types of investment products or solutions in particular, either more or less appealing. Quilter International (and particularly the business located in the Isle of Man) may be particularly vulnerable to the impact of changes in taxation legislation, or to the impact of public perception of offshore accounts in low tax jurisdictions. As a result of the negative press surrounding these events, the Group may experience decreased demand for certain of its products and services due to social and political pressure concerning offshore investing.

Under UK legislation enacted in 2016, the Group will be required, post-Quilter Separation to publish its UK tax strategy (the "**Quilter UK Tax Strategy**"), setting out the Group's approach to the management of tax affairs in the context of the Group's wider strategy. The Group aims to fulfill its strategic objectives within a stated risk framework, encompassing tax risk management and governance processes within a formal tax risk policy which is approved by the Board Risk Committee. In operating tax risk management and governance processes, the Group has a low appetite towards tax risk. The Group does not promote tax avoidance or aggressive tax planning arrangements to customers or to other parties. The Group maintains an open and co-operative relationship with HMRC, holding regular meetings to ensure that HMRC understands the business and to provide the opportunity to discuss tax implications of strategy and business developments in real time. The full Quilter UK Tax Strategy will be published on the company website post-Quilter Separation and in line with regulatory requirements.

#### **4.4 Impact of acquisitions, disposals and exited businesses**

Throughout the period under review, the Group has focused on transforming its business from a traditional UK and European life insurer, which was dependent upon legacy business, to a modern, multi-channel UK-focused wealth manager with the majority of profits resulting from its advice-driven wealth model. The Group has undertaken this transformation, in particular, through the acquisitions of UK advice and wealth management businesses, the closing to new business of its legacy life insurance businesses in the UK and the disposal of its European life assurance businesses. In respect of acquisitions completed during the periods under review, the

Group's consolidated historical financial information only includes the results of acquired entities as from the date of acquisition.

In February 2015, the Group acquired Quilter Cheviot, one of the UK's leading discretionary wealth managers with closing AuM of £17.4 billion in the month of the acquisition, for £585 million. This transaction represented a significant milestone in the Group's transition from primarily a platform business to a multi-channel wealth management business that delivers increased value to advisers and customers. Quilter Cheviot accounted for 20%, 22% and 22% of the Group's total revenue in the years ended 31 December 2015, 2016 and 2017, respectively.

The Group has also focused on delivering growth and increasing Integrated NCCF within the Group, primarily by increasing the number of RFPs through acquisitions and organic recruitment. RFPs numbers have grown by 930 since the beginning of 2014 to 1,561 as at 31 December 2017. This increase in RFPs is 28% due to organic growth, 31% due to transition of IFAs to RFPs, and 41% due to acquisitions. Quilter Financial Planning's significant acquisitions include Positive Solutions in 2013 (adding over 740 advisers) and Caerus in 2017 (adding 296 advisers, of which 130 were RFPs). In addition, following the closure of Sesame's IFA network, Intrinsic was named as Sesame's "Preferred Partner" (adding 245 advisers in 2015). To further increase Integrated NCCF, the Group has also focused on improving adviser productivity through the services and support that the Group provides to its advisers and investment managers. Productivity, defined as average NCCF per adviser into the advised proposition (consisting of Quilter Investors or Quilter Cheviot), has increased from £0.9 million in the year ended 31 December 2015 to £1.8 million in the year ended 31 December 2017.

The Group has divested its European life assurance businesses to streamline and de-risk the business and support the financing of its acquisitions, allowing the Group to focus on its core UK and re-focused international business. During the period under review, these disposals include Skandia France and Skandia Luxembourg in February 2015 and Old Mutual Wealth Italy in January 2017. Revenue from these disposed businesses was £51 million, £41 million and £nil for the years ended 31 December 2015, 2016 and 2017.

In November 2017, the Group completed the transfer in of GET, an IT company which had previously been part of the wider Old Mutual plc group. This transfer ensures that the Group will continue to provide direct IT support to Quilter Wealth Solutions and help deliver IT activities required to support completion of the Quilter Separation and the UK Platform Transformation Programme.

In December 2017, the Group entered into an agreement to sell OMGI, which operates the Single Strategy Business through certain subsidiaries including OMGIUK, to Bidco (a special purpose vehicle ultimately owned by funds managed by TA Associates and certain members of OMGIUK's management), subject to certain conditions, including in relation to mandatory regulatory change of controller approvals and a re-organisation pursuant to which all the shares in OMIML and the Multi-Asset Business will be separated and retained by the Group. The parties currently expect the sale to complete in the second half of 2018. The Single Strategy Business is classified within discontinued operations and had a total profit before tax of £48 million, £60 million and £152 million for the years ended 31 December 2015, 2016 and 2017, respectively. While the Single Strategy Business has contributed to the Group's performance historically, the Directors believe a single strategy, active investment solution, which is primarily reliant on wholesale and institutional market distributions, is less closely aligned to the Group's goal of becoming the leading UK wealth manager. Accordingly, it was decided to affect a disposal of the Single Strategy Business via the sale of OMGI, coupled with the separation and retention of the Multi-Asset Business. The consideration payable under the OMGI SPA is subject to a number of adjustments and the expected total consideration payable to the Group is approximately £600 million, comprising cash consideration of approximately £570 million payable on completion, with approximately £30 million anticipated to be payable thereafter, paid primarily in 2019 to 2021 as surplus capital of the Single Strategy Business associated with the separation from the Group is released. These values are subject to a number of potential price adjustments, depending on the net asset value of the business and other factors at the disposal date. The deferred consideration is not subject to performance conditions. At completion, economic ownership of the Single Strategy Business will pass to Bidco effective from 1 January 2018 with all profits and performance fees generated up until 31 December 2017 for the account of the Group. Proceeds from a completed transaction will be used to repay the New Term Loan in full and for general corporate purposes. In connection with the OMGI Transaction, bi-lateral transitional services are required for the duration of the transition period to ensure a smooth separation of OMGI and the Single Strategy Business from the Group and the Multi-Asset Business from OMGI. The period of services will vary on a service by service basis but can be up to 36 months. The Group's contracted costs under the OMGI TSA are expected to be approximately £10 million per annum. For a further discussion of the OMGI Transaction, see Part I – "Risk Factors—2. Risks relating to the Group's business—2.6 The Group faces risks relating to the disposal of OMGI", Part VI – "Business Description—5. Business Overview—5.3 Business held for disposal – OMGI and the Single Strategy Business" and Part XVII – "Additional Information—14. Material contracts—14.6 Material disposals—14.6.1 OMGI Transaction".

The Group has also closed certain product lines during the period under review. For example, Quilter Life Assurance's products (including life insurance, insurance bonds and pension business) have generally been closed to new business over the last decade and are in steady, managed run-off. Most recently, Quilter Life Assurance announced on 15 November 2017 that it would cease to take on new institutional clients for its low margin

institutional life business. As at 31 December 2017, the institutional life business represented approximately £4.9 billion of AuA. The Directors expect that the majority of the institutional life business will run off over the next one to two years. Quilter Life Assurance delivered 32% of the Group's profit in the year ended 31 December 2017 and an operating margin of 55% in the year ended 31 December 2017. Quilter Life Assurance has historically been a strong contributor of the Group's cash generation and source of dividends.

#### 4.5 **The Group's multi-channel wealth management proposition**

The Group's multi-channel wealth management proposition provides market breadth and customer and adviser choice which support long-term customer relationships. The Group's multi-channel wealth management proposition has also contributed to growth in the Group's Integrated NCCF excluding Quilter Life Assurance, which has increased from £1.6 billion, or 37% of total NCCF, in the year ended 31 December 2015 to £5.2 billion, or 68% of total NCCF, in the year ended 31 December 2017. Growth in Integrated NCCF has been supported by the increase in the Group's RFPs from 930 as at 31 December 2014 to 1,561 as at 31 December 2017. This is a net increase of approximately 68%, with 355 RFPs joining the network via acquisitions and a further 276 new RFPs being generated via recruitment and internal transfers over the same period. Since the end of 2015, 142 IFAs have transferred to become RFPs and a further 55 RFPs have transferred from a Mortgage & Protection adviser role. The Group aims to further increase the number of RFPs through acquisitions and organic recruitment. See "*4.4 Impact of acquisitions, disposals and exited businesses*" for a discussion of the Group's RFP acquisitions during the period under review. To further support the growth of RFPs, Quilter Financial Planning also acquired the FAS to encourage new entrants into the market and to support the growth and development of the adviser community.

In addition to driving Integrated NCCF, the Group's multi-channel wealth management proposition is expected to enable the Group to benefit from scale and improved operating efficiency. For example, the Group's scale and the margin earned in its multi-channel model have reduced the impact of industry pricing pressure. Going forward, the Group will have further opportunities to deliver scale benefits through distribution and through its multi-asset and discretionary portfolio management capabilities. The Group also believes that it will have opportunities to improve its operating margins in the medium term. Expense margins (in basis point terms) have been stable while the Group has been investing in its business, because the additional costs have come at a time when the Group has experienced market and asset growth.

Finally, the Directors believe that the Group's multi-channel model helps to mitigate against business-specific headwinds, including both Group-specific and industry-wide trends. This can be seen as the Group has continued to grow its absolute level of revenues, despite the decrease in revenue margin the Group has experienced during the period under review.

#### 4.6 **Competition in the Group's markets**

The markets for financial services in the UK and the Group's other geographic markets are competitive. The Group's financial performance and its ability to maintain and grow its market share and generate an appropriate return depends upon its capacity to anticipate and respond appropriately to these competitive pressures and trends. The Group currently has leading positions in attractive markets and across its businesses.

Within the Advice & Wealth Management segment, Quilter Financial Planning is the second largest restricted advice network in the UK, with the Group's network of CF30 Advisers representing approximately 9% of the total CF30 Adviser market (Source: APFA). Quilter Cheviot is one of the UK's leading discretionary investment management firms, and it has outperformed its peer group in nearly all investment risk categories in the period under review. Quilter Investors held a leading market position in the UK multi-manager ratings by net flows as at 30 June 2017, according to the Pridham report. The Group also faces competition from direct-to-consumer advice models, including emerging financial technology competitors. For example, PwC forecasts that passives will gain significant market share, rising from 17% of total industry AuM in 2016 to 25% by 2025. Furthermore, transparent, flexible, cheap, passive exchange-traded funds are expected to continue to grow, primarily led by demand from younger, high net worth investors, but also as a result of the rising popularity of "robo-advisors" and other forms of digital advice, which will further increase the take up of these inexpensive funds globally (Source: Asset & Wealth Management Revolution: Embracing Exponential Change, PwC).

Within the Wealth Platforms segment, Quilter Wealth Solutions is a top-three provider of advice-based wealth management products and services in the UK, with a leading market share of assets and net flows. Quilter International is a leader in cross-border investment solutions, and its share of the UK resident offshore market has been growing.

The ability of the Group to keep pace with software and infrastructure investment requirements and innovation may also have an impact on its ability to remain competitive within the relevant markets, which the UK Platform Transformation Programme and other IT initiatives are designed to mitigate.

#### 4.7 **Investment performance**

Investment performance can impact inflows and outflows of AuM, because customers and intermediaries generally are attracted to asset management products with a consistent, strong record of investment outperformance. The Group's strong investment performance has supported consistent positive net sales of AuM over the period under review. The Group's net sales directly impact revenues and results of operations where fees are charged as a percentage of AuM. For example, Cirilium Balanced was the top selling multi-asset fund in the UK in 2017, according to Pridham, and was continually a first quartile performer over the period under review.

The Group's investment performance track record is strong for the majority of its portfolios and products during the period under review. This strong relative investment performance can contribute to enhanced appreciation in AuM or, in falling equity markets, can mitigate the impact of depreciation on AuM. Conversely, in the case of weak relative investment performance, the opposite can be the case.

Quilter Investors accounted for 11%, 12% and 15% of the Group's total AuM (excluding discontinued operations) as at 31 December 2015, 2016 and 2017, respectively. In the last three years, Quilter Investors has delivered strong performance across its range of products, in particular the Cirilium range has been consistently first quartile over the period. All funds investment performance is assessed either by assessing performance relative to the median fund in each peer group or, in the case of those funds without a peer group, the performance above the published target (on an AuM weighted basis). 84% of the funds that were measured against peers performed above the peer median over a three year period. Notably, two Generation products had a period of under-performance before the modernisation programme was commenced and which has since been remedied through management action. While WealthSelect cannot be benchmarked against an index, it shows MPS actual fund performance versus the ex-ante returns forecast from risk profiles over one year and three year performance. For a further discussion of the performance of the Group's key products, see Part VI – "Business Description—5. Business Overview—5.1 Advice & Wealth Management—5.1.2 Quilter Investors—(a) Products and Services".

Quilter Cheviot accounted for 21% of the Group's total AuM as at 31 December 2015, 2016 and 2017. During the period under review, Quilter Cheviot has delivered a strong outperformance versus its peers. In Quilter Cheviot's Balanced Strategy, the Group has outperformed the peer group in all risk categories over all time periods since inception in March 2007. For a further discussion of the performance of the Group's key portfolios, see Part VI – "Business Description—5. Business Overview—5.1 Advice & Wealth Management—5.1.3 Quilter Cheviot—(a) Products and Services".

#### 4.8 **Quilter Separation and becoming a public company**

The Group has taken a number of actions as part of the Quilter Separation to create the corporate infrastructure necessary to operate as an independent public company. These actions include the establishment of independent corporate functions and governance following the completion of a number of separation initiatives, including a fully independent Board, building capability within head office functions to support a publicly listed group, rebranding and the transfer of certain information technology systems.

The Group expects to incur up to £30 million per annum of additional recurring fixed costs above 2016 operating expense levels as a consequence of Managed Separation. Of the additional expenses, approximately £16 million on an annual basis were reflected in 2017 year-end reported results, and the Directors expect incremental costs of up to approximately £14 million will be incurred during 2018.

The primary recurring costs being incurred by the Group in connection with the Quilter Separation include:

- **Operational costs:** The Group's recurring costs include those incurred in the running of the Group's stand-alone arrangements in a wide range of areas including finance, investor relations, risk and governance functions, which it either did not previously require, or where it previously relied on support and services from Old Mutual plc. In addition, the Group will experience increased ongoing costs in connection with being an independent public company, including potentially as a result of the need for further investment in these new services and functions.
- **Transitional services arrangements:** In anticipation of the Quilter Separation, in 2016 the Group commenced a project to achieve operational independence from Old Mutual plc by replicating and transferring the functions, systems and infrastructure it had obtained from Old Mutual plc in the past as a member of Old Mutual plc. Pursuant to certain TSAs, the Group will continue to perform or support certain services for Old Mutual plc and Old Mutual plc will continue to perform or support certain services for the Group. These TSAs are not indefinite and the services will continue to be provided by the Group and Old Mutual plc under the TSAs until a date specified in the TSAs. The Group's contracted costs with Old Mutual plc under the TSAs are initially expected to be approximately £1 million in the year ending 31 December 2018, and those costs will reduce as services gradually migrate to the Group. However, the actual amount and timing of these costs may be different to those expected. In the event that migration extends beyond the date specified in the TSAs, the Group and Old Mutual plc are obliged to extend the service terms until completion of migration, subject to the payment of additional charges. See Part XV – "Additional Information—14. Material Contracts—14.7.2 GET Sale and Purchase Agreement".

In addition, the Group currently expects total one-off costs of approximately £75 million in respect of the completion of the Quilter Separation, which will be charged outside of operating profit to reflect their one-off nature. Of these, £32 million and £7 million were incurred in 2017 and 2016 respectively, and approximately £36 million is expected to be incurred in due course, including costs incurred in connection with listing. These comprise a mixture of standalone, advisor and other transaction costs, and will be charged outside of operating profit to reflect their one-off nature. Of these, approximately £12 million is expected to be incurred in respect of the rebrand of the business from Old Mutual Wealth to Quilter.

The primary one off costs being incurred by the Group in connection with the Quilter Separation include:

- **Standalone costs:** The Group's standalone costs include those incurred in the establishment of the Group's stand-alone arrangements in a wide range of areas including finance, investor relations, risk and governance functions, which it either did not previously require, or where it previously relied on support and services from Old Mutual plc.
- **Migration costs:** In connection with the migration of services to the Group during and at the end of the TSA period, the Group may be required to make an investment in its own infrastructure to prepare for and execute that migration. The actual cost of the migration of services may, however, cost more than the Group expects. See *Part I – "Risk Factors—4. Risks relating to the Quilter Separation"*.
- **Other separation costs:** In addition to the above items, the Group has incurred and expects to incur additional Quilter Separation costs related to the Group's professional fees in relation to the Offer.

In the second half of 2018, management expects to review the Group's standalone cost base and operating model to identify long term optimisation initiatives to improve overall business efficiency. However, at this stage, the initiatives, potential efficiency savings and restructuring costs to achieve this optimisation have not yet been scoped.

#### 4.9 **Other one-off costs and other impacts associated with implementing the Group's significant change initiatives**

The Group is currently in the process of planning and executing significant change across all business units, including in response to regulatory initiatives. The non-operational costs, which do not form part of operating profit from continuing operations, include the Quilter Separation (which includes both the separation and listing activities) as explained above in "*—4.8 Quilter Separation and becoming a public company*", the UK Platform Transformation Programme, the disposal of the Single Strategy Business and the transfer of the South African branches.

The Group is currently undergoing a material change in Quilter Wealth Solutions, with the UK Platform Transformation Programme and transition of technology and services to those provided by FNZ. The UK Platform Transformation Programme is currently in the implementation and test phase with total forecast costs of £120 to 160 million, of which £21 million had been incurred as at 31 December 2017. The Group expects to incur £75 million in 2018, with the balance in 2019. The UK Platform Transformation Programme is scheduled to soft launch in late 2018 or early 2019, with migration of existing clients and advisers to follow thereafter. The UK Platform Transformation Programme will broaden the range of products offered and is expected to facilitate NCCF growth and continued service enhancements.

The Group's previous re-platforming programme with IFDS came to an end by mutual agreement effective 2 May 2017, with total costs of £333 million at the end date. The Group conducted a comprehensive review of the options available and entered into a new contract with FNZ, having concluded that FNZ's scale, market-proven and functionally rich offering was the most suitable to meet the current and anticipated needs of the business. In partnership with FNZ, the Group expects to deliver all the existing functionality of the platform with increased levels of straight-through processing and enhanced functionality by late 2018 or early 2019, with migration of the existing clients and advisers to follow thereafter.

The Group is in the process of separating the Multi-Asset Business from OMGI following the sale of the Single Strategy Business to Bidco. The Group expects to record a restructuring charge of approximately £20 million in respect of the establishment of the standalone Multi-Asset Business. See *Part I – "Risk Factors—2. Risks relating to the Group's business—2.6 The Group faces risks relating to the disposal of OMGI—2.6.3 Separation and establishment of the Multi-Asset Business"*.

The Group's operational costs in the year ended 31 December 2017 were affected by regulatory change, including MiFID II and GDPR, as well as spend on Quilter Wealth Solutions to maintain its existing IT and operational capabilities. In addition, costs have been incurred to enhance information security, cyber security and business resilience across the Group. Costs have also continued to be incurred on the Wealth Interactive enhancement programme, which underpins the platform for Quilter International.



#### 4.10 The composition and volume of the Group's AuMA

Given that fees are largely earned on the amount of AuMA, factors that affect the levels and relative composition of the Group's AuMA have a direct impact on the Group's results of operations. While a portion of the Group's costs are variable and indirectly linked to levels of AuMA, the majority of costs are fixed despite the level of the Group's AuMA and, therefore, factors affecting AuMA will have a magnified effect on profitability.

	Year ended 31 December		
	2015	2016	2017
<b>AuMA</b>	(£ billions)		
<i>Advice &amp; Wealth Management</i>			
Quilter Financial Planning	–	–	1.2
Quilter Investors	9.8	12.1	16.9
Quilter Cheviot	17.8	20.7	23.6
<i>Wealth Platforms</i>			
Quilter Wealth Solutions <sup>(1)</sup>	34.5	41.4	50.2
Quilter International	14.5	16.9	19.3
Quilter Life Assurance	14.7	15.3	15.1
<i>Head Office</i>	0.2	0.1	0.2
Elimination of intra-Group assets	(6.3)	(8.3)	(12.1)
<b>Total</b>	<b>85.3</b>	<b>98.2</b>	<b>114.4</b>

(1) Includes shareholder assets.

The Group's AuMA has increased by 34%, from £85.3 billion in the year ended 31 December 2015 to £114.4 billion in the year ended 31 December 2017. The Group's AuMA is predominantly made up of equities, bonds, and cash and cash equivalents. Although the Group does not actively diversify its AuMA, it provides access to different products and in various markets, which may be impacted by different factors, and thus benefits to a certain degree from natural diversification.

Key factors influencing the size and composition of the Group's AuMA include the performance of the markets in which the Group's AuMA are invested, the choice of customers to transfer more of their wealth to existing Group accounts, the addition of new customer accounts, the withdrawal of funds, the Group's ability to attract and retain advisers and consumer preferences (such as the attractiveness of the Group's advice-led proposition and preference for the Group's wealth management offering over traditional pension or other alternatives).

## 5. Results of Operations

In "—5.1 IFRS Financial Statements" below, the Group presents its results of operations on an IFRS basis, which have been extracted from the Group's historical financial information set out in *Part XII – "Historical Financial Information"*. In "—5.2 Operating Basis" below, the Group presents certain non-IFRS financial measures, including operating profit from continuing operations and certain key measures on a management view basis and on a normalised basis. The Group presents these metrics because they are less affected than IFRS measures of performance by one-time impacts, and thus in the Group's view provide a better basis for assessing trends in the operational performance of the Group over time. The Directors believe that operating profit from continuing operations is a more accurate reflection of the normal operating performance of the Group and believe that this measure provides additional useful information for prospective investors on the Group's performance and is consistent with how business performance is measured internally. Operating profit from continuing operations, the normalised metrics and the management view basis metrics presented below should not be considered in isolation as an alternative to profit before tax or other data presented in the Group's financial statements as indicators of financial performance. Because they are not determined in accordance with IFRS, operating profit from continuing operations, the normalised metrics and the management view basis metrics presented below as presented by the Group may not be comparable to other similarly titled measures of performance of other companies. See *Part II – "Presentation of Financial and Other Information—3. Non-IFRS Financial Measures"*.

## 5.1 IFRS Financial Statements

### 5.1.1 Description of Certain Line Items

As presented in the consolidated audited financial statements, the Group's revenue is comprised of:

- *Net earned premiums*, which are premiums earned in respect of the Group's insurance business (or gross premiums) less the cost of premiums ceded to reinsurers. Net earned premiums exclude the investment contract business that forms the majority of the Group's business.
- *Fee and commission income, and income from service activities*, which are predominantly fees charged to clients for plan and policy administration, investment management, surrenders and other contract services in relation to the Group's unit linked business. The fees may be for fixed amounts or vary with the amounts being managed, and will generally be charged as an adjustment to the policyholder's balance. In addition, this also includes advice income from Quilter Financial Planning.
- *Net investment income*, which is the income derived from market growth (including foreign exchange gains and losses), which belongs to policyholders that are clients of Quilter Wealth Solutions, Quilter Life Assurance and Quilter International, rather than shareholders and so is broadly matched by movement in the line item 'change in investment contract liabilities'.
- *Other income*, which includes gross income from the Group's notional investments and seed capital placed in funds in connection with new product development by the Group's wealth management businesses. This is required to be consolidated under IFRS.

The Group's expenses are comprised of:

- *Net claims and benefits paid*, which include payments for maturities, annuities, surrender, death and disability claims, net of reinsurance recoveries, as well as claims handling costs, incurred in connection with the negotiation and settlement of claims.
- *Change in insurance liabilities, net of reinsurance*, which reflect the movement in the reporting period of insurance liabilities, net of reinsurance, as calculated in accordance with actuarial principles and assumptions.
- *Change in investment contract liabilities*, which is the offsetting impact of "net investment income" described above, attributing the majority of the related revenue to policyholders.
- *Fee and commission expenses, and other acquisition costs*, which are incremental costs directly attributable to securing an insurance or investment contract.
- *Change in third-party interest in consolidated funds* relates to the change in the amounts due to third party interests in investment funds that have met the criteria for consolidation.
- *Other operating and administrative expenses*, which are the expenses incurred in running the business. These expenses include staff costs, property costs, depreciation, business transformation costs for the UK Platform Transformation Programme, separation one-off costs and other administrative expenses including information technology. In 2017, other operating and administrative expenses also included voluntary customer remediation costs for the Quilter Life Assurance business, as explained further in "—5.2.2 Reconciliation of profit after tax to operating profit from continuing operations" below.
- *Finance costs (including interest and similar expenses)*, which include interest payable, financing fees and similar financing charges, principally to Old Mutual plc.
- *Income tax expense*, which is the total of the corporation tax accounted for during the relevant period, covering both shareholder and policyholder tax.

*Discontinued operations* relate to the discontinued operations of Skandia Life S.A. (Skandia Luxembourg and Skandia France), which was sold in 2015; Old Mutual Wealth Italy, which was sold in January 2017; and OMGI, the sale of which is expected to complete in the second half of 2018.

### 5.1.2 Comparison of Financial Years Ended 31 December 2015, 2016 and 2017

#### (a) Consolidated revenue

The following table sets forth a breakdown of the Group's consolidated revenue for the periods indicated:

	Year Ended 31 December		
	2015	2016	2017
	<i>(£ millions)</i>		
<b>Revenue</b>			
Gross earned premiums	135	141	148
Outward reinsurance	(81)	(84)	(88)
<b>Net earned premiums</b>	<b>54</b>	<b>57</b>	<b>60</b>
Fee and commission income, and income from service activities	816	803	895
Net investment income	1,166	6,310	5,195
Other income	2	17	13
<b>Total revenues</b>	<b>2,038</b>	<b>7,187</b>	<b>6,163</b>

#### (i) Net earned premiums

For the year ended 31 December 2016, net earned premiums were £57 million, representing an increase of 6% from £54 million in the year ended 31 December 2015. For the same period, gross earned premiums were £141 million, representing an increase of 4% from £135 million in the year ended 31 December 2015, and outward reinsurance was £84 million, representing an increase of 4% from £81 million in the year ended 31 December 2015. The increase in net earned premiums was primarily due to an increase in protection contract sales in Quilter Life Assurance.

For the year ended 31 December 2017, net earned premiums were £60 million, representing an increase of 5% from £57 million in the year ended 31 December 2016. For the same period, gross earned premiums were £148 million, representing an increase of 5% from £141 million in the year ended 31 December 2016; and outward reinsurance was £88 million, representing an increase of 5% from £84 million. The increase in net earned premiums was principally due to higher sales in Quilter Life Assurance for guaranteed whole of life and life rolling term products within the protection book of business.

#### (ii) Fee and commission income, and income from service activities

For the year ended 31 December 2016, fee and commission income, and income from service activities was £803 million, representing a decrease of 2% from £816 million in the year ended 31 December 2015. This decrease was primarily due to the reduction in early encashment charges to 1% for pension customers over the age of 55, policyholder rebate corrections and a decrease in AuM resulting in lower AMCs in the Quilter Life Assurance business, as well as the continued impact of charging structure changes post RDR in the Quilter Wealth Solutions business. This decrease was partly offset by growth of the business and higher adviser fees in Quilter Financial Planning, and higher AuM driving growth of fee income in Quilter Investors. The year ended 31 December 2016 also represents the first year during which 12 months of income from the acquisition of Quilter Cheviot is reflected in the Group's consolidated results of operations, as compared to 10 months in the year ended 31 December 2015.

For the year ended 31 December 2017, fee and commission income, and income from service activities was £895 million, representing an increase of 11% from £803 million in the year ended 31 December 2016. This increase was primarily due to higher AuM driving growth of fee income in Quilter Investors and Quilter Cheviot, and higher adviser fees in Quilter Financial Planning. Quilter Wealth Solutions also experienced a continued increase in fee and commission income in the year ended 31 December 2017 as a result of the one-off structure changes arising from RDR, which decreased income in the year ended 31 December 2016.

#### (iii) Net investment income

For the year ended 31 December 2016, net investment income was £6,310 million, as compared to £1,166 million in the year ended 31 December 2015. This increase was due to positive movement in markets and foreign exchange gains on policies held by policyholders compared to the year ended 31 December 2015.

For the year ended 31 December 2017, net investment income was £5,195 million, as compared to £6,310 million in the year ended 31 December 2016. This decrease primarily related to a reduction in investment return for Quilter International due to adverse foreign exchange movements in policies held by policyholders compared to the year ended 31 December 2016.

As these movements are broadly offset by equivalent reductions in investment contract liabilities, the overall effect on the Group's financial performance is broadly neutral.

(iv) Other income

For the year ended 31 December 2016, other income was £17 million, an increase of £15 million as compared to £2 million in the year ended 31 December 2015. The increase was principally due to higher gross income from the Group's interest in its consolidated funds for the year ended 31 December 2016.

For the year ended 31 December 2017, other income was £13 million, representing a decrease of 24% from £17 million in the year ended 31 December 2016. This decrease was primarily due to losses on the termination of a reinsurance agreement and the accelerated recognition of deferred acquisition costs on the transfer of the South African branch business in Quilter International.

(b) Consolidated expenses

The following table sets forth a breakdown of the Group's consolidated expenses for the periods indicated:

	Year Ended 31 December		
	2015	2016	2017
	(£ millions)		
<b>Expenses</b>			
Net claims and benefits incurred	(21)	(21)	(22)
Change in reinsurance assets and liabilities	40	119	85
Change in insurance contract liabilities	(32)	(125)	(78)
<b>Change in insurance liabilities, net of reinsurance</b>	<b>(13)</b>	<b>(27)</b>	<b>(15)</b>
Change in investment contract liabilities	(949)	(5,522)	(4,308)
Fee and commission expenses, and other acquisition costs	(362)	(299)	(320)
Change in third-party interest in consolidated funds	(76)	(575)	(673)
Other operating and administrative expenses	(565)	(654)	(816)
Finance costs	(32)	(43)	(39)
<b>Total expenses</b>	<b>(1,997)</b>	<b>(7,120)</b>	<b>(6,171)</b>

(i) Change in insurance liabilities, net of reinsurance

For the year ended 31 December 2016, change in insurance liabilities, net of reinsurance was £27 million, as compared to £13 million in the year ended 31 December 2015. The increase was primarily due to higher sales of protection policies in 2016, which are reassured by the Group, marginally offset by a favourable movement in assumptions.

For the year ended 31 December 2017, change in insurance liabilities, net of reinsurance was £15 million, as compared to £27 million in the year ended 31 December 2016. The decrease in change in insurance liabilities, net of reinsurance was primarily due to a reduction in reserves for Quilter Life Assurance, primarily driven by a change in assumptions during the year.

(ii) Change in investment contract liabilities

For the year ended 31 December 2016, change in investment contract liabilities was £5,522 million, as compared to £949 million in the year ended 31 December 2015. This increase was primarily due to the movement in underlying stock markets in which the linked policyholders are invested and broadly represents the offsetting impact of the investment return revenue described above, attributing the majority of the revenue to policyholders.

For the year ended 31 December 2017, change in investment contract liabilities was £4,308 million, representing a decrease of 22% from £5,522 million in the year ended 31 December 2016. This decrease was primarily due to the movement in underlying stock markets in which the linked policyholders are invested, and broadly represents the offsetting impact of the investment return revenue described above, attributing the majority of the revenue to policyholders.

(iii) Fee and commission expenses, and other acquisition costs

For the year ended 31 December 2016, fee and commission expenses, and other acquisition costs were £299 million, representing a decrease of 17% from £362 million in the year ended 31 December 2015. This decrease was primarily due to a reduction in the Quilter Wealth Solutions business as a result of the continuing impacts of the RDR on changes in fee structures, where no trail commission is paid on new business, as well as a reduction in rebates on fees paid by Quilter Wealth Solutions to other third party fund managers. This decrease was partially offset by an increase of £8 million in Quilter International, due predominantly to the acquisition of AAM Advisory during the year and the inclusion of its financials for the first time.

For the year ended 31 December 2017, fee and commission expenses, and other acquisition costs were £320 million, representing an increase of 7% from £299 million in the year ended 31 December 2016. This increase was principally driven by an increase in fee and commission expenses in respect of consolidated funds. The impact of the RDR changes in fee structures in Quilter Wealth Solutions continued, as described above.

(iv) Change in third-party interest in consolidated funds

For the year ended 31 December 2016, change in third-party interest in consolidated funds was £575 million, as compared to £76 million in the year ended 31 December 2015. The increase was primarily due to the impact of market movements on the underlying funds, which resulted in an increase in amounts in relation to the interest due to third parties.

For the year ended 31 December 2017, change in third-party interest in consolidated funds was £673 million, as compared to £575 million in the year ended 31 December 2016. The increase was primarily due to new funds launched during 2017, which had interests held by third parties.

(v) Other operating and administrative expenses

For the year ended 31 December 2016, other operating and administrative expenses were £654 million, representing an increase of 16% from £565 million in the year ended 31 December 2015. This increase was primarily due to 2016 being the first full year that reflects twelve months of Quilter Cheviot subsequent to its acquisition in February 2015; increased variable compensation at Quilter Investors as a result of higher AuM; additional staff costs due to increased headcount; AAM Advisory costs in Quilter International; continued investment in IT and infrastructure development leading to higher operational costs.

For the year ended 31 December 2017, other operating and administrative expenses were £816 million, representing an increase of 25% from £654 million in the year ended 31 December 2016. This increase was primarily due to the recognition of a provision for £69 million in relation to the voluntary customer remediation for Quilter Life Assurance; higher administration costs as a result of increased technology spend, regulatory change spend, and other organic and inflationary costs; and higher costs in preparation for becoming a standalone business.

(vi) Finance costs

For the year ended 31 December 2016, finance costs were £43 million, representing an increase of 34% from £32 million in the year ended 31 December 2015. This increase was primarily due to an increase in interest paid to Old Mutual plc as a result of the loan funding to acquire Quilter Cheviot, and the market value adjustment in respect of the derivative taken out by Old Mutual plc for hedging the proceeds of the sale of Old Mutual Wealth Italy. Quilter Cheviot was purchased at the end of February 2015, with interest costs for ten months in 2015, whereas a full year of interest costs were incurred in the year ended 31 December 2016.

For the year ended 31 December 2017, finance costs were £39 million, representing a decrease of 9% from £43 million in the year ended 31 December 2016. This decrease was primarily due to a reduction in the Group's liabilities payable to Old Mutual plc during the year. This relates to the one-off 2016 market value adjustment to the derivative taken out by Old Mutual plc for hedging the proceeds of the sale of Old Mutual Wealth Italy.

(c) *Income tax expense*

For the year ended 31 December 2016, income tax expense was £94 million as compared to a gain of £16 million in the year ended 31 December 2015. This increase was primarily due to high income tax attributable to policyholder returns of £102 million, driven by market movements during year ended 31 December 2016 and the impact of temporary timing differences during year ended 31 December 2015.

For the year ended 31 December 2017, income tax expense was £41 million, representing a decrease of 56% from £94 million in the year ended 31 December 2016. This decrease was primarily due to lower profit for the year and lower tax attributable to policyholder returns due to changes in market movements.

The Group's income tax expense can vary significantly year on year, even in years of consistent profit before tax, due to the impact of changes in the income tax attributable to policyholder returns. In turn, income tax attributable to policyholder returns can vary significantly year on year as a result of changes in market movements and the associated gains or losses from policyholder investments.

(d) *Post-tax profit/(loss)*

The Group's post-tax profit was £35 million in the year ended 31 December 2016, compared to a post-tax profit of £85 million in the year ended 31 December 2015. This was due to a reduction in profit after tax from continuing operations of £84 million, principally due to increased operational expenses; one-off Quilter Separation costs of £7 million; increased finance costs of £11 million, incorporating interest paid to Old Mutual plc principally as a result of the loan funding the acquisition of Quilter Cheviot, partially offset by a £34 million increase in profit after tax from discontinued operations.

For the year ended 31 December 2017, post-tax profit was £157 million, representing an increase of 349% from £35 million in the year ended 31 December 2016. This increase was primarily due to higher profit after tax from discontinued operations from £62 million in 2016 to £203 million in 2017, which was mainly as a result of increased net performance fees in 2017 for the Single Strategy Business. The higher profit after tax for discontinued operations was partially offset by an increased loss after tax from continuing operations from £27 million in the year ended 31 December 2016 to £46 million in the year ended 31 December 2017, which was primarily due to higher Quilter separation one off costs and voluntary customer remediation costs for Quilter Life Assurance in the year ended 31 December 2017.

The following table presents the Group's profit and loss for the years under review.

	Year Ended 31 December		
	2015	2016	2017
<b>Profit &amp; Loss</b>	<i>(£ millions)</i>		
Revenue	2,038	7,187	6,163
Expenses	(1,997)	(7,120)	(6,171)
Profit on acquisition and re-measurement of subsidiaries	–	–	3
<b>Profit/(loss) before tax</b>	<b>41</b>	<b>67</b>	<b>(5)</b>
Tax expense attributable to policyholders funds	7	(102)	(49)
<b>Profit/(loss) attributable to shareholder profits</b>	<b>48</b>	<b>(35)</b>	<b>(54)</b>
Income tax expense	16	(94)	(41)
Tax attributable to policyholder funds	(7)	102	49
<b>Profit/(loss) from continuing operations</b>	<b>57</b>	<b>(27)</b>	<b>(46)</b>
Profit after tax from discontinued operations	28	62	203
<b>Profit after tax</b>	<b>85</b>	<b>35</b>	<b>157</b>

## 5.2 Operating Basis

### 5.2.1 Reconciliation of IFRS results of operations to management view results of operations

The following tables present the reconciliation of certain of the Group's IFRS results of operations to the management view, reflecting a number of adjustments and reclassifications. The Group presents these non-IFRS results of operations on a management view basis because they are less affected than IFRS measures of performance by one-time impacts, and the Directors believe that these measures are a more accurate reflection of the normal operating performance of the Group. These measures are consistent with how performance is measured internally. The use of these non-IFRS measures are explained in more detail in the introductory paragraph to "—5. Results of Operations" above.

Year Ended 31 December 2015				
	IFRS	Adjustments <sup>(1)</sup>	Reclassi- fications <sup>(2)</sup>	Management view
	(£ millions)			
Net management fee	—	—	—	505
Other revenue	—	—	—	81
Total revenue	2,038	—	(1,452)	586
Total expenses	(1,997)	180	1,452	(365)
<b>Profit before tax</b>	<b>41</b>	<b>180</b>	<b>—</b>	<b>221</b>

(1) The key adjustments to IFRS profit before tax are shown in the reconciliation table in "—5.2.2 Reconciliation of profit after tax to operating profit from continuing operations" below.

(2) The reclassification adjustments between revenue and expenses primarily relate to the reclassification of "Change in investment contract liabilities" and "Fee and commission expenses, and other acquisition costs", coupled with other revenue related costs, as shown in the expenses table in "—5.1.2 Comparison of Financial Years Ended 31 December 2015, 2016 and 2017—(b) Consolidated expenses" above.

Year Ended 31 December 2016				
	IFRS	Adjustments <sup>(1)</sup>	Reclassi- fications <sup>(2)</sup>	Management view
	(£ millions)			
Net management fee	—	—	—	495
Other revenue	—	—	—	121
Total revenue	7,187	—	(6,571)	616
Total expenses	(7,120)	110	6,571	(439)
<b>Profit before tax</b>	<b>67</b>	<b>110</b>	<b>—</b>	<b>177</b>

(1) The key adjustments to IFRS profit before tax are shown in the reconciliation table in "—5.2.2 Reconciliation of profit after tax to operating profit from continuing operations" below.

(2) The reclassification adjustments between revenue and expenses primarily relate to the reclassification of "Change in investment contract liabilities" and "Fee and commission expenses, and other acquisition costs", coupled with other revenue related costs, as shown in the expenses table in "—5.1.2 Comparison of Financial Years Ended 31 December 2015, 2016 and 2017—(b) Consolidated expenses" above.

Year Ended 31 December 2017				
	IFRS	Adjustments <sup>(1)</sup>	Reclassi- fications <sup>(2)</sup>	Management view
	(£ millions)			
Net management fee	—	—	—	591
Other revenue	—	—	—	137
Total revenue	6,163	—	(5,435)	728
Total expenses	(6,171)	217	5,435	(519)
Profit on the acquisition and re-measurement of subsidiaries	3	(3)	—	—
<b>(Loss)/profit before tax</b>	<b>(5)</b>	<b>214</b>	<b>—</b>	<b>209</b>

(1) The key adjustments to IFRS profit before tax are shown in the reconciliation table in "—5.2.2 Reconciliation of profit after tax to operating profit from continuing operations" below.

(2) The reclassification adjustments between revenue and expenses primarily relate to the reclassification of "Change in investment contract liabilities" and "Fee and commission expenses, and other acquisition costs", coupled with other revenue related costs, as shown in the expenses table in "—5.1.2 Comparison of Financial Years Ended 31 December 2015, 2016 and 2017—(b) Consolidated expenses" above.

### 5.2.2 Reconciliation of profit after tax to operating profit from continuing operations

Operating profit from continuing operations represents operating profit before tax attributable to shareholders' profits and is management's main measure of underlying profitability, as set forth in the reconciliation below:

	Year Ended 31 December		
	2015	2016	2017
	<i>(£ millions)</i>		
<b>Profit for the year after tax</b>	<b>85</b>	<b>35</b>	<b>157</b>
<i>Adjustments:</i>			
Profit after tax from discontinued operations	(28)	(62)	(203)
<b>Profit/(loss) after tax from continuing operations</b>	<b>57</b>	<b>(27)</b>	<b>(46)</b>
Income tax on continuing business	(16)	94	41
<b>Profit/(loss) before tax</b>	<b>41</b>	<b>67</b>	<b>(5)</b>
Income tax attributable to policyholder returns	7	(102)	(49)
<b>Profit/(loss) before tax attributable to shareholders' profits</b>	<b>48</b>	<b>(35)</b>	<b>(54)</b>
Goodwill and amortisation of purchased intangibles	57	52	54
Business transformation costs	96	102	89
Finance costs	32	43	39
Quilter Separation one off costs	–	7	32
Profit on acquisition and re-measurement of subsidiaries	–	–	(3)
Policyholder tax adjustments	(12)	8	(17)
Voluntary customer remediation costs	–	–	69
<b>Total non-operating adjusting items before tax</b>	<b>173</b>	<b>212</b>	<b>263</b>
<b>Operating profit before tax from continuing operations</b>	<b>221</b>	<b>177</b>	<b>209</b>

The key adjustments in the reconciliation above are as follows:

- *Goodwill and amortisation of purchased intangibles*, reflects acquisition costs and the amortisation of intangible assets acquired by the Group, in relation to policies sold by acquired businesses pre-acquisition. When applying acquisition accounting, deferred acquisition costs and deferred revenue existing at the point of acquisition are not recognised under IFRS. These are reversed on acquisition in the statement of financial position and replaced by goodwill and other intangible assets. In determining operating profit, the Group recognises deferred revenue, acquisition costs and deferred revenue in relation to policies sold by acquired businesses pre-acquisition. The Group excludes the impairment of goodwill, the amortisation and impairment of acquired other intangible assets as well as the movements in certain acquisition date provisions. If the intangible assets recognised as a result of a business combination are subsequently impaired, this is excluded from operating profit. Costs incurred on completed acquisitions are also excluded from operating profit.
- *Business transformation costs*, which represent the costs the Group has incurred in connection with its UK Platform Transformation Programme and the transformation costs in relation to the South African branches. The UK Platform Transformation Programme is on-going and involves replacing many aspects of the existing UK platform and migration of services to third party service providers. The cost of developing the new technology typically cannot be capitalised, hence these costs and the costs of decommissioning existing technology and migrating of services are excluded from operating profit from continuing operations. Only costs that are directly attributable to the programme are excluded from operating profit from continuing operations. The contracts with IFDS came to an end by mutual agreement effective as of 2 May 2017, at which point the costs for the year ended 31 December 2017 totalled £53 million (2016: £102 million), (2015: £96 million). The Group subsequently entered into a new contract with FNZ, under which additional costs of £21 million were incurred for the year ended 31 December 2017. The transformation costs for the South African branches include charges of £15 million for the year ended 31 December 2017 related to historical arrangements with the wider Old Mutual plc group's South African businesses. As a consequence of Managed Separation, these arrangements were severed and, as a result, deferred acquisition cost balances were written off, together with a loss incurred on the cancellation of reinsurance arrangements.



- *Finance costs*, which represent the cost of interest and finance charges on the Group's borrowings from Old Mutual plc, borrowed to primarily fund acquisitions, including Quilter Cheviot in 2015;
- *Quilter Separation one off costs*, which represent the one off transition costs to separate the Group from Old Mutual plc to become standalone and any additional one off costs associated with listing.
- *Profit on acquisition and re-measurement of subsidiaries* relates to the Group acquiring 100% of the whole of the issued share capital of GET, a company incorporated in South Africa, from OMGUK (part of the Old Mutual plc group) for around £1 million. Along with recording the book values of the assets acquired and liabilities assumed of £4 million, the Group recognised a gain of £3 million. The excess of the book value over consideration paid was attributable to potential future integration costs which, if incurred, would be expensed in future periods. As potential future integration activities do not qualify as a liability under the acquisition method of accounting, none was recorded, resulting in a gain.
- *Policyholder tax adjustments* relate to the removal of distortions arising from market volatility that can, in turn, lead to volatility in the policyholder tax charge between periods. In addition, adjustments are made to remove distortions to policyholder tax arising from the utilisation of tax allowances from elsewhere in the Group (e.g. capital losses) which are regarded economically as impacting shareholder tax, and from distortions arising from other non-operating adjusting items.
- *Voluntary customer remediation costs*, which represent the costs the Group expects to incur in relation to the decision to commence voluntary remediation to customers in certain legacy products within Quilter Life Assurance.

In addition to the adjustments detailed above, there may be other one off costs arising in the future which require adjustment in order for operating profit from continuing operations to continue to reflect the Directors' view of the underlying long-term performance of the Group.

### 5.2.3 **Reconciliation of operating profit from continuing operations to normalised operating profit from continuing operations**

The following table sets forth a breakdown of the Group's reported and normalised operating profit from continuing operations, as well as other selected key metrics on a normalised basis for the periods indicated. See *Part II – "Presentation of Financial and Other Information—3. Non-IFRS Financial Measures"* for a further discussion of the normalisation adjustments.

	Year Ended 31 December		
	2015	2016	2017
	(£ millions, unless otherwise indicated)		
<b>Reported basis</b>			
Net management fee <sup>(1)</sup>	505	495	591
Other revenue <sup>(2)</sup>	81	121	137
Total revenue	586	616	728
Total expenses	(365)	(439)	(519)
<b>Operating profit from continuing operations</b>	<b>221</b>	<b>177</b>	<b>209</b>
<b>Adjustments to reported basis</b>			
<b>Quilter Life Assurance fee restructure<sup>(3)</sup></b>			
Net management fee	–	24	–
Other revenue	–	(1)	–
Total expenses	–	4	–
Total Quilter Life Assurance fee restructure adjustment	–	27	–
<b>Other normalisation adjustments<sup>(4)</sup></b>			
Net management fee	(2)	5	–
Other revenue	3	2	–
Total expenses	(9)	(3)	–
Total other normalisation adjustments	(8)	4	–

	Year Ended 31 December		
	2015	2016	2017
	(£ millions, unless otherwise indicated)		
<b>Total adjustments</b>	(8)	31	–
<b>Normalised basis</b>			
Normalised net management fee <sup>(5)</sup>	503	524	591
Normalised other revenue <sup>(5)</sup>	84	122	137
Total normalised revenue <sup>(5)</sup>	587	646	728
Total normalised expenses <sup>(5)</sup>	(374)	(438)	(519)
<b>Normalised operating profit from continuing operations<sup>(5)</sup></b>	<b>213</b>	<b>208</b>	<b>209</b>
<b>Key performance indicators</b>			
Revenue margin (bps) <sup>(6)</sup>	64	59	56
Operating margin (%) <sup>(7)</sup>	36	32	29
Closing AuMA (£bn) <sup>(8)</sup>	85.3	98.2	114.4
Average AuMA (£bn) <sup>(9)</sup>	82.5	89.2	105.1
NCCF (£bn) <sup>(10)</sup>	3.9	3.3	6.3
NCCF (excl. Quilter Life Assurance)	4.3	4.2	7.6
NCCF/Opening AuMA (%) <sup>(11)</sup>	6	6	9

(1) Net management fee consists of revenue generated from AuMA, fixed fee revenues and policyholder tax contributions, netted off by trail commissions payable.

(2) Other revenue represents revenue not directly linked to AuMA (e.g. early encashment charges, risk result, adviser initial fees and adviser fees linked to AuMA in Quilter Financial Planning (recurring fees)).

(3) The Quilter Life Assurance fee restructure adjustment relates to the removal of a fee restructure exercise conducted on Quilter Life Assurance's pension products in the year ended 31 December 2016 following the FCA Thematic Review. This adjustment impacts the Wealth Platforms segment and includes the one-off revenue impact, expenses incurred in relation to the Thematic Review and compensation paid to policyholders for the understatement of fund rebates.

(4) Other normalisation adjustments relate to certain one-time adjustments and rebates. The rebate adjustments impacts the Advice & Wealth Management segment (a decrease in revenue on a normalised basis by £2 million in the year ended 31 December 2015 and an increase in revenue on a normalised basis by £5 million in the year ended 31 December 2016). The remaining normalisation adjustments impact the Wealth Platforms segment.

(5) Adjusted for the Quilter Life Assurance fee restructure and other normalisation adjustments (each as described above).

(6) Revenue margin represents net management fee, including policyholder tax, divided by average AuMA.

(7) Operating margin represents reported operating profit from continuing operations divided by total revenue, including policyholder tax and adviser fees. Operating margin excludes financing costs.

(8) Closing AuMA represents the total market value of all financial assets managed and administered on behalf of customers as at 31 December of the financial year, after intra-group eliminations.

(9) Average AuMA represents the average total assets managed and administered on behalf of customers during the financial year ended 31 December, after intra-group eliminations. Average AuMA is calculated using a 13-point average of monthly closing AuMA.

(10) NCCF measures the difference between money received from and the money returned to customers during the relevant period for the Group or for the business indicated.

(11) Excludes Quilter Life Assurance.

**(a) Normalised revenue**

Total revenue increased by £59 million to £646 million in the year ended 31 December 2016, as compared to £587 million in the year ended 31 December 2015. The growth is due to an increase of £21 million in net management fees, predominantly related to the acquisition of Quilter Cheviot in February 2015 and an increase in other revenues such as advice fees, the benefits of an assumption change and higher protection income within Quilter Life Assurance, together totalling £38 million. Average assets during the year ended 31 December 2016 were 8% higher than during the prior year, contributing to increased net management fees of £524 million in the year ended 31 December 2016 due to the full-year impact of the Quilter Cheviot acquisition, as compared to £503 million in the year ended 31 December 2015. Overall, the Group reported a decline in the blended revenue margin from 64 basis points in the year ended 31 December 2015 to 59 basis points in the year ended 31 December 2016, with the Wealth Platforms segment contributing to that decline to a greater extent than the Advice & Wealth Management segment.

Other revenue increased by £38 million to £122 million in the year ended 31 December 2016, as compared to £84 million in the year ended 31 December 2015. This increase is primarily due to an increase in RFPs from 1,230 to 1,423 in 2016, leading to an increase in advice income, as well as an assumption change for Quilter Life Assurance, and higher early encashment charges for Quilter International.

Total revenue increased by £82 million to £728 million in the year ended 31 December 2017, as compared to £646 million in the year ended 31 December 2016. This increase was primarily due to strong growth in net management fees, which accounted for 81% of total revenue. Charging structure changes introduced in response to RDR also resulted in lower net management fee growth in the year ended 31 December 2016. Overall, the Group reported a decrease in the blended revenue margin from 59 basis points in the year ended 31 December 2016 to 56 basis points in the year ended 31 December 2017.

Other revenue increased by £15 million in the year ended 31 December 2017, primarily due to growth in PCA revenues and the acquisitions of Sesame Bankhall, Caerus and Attivo Investment Management Limited ("**Attivo**"), which was acquired by Quilter Cheviot in the first quarter of 2017.

The Group's revenue margins reduced from 64 basis points in the year ended 31 December 2015 to 59 basis points in the year ended 31 December 2016, then by a further 3 basis points to 56 basis points in the year ended 31 December 2017, as a result of changing fee structure mix, reduced trading commission income in Quilter Cheviot, changes in business mix and competitive pressures. However, the Group's multi-channel business model has allowed it to mitigate some of this impact as an increasing proportion of revenue is earned by providing solutions to customers across the value chain.

(b) *Normalised expenses*

Total expenses increased by £64 million, or 17%, to £438 million in the year ended 31 December 2016, from £374 million in the year ended 31 December 2015. This reflected incremental business investment of £25 million mainly in building out the financial advice capacity as a part of the overall strategy of the Group, including £6 million of expenses incurred to develop PCA. In addition, expenses driven by growth in the business, business volumes and inflation contributed to a £20 million increase in costs, of which £15 million of the increase reflected the impact of the full year run rate of the expense base of Quilter Cheviot. Variable incentives reflected a further £14 million increase in line with performance. Further expense increases reflected the strengthening of the central functions in the lead up to being a standalone listed group, coupled with additional spend to strengthen the Group's IT infrastructure.

Total expenses increased by £81 million, or 18%, to £519 million in the year ended 31 December 2017, from £438 million in the year ended 31 December 2016. This increase was primarily due to (i) the increase in underlying administration expenses of £39 million, reflecting increased technology spend, regulatory change spend (including spend associated with MiFID II, GDPR and PRIIPs), and other organic and inflationary costs, (ii) an increase in variable incentives of £14 million due to higher levels of AuM and higher senior headcount, (iii) incremental investment in new business initiatives of £12 million, and (iv) additional recurring managed separation and standalone costs of £16 million. Of the Group's total £519 million of expenses in the year ended 31 December 2017, £237 million were non-staff expenses, £203 million were staff expenses and £78 million were variable expenses.

(c) *Normalised operating profit from continuing operations*

Normalised operating profit from continuing operations was £208 million for the year ended 31 December 2016, representing a decrease of £5 million, or 2%, from £213 million in the year ended 31 December 2015. The decrease was due to increasing investment in the Group's distribution capabilities, investment to become a standalone business and an increase in variable incentives paid to staff. This was partly offset by revenue growth due to increased net management fees due to the full-year impact of the Quilter Cheviot acquisition and increased AuMA leading to higher fees and commissions. Normalised operating profit margin from continuing operations decreased by 4 percentage points to 32% in the year ended 31 December 2016, reflecting the Group-wide revenue margin decline and higher expenses, which primarily related to the increased investment spend being greater than the increase in revenues during the period.

Normalised operating profit from continuing operations was £209 million for the year ended 31 December 2017, representing an increase of £1 million, from £208 million for the year ended 31 December 2016. The increase was primarily due to market performance, the benefits of integrated NCCF and growth in RFPs on net management fees partially offset by the cost of investment in future growth and the impact of revenue margin decline in several business areas. Normalised operating profit margin from continuing operations decreased to 29% in the year ended 31 December 2017, from 32% in the year ended 31 December 2016, driven by material expense increases, including the impact of £16 million of additional costs in relation to the Quilter Separation and the Group becoming capable of operating on a standalone basis, and higher development spend, including the build out of PCA and Caerus.

(d) *Key performance indicators*

	Year Ended 31 December	
	2016	2017
	(£ billions, except where indicated)	
Opening AuMA	85.3	98.2
<i>Quilter Life Assurance assets</i>	14.7	15.3
Market movement	9.6	8.6
Acquired AuM <sup>(1)</sup>	–	1.3
NCCF <sup>(2)</sup>	4.9	10.3
<i>Quilter Life Assurance outflows</i>	(1.1)	(1.6)
Eliminations	(0.5)	(2.4)
Closing AuMA	98.2	114.4
<i>Quilter Life Assurance assets</i>	15.3	15.1
NCCF/Opening AuMA (%) <sup>(2)</sup>	6	9

(1) Acquired AuM of £1.3 billion, of which £1.0 for Caerus and £0.3 billion for Attivo.

(2) Excludes Quilter Life Assurance.

(i) *Net client cash flow*

NCCF was £3.3 billion in the year ended 31 December 2016, a decrease of 15% from £3.9 billion in the year ended 31 December 2015. The decrease is believed to have been due to market uncertainty in the lead up to, and following, the Brexit referendum and the US presidential election result in the second half of 2016. Nevertheless, supported by the Group's investment in distribution during the year, NCCF remained positive for the period despite lower investor confidence. Integrated NCCF in the year ended 31 December 2016 was £1.8 billion, an increase of 50% compared to £1.2 billion in the year ended 31 December 2015, driven principally by NCCF into Cirilium.

NCCF was £6.3 billion in the year ended 31 December 2017, an increase of 91% from £3.3 billion in the year ended 31 December 2016, primarily due to growth of £2.8 billion in Advice & Wealth Management driven by flows for Quilter Investors into the Cirilium range, strong flows for Wealth Platforms into pension propositions as customers continue to consolidate existing pensions, and strong net flows for Quilter International from Latin America, the Middle East and UK. Integrated NCCF in the year ended 31 December 2017 was £4.8 billion, an increase of 167% compared to £1.8 billion in the year ended 31 December 2016, driven principally by increased productivity in Quilter Financial Planning, which generated £3.9 billion, of which 63% was recognised in Quilter Investors, 6% in Quilter Cheviot and 31% in Quilter Wealth Solutions.

(ii) *Assets under management and administration*

Total closing AuMA were £98.2 billion as at 31 December 2016, up £12.9 billion or 15%, from £85.3 billion as at 31 December 2015. The Group reported a positive market performance in the years ended 31 December 2015 and 2016, reflecting the year-on-year increase in equity markets and a favourable mix of assets. AuMA growth due to market movement in 2016 was £9.6 billion or 11%. This includes the impact of equity markets such as the FTSE 100, which rose by 17%, and other markets as well as the impact of the depreciation of the pound sterling by approximately 15% during the period. Additionally, the increase in the overall AuMA was impacted by acquisitions, principally of Quilter Cheviot, which was acquired by the Group on 25 February 2015. The closing AuM of Quilter Cheviot was £17.4 billion as at the month of the acquisition and £20.7 billion as at 31 December 2016.

Total closing AuMA were £114.4 billion as at 31 December 2017, an increase of £16.2 billion or 16%, from £98.2 billion as at 31 December 2016. This increase was due to positive market performance of £8.6 billion, positive net flows of £6.3 billion and acquisitions of £1.3 billion (Caerus and Attivo). The FTSE 100 increased 8% over the year ended 31 December 2017, impacting market growth.

(e) *Segmental overview*

The following tables present certain key performance indicators utilised by management with respect to the Group's operating segments (Advice & Wealth Management and Wealth Platforms), the Group's Head Office function and the consolidated Group, for the periods indicated.

Year Ended 31 December 2015				
	Advice & Wealth Management	Wealth Platforms	Head Office/ Eliminations	Group
(£ millions, except where indicated)				
<b>Normalised basis</b>				
Revenue	209	378	–	587
Expenses	(157)	(202)	(14)	(374)
<b>Normalised operating profit from continuing operations</b>	<b>51</b>	<b>176</b>	<b>(14)</b>	<b>213</b>
Revenue margin (bps)	68	56	–	64
Operating margin (%)	25	47	–	36
AuMA (£bn) <sup>(1)</sup>	27.6	63.8	(6.1)	85.3
NCCF (£bn) <sup>(2)</sup>	1.7	2.4	(0.2)	3.9
NCCF (excluding Quilter Life Assurance) (£bn) <sup>(2)</sup>	1.7	3.2	(0.6)	4.3
NCCF/Op. AuM (%) <sup>(3)</sup>	7	7	–	6

(1) Gross closing AuMA.  
(2) NCCF measures the difference between money received from and returned to customers during the relevant period for the Group or for the business indicated.  
(3) Excludes Quilter Life Assurance.

Year Ended 31 December 2016				
	Advice & Wealth Management	Wealth Platforms	Head Office/ Eliminations	Group
(£ millions, except where indicated)				
<b>Normalised basis</b>				
Revenue	253	392	1	646
Expenses	(194)	(226)	(18)	(438)
<b>Normalised operating profit from continuing operations</b>	<b>59</b>	<b>166</b>	<b>(17)</b>	<b>208</b>
Revenue margin (bps)	66	49	–	59
Operating margin (%)	23	42	–	32
AuMA (£bn) <sup>(1)</sup>	32.8	73.7	(8.3)	98.2
NCCF (£bn) <sup>(2)</sup>	1.6	2.2	(0.5)	3.3
NCCF (excluding Quilter Life Assurance) (£bn) <sup>(2)</sup>	1.6	3.3	(0.7)	4.2
NCCF/Op. AuM (%) <sup>(3)</sup>	6	7	–	6

(1) Gross closing AuMA.  
(2) NCCF measures the difference between money received from and returned to customers during the relevant period for the Group or for the business indicated.  
(3) Excludes Quilter Life Assurance.

Year Ended 31 December 2017				
	Advice & Wealth Management	Wealth Platforms	Head Office/ Eliminations	Group
(£ millions, except where indicated)				
<b>Normalised basis</b>				
Revenue	316	411	1	728
Expenses	(234)	(253)	(32)	(519)
<b>Normalised operating profit from continuing operations</b>	<b>82</b>	<b>158</b>	<b>(31)</b>	<b>209</b>
Revenue margin (bps)	63	46	–	56
Operating margin (%)	26	38	–	29
AuMA (£bn) <sup>(1)</sup>	41.7	84.6	(11.9)	114.4
NCCF (£bn) <sup>(2)</sup>	4.4	4.3	(2.4)	6.3
NCCF (excluding Quilter Life Assurance) (£bn) <sup>(2)</sup>	4.4	5.9	(2.7)	7.6
NCCF/Op. AuM (%) <sup>(3)</sup>	13	10	–	9

(1) Gross closing AuMA.

(2) NCCF measures the difference between money received from and returned to customers during the relevant period for the Group or for the business indicated.

(3) Excludes Quilter Life Assurance.

(i) Advice & Wealth Management

The following table sets forth certain key performance indicators utilised by management with respect to the business units of the Advice & Wealth Management segment, for the periods indicated.

Year Ended 31 December			
	2015	2016	2017
(£ millions, except where indicated)			
<b>Advice &amp; Wealth Management</b>			
<b>Quilter Financial Planning</b>			
Net management fee	–	–	1
Other revenue	48	59	77
Total revenue	48	59	78
RFPs + PCA <sup>(1)</sup> (#)	1,230	1,423	1,561
Productivity <sup>(2)</sup>	0.9	0.9	1.8
Integrated AuM per RFP	2.4	3.0	4.6
<b>Quilter Investors</b>			
Net management fee	43	48	73
Other revenue	1	1	2
Total revenue	44	49	75

	Year Ended 31 December		
	2015	2016	2017
	(£ millions, except where indicated)		
NCCF (£bn)	0.7	0.8	3.3
Closing AuM (£bn)	9.8	12.1	16.9
Average AuM (£bn)	9.4	10.6	14.2
Revenue margin (bps)	46	45	51
<b>Quilter Cheviot</b>			
Net management fee	117	146	160
Other revenue	–	(1)	3
Total revenue	117	145	163
NCCF (£bn)	1.0	0.8	1.1
Closing AuM (£bn)	17.8	20.7	23.6
Average AuM (£bn)	17.3	19.0	22.2
Revenue margin (bps) <sup>(3)</sup>	80	77	72
Asset retention (%) <sup>(4)</sup>	92	91	92
Investment managers (#)	161	158	164
Productivity <sup>(5)</sup>	6.2	5.0	6.7
Average AuM per investment manager	107.5	120.1	135.4

(1) The overall number of restricted financial planners and advisers in PCA delivering the Group's solutions.

(2) Average NCCF per adviser for the advised proposition including Quilter Investors and Quilter Cheviot.

(3) Quilter Cheviot acquired in February 2015. Figures on an annualised basis (closing AuM of £17.4 billion at February 2015).

(4) Calculated as 1 – (gross outflows/opening AuM). In 2015, Quilter Cheviot outflows were annualised.

(5) Average NCCF per investment manager.

**NCCF** for the Advice & Wealth Management segment decreased to £1.6 billion in the year ended 31 December 2016 from £1.7 billion in the year ended 31 December 2015. The reduction was believed to reflect investor uncertainty around "Brexit" and the US presidential election result in the second half of 2016, impacting NCCF in Quilter Cheviot. NCCF (excluding intragroup flows) for the Advice & Wealth Management segment increased to £4.4 billion in the year ended 31 December 2017 from £1.6 billion in the year ended 31 December 2016. This increase was primarily due to higher net inflows for Quilter Investors, principally Quilter Financial Planning into the Cirilium fund range and Quilter Wealth Solutions via the WealthSelect fund range.

The Cirilium fund range managed by Quilter Investors, which is predominantly sold via Quilter Financial Planning's restricted channel, contributed £1.0 billion NCCF in the year ended 31 December 2016 and £2.3 billion NCCF in the year ended 31 December 2017. Growth in the Cirilium fund range is attributable to the fund range's strong historical investment performance and increases in RFPs in Quilter Financial Planning from 1,423 as at 31 December 2016 to 1,561 as at 31 December 2017.

**Productivity** for Quilter Financial Planning increased from the year ended 31 December 2015 to the year ended 31 December 2017 as a result of longer adviser tenure leading to growth in the number of customers, advisers having a stronger offering of performing funds such as Cirilium, and an increase in clients' income over time.

**Asset retention** for Quilter Cheviot has remained broadly consistent year on year from the year ended 31 December 2015 to the year ended 31 December 2017 as a result of a proven track record and performance, a comprehensive product offering, and strong client retention through focus on good customer outcomes.

**AuM** for the Advice & Wealth Management segment increased by £5.2 billion to £32.8 billion at 31 December 2016 from £27.6 billion at 31 December 2015, principally reflecting strong growth in markets. AuM for the Advice & Wealth Management segment increased by £8.9 billion to £41.7 billion at 31 December 2017 from £32.8 billion at 31 December 2016, principally reflecting strong flows into the Cirilium fund range, which was first quartile over three year period to 31 December 2017, and strong market performance.

**Total revenue** for the Advice & Wealth Management segment increased to £253 million in the year ended 31 December 2016 from £209 million in the year ended 31 December 2015. Quilter Cheviot revenue increased by £28 million as a result of the full year run rate following the acquisition of Quilter Cheviot in 2015 and a growth in average AuM of 10%. Quilter Investors net management fees increased by 12% in the year ended 31 December 2016, due to growth in average AuM of 13%, which was partially offset by a decrease of 1 basis point in revenue margin. The increase in other revenue principally reflects Quilter Financial Planning advice revenue which increased by £11 million in the year ended 31 December 2016, due to the increase of 193 RFPs.

Total revenue for the Advice & Wealth Management segment increased to £316 million in the year ended 31 December 2017 from £253 million in the year ended 31 December 2016. This increase was due to higher net management fee revenue for both Quilter Cheviot and Quilter Investors as a result of higher AuM. Other revenue increased by £23 million to £82 million in the year ended 31 December 2017, due to higher advice income for Quilter Financial Planning reflecting the increase in the number of RFPs, as described in the discussion of NCCF above.

**Revenue margin** for the Advice & Wealth Management segment declined by 2 basis points from the year ended 31 December 2015 to the year ended 31 December 2016. Revenue margin for the Advice & Wealth Management segment further declined by 3 basis points from the year ended 31 December 2016 to the year ended 31 December 2017. This reflected the decline in revenue margin within Quilter Cheviot from a change in business mix, lower trading commission income, the effect of tiered fee structures, and ongoing competitive margin pressures. This was partially offset by the benefit of a higher contribution to the blended revenue margin from Quilter Investors due to customers investing in higher margin products offered by the Group, particularly Cirilium.

**Total expenses** for the Advice & Wealth Management segment increased to £194 million in the year ended 31 December 2016 from £157 million in the year ended 31 December 2015. The material drivers of the higher expense base were investment in the Group's businesses, including building out the advice capabilities to support revenue growth, and increased performance-related incentives. Total expenses for the Advice & Wealth Management segment increased £40 million to £234 million in the year ended 31 December 2017 from £194 million in the year ended 31 December 2016. The increase relates to further investment in the business reflecting the costs of expanding PCA in Quilter Financial Planning, the inclusion of costs for Caerus, which was acquired in 2017, FSCS costs in Quilter Financial Planning, investment in IT and regulatory change and costs associated with becoming a standalone business.

**Normalised operating profit from continuing operations** for the Advice & Wealth Management segment increased by 16% to £59 million in the year ended 31 December 2016 from £51 million in the year ended 31 December 2015, driven by a combination of profit growth in Quilter Cheviot, due to its inclusion for the full 2016 year after its acquisition in early 2015, and Quilter Investors, partially offset by increased losses for Quilter Financial Planning, which is targeted to become a breakeven business over the medium term. Quilter Cheviot and Quilter Investors benefited from growth in AuM. Quilter Financial Planning incurred the first year of the Adviser incentive plan costs and continued to invest in adviser headcount growth. Normalised operating profit from continuing operations for the Advice & Wealth Management segment increased by 39% to £82 million in the year ended 31 December 2017 from £59 million in the year ended 31 December 2016, driven by an increase in the contribution from Quilter Investors as a result of 34% growth in average AuM.

**Operating margin** for the Advice & Wealth Management segment declined by 2 percentage points between 2015 and 2016. This reflects the ongoing investment in developing the Group's advice and investment management capabilities in line with its core strategy. Operating margin for the Advice & Wealth Management segment grew by 3 percentage points between 2016 and 2017, reflecting the increased contribution from Quilter Investors including scale benefits from the integrated business model.



(ii) Wealth Platforms

The following table sets forth certain key performance indicators utilised by management with respect to the business units of the Wealth Platforms segment, for the periods indicated.

	Year Ended 31 December		
	2015	2016	2017
(£ millions, except where indicated)			
<b>Wealth Platforms</b>			
<b>Quilter Wealth Solutions</b>			
Net management fee	134	138	156
Other revenue	1	4	5
Total revenue	135	142	161
NCCF (£bn)	2.7	2.8	4.5
Closing AuA (£bn) <sup>(1)</sup>	34.5	41.4	50.2
Average AuA (£bn) <sup>(2)</sup>	32.7	37.1	45.5
Revenue margin (bps) <sup>(3)</sup>	39	36	33
Asset retention (%) <sup>(4)</sup>	88	89	90
<b>Quilter International</b>			
Net management fee	110	105	112
Other revenue	5	18	17
Total revenue	115	123	129
NCCF (£bn)	0.5	0.5	1.4
Closing AuA (£bn)	14.5	16.9	19.3
Average AuA (£bn)	14.5	15.4	17.7
Revenue margin (bps)	76	68	63
% premium-based charging (%)	56	57	54
Asset retention (%) <sup>(4)</sup>	91	90	91
<b>Quilter Life Assurance</b>			
Net management fee	99	87	89
Other revenue	28	39	32
Total revenue	127	126	121
NCCF (£bn)	(0.8)	(1.1)	(1.6)
Closing AuA (£bn) <sup>(1)</sup>	14.7	15.3	15.1
Average AuA (£bn) <sup>(2)</sup>	14.6	14.5	14.8
Revenue margin (bps) <sup>(3)</sup>	68	60	60
Asset retention (%) <sup>(4)</sup>	86	86	82
MCEV <sup>(5)</sup>	538	497	498
Normalised operating profit from continuing operations <sup>(6)</sup>	82	80	66

(1) Includes shareholder assets.

(2) Excludes shareholder assets.

(3) Revenue margin is calculated as net management fee over average AuA excluding shareholder assets and including International assets on the Quilter Wealth Solutions platform.

(4) Calculated as 1 – (gross outflows/opening AuA).

(5) Market Consistent Embedded Value ("MCEV") is a measure of the consolidated value of shareholders' interests in the covered business, including the impact of the Quilter Life Assurance product review. MCEV is a reporting standard for life insurance companies that provide a common set of principles and guidelines for use in calculating embedded value. MCEV measures the value of business in-force based on a set of best estimate assumptions, allowing for the impact of uncertainty in future investment returns.

(6) Does not include impact of Quilter Life Assurance product review due to charge outside of operating profit from continuing operations.

**NCCF** for the Wealth Platforms segment decreased to £2.2 billion in the year ended 31 December 2016 from £2.4 billion in the year ended 31 December 2015. NCCF net inflows in Quilter Wealth Solutions improved, mainly driven by strong sales in personal pension product (driven mainly by the impact of pension reform) which was offset by higher surrenders across other products. NCCF net outflows in Quilter Life Assurance increased to £1.1 billion in

the year ended 31 December 2016 from £0.8 billion in the year ended 31 December 2015. The increase in net outflows was driven by lower levels of new business generated through the institutional life business as the business started withdrawing from entering new institutional mandates. Quilter International NCCF remained stable between 2015 and 2016, across both portfolio bonds and unit-linked products.

**NCCF** for the Wealth Platforms segment increased to £4.3 billion in the year ended 31 December 2017 from £2.2 billion in the year ended 31 December 2016. Quilter Wealth Solutions net flows were £4.5 billion, up 61% due to strong flows into pension propositions as customers continue to consolidate existing pensions. Sales into the pension propositions accounted for 61% of total Quilter Wealth Solutions sales in 2017. Transfers by customers from their DB pensions into DC schemes accounted for gross sales of £1.8 billion in 2017, representing 33% of gross pension sales and 20% of total gross sales for Quilter Wealth Solutions. Quilter Life Assurance had net outflows of £1.6 billion in the year ended 31 December 2017, up 45% from £1.1 billion in the year ended 31 December 2016, primarily due to expected institutional life business outflows, which is expected to run-off over one to two years. Quilter International's net flows increased 180% to £1.4 billion in the year ended 31 December 2017 with strong net flows of £0.5 billion from Latin America, the Middle East, UK and Europe. Unit-linked products experienced modest outflows as these products are largely in run-off.

**Asset retention** for Quilter Wealth Solutions has increased year on year from 2015 to 2017 as a result of a comprehensive product offering and strong client retention through focus on good customer outcomes. Asset retention for Quilter Life Assurance has decreased year on year from the year ended 31 December 2015 to the year ended 31 December 2017 as a result of this book of business being in a steady, managed run-off of approximately 15% per annum (excluding Institutional).

**AuA** for the Wealth Platforms segment increased by £9.9 billion to £73.7 billion at 31 December 2016 from £63.8 billion at 31 December 2015. AuA grew across all Wealth Platforms business units, but was mainly driven by Quilter Wealth Solutions (£6.9 billion) and Quilter International (£2.4 billion). Quilter Life Assurance closing AuA increased to £15.3 billion at 31 December 2016 from £14.7 billion at 31 December 2015, due to positive market performance, partially offset by net outflows. AuA for the Wealth Platforms segment increased by £10.9 billion to £84.6 billion at 31 December 2017 from £73.7 billion at 31 December 2016. AuA grew in Quilter Wealth Solutions and Quilter International due to strong NCCF and positive market movements.

**Total revenue** for the Wealth Platforms segment increased to £392 million in the year ended 31 December 2016 from £378 million in the year ended 31 December 2015. Quilter Wealth Solutions revenue increased during the period, following increased AuA due to strong net flows and market performance. This was partially offset by charging structure changes post RDR, which led to a decrease in fee income. Quilter Life Assurance net management fees decreased by 12% in the year ended 31 December 2016 as a result of a decline in revenue margin due to a change in business mix. Other revenue increased in 2016 due to an increase in early encashment charges in Quilter International and a one-off benefit from an assumption change in Quilter Life Assurance. Total revenue for the Wealth Platforms segment increased to £411 million in the year ended 31 December 2017 from £392 million in the year ended 31 December 2016, reflecting higher net management fee revenue from increased AuA, partially offset by lower revenue for Quilter Life Assurance due to the impact of the one-off assumption change in the year ended 31 December 2016, which did not reoccur in the year ended 31 December 2017.

**Revenue margin** for the Wealth Platforms segment declined by 7 basis points from the year ended 31 December 2015 to the year ended 31 December 2016. A further decline of 3 basis points from the year ended 31 December 2016 to the year ended 31 December 2017 reflected the competitive pressures, larger case sizes from pension transfers and the impact of the tiered charging structure in a strong market environment and changes to premium based fees in Quilter International.

**Total expenses** for the Wealth Platforms segment increased to £226 million in the year ended 31 December 2016 from £202 million in the year ended 31 December 2015. This was driven by investment in the IT infrastructure to build capabilities in line with best practice, including strengthening the second and third lines of defense teams, ahead of the transition to becoming standalone, and costs related to ensuring compliance with changes in regulation. Total expenses for the Wealth Platforms segment increased to £253 million in the year ended 31 December 2017 from £226 million in the year ended 31 December 2016. This was driven by continued investment in technology spend linked to improving resiliency of IT, infrastructure,

changes to regulation, compliance with GDPR and MIFID II requirements, FSCS costs and costs associated with becoming a standalone business. Variable incentive costs also increased due to increased AuA and revenue.

**Normalised operating profit from continuing operations** for Wealth Platforms declined by 6% to £166 million in the year ended 31 December 2016 from £176 million in the year ended 31 December 2015. This was mainly due to a decline in revenue margin to 49 basis points in the year ended 31 December 2016 from 56 basis points in the year ended 31 December 2015 for the overall segment, due to margin pressure across its business units. The Quilter Life Assurance result benefitted from £10 million uplift from assumption changes over the two year period of the years ended 31 December 2016 and 2017. Normalised operating profit from continuing operations for Wealth Platforms decreased by 5% to £158 million in the year ended 31 December 2017 from £166 million in the year ended 31 December 2016. This was mainly due to expenses increasing more than revenues during the year as a result of continued investment in technology, as well as regulatory change costs, as explained in the expenses section above.

**Operating margin** for the Wealth Platforms segment has declined by 9 percentage points from the year ended 31 December 2015 to the year ended 31 December 2017, driven by the continued trend of increased costs in relation to improving the IT infrastructure and a decline in revenue due to the ongoing run-off of the Quilter Life Assurance business.

**MCEV** for Quilter Life Assurance decreased to £497 million at 31 December 2016 from £538 million at 31 December 2015. This reflected the impact of the fee restructure changes following the FCA Thematic Review, coupled with changes in expense assumptions.

The MCEV for Quilter Life Assurance was broadly unchanged at £498 million at 31 December 2017. Movements in the year, which had no overall impact, included benefits from positive investment return and policyholder tax experience variances, positive assumption changes with respect to pension maturities and a capital injection of £38 million. This was offset by the impact of the provision for the voluntary client remediation.

(iii) Head Office

The costs for Head Office increased by £4 million, or 29%, to £18 million in the year ended 31 December 2016, as compared to £14 million in the year ended 31 December 2015. This reflects the initial expenses incurred as a part of the build-up to become a standalone listed Group and include strengthening capability in the Group's Board and in central functions such as Risk, Finance and Company Secretariat. Revenue of £1 million was earned in the year ended 31 December 2016 as a result of other shareholder assets.

The costs for Head Office increased by £14 million, or 78%, to £32 million in the year ended 31 December 2017, as compared to £18 million in the year ended 31 December 2016. This reflects further additional expenses incurred to become a standalone Group, and higher variable incentive costs due to additional senior headcount. Revenue of £1 million was recognised in the year ended 31 December 2017 as a result of returns on shareholder assets.

## 6. Liquidity and Capital Resources

The Group manages its capital with a focus on capital efficiency and effective risk management. The capital objectives are to maintain the Group's ability to continue as a going concern while supporting the optimisation of return relative to the risks. The Group ensures that it can meet its expected capital and financing needs at all times having regard to the Group's business plans, forecasts and strategic initiatives and regulatory requirements in all businesses in the Group. The Group's overall capital risk appetite is set with reference to the requirements of the relevant stakeholders and seeks to:

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

The primary sources of capital used by the Group are equity shareholders' funds, subordinated debt and the value of in force insurance business. Liquidity is sourced from shareholder cash resources, borrowings and a revolving credit facility. Alternative resources are utilised where appropriate. Targets are established in relation to regulatory solvency, credit ratings, liquidity and dividend capacity and are a key tool in managing capital in accordance with the Group's risk appetite and the requirements of the Group's various stakeholders.

## 6.1 Consolidated Cash Flow

The following table sets forth the Group's consolidated cash flows, which includes policyholder and shareholder cash, for the periods indicated and has been extracted without material adjustment from the consolidated historical financial information set out in *Part XII – "Historical Financial Information"*.

	Year Ended 31 December		
	2015	2016	2017
	(£ millions)		
Net cash flows from operating activities <sup>(1)</sup>	2,732	2,871	5,413
Net cash flows used in investing activities	(3,020)	(2,839)	(4,602)
Net cash flows from/(used in) financing activities	504	(33)	(48)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>216</b>	<b>(1)</b>	<b>763</b>

(1) Cash flows include continuing and discontinued operating activities.

The required IFRS format for cash flow statements of life insurance businesses includes a commingling of cash flows related to policyholders and those related to shareholders. This results in, for example, market value movements within investment contract liabilities matching the "linked" funds investments being shown within operating activities, where the acquisition of the related linked financial investments is shown within investing activities. From a management perspective, these policyholder flows would be netted off. This makes it difficult to draw conclusions from the relative quantum of these operating and investing activities specifically impacting the shareholder.

### 6.1.1 Net cash flows from operating activities

Net cash flows from operating activities were £2,871 million for the year ended 31 December 2016, as compared to £2,732 million for the year ended 31 December 2015. The increase in net cash flows from operating activities was due to an increase in profit before tax from discontinued operations, as well as cash inflows from changes in working capital, primarily driven by a movement in reinsurers' share of policyholder liabilities.

Net cash flows from operating activities were £5,413 million for the year ended 31 December 2017, as compared to £2,871 million for the year ended 31 December 2016. The increase in net cash inflows from operating activities was primarily driven by growth in NCCF and strong market performance, which led to an increase in the value of insurance and investment contract liabilities. There was also a reduction in net cash outflows associated with the sale of financial assets as part of regular trading activity, as well as net cash inflows from working capital requirements.

### 6.1.2 Net cash flows used in investing activities

Net cash flows used in investing activities were £2,839 million for the year ended 31 December 2016, as compared to £3,020 million for the year ended 31 December 2015. The decrease in net cash used in investing activities was primarily due to a decrease in the outflows for acquisition of investments in subsidiaries and associated undertakings, which was £16 million for the year ended 31 December 2016 in relation to the AAM Advisory and PCA acquisitions, compared to £567 million for the year ended 31 December 2015 in relation to the acquisition of Quilter Cheviot. This was partially offset by an increase in the net cash used for the acquisition of financial investments, primarily for the benefit of policyholders, which was an outflow of £2,810 million for the year ended 31 December 2016, as compared to £2,430 million for the year ended 31 December 2015.

Net cash flows used in investing activities were £4,602 million for the year ended 31 December 2017, as compared to £2,839 million for the year ended 31 December 2016. The increase in the net cash used in investing activities was primarily due to increased trading and the acquisition of financial investments, primarily for the benefit of policyholders, which led to an outflow of £4,760 million for the year ended 31 December 2017, as compared to an outflow of £2,810 million for the year ended 31 December 2016. Cash outflows relating to the acquisition of subsidiaries increased from £16 million for the year ended 31 December 2016 to £33 million for the year ended 31 December 2017, which was more than offset by the cash inflows from the disposal of the Italy business of £208 million in the year ended 31 December 2017.

### 6.1.3 **Net cash flows from/(used in) financing activities**

Net cash flows used in financing activities were £33 million for the year ended 31 December 2016, as compared to net cash from investing activities of £504 million for the year ended 31 December 2015. The decrease in net cash flows from financing activities was due to the proceeds received from the issue of subordinated and other debt of £614 million in the year ended 31 December 2015, compared with £53 million in the year ended 31 December 2016. In addition, dividends paid to Old Mutual plc were £24 million, compared to nil in the year ended 31 December 2016.

Net cash flows used in financing activities was £48 million for the year ended 31 December 2017, as compared to £33 million for the year ended 31 December 2016. The increase in net cash used in financing activities was due to the proceeds from the issue of debt of £53 million in the year ended 31 December 2016, which was partially offset by a loan to the Employee Benefit Trust of £43 million. The dividends paid to Old Mutual plc of £210 million, and the debt repayments of £57 million, were separate from the proceeds from the issue of ordinary shares of £258 million in the year ended 31 December 2017.

### 6.1.4 **Closing cash position**

The closing cash positions for the period under review includes cash held with consolidated investment funds and was £1,601 million, £1,595 million and £2,360 million as at 31 December 2015, 2016 and 2017, respectively. This is an IFRS requirement but does not form part of the Group's operating cash as it is held within legally segregated collective fund vehicles. Excluding these amounts, the closing cash positions of the Group was £892 million, £1,076 million and £1,595 million as at 31 December 2015, 2016 and 2017, respectively.

These positions exclude cash held within entities shown as held for sale within the statement of financial position, which was £147 million as at 31 December 2017 and £14 million as at 31 December 2016.

## 6.2 **Capital Resources**

As at 31 December 2017, the Group had £2,360 million in cash and cash equivalents, and £782 million of outstanding indebtedness. The Group's interest expense for the year ended 31 December 2017 was £39 million, compared to £43 million for the year ended 31 December 2016 and £32 million for the year ended 31 December 2015.

During the years ended 31 December 2016 and 2015, the Group had an implicit borrowing arrangement with its parent Old Mutual plc under which it could receive funding for liquidity strains in stress scenarios should the need arise. No drawdown on this arrangement was made over the period. In January 2017, the Group established a new internal £200 million revolving credit facility with Old Mutual plc for a two year duration which was subsequently amended in May 2017 to £70 million over the same term.

On 23 February 2018, the Group entered into, and fully drew down on 28 February 2018, the New Term Loan, a £300 million senior unsecured term loan with five relationship banks all participating in an equal share with an opening interest rate of 45 basis points above LIBOR, subject to a margin ratchet linked to the Company's credit rating. The New Term Loan will be repaid in full using proceeds from the sale of the Single Strategy Business following the completion of the OMGI Transaction. On 28 February 2018, the Group issued a £200 million subordinated debt security in the form of a 10-year Tier 2 Bond with a one-time issuer call option after five years to J.P. Morgan Securities plc (the "**Tier 2 Bond Purchaser**"), paying a semi-annual coupon of 4.478%. Including the impact of amortisation of bond set-up costs, the issuance of the Tier 2 Bond will increase operating expenses in the Group's Head Office function by approximately £11 million on an annual basis. The Tier 2 Bond has a Fitch instrument rating of BBB- and has been admitted to trading on the regulated market of the London Stock Exchange. The Tier 2 Bond Purchaser sold the Tier 2 Bond to third party investors on 17 April 2018 following a remarketing exercise conducted by the Tier 2 Bond Purchaser and the Company. In addition, the Group entered into the New Revolving Facility for £125 million. The New Revolving Facility is currently undrawn and is expected to remain undrawn during 2018.

At 31 December 2017, the Group had total gross intercompany indebtedness to other companies within the Old Mutual plc group totalling £782 million, offset by a £16 million receivable. Subsequent to the year-end, and as part of a series of internal transactions, £566 million of intercompany indebtedness to other companies within the Old Mutual plc group has been effectively equitised, with the indebtedness to other companies within the Old Mutual plc group being replaced with equity in the form of share capital and a merger reserve. The overall indebtedness also reduced by £16 million from ordinary course transactions. The remaining £200 million intercompany indebtedness was repaid in full from the new facilities referred to above and from existing cash resources on 28 February 2018. On the same date, the £70 million revolving credit facility with Old Mutual plc was cancelled.

For a description of the Group's financing arrangements, see *Part XVII – "Additional Information— 14. Material Contracts— 14.8 Financing Agreements"* and Note 34 of the Group's historical financial information in *Part XII – "Historical Financial Information"*.

Save as outlined herein, there have been no other material loans made by third parties to the Group and its Major Subsidiaries, or any subsidiary where such loans are material to the Company. Details of all outstanding loan capital are listed as material borrowings of the Company, its Major Subsidiaries or any subsidiary where such loans are material to the Company as at the Last Practicable Date. There are no material loans receivable outstanding made by the Group, its Major Subsidiaries or any subsidiary where such loans are material to the Company, to third parties.

### 6.3 **Capital Expenditures**

Apart from consideration paid in respect of its acquisitions the Group, given the nature of its operations, has no significant capital expenditures other than certain leaseholds and office improvements made in the normal course of business.

### 6.4 **Capital Management**

The Group is subject to Solvency II group supervision. In addition, three life assurance companies based within the EEA (Old Mutual Wealth Life & Pensions Limited, Old Mutual Wealth Life Assurance Limited and Old Mutual International Ireland dac) are subject to Solvency II supervision at an entity level. Solvency II is also the umbrella regime for the Group's consolidated balance sheet; the headline capital ratio reported by the Group is its Solvency II ratio (in which the entities subject to ICAAP are included).

The ICAAP regime principally applies to the entities within the Group's Advice & Wealth Management segment, as well as to OMWL, the part of the Quilter Wealth Solutions business that is not under the Solvency II regime. The ICAAP is used to assess the level of capital which should be retained by the entities to which it applies and is a consolidated assessment of capital requirements for the investment and advice businesses within the Group. The ICAAP considers all of the risks faced by the relevant entities and the degree to which risks have similar or related causes and so could occur together. Capital resources are then allocated appropriately within the entities forming the ICAAP group taking into account the risks faced by each business.

Capital is managed to ensure continued compliance with entity level and group level capital requirements within the above frameworks.

#### 6.4.1 **Regulatory capital in accordance with Solvency II rules**

From 1 January 2016, the regulated insurance entities within the Group operating in the EU have been required to measure and monitor their capital resources under the Solvency II regulatory regime. Following the Quilter Separation, the consolidated Group will also be subject to Solvency II reporting on a group basis.

The Group's capital position under Solvency II is determined by aggregating the assets and liabilities of the Group recognised and measured on a Solvency II basis with the excess of the former over the latter (if any) being "own funds" (reduced by the amount of own shares held). The result of this calculation is compared with the Group's Solvency II solvency capital requirement to determine surplus capital.

While the Group was not required to report on a Solvency II basis as at 31 December 2017, the Group's Solvency II surplus as at 31 December 2017 was £653 million, as compared to £800 million as at 31 December 2016, representing a Solvency II ratio of 155% as at 31 December 2017, compared to 175% as at 31 December 2016, calculated under the standard formula. Surplus capital at individual entity level is assessed for availability to the Group and therefore may be restricted when determining Group own funds.

For the period under review, the estimated solvency capital requirement and corresponding eligible own funds were as follows:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>(£ millions, except where indicated)</i>		
Eligible Own Funds <sup>(1)</sup>	1,768	1,872	1,849
Solvency capital requirements	974	1,072	1,196
Solvency II surplus	794	800	653
<b>Coverage (%)</b>	<b>182</b>	<b>175</b>	<b>155</b>

(1) Includes a £566 million subordinated loan from Old Mutual plc and, as such, represents how the capital position of the Group was presented within the broader Old Mutual plc group. This subordinated loan has been effectively converted to equity after the year-end following the acquisition of Skandia UK. See "—6.4.3 Illustrative regulatory capital position as at 31 December 2017".

#### 6.4.2 EIOPA Solvency II Capital Guidance

The EIOPA has recently published updated guidance regarding the treatment of the Individual Capital Guidance (“ICG”) requirements in investment firms subject to the ICAAP regime. This guidance, which is non-mandatory, applies when calculating the Solvency II capital ratio on a consolidated basis for groups comprising both ICAAP and Solvency II regulated entities. The Group has adopted this treatment for all periods as shown above.

According to the EIOPA guidance, the solvency capital requirement under Solvency II for ICAAP regulated entities should include both the capital requirement from the ICAAP and any requirement imposed by the regulator. The previous methodology used by the Group included the Pillar 1 capital requirement for the ICAAP regulated entities within the Solvency II capital requirement, with the balance between this and the total capital requirement being excluded from both the Solvency II Own Funds and the solvency capital requirement. On a *pro forma* basis, the change in treatment would have increased both Own Funds and the solvency capital requirement by £0.2 billion as at 30 June 2017. As a result, the consolidated Solvency II ratio for the Group of 177% reported as at 30 June 2017 would have been 163% on a *pro forma* consolidated basis. The change in treatment is economically neutral and has no impact on the Solvency II surplus.

#### 6.4.3 Illustrative regulatory capital position as at 31 December 2017

The following illustrative regulatory capital position for Quilter plc as at 31 December 2017 has been prepared to illustrate the impact of the Skandia UK acquisition, the Tier 2 Bond, the New Term Loan and the repayment of the Old Mutual plc loan. For further information on the *pro forma* adjustments, see Part XIII – “Unaudited Pro Forma Financial Information”.

	Quilter plc as at 31 December 2017	Acquisition of Skandia UK	Tier 2 Bond	New Term Loan	Repayment of Old Mutual plc loan	<i>Pro forma</i>
	Note 1	Note 2	Note 3 (£ millions)	Note 4	Note 5	
Eligible Own Funds	1,849	11	200	–	–	2,060
Solvency capital requirements	1,196	2	5	7	(5)	1,205
Solvency II surplus	653	9	195	(7)	5	855
<b>Coverage (%)</b>	<b>155</b>					<b>171</b>

- (1) The financial information as at 31 December 2017 has been extracted without adjustment from the historical financial information set out in Section B of Part XII – “Historical Financial Information” of this Prospectus.
- (2) *Acquisition of Skandia UK from Old Mutual plc:* The Skandia UK Limited group of entities was acquired from Old Mutual plc on 31 January 2018 and comprises seven Old Mutual plc group entities with a net asset value of £591 million. The transfer was financed by the issue of one share, with the balance represented by a merger reserve; no debt was taken on as a result of this transaction. The most significant asset within these entities is a £566 million receivable which corresponds to an equivalent payable within the Group’s statement of financial position. Subsequent to the year-end, a series of transactions were carried out the net effect of which was to replace £566 million of intercompany indebtedness to Old Mutual plc with equity in the form of share capital and a merger reserve.
- (3) *Tier 2 Bond of £200 million:* On 28 February 2018, the Group issued a £200 million subordinated debt security in the form of a 10-year Tier 2 Bond with a one-time issuer call option after five years to J.P. Morgan Securities plc, paying a semi-annual coupon of 4.478%. Including the impact of amortisation of bond set-up costs, the issuance of the Tier 2 Bond will increase operating expenses, which will be reported as part of Head Office, by £11 million on an annual basis. The Tier 2 Bond has a Fitch instrument rating of BBB- and has been admitted to trading on the regulated market of the London Stock Exchange. The Tier 2 Bond Purchaser sold the Tier 2 Bond to third party investors on 17 April 2018 following a remarketing exercise conducted by the Tier 2 Bond Purchaser and the Company.
- (4) *New Term Loan:* On 23 February 2018, the Group entered into, and fully drew down on 28 February 2018, the New Term Loan, a £300 million senior unsecured term loan with a number of lenders with an opening interest rate of 45 basis points above LIBOR subject to a margin ratchet linked to the Company’s credit rating.
- (5) *Repayment of Old Mutual plc loan of £200 million:* As at 31 December 2017, the Group had net payables due to Old Mutual plc of £766 million (representing a gross payable of £782 million offset by a £16 million receivable). The acquisition of Skandia UK Limited (see Note 2 above) in January 2018 reduced this payable by £566 million to £200 million; the remaining £200 million net liability to Old Mutual plc was settled from the new financing arrangements obtained in February 2018 and from existing cash resources.

The Company also expects to receive a further approximately £570 million of additional funds on completion of the disposal of the Single Strategy Business. The New Term Loan will be repaid in full using proceeds from the sale of the Single Strategy Business following the completion of the OMGI Transaction. The Company will consider the use of any surplus proceeds later in 2018, taking into account the costs associated with the sale of the Single Strategy Business, the costs associated with the establishment of the Multi-Asset Business and ongoing business requirements and its dividend policy as described in Part VI – “Business Description”.

#### 6.4.4 Own Risk and Solvency Assessment

The Solvency II directive introduced a requirement for undertakings to conduct an ORSA. The Group defines its ORSA as a series of inter-related activities by which it establishes the quantity and quality of the risks which it seeks to assume; the level and quality of capital required to support those risks; and the actions it will take to achieve and maintain the desired levels of risk and capital.

The assessment considers both the current position and the positions that may arise during the planning horizon of the Group (typically the next three years). It looks at both the expected outcome and the outcome arising when the plan assumptions do not materialise as expected.

The assessments of how much risk to assume and how much capital to hold are inextricably linked. In some situations, it may be desirable to increase the amount of risk assumed or retained in order to make the most efficient use of capital available or else to return excess capital to capital providers. In other situations, where the risks assumed give rise to a capital requirement that is greater than the capital immediately available to support those risks, it will be necessary either to reduce the risk assumed or to obtain additional capital.

The assessment of risk and solvency needs is in principle carried out continuously. In practice, the assessment consists of a range of specific activities and decisions carried out at different times of the year as part of an annual cycle, supplemented as necessary by ad hoc assessments of the impact of external events and developments and of internal business proposals.

Papers are presented to the Board throughout the year dealing with individual elements that make up the ORSA. The information contained in those papers and the associated decisions taken are summarised in an annual ORSA report, which is submitted to the Group's regulators as part of the normal supervisory process. Given its current regulatory permissions and waivers position, the Group currently produces individual ORSAs and capital calculations for each entity in the Group which is required to do so. In December 2017, the Group produced and submitted a Group-level ORSA report for the Company, which incorporated the ORSA entities and the ICAAP group. The Group will produce a Group-level ORSA in the second half of 2018.

## 7. Contractual Obligations and Commitments

The principal contractual obligations that the Group incurs in the ordinary course of business, are in relation to investment contract liabilities and expected claim dates for insurance contracts. Investment contract policyholders have the option to terminate or transfer their contracts at any time and to receive the surrender or transfer value of their policies. Although these liabilities are payable on demand, and are therefore included in the contractual maturity analysis as due in less than three months and more than three months and less than one year, the Group does not expect all these amounts to be paid out within one year of the reporting date.

The following table is a maturity analysis of liability cash flows based on contractual maturity dates for investment contract liabilities and expected claim dates for insurance contracts. The undiscounted cash flows of discretionary participating investment contracts only include amount vested or to be vested, while their carrying amount include reserves that are payable at the discretion of the Group.

As at 31 December 2017						
Undiscounted cash flows						
	Carrying amount	Up to three months	Three months to one year	Between one and five years	More than five years	Total
(£ millions)						
<b>Life assurance policyholder liabilities</b>						
<b>Insurance contracts</b>	<b>489</b>	<b>15</b>	<b>8</b>	<b>34</b>	<b>855</b>	<b>912</b>
Life assurance policyholder liabilities	480	6	8	34	855	903
Outstanding claims	9	9	–	–	–	9
<b>Investment contracts</b>						
Unit-linked investment contracts and similar contracts	59,139	59,139	–	–	–	59,139
<b>Total policyholder liabilities</b>	<b>59,628</b>	<b>59,154</b>	<b>8</b>	<b>34</b>	<b>855</b>	<b>60,051</b>



## 8. **Contingent Liabilities**

For a discussion of the Group's contingent liabilities, see Note 39 of the Group's historical financial information included in *Part XII – "Historical Financial Information"*.

## 9. **Market Risk Disclosure**

Market risk is the risk of a financial impact arising from the changes in values of financial assets or financial liabilities from changes in equity, bond and property prices, interest rates and foreign exchange rates. Market risk arises differently across the Group's businesses depending on the types of financial assets and liabilities held.

The Group has developed market risk policies which set out the market risk management governance framework, permitted and prohibited market risk exposures, maximum limits on market risk exposures, management information and stress testing requirements which are used to monitor and manage market risk. These policies are cascaded to business units across the Group. Each of the Group's business units has their own established set of policies, principles and governance processes to monitor and manage market risk within their individual businesses and in accordance with their local regulatory requirements. Group-level governance and monitoring processes provide oversight of these individual approaches to the management of market risk.

The financial impact of extensive movements in market risk other than those that could be reasonably expected is examined through scenario testing. The sensitivity of future earnings to the level and performance of investment markets is monitored through sensitivity analyses performed for business planning. The sensitivity of the Group's earnings, capital position and embedded value to market risk is monitored through the Group's embedded value and risk appetite reporting processes.

Market risk arises from exposure to movements in interest rates, equity and property values and foreign exchange rates.

### 9.1 **Insurance operations**

For the Group's insurance operations, equity, property, volatility and interest rate risk exposure to capital and to earnings are quantified in accordance with the Group's risk appetite framework.

For the Group's unit-linked assurance operations, policyholders carry the full market risk, with the only risk to the Group being asset-based fee risk from charges on policyholder funds. In respect of the Group's shareholders' funds, market risk is addressed in the Group's investment policy, which provides for very limited opportunity for entities to invest their shareholder capital in equities and other volatile assets.

### 9.2 **Equity and property price risk**

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

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

The above exposures are not material. Due to the nature of the investments held there is no material exposure to equity and property price risk on non-linked term assurance policyholder assets.

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

	As at 31 December		
	2015	2016	2017
	(£ millions)		
<b>Impact on profit after tax</b>			
Impact of 10% increase in equity and property prices	29	30	32
Impact of 10% decrease in equity and property prices	(29)	(31)	(31)

### 9.3 **Interest rate risk**

Interest rate risk arises primarily from investment in fixed interest government securities, which are exposed to fluctuations in interest rates and bank balances held with financial institutions.

Fixed interest government securities are held to match liabilities for non-linked protection business determined on an IFRS basis. Therefore, on an IFRS basis there is no material exposure to interest rate movements.

A rise in interest rates would also cause an immediate fall in the value of investments in fixed income securities within unit-linked funds, resulting in a short term fall in fund based fees.

Exposure of the IFRS income statement and statement of financial position equity to interest rates are summarised in sensitivities later within this section.

### 9.3.1 *Interest rate sensitivity testing*

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

A 1% rise in interest rates would impact the value of linked funds and therefore impact the fee income that is based on the market value of the investments held for the policyholders. Linked funds would move in value by around 2% as a shift of 1% in gilt yields moves gilt market values by 10%, but only 20% of linked assets are gilts. In previous years, gilts backing free capital and sterling reserves were held for regulatory purposes (£76 million in the year ended 31 December 2015) and these were subject to market movements, although the sterling reserves themselves were not included in the IFRS financial statements. These gilts are no longer required due to regulatory changes effective from 2016.

Perfect matching has been assumed for insurance contracts so that any movement in asset values is balanced by a movement in the insurance provision.

	As at 31 December		
	2015	2016	2017
	<i>(£ millions)</i>		
<b>Impact on profit after tax</b>			
Impact of 1% increase in interest rates	12	16	20
Impact of 1% decrease in interest rates	(13)	(12)	(10)

### 9.4 *Currency translation risk*

The Group is exposed to movements in exchange rates from changes in the Sterling value of surplus assets and earnings on underlying invested funds denominated in foreign currencies. From a capital perspective, the Group's capital is held where its risks are located and currency translation risk would only be realised if the Group were to require a transfer of surplus capital between regions during a period of stress. The functional currencies of the Group's principal overseas operations are euros and Hong Kong dollars.

Certain of the Groups' business operations may undertake activities that are not in their functional currencies. These activities are economically hedged by numerous activities such as the use of currency swaps, currency borrowings and forward foreign exchange contracts.

The foreign currency translation table below has been prepared on the basis that the values of the economic hedging instruments are reflected at their carrying value as opposed to their notional amounts. The tables are therefore a reflection of the foreign currency exposures in their respective currencies. Each currency is actively managed and compared with appropriate limits. The Group does not have significant concentrations of foreign currency risk exposure.

At the dates indicated below, the Group's total shareholders' equity deployed by currency was:

	As at 31 December					
	<i>(£ millions)</i>					
	GBP	EUR	USD	SEK	Other	Total
Shareholders' equity at 31 December 2017	891	7	173	21	7	1,099
Shareholders' equity at 31 December 2016	779	179	12	19	3	992
Shareholders' equity at 31 December 2015	764	148	(15)	10	6	913

## 9.5 **Liquidity risk**

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Ultimate responsibility for liquidity risk management rests with the Board, which has built an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity requirements. The Group manages liquidity by maintaining adequate reserves and banking facilities, continuously monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities. Individual businesses separately maintain and manage their local liquidity requirements according to their business needs, within the overall liquidity framework established by the Group.

The Group continues to meet Group and individual entity capital requirements, and day-to-day liquidity needs through the Group's available cash resources and, if necessary, available credit facilities. The Group's liquid resources are held in large portfolios of highly marketable securities, for example listed bonds, actively traded pooled investments and cash and cash equivalents. Whilst most of the Group's policyholder liabilities are generally repayable on demand, the Group's expectation is that policyholders will only require funds on an ongoing basis. However, cash resources and other liquid assets are maintained in the event of a need for additional liquidity. Information on the nature of the investments and securities held is given in Note 22 of the Group's historical financial information in *Part XII – "Historical Financial Information"*.

During the years ended 31 December 2016 and 2015, the Group had an implicit borrowing arrangement with its parent Old Mutual plc where it could receive funding for liquidity strains in stress scenarios should the need arise. No drawdown on this arrangement was made over the period. In January 2017, the Group established a new internal £200 million revolving credit facility with Old Mutual plc for a two year duration which was subsequently amended in May 2017 to £70 million over the same term. Further details, together with information on the Group's borrowed funds, are given in Note 34 of the Group's historical financial information in *Part XII – "Historical Financial Information"*.

The key information reviewed by the Group's Executive Directors and Executive Committee, together with the Group's Capital Management Forum, is a detailed management report on the Group's and holding company's current and planned capital and liquidity position, together with summary information on the current and planned liquidity positions of the Group's operating segments. Forecasts are updated regularly based on new information received and also as part of the Group's annual business planning cycle. The Group and holding company's liquidity and capital position and forecast are presented to the Group's Board of Directors on a regular basis. Additionally the Group conducts regular stress testing around liquidity requirements.

Group operating segments are required, both in terms of their local requirements and in accordance with direction from the holding company, to establish their own processes for managing their liquidity and capital needs and these are subject to review by their local oversight functions, with representation from the Group.

The Group does not have material liquidity exposure to special purpose entities or investment funds. The contractual maturities of the Group's financial liabilities are set out above in the section entitled "*— 8. Contractual Obligations and Commitments*".

## 9.6 **Operational risk**

Operational risk is the risk that failure of people, processes, systems or external events results in financial loss, damage to brand/reputation or adverse regulatory intervention or government or regulatory fine.

Operational risk includes all risks resulting from operational activities, excluding risks already described above and excluding strategic risks and risks resulting from being part of a wider group of companies.

Operational risk includes the effects of failure of the administration processes, IT maintenance and development processes, investment processes (including settlements with fund managers, fund pricing and matching & dealing), product development and management processes, legal risks (e.g. risk of inadequate legal contract with third parties), risks relating to the relationship with third party suppliers, and the consequences of financial crime and business interruption events.

The management have primary responsibility for the identification, management and monitoring of risks, and escalation and reporting on issues to executive management and group management.

The company executive management have responsibility for implementing the Group risk management methodologies and framework and for development and implementation of action plans to manage risk levels within acceptable tolerances and resolve issues.

## 9.7 **Investment contract risk**

Investment contract risk arises through the exposure to unfavourable operating experience in respect of factors such as persistency levels and management expenses relative to the Group's expectations when pricing contracts, which may prevent the Group from achieving its profit objectives.

The financial impact of persistency and expense risks is examined through stress tests carried out within the ICAAP.

## 10. Critical Accounting Policies, Judgements and Key Sources of Estimation Uncertainty

The preparation of financial statements requires management to exercise judgement in applying accounting policies and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Critical accounting estimates and judgements are those that involve the most complex or subjective assessments and assumptions. Management uses its knowledge of current facts and circumstances and applies estimation and assumption setting techniques that are aligned with relevant actuarial and accounting guidance to make predictions about future actions and events. Actual results may differ significantly from those estimates.

The Group Audit Committee reviews the reasonableness of judgements and assumptions applied and the appropriateness of significant accounting policies adopted in the preparation of these financial statements.

The significant accounting policies used in the preparation of the Group's consolidated financial statements are set out and described in Note 4 of the Group's historical financial information and have been applied consistently to the periods under review, unless otherwise stated. The Group has not made any significant changes to its accounting policies in the year ended 31 December 2017.

The areas where judgements, estimates and assumptions have the most significant effect on the amounts recognised in the consolidated financial statements are summarised below.

### 10.1 Consolidation

Assessment of whether the Group controls underlying entities (invested) including investment funds, based on whether the Group has power over the investee; exposure or rights to variable returns from its involvement with the investee; and, the ability to affect those returns through the power over the investee. For additional information on the Group's related accounting policies, see Note 4.1 to the Group's historical financial information in *Part XII – "Historical Financial Information"*.

### 10.2 Insurance contracts – recognition and measurement

The recognition and measurement of insurance contracts requires an assessment of the significance of insurance risk transferred to the Group in determining whether a contract should be classified (and accounted for) as an insurance or investment contract. Measurement involves significant use of assumptions including mortality, morbidity, persistency, expense valuation and interest rates. For additional information on the Group's related accounting policies, see Notes 4.3 and 4.9 to the Group's historical financial information in *Part XII – "Historical Financial Information"*.

### 10.3 Provisions and contingent liabilities

In assessing whether a provision should be recognised or a contingent liability disclosed, the Group evaluates the likelihood of a constructive or legal obligation to settle an event that took place in the past and whether a reliable estimate can be made. The amount of provision is calculated, based on the Group's estimation of the expenditure required to settle the obligation at the statement of financial position date. For additional information on the Group's related accounting policies, see Note 4.17 to the Group's historical financial information in *Part XII – "Historical Financial Information"*.

### 10.4 Tax

The calculation and recognition of temporary differences resulting in deferred tax balances includes judgement to the extent to which future taxable profits are available against which temporary differences can be utilised. The estimation of future taxable profits is performed as part of the annual business planning process, and is based on estimated levels of assets under management, 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. For additional information on the Group's related accounting policies, see Note 4.14 to the Group's historical financial information in *Part XII – "Historical Financial Information"*.

### 10.5 Goodwill and other intangible assets

The valuation of intangible assets that are recognised as the result of a business combination involves the use of valuation models. In relation to goodwill impairment, the determination of a cash generating unit's recoverable value is based on the discounted value of the expected future profits of each business. Significant estimates include forecast cash flows, new business growth and discount rates. Other intangible assets are tested for impairment using an income approach method using estimates such as forecast cash flows and discount rate. For additional information on the Group's related accounting policies, see Note 4.15 to the Group's historical financial information in *Part XII – "Historical Financial Information"*.

## 11. Recent and Prospective Changes in Accounting Policies

Recent and prospective changes in accounting policies are also explained in Note 3 to the Group's historical financial information in *Part XII – "Historical Financial Information"*.

### 11.1 **IFRS 9 (Financial Instruments)**

IFRS 9: Financial Instruments was issued in July 2014 and will replace IAS 39: Financial Instruments: Recognition and Measurement. The standard is effective and will be implemented by the Group from 1 January 2018. The final version of this standard incorporates amendments to classification and measurement, hedge accounting guidance, as well as the accounting requirements for the impairment of financial assets measured at amortised cost and fair value through other comprehensive income (FVOCI). IFRS 9's enhanced disclosure requirements will result in improved credit risk disclosures and increased transparency with respect to impairment judgements and estimates.

As permitted by the transitional provisions of IFRS 9, the Group has elected not to restate comparative figures. Any adjustments to the carrying amount of financial assets and financial liabilities at the date of transition will be recognised in the opening retained earnings and other reserves at 1 January 2018. The Group has elected to continue to apply the hedge accounting requirements of IAS 39 on adoption of IFRS 9.

#### 11.1.1 **Classification and measurement of financial assets and liabilities**

Financial assets are classified based on (i) the business model within which the financial assets are held and managed and (ii) the contractual cash flow characteristics of the financial assets, whether the cash flows represent 'solely payments of principal and interest'.

Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold those assets for the purpose of collecting contractual cash flows and those cash flows comprise solely payments of principal and interest ('hold to collect' business model).

Financial assets are measured at fair value through other comprehensive income ("FVOCI") if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and those contractual cash flows comprise solely payments of principal and interest ('hold to collect and sell' business model). Movements in the carrying amount of these financial assets should be taken through other comprehensive income ("OCI"), except for impairment gains or losses, interest revenue and foreign exchange gains or losses, which are recognised in profit or loss. Where the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

The remaining financial assets are measured at fair value through profit or loss ("FVTPL"). All derivative instruments that are either financial assets or financial liabilities are held for trading and as such will continue to be measured at fair value through profit and loss.

The accounting for financial liabilities is largely unchanged, except for financial liabilities designated at FVTPL. Changes in the fair value of these financial liabilities that are attributable to the Group's own credit risk are recognised in OCI. Where the financial liability is derecognised, the cumulative gain or loss previously recognised in OCI is not reclassified from equity to profit or loss. However, it may be reclassified within equity.

For equity investments that are neither held for trading nor contingent consideration, the Group may irrevocably elect to present subsequent changes in fair value of these equity investments in OCI. Where the equity investment is derecognised, the cumulative gain or loss previously recognised in OCI is not reclassified from equity to profit or loss. However, it may be reclassified within equity. Alternatively where the Group does not make the aforementioned election, fair value changes are recognised in profit or loss. This election is made on an investment by investment basis.

Based on the assessment of financial assets at 31 December 2017, the Group does not expect the impact of the changes to classification and measurement of financial assets to be significant to the Group's statement of financial position and performance.

#### 11.1.2 **Impairment of financial assets**

Under IFRS 9 impairment is determined based on an expected credit loss ("ECL") model rather than the current incurred loss model required by IAS 39. The Group will be required to recognise an allowance for either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition.

The measurement of ECLs reflects a probability-weighted outcome, the time value of money and the entity's best available forward-looking information. The aforementioned probability-weighted outcome must consider the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is low.

The ECL model applies to financial assets measured at amortised cost and FVOCI, lease receivables and certain loan commitments as well as financial guarantee contracts.

The IFRS 9 Impairment Implementation continued to progress during 2017. The following were the main areas of focus for 2017:

- Development, build and testing of impairment models with respect to financial assets held at amortised cost or FVOCI;
- Finalisation of the reporting and disclosure framework, and completion of the supporting business rules; and
- Documentation and implementation of the relevant control environment and related governance processes.

Significant development in the above areas facilitated the performance of a parallel run for the majority of the Group's significant holdings of financial assets held at amortised cost or FVOCI during the latter part of 2017.

Key assumptions and judgements applied in relation to the new impairment model are summarised below:

- *Cash at bank* – no ECL allowance is recognised, as deposits are held with banks with medium to high quality credit ratings and credit risk is considered to be minimal.
- *Inter-company loans* – no ECL allowance is recognised as these balances are internal to the Group and credit risk is considered to be low.
- *Loans and advances* – methodology is based on approach, whereby historical data is extrapolated forward to derive a 12 month ECL allowance and then monitored for increases in credit risk which may trigger the recognition of a Lifetime ECL.
- *Other assets (trade receivables)* – simplified approach is adopted, whereby a Lifetime ECL is recognised immediately and there is no need to track for any increases in credit risk.

The Group has estimated that the impact of adopting IFRS 9's ECL model has an immaterial transitional impact on the Group's opening retained earnings at 1 January 2018. These estimates are based on accounting policies, assumptions, judgements and estimation techniques which will be regularly reviewed and assessed during the year in preparation for the financial statements for the year ending 31 December 2018.

### 11.2 **IFRS 15 (Revenue from Contracts with Customers) (endorsed by the European Union)**

IFRS 15 replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with clients, unless the contracts are in the scope of the standards on leases, insurance contracts and financial instruments. The core principle of the standard is that revenue recognised reflects the consideration to which the Group expects to be entitled in exchange for the transfer of promised goods or services to the client. The standard incorporates a five-step analysis to determine the amount and timing of revenue recognition.

The standard is effective for the Group for the financial year commencing 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of adoption will be recognised in retained earnings as of 1 January 2018.

The Group performed an assessment to determine the potential impact of the new standard on the Group's statement of financial position and performance. The Group considered the five-step analysis prescribed by the standard. It also took into account the different types of contracts it has with its customers, the corresponding types of services provided to customers and when these service obligations are satisfied. In addition, the Group considered the types of fee income generated across all products from the contracts with its customers and when the fee income is recognised. This impact assessment concluded that IFRS 15 will have minimal effect on the Group.

An increased level of disclosure is required by IFRS 15 which will include qualitative and quantitative information about the Group's contracts with customers, significant judgements made and changes in those judgements. IFRS 15 also introduces standard definitions and will require additional information about contract costs (previously known as Deferred Acquisition Costs from non-insurance contracts), contract assets (previously known as Accrued Income from contracts with customers), and contract liabilities (previously known as Deferred Fee Income from contracts with customers).

### 11.3 **IFRS 16 (Leases) (endorsed by the European Union)**

IFRS 16 was issued in January 2016 and replaces IAS 17 Leases and its related interpretations for reporting periods beginning on or after 1 January 2019.

The Group as lessee: IFRS 16 introduces a 'right of use' model whereby the lessee recognises a right-of-use asset and an associated financial obligation to make lease payments for all leases with a term of more than 12 months.

The asset will be amortised over the lease term and the financial liability measured at amortised cost with interest recognised in profit and loss using the effective interest rate method.

The Group as lessor: IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify and account for its leases as operating leases or finance leases.

The Group is in the process of assessing the impact of IFRS 16 and which transitional approach will be used. The Group's operating lease commitment note (Note 41) provides an indication of the impact on an undiscounted basis where the Group is the lessee.

#### **11.4 IFRS 17 (Insurance contracts) (yet to be endorsed by the European Union)**

The IASB issued IFRS 17 in May 2017 as a replacement for IFRS 4 Insurance Contracts.

The new IFRS 17 standard is effective for reporting periods beginning on or after 1 January 2021. The new rules will affect the financial statements and key performance indicators of companies that issue insurance contracts or investment contracts with discretionary participation features.

The Group will commence assessing the impact of IFRS 17 in 2018.

There are no other new standards, interpretations and amendments to existing standards that have been published and are expected to have a significant impact on the consolidated financial statements of the Group.

## PART XI CAPITALISATION AND INDEBTEDNESS

The tables below set out the capitalisation and indebtedness of the Group, prepared under IFRS using policies which are consistent with those used in preparing the Group's historical financial information set out in Section B of *Part XII – "Historical Financial Information"*.

The capitalisation information has been extracted, without material adjustment, from the unaudited accounting records of the Group as at 28 February 2018.

You should read this table together with *Part X – "Operating and Financial Review"* and *Part XII – "Historical Financial Information"*.

<b>As at 28 February 2018</b>	
<i>(£ in millions)</i>	
<b>Gross financial indebtedness</b>	
<b>Total current debt<sup>(1)</sup></b>	
Guaranteed	–
Secured	–
Unguaranteed/unsecured	300
	300
<b>Total non-current debt<sup>(2)</sup></b>	
Guaranteed	–
Secured	–
Unguaranteed/unsecured	200
	200
<b>Total</b>	<b>500</b>
<b>As at 28 February 2018</b>	
<i>(£ in millions)</i>	
<b>Shareholders' equity<sup>(3)</sup></b>	
Share capital	130
Share premium	58
Merger reserve	591
Other reserves	42
<b>Total</b>	<b>821</b>

(1) Current debt includes a £300 million senior unsecured term loan to be repaid in full using proceeds from the sale of the Single Strategy Business following the completion of the OMGI Transaction.

(2) Non-current debt includes a £200 million subordinated debt security in the form of a 10-year Tier 2 Bond with a one-time issuer call option after five years.

(3) Shareholders' equity does not include the profit and loss account reserve.

The Group has indirect or contingent liabilities relating to tax, implications of managed separation and consumer protection, as described in *Part XII – "Historical Financial Information"*.



At 31 December 2017 the Group had total gross indebtedness of £782 million and total shareholders' equity of £227 million (not including the profit and loss account reserve). The following material changes in the Group's capitalisation and indebtedness have taken place since 31 December 2017:

- As part of a series of internal transactions, £566 million of intercompany indebtedness to other companies within the Old Mutual plc group has been effectively equitised, with the indebtedness to other companies within the Old Mutual plc group being replaced with equity in the form of share capital and a merger reserve. This was associated with the acquisition of the Skandia UK Limited group of companies from Old Mutual plc on 31 January 2018, comprising seven Old Mutual plc group entities with net asset value of £591 million. The overall indebtedness also reduced by £16 million from ordinary course transactions. The remaining £200 million intercompany indebtedness was repaid in full from the new facilities referred to below and from existing cash resources on 28 February 2018.
- On 23 February 2018, the Group entered into, and fully drew down on 28 February 2018, the New Term Loan, a £300 million senior unsecured term loan with a number of relationship banks with an opening interest rate of 45 basis points above LIBOR subject to a margin ratchet linked to the Company's credit rating. The New Term Loan will be repaid in full using proceeds from the sale of the Single Strategy Business following the completion of the OMGI Transaction.
- On 28 February 2018, the Group issued a £200 million subordinated debt security in the form of a 10-year Tier 2 Bond with a one-time issuer call option after five years to J.P. Morgan Securities plc, paying a semi-annual coupon of 4.478%.
- In addition, the Group entered into the New Revolving Facility, a £125 million revolving credit facility which is currently undrawn and is expected to remain undrawn during 2018. On the same date, the £70 million revolving credit facility with Old Mutual plc was cancelled.

All the above transactions were completed on or before 28 February 2018 and there have been no material changes in the Group's capitalisation and indebtedness since this date.

---

## PART XII

### HISTORICAL FINANCIAL INFORMATION

---

#### SECTION A – ACCOUNTANTS’ REPORT ON THE GROUP’S HISTORICAL FINANCIAL INFORMATION

The Directors

Quilter plc  
Millennium Bridge House  
2 Lambeth Hill  
London  
EC4V 4AJ  
20 April 2018  
Ladies and Gentlemen

#### **Quilter plc**

We report on the financial information set out on pages 183 to 299 for the three years ended 31 December 2017. This financial information has been prepared for inclusion in the prospectus dated 20 April 2018 of Quilter plc on the basis of the accounting policies set out in Note 4. This report is required by paragraph 20.1 of Annex I of the Prospectus Directive Regulation and is given for the purpose of complying with that paragraph and for no other purpose.

#### **Responsibilities**

The Directors of Quilter plc are responsible for preparing the financial information on the basis of preparation set out in Note 1 to the financial information and in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

#### **Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

#### **Opinion on financial information**

In our opinion, the financial information gives, for the purposes of the prospectus dated 20 April 2018, a true and fair view of the state of affairs of Quilter plc as at 31 December 2015, 2016 and 2017 and of its profits, cash flows, recognised gains and losses and changes in equity for the years ended 31 December 2015, 2016 and 2017 in accordance with the basis of preparation set out in Note 1 and in accordance with International Financial Reporting Standards as adopted by the European Union as described in Note 1 and Note 4.

#### **Declaration**

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG LLP  
Chartered Accountants  
15 Canada Square  
London  
E14 5GL  
20 April 2018

## SECTION B – THE GROUP’S HISTORICAL FINANCIAL INFORMATION

### CONSOLIDATED HISTORICAL FINANCIAL INFORMATION AS AT AND FOR THE THREE YEARS ENDED 31 DECEMBER 2015, 2016 AND 2017

#### CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

		£m		
	Notes	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
<b>Revenue</b>				
Gross earned premiums		148	141	135
Premiums ceded to reinsurers		(88)	(84)	(81)
Net earned premiums		60	57	54
Fee and commission income, and income from service activities	8(a)	895	803	816
Net investment income	8(b)	5,195	6,310	1,166
Other income		13	17	2
<b>Total revenue</b>		<b>6,163</b>	<b>7,187</b>	<b>2,038</b>
<b>Expenses</b>				
Claims and benefits paid		(76)	(72)	(77)
Reinsurance recoveries		54	51	56
Net insurance claims and benefits incurred		(22)	(21)	(21)
Change in reinsurance assets and liabilities	25(c)	85	119	40
Change in insurance contract liabilities		(78)	(125)	(32)
Change in investment contract liabilities		(4,308)	(5,522)	(949)
Fee and commission expenses, and other acquisition costs	9(a)	(320)	(299)	(362)
Change in third party interest in consolidated funds		(673)	(575)	(76)
Other operating and administrative expenses	9(b)	(816)	(654)	(565)
Finance costs	10	(39)	(43)	(32)
<b>Total expenses</b>		<b>(6,171)</b>	<b>(7,120)</b>	<b>(1,997)</b>
Profit on the acquisition and re-measurement of subsidiaries	7(c)	3	–	–
<b>(Loss)/Profit before tax</b>		<b>(5)</b>	<b>67</b>	<b>41</b>
Tax expense attributable to policyholders’ funds		(49)	(102)	7
<b>(Loss)/Profit before tax attributable to shareholders’ profits</b>		<b>(54)</b>	<b>(35)</b>	<b>48</b>
Income tax expense	13(a)	(41)	(94)	16
Less: tax attributable to policyholders’ funds		49	102	(7)
Tax attributable to shareholders’ funds		8	8	9
<b>(Loss)/Profit after tax from continuing operations</b>		<b>(46)</b>	<b>(27)</b>	<b>57</b>
Profit after tax from discontinued operations	5(d)	203	62	28
<b>Profit for the year after tax</b>		<b>157</b>	<b>35</b>	<b>85</b>

£m

	Notes	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
Attributable to:				
<b>Equity holders of the Parent Company</b>		<b>157</b>	<b>35</b>	<b>85</b>
<b>Earnings per ordinary share on profit attributable to ordinary shareholders of the Parent Company</b>				
<b>Basic</b>				
From continuing operations (pence)		<b>(35.4)</b>	(20.8)	43.9
From discontinued operations (pence)	5(d)	<b>156.2</b>	47.7	21.5
	14(a)	<b>120.8</b>	26.9	65.4
<b>Diluted</b>				
From continuing operations (pence)		<b>(35.4)</b>	(20.8)	43.9
From discontinued operations (pence)	5(d)	<b>156.2</b>	47.7	21.5
	14(b)	<b>120.8</b>	26.9	65.4

The attached notes on pages 192 to 299 form an integral part of these consolidated financial statements.

# **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2017

£m

	Notes	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
<b>Profit for the year</b>		<b>157</b>	<b>35</b>	85
<b>Other comprehensive income:</b>				
<i>Items that may be reclassified subsequently to income statement</i>				
Exchange gains/(losses) on translation of foreign operations		–	23	(8)
Other comprehensive income/(expenses) for the year		3	(2)	–
		3	21	(8)
<i>Items that will not be reclassified subsequently to income statement</i>				
Measurement movements on defined benefit plans		–	(1)	(1)
		–	(1)	(1)
<b>Total other comprehensive income, net of tax</b>	16	<b>3</b>	<b>20</b>	<b>(9)</b>
<b>Total comprehensive income for the year</b>		<b>160</b>	<b>55</b>	<b>76</b>
Attributable to:				
<b>Equity holders of the Parent Company</b>		<b>160</b>	<b>55</b>	<b>76</b>

The attached notes on pages 192 to 299 form an integral part of these consolidated financial statements.

# RECONCILIATION OF GROUP OPERATING PROFIT TO PROFIT AFTER TAX

£m

	Notes	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
<b>Operating profit before tax attributable to shareholders' profits</b>				
Advice and Wealth Management		82	55	54
Wealth Platforms		158	140	181
Head Office		(31)	(18)	(14)
<b>Operating profit before tax attributable to shareholders' profits</b>	6(b)	<b>209</b>	177	221
<b>Reconciliation of Group operating profit to profit after tax</b>				
Adjusting for the following:				
Impairment of goodwill and impact of acquisition accounting <sup>1</sup>		(54)	(52)	(57)
Profit on the acquisition and re-measurement of subsidiaries		3	–	–
Business transformation costs		(89)	(102)	(96)
Managed separation costs		(32)	(7)	–
Group debt costs and other interest		(39)	(43)	(32)
Policyholder tax adjustments		17	(8)	12
Voluntary customer remediation provision		(69)	–	–
<b>Total non-operating adjusting items before tax</b>	7(a)	<b>(263)</b>	(212)	(173)
<b>(Loss)/Profit before tax attributable to shareholders' profits</b>		<b>(54)</b>	(35)	48
Income tax attributable to policyholder returns		49	102	(7)
<b>(Loss)/Profit before tax</b>		<b>(5)</b>	67	41
Income tax expense on continuing business	13(b)	(41)	(94)	16
<b>(Loss)/Profit after tax from continuing operations</b>		<b>(46)</b>	(27)	57
Profit after tax from discontinued operations	5(d)	203	62	28
<b>Profit for the year after tax</b>		<b>157</b>	35	85

## Operating profit after tax attributable to ordinary equity holders of the parent company

£m

	Notes	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
<b>Operating profit before shareholder tax</b>		<b>209</b>	177	221
Shareholder tax on operating profit	13(c)	(14)	(28)	(24)
<b>Operating profit after tax attributable to ordinary equity holders of the Parent Company</b>	14(c)	<b>195</b>	149	197
Adjusted weighted average number of ordinary shares used to calculate operating earnings per share (millions)	14(c)	130	130	130
<b>Operating earnings per share (pence)</b>	14(c)	<b>150.0</b>	114.6	151.5

(1) Impairment of goodwill and impact of acquisition accounting represents acquisition costs less the amortisation of intangible assets acquired by the Group, in relation to policies sold by acquired businesses pre-acquisition.

## **BASIS OF PREPARATION OF OPERATING PROFIT**

Operating profit reflects the directors' view of the underlying performance of the Group and is used for management decision making and internal performance management. It is the profit measure presented in the Group's segmental reporting. Operating profit is a non-GAAP measure which adjusts the IFRS profit for specific agreed items as detailed in note 7(a): Operating profit adjusting items.

Operating profit excludes the impairment of goodwill; amortisation and impairment of other intangibles acquired in business combinations; the profit or loss on disposal and re-measurement of subsidiaries, joint ventures and associates; integration and restructuring costs; costs related to business transformation, in particular the development of our new platform capability and outsourcing of UK business administration; policyholder tax adjustments on non-operating items; and customer remediation provisions.

Execution of the Group's strategy of managed separation from Old Mutual plc is expected to entail a number of significant costs that may be regarded as non-operating, or one-off in nature. These costs are recognised within IFRS profit and excluded from operating profit.

Operating earnings applied in the calculation of operating earnings per share is calculated based on operating profit after tax. The calculation of the adjusted weighted average number of shares includes own shares held in policyholders' funds.

The attached notes on pages 192 to 299 form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

£m

For the year ended 31 December 2017	Notes	Share capital	Share premium	Share- based payments reserve	Other reserves	Foreign currency translation reserve	Retained earnings	Total shareholders' equity
<b>Balance at 1 January 2017</b>		130	–	75	3	2	782	992
<b>Total comprehensive income</b>								
Profit for the year		–	–	–	–	–	157	157
Other comprehensive income/(expense)	16	–	–	–	–	–	3	3
		–	–	–	–	–	160	160
<b>Transactions with the owners of the Company</b>								
Dividends	15	–	–	–	–	–	(210)	(210)
Issue of share capital	29	200	58	–	–	–	–	258
Reduction of share capital	29	(200)	–	–	–	–	200	–
Movement in treasury shares <sup>1</sup>		–	–	–	–	–	(99)	(99)
Equity share-based payment transactions <sup>2</sup>		–	–	(36)	–	–	31	(5)
<b>Total contributions and distributions</b>		–	58	(36)	–	–	(78)	(56)
<b>Changes in shareholders' interests in subsidiaries</b>		–	–	(1)	(2)	(2)	8	3
<b>Total transactions with the owners of the Company</b>		–	58	(37)	(2)	(2)	(70)	(53)
<b>Balance at 31 December 2017</b>		130	58	38	1	–	872	1,099

(1) Movement in treasury shares includes £99m of treasury shares within the JSOP Trust that transferred from Old Mutual plc to the Company during 2017. See note 30(e) for further details.

(2) Equity share-based payment transactions include a £31 million transfer to retained earnings representing share-based payment schemes that have fully vested.



£m

For the year ended 31 December 2016	Notes	Share capital	Share premium	Share- based payments reserve	Other reserves	Foreign currency translation reserve	Retained earnings	Total shareholders' equity
<b>Balance at 1 January 2016</b>		130	–	51	10	(1)	723	913
<b>Total comprehensive income</b>								
Profit for the year	16	–	–	–	–	–	35	35
Other comprehensive income/(expense)		–	–	–	–	3	17	20
		–	–	–	–	3	52	55
<b>Transactions with the owners of the Company</b>								
Equity share-based payment transactions		–	–	24	–	–	–	24
<b>Total contributions and distributions</b>		–	–	24	–	–	–	24
<b>Changes in shareholders' interests in subsidiaries</b>		–	–	–	(7)	–	7	–
<b>Total transactions with the owners of the Company</b>		–	–	24	(7)	–	7	24
<b>Balance at 31 December 2016</b>		130	–	75	3	2	782	992

£m

For the year ended 31 December 2015	Notes	Share capital	Share premium	Share- based payments reserve	Other reserves	Foreign currency translation reserve	Retained earnings	Total shareholders' equity
<b>Balance at 1 January 2015</b>		130	–	28	10	(1)	713	880
<b>Total comprehensive income</b>								
Profit for the year	16	–	–	–	–	–	85	85
Other comprehensive income/(expense)		–	–	–	–	–	(9)	(9)
		–	–	–	–	–	76	76
<b>Transactions with the owners of the Company</b>								
Dividends	15	–	–	–	–	–	(24)	(24)
Equity costs associated with the acquisition of Quilter Cheviot Limited		–	–	–	–	–	(42)	(42)
Equity share-based payment transactions		–	–	23	–	–	–	23
<b>Total contributions and distributions</b>		–	–	23	–	–	(66)	(43)
<b>Total transactions with the owners of the Company</b>		–	–	23	–	–	(66)	(43)
<b>Balance at 31 December 2015</b>		130	–	51	10	(1)	723	913

The attached notes on pages 192 to 299 form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

£m

	Notes	At 31 December 2017	At 31 December 2016	At 31 December 2015
<b>Assets</b>				
Goodwill and other intangible assets	17	574	654	670
Property, plant and equipment	18	18	18	19
Investments in associated undertakings		3	1	1
Loans and advances	19	199	220	190
Financial investments	20	64,248	52,235	49,294
Reinsurers' share of policyholder liabilities	25	2,908	2,863	2,507
Deferred tax assets	33	22	8	8
Current tax receivable		–	20	27
Trade, other receivables and other assets	26	497	794	716
Deferred acquisition costs	27	611	655	768
Derivative assets	21	87	26	971
Cash and cash equivalents	28	2,360	1,595	1,601
Assets of operations classified as held for sale	5(g)	446	6,396	–
<b>Total assets</b>		<b>71,973</b>	<b>65,485</b>	<b>56,772</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Ordinary share capital	29	130	130	130
Ordinary share premium reserve	29	58	–	–
Other reserves		39	80	60
Retained earnings		872	782	723
<b>Total equity</b>		<b>1,099</b>	<b>992</b>	<b>913</b>
<b>Liabilities</b>				
Long-term business insurance policyholder liabilities	31	489	417	293
Investment contract liabilities	31	59,139	51,265	49,041
Third party interests in consolidated funds		7,905	4,140	3,311
Provisions and accruals	32	104	29	35
Deferred tax liabilities	33	190	179	152
Current tax payable		38	20	13
Borrowings	34	782	839	786
Trade, other payables and other liabilities	35	1,331	1,024	938
Deferred revenue	36	244	261	312
Derivative liabilities	21	433	56	978
Liabilities of operations classified as held for sale	5(g)	219	6,263	–
<b>Total liabilities</b>		<b>70,874</b>	<b>64,493</b>	<b>55,859</b>
<b>Total equity and liabilities</b>		<b>71,973</b>	<b>65,485</b>	<b>56,772</b>

The attached notes on pages 192 to 299 form an integral part of these consolidated financial statements.

# **CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended 31 December 2017

£m

	Notes	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
<b>Cash flows from operating activities</b>	28			
Profit before tax		227	149	84
Non-cash movements in profit before tax		4,061	2,552	2,878
Net changes in working capital		1,134	229	(190)
Taxation paid		(9)	(59)	(40)
<b>Total net cash flows from operating activities</b>		<b>5,413</b>	<b>2,871</b>	<b>2,732</b>
<b>Cash flows from investing activities</b>				
Net acquisitions of financial investments		(4,760)	(2,810)	(2,430)
Acquisition of property, plant and equipment		(8)	(4)	(5)
Acquisition of intangible assets		(9)	(9)	(14)
Acquisition of interests in subsidiaries and associated undertakings joint ventures		(33)	(16)	(567)
Proceeds from the disposal of interests in subsidiaries		208	–	(4)
<b>Total net cash used in investing activities</b>		<b>(4,602)</b>	<b>(2,839)</b>	<b>(3,020)</b>
<b>Cash flows from financing activities</b>				
Dividends paid to ordinary equity holders of the Company		(210)	–	(24)
Interest paid		(39)	(43)	(32)
Proceeds from issue of ordinary shares		258	–	–
Loan to Employee Benefit Trust		–	(43)	(54)
Proceeds from issue of subordinated and other debt		–	53	614
Subordinated and other debt repaid		(57)	–	–
<b>Total net cash (used in)/from financing activities</b>		<b>(48)</b>	<b>(33)</b>	<b>504</b>
Net increase/(decrease) in cash and cash equivalents		763	(1)	216
Cash and cash equivalents at beginning of the year		1,595	1,601	1,386
Effects of exchange rate changes on cash and cash equivalents		2	(5)	(1)
<b>Cash and cash equivalents at end of the year</b>	28	<b>2,360</b>	<b>1,595</b>	<b>1,601</b>

Cash flows include both continuing and discontinued operations.

The attached notes on pages 192 to 299 form an integral part of these consolidated financial statements.

## **BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

*For the year ended 31 December 2017*

### **General Information**

These financial statements are the consolidated financial statements for the Group, consisting of Quilter plc, formerly known as Old Mutual Wealth Management Limited, and its subsidiaries. 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, life assurance and 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, England.

The Company is a wholly-owned subsidiary of Old Mutual plc, a FTSE 100 listed group. The Company forms part of the Old Mutual Wealth division of Old Mutual plc, for which it acts as holding company and delivers strategic and governance oversight. The address of the registered office of Old Mutual plc is Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG.

### **1: Basis of preparation**

The consolidated financial statements have been prepared in accordance with the requirements of the Prospectus Directive regulation and the Listing Rules. These consolidated financial statements for all periods have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as endorsed by the European Union (EU), with interpretations issued by the IFRS Interpretations Committee (IFRICs), and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements do not constitute statutory accounts.

The principal accounting policies adopted in the preparation of these financial statements are set out in note 4. Less material accounting policies are included in Appendix A. These policies have been consistently applied to all years presented, unless otherwise stated. Judgements made by the directors in the application of these accounting policies that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment in the next year, are also discussed in this section.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the 'Group'). These consolidated financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Group operates and are rounded to the nearest million (£m).

The consolidated financial statements are prepared under the historical cost convention, except for certain financial assets and financial liabilities (including derivative instruments) that are measured at fair value through profit or loss (FVTPL) at the end of each reporting period and defined benefit assets and liabilities, measured at the fair value of plan assets less the present value of the defined benefit obligation. Assets and disposal groups held for sale are stated at the lower of the previous carrying amount and fair value less costs to sell.

Pursuant to section 435 of the Companies Act, this historical financial information does not constitute the company's statutory accounts for the years ended 31 December 2017, 2016 or 2015. Up until now, the Group has previously taken advantage of section 400 of the Companies Act not to prepare consolidated statutory financial statements as it previously formed part of a larger group, being Old Mutual plc, for which consolidated accounts are prepared. Old Mutual plc is the ultimate parent company of the group, and is incorporated in England and Wales. Non-statutory accounts were prepared by the Group for the year ended 31 December 2016 in accordance with EU-IFRS. The company-only accounts of Old Mutual Wealth Management Limited for years ended 31 December 2017, 2016 and 2015 have been reported on by the company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

On publishing these Group financial statements, the Group has made available to Old Mutual plc, IFRS compliant consolidated financial statements in the preceding year and therefore IFRS 1 First-time Adoption of International Financial Reporting Standards does not apply.

The Group financial statements have been prepared on the going-concern basis which the directors believe to be appropriate.

### **Basis of consolidation**

The consolidated financial statements incorporate the assets, liabilities and the results of the Company and its subsidiary undertakings (investees). Subsidiary undertakings are those entities, including structured entities, controlled by the Group. More information on how the Group assesses whether it has control (and as a result consolidates an investee) is provided in accounting policy 4.1. Subsidiaries are consolidated from the date the Group obtains control and are excluded from consolidation from the date the Group loses control.

## BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 December 2017

Where necessary, adjustments are made to financial statements of subsidiaries to bring the accounting policies used in line with Group policies. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between Group companies are eliminated on consolidation.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated financial statements.

A list of major subsidiaries is included in note 46.

### **Liquidity analysis of the statement of financial position**

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

### **Critical accounting estimates and judgements**

The preparation of financial statements requires management to exercise judgement in applying accounting policies and make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Critical accounting estimates and judgements are those that involve the most complex or subjective assessments and assumptions. Management uses its knowledge of current facts and circumstances and applies estimation and assumption setting techniques that are aligned with relevant actuarial and accounting guidance to make predictions about future actions and events. Actual results may differ significantly from those estimates.

The Group Audit Committee reviews the reasonableness of judgements and assumptions applied and the appropriateness of significant accounting policies adopted in the preparation of these financial statements.

The areas where judgements, estimates and assumptions have the most significant effect on the amounts recognised in the consolidated financial statements are summarised below:

Area	Critical accounting judgement or assumption/estimate	Accounting Policy	Note
<b>Consolidation</b>	Assessment of whether the Group controls underlying entities (investees), including investment funds, based on whether the Group has (1) power over the investee, (2) exposure or rights to variable returns from its involvement with the investee and (3) the ability to affect those returns through its power over the investee.	4.1	24 & 46
<b>Insurance contracts – classification and measurement</b>	Assessment of the significance of insurance risk transferred to the Group in determining whether a contract should be classified (and accounted for) as an insurance or investment contract.  Measurement involves significant use of assumptions including mortality, morbidity, persistency, expense valuation and interest rates.	4.3 & 4.9	31
<b>Provisions and contingent liabilities</b>	In assessing whether a provision should be recognised or a contingent liability disclosed, the Group evaluates the likelihood of a constructive or legal obligation to settle an event that took place in the past and whether a reliable estimate can be made. The amount of provision is calculated, based on the Group's estimation of the expenditure required to settle the obligation at the statement of financial position date.	4.17	32 & 39
<b>Deferred tax</b>	The calculation and recognition of temporary differences resulting in deferred tax balances includes judgement to the extent to which future taxable profits are available against which temporary differences can be utilised. The estimation of future taxable profits is performed as part of the annual business planning process, and is based on estimated levels of assets under management, 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.	4.14	33

## BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 December 2017

Area	Critical accounting judgement or assumption/estimate	Accounting Policy	Note
<b>Goodwill and intangible assets</b>	<p>The valuation of intangible assets that are recognised as the result of a business combination involves the use of valuation models.</p> <p>In relation to goodwill impairment, the determination of a cash generating unit's (CGU's) recoverable value is based on the discounted value of the expected future profits of each business. Significant estimates include forecast cash flows, new business growth and discount rates.</p> <p>Intangible assets are tested for impairment using an income approach method using estimates such as forecast cash flows and discount rate.</p>	4.15	17

### 2: New standards, amendments to standards, and interpretations adopted in the 2017 annual financial statements

There are a small number of narrow scope amendments arising from annual improvements to standards that are applicable to the Group for the first time in 2017, none of which have had a significant impact on the consolidated financial statements.

### 3: Future standards, amendments to standards, and interpretations not early-adopted in these financial statements

At the date of authorisation of these financial statements the following standards, which are relevant to the Group, have been issued by the International Accounting Standards Board (IASB).

#### IFRS 9 Financial Instruments

IFRS 9: *Financial Instruments* was issued in July 2014 and will replace IAS 39: *Financial Instruments: Recognition and Measurement*. The standard is effective and will be implemented by the Group from 1 January 2018. The final version of this standard incorporates amendments to classification and measurement, hedge accounting guidance, as well as the accounting requirements for the impairment of financial assets measured at amortised cost and fair value through other comprehensive income (FVOCI). IFRS 9's enhanced disclosure requirements will result in improved credit risk disclosures and increased transparency with respect to impairment judgements and estimates.

As permitted by the transitional provisions of IFRS 9, the Group has elected not to restate comparative figures. Any adjustments to the carrying amount of financial assets and financial liabilities at the date of transition will be recognised in the opening retained earnings and other reserves at 1 January 2018. The Group has elected to continue to apply the hedge accounting requirements of IAS 39 on adoption of IFRS 9.

#### Classification and measurement of financial assets and liabilities

Financial assets are classified based on (i) the business model within which the financial assets are held and managed and (ii) the contractual cash flow characteristics of the financial assets, whether the cash flows represent 'solely payments of principal and interest'.

Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold those assets for the purpose of collecting contractual cash flows and those cash flows comprise solely payments of principal and interest ('hold to collect' business model).

Financial assets are measured at fair value through other comprehensive income (FVOCI) if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and those contractual cash flows comprise solely payments of principal and interest ('hold to collect and sell' business model). Movements in the carrying amount of these financial assets should be taken through other comprehensive income (OCI), except for impairment gains or losses, interest revenue and foreign exchange gains or losses, which are recognised in profit or loss. Where the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

The remaining financial assets are measured at fair value through profit or loss (FVTPL). All derivative instruments that are either financial assets or financial liabilities are held for trading and as such will continue to be measured at fair value through profit and loss.

The accounting for financial liabilities is largely unchanged, except for financial liabilities designated at FVTPL. Changes in the fair value of these financial liabilities that are attributable to the Group's own credit risk are recognised in OCI. Where the financial liability is derecognised, the cumulative gain or loss previously recognised in OCI is not reclassified from equity to profit or loss. However, it may be reclassified within equity.

## **BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

*For the year ended 31 December 2017*

For equity investments that are neither held for trading nor contingent consideration, the Group may irrevocably elect to present subsequent changes in fair value of these equity investments in other comprehensive income (OCI). Where the equity investment is derecognised, the cumulative gain or loss previously recognised in OCI is not reclassified from equity to profit or loss. However, it may be reclassified within equity. Alternatively where the Group does not make the aforementioned election, fair value changes are recognised in profit or loss. This election is made on an investment by investment basis.

Based on the assessment of financial assets at 31 December 2017, the Group does not expect the impact of the changes to classification and measurement of financial assets to be significant to the Group's statement of financial position and performance.

### **Impairment of financial assets**

Under IFRS 9 impairment is determined based on an expected credit loss (ECL) model rather than the current incurred loss model required by IAS 39. The Group will be required to recognise an allowance for either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition.

The measurement of ECLs reflects a probability-weighted outcome, the time value of money and the entity's best available forward-looking information. The aforementioned probability-weighted outcome must consider the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is low.

The ECL model applies to financial assets measured at amortised cost and FVOCI, lease receivables and certain loan commitments as well as financial guarantee contracts.

The IFRS 9 Impairment Implementation continued to progress during 2017. The following were the main areas of focus for 2017:

- Development, build and testing of impairment models with respect to financial assets held at amortised cost or FVOCI;
- Finalisation of the reporting and disclosure framework, and completion of the supporting business rules; and
- Documentation and implementation of the relevant control environment and related governance processes.

Significant development in the above areas facilitated the performance of a parallel run for the majority of the Group's significant holdings of financial assets held at amortised cost or FVOCI during the latter part of 2017.

Key assumptions and judgements applied in relation to the new impairment model are summarised below:

- Cash at bank – no ECL allowance is recognised, as deposits are held with banks with medium to high quality credit ratings and credit risk is considered to be minimal.
- Inter-company loans – no ECL allowance is recognised as these balances are internal to the Group and credit risk is considered to be low.
- Loans and advances – methodology is based on approach, whereby historical data is extrapolated forward to derive a 12 month ECL allowance and then monitored for increases in credit risk which may trigger the recognition of a Lifetime ECL.
- Other assets (trade receivables) – simplified approach is adopted, whereby a Lifetime ECL is recognised immediately and there is no need to track for any increases in credit risk.

The Group has estimated that the impact of adopting IFRS 9's ECL model has an immaterial transitional impact on the Group's opening retained earnings at 1 January 2018. These estimates are based on accounting policies, assumptions, judgements and estimation techniques which will be regularly reviewed and assessed during the year in preparation for the financial statements for the year ending 31 December 2018.

### **IFRS 15 Revenue from Contracts with Customers (endorsed by the European Union)**

IFRS 15 replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with clients, unless the contracts are in the scope of the standards on leases, insurance contracts and financial instruments. The core principle of the standard is that revenue recognised reflects the consideration to which the Group expects to be entitled in exchange for the transfer of promised goods or services to the client. The standard incorporates a five-step analysis to determine the amount and timing of revenue recognition.

The standard is effective for the Group for the financial year commencing 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of adoption will be recognised in retained earnings as of 1 January 2018.

## **BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

*For the year ended 31 December 2017*

The Group performed an assessment to determine the potential impact of the new standard on the Group's statement of financial position and performance. The Group considered the five-step analysis prescribed by the standard. It also took into account the different types of contracts it has with its customers, the corresponding types of services provided to customers and when these service obligations are satisfied. In addition, the Group considered the types of fee income generated across all products from the contracts with its customers and when the fee income is recognised. This impact assessment concluded that IFRS 15 will have minimal effect on the Group.

An increased level of disclosure is required by IFRS 15 which will include qualitative and quantitative information about the Group's contracts with customers, significant judgements made and changes in those judgements. IFRS 15 also introduces standard definitions and will require additional information about contract costs (previously known as Deferred Acquisition Costs from non-insurance contracts), contract assets (previously known as Accrued Income from contracts with customers), and contract liabilities (previously known as Deferred Fee Income from contracts with customers).

### **IFRS 16 Leases (endorsed by the European Union)**

IFRS 16 was issued in January 2016 and replaces IAS 17 Leases and its related interpretations for reporting periods beginning on or after 1 January 2019.

The Group as lessee: IFRS 16 introduces a 'right of use' model whereby the lessee recognises a right-of-use asset and an associated financial obligation to make lease payments for all leases with a term of more than 12 months. The asset will be amortised over the lease term and the financial liability measured at amortised cost with interest recognised in profit and loss using the effective interest rate method.

The Group as lessor: IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify and account for its leases as operating leases or finance leases.

The Group is in the process of assessing the impact of IFRS 16 and which transitional approach will be used. The Group's operating lease commitment note (note 41) provides an indication of the impact on an undiscounted basis where the Group is the lessee.

### **IFRS 17 Insurance contracts (yet to be endorsed by the European Union)**

The IASB issued IFRS 17 in May 2017 as a replacement for IFRS 4 Insurance Contracts.

The new IFRS 17 standard is effective for reporting periods beginning on or after 1 January 2021. The new rules will affect the financial statements and key performance indicators of companies that issue insurance contracts or investment contracts with discretionary participation features.

The Group will commence assessing the impact of IFRS 17 in 2018.

There are no other new standards, interpretations and amendments to existing standards that have been published and are expected to have a significant impact on the consolidated financial statements of the Group.

## **4: Significant accounting policies**

The significant accounting policies used in the preparation of these consolidated financial statements, as set out below, have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise stated. The Group has not made any significant changes to its accounting policies during 2017.

### **4(a) Group accounting**

#### **Subsidiaries**

Subsidiary undertakings are those entities (investees) controlled by the Group. The Group controls an investee if, and only if, the Group has all of the following three elements of control:

- power over the investee;
- exposure or rights to variable returns from its involvement with the investee; and
- the ability to affect those returns through its power over the investee.

For operating entities this usually arises with a shareholding in the entity of 50% or more. The Group also consolidates certain of its interests in open-ended investment companies, unit trusts, mutual funds and similar investment vehicles (collectively 'investment funds'). Where, as is often the case with investment funds, voting or similar rights are not the dominant factor in deciding who controls the investee, other factors are considered in the control assessment. These are looked at in more detail below.

The Group continually assesses any changes to facts and circumstances to determine, in the context of the three elements of control listed above, whether it still controls investees and is required to consolidate them.



## BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 December 2017

### Investment funds

The Group invests in a wide range of investment funds such as Open-Ended Investment Companies ('OEICs') and unit trusts generally in respect of its unit linked investment contracts where investments are made to match clients' investment choices. For some of these funds it also acts as fund manager. These funds invest predominantly in equities, bonds, cash and cash equivalents. The Group holds interests in these investment funds mainly through the receipt of fund management fees, in the case where the Group acts as fund manager, which provide a variable return based on the value of the funds under management and other criteria, and in the case of third party funds where fund performance has an impact on fund-based fees within unit linked investment contracts and other similar client investment products. Where the Group acts as fund manager it may also hold investments in the underlying funds, through acquiring units or shares. Where these investments are held in unit-linked funds, the Group has a secondary exposure to variable returns through the management fees that it deducts from unit-linked policyholders' account balances. The Group's percentage ownership can fluctuate from day to day according to the Group's participation in them as clients' underlying investment choices change.

When assessing control of investment funds, the Group considers the purpose and design of the fund, scope of its decision making authority, including its ability to direct relevant activities and to govern the operations of a fund so as to obtain variable returns from that fund and its ability to use its power to affect these returns, both from the perspective of an investor and an asset manager. In addition, the Group assesses rights held by other parties including substantive removal ('kick-out' rights) that may affect the Group's ability to direct relevant activities.

On consolidation, the interests of parties other than the Group are assessed to determine whether they should be classified as liabilities or as non-controlling interests ('NCIs') on the statement of financial position. The amounts are reported as a liability and described as 'Third party interests in consolidated funds'. Such interests are not recorded as non-controlling interests as they meet the liability classification requirement set out in IAS 32, *Financial Instruments: Presentation*. These liabilities are regarded as current, as they are repayable on demand, although it is not expected that they will be settled in a short time period.

### Business combinations

The Group is required to use the acquisition method of accounting for business combinations. Business combinations are accounted for at the date that control is achieved (the acquisition date). The cost of a business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* are recognised at their fair value at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts. Where provisional amounts are reported these are adjusted during the measurement period which extends up to a maximum of 12 months from the acquisition date. Additional assets or liabilities may also be recognised during this period, to reflect any new information obtained about the facts and circumstances that existed as of the date of acquisition date that, if known, would have affected the amounts recognised as on that date.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired entity at the date of acquisition. Acquisition related costs are expensed as incurred.

NCI's in the net assets of consolidated subsidiary undertakings are identified and recorded separately from the Group's equity. The interest of non-controlling shareholders is initially measured either at fair value or at the NCI's proportionate share of the acquiree's identifiable net assets. The choice of measurement basis for the initial measurement of the NCI is made on an acquisition-by-acquisition basis. Subsequent to acquisition, NCI's comprise the amount attributed to such interests at initial recognition together with the NCI's share of changes in equity since the date of acquisition. Transactions with NCI's that lead to changes in the ownership interests of a subsidiary but do not result in the loss of control are treated as equity transactions.

The difference between the proceeds from the disposal of a subsidiary undertaking and its carrying amount as at the date of disposal, including the cumulative amount of any related exchange differences that are recognised in the foreign currency translation reserve equity, is recognised in the consolidated income statement as the gain or loss on disposal of the subsidiary undertaking.

## **BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

*For the year ended 31 December 2017*

### **4(b) Fair value measurement**

The Group uses fair value to measure the majority of its assets and liabilities. Fair value is a market based measure and is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For a financial instrument, the best evidence of fair value at initial recognition is normally the transaction price, which represents the fair value of the consideration given or received.

Where observable market prices in an active market, such as bid or offer (ask) prices are unavailable, fair value is measured using valuation techniques based on the assumptions that market participants would use when pricing the asset or liability. If an asset or a liability measured at fair value has a bid or an offer price, the price within the bid-offer spread that is most representative of fair value is used as the basis of the fair value measurement.

The quality of the fair value measurement for financial instruments is disclosed by way of the fair value hierarchy, whereby level 1 represents a quoted market price for identical financial assets and liabilities, level 2 financial assets and liabilities are valued using inputs other than quoted prices in active markets included in level 1, either directly or indirectly and level 3 whereby financial assets and liabilities are valued using valuation techniques where one or more significant inputs are unobservable.

Classifying financial instruments into the three levels outlined above provides an indication about the reliability of inputs used in determining fair value.

### **4(c) Product classification**

The Group's life assurance contracts are categorised as either insurance contracts or investment contracts, in accordance with the classification criteria set out in the paragraphs below.

#### **Insurance contracts**

The Group's insurance contracts include traditional life and health insurance contracts including for the latter stand-alone critical illness and long term care policies, as well as the unbundled insurance component of unit-linked contracts. Life assurance contracts are categorised as insurance contracts at the inception of the contract only if the contract transfers significant insurance risk. Insurance risk is significant if, and only if, an insured event could cause the Group to make significant additional payments in any scenario, excluding scenarios that lack commercial substance. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire. It is possible to reclassify contracts as insurance contracts after inception if insurance risk becomes significant.

IFRS accounting for insurance contracts in UK companies was 'grandfathered' at the date of transition to IFRS and determined in accordance with the Statement of Recommended Practice on Accounting for Insurance Business (issued by the Association of British Insurers and subsequently withdrawn from 1 January 2015), adjusted to remove certain regulatory reserves and margins in assumptions.

#### **Investment contracts**

Investment contracts do not meet the definition of an insurance contract as they do not transfer significant insurance risk from the policyholder to the insurer. Unit linked investment contracts are separated into two components being an investment management services component and a financial liability. The financial liability component is designated at FVTPL as it is managed on a fair value basis, and its value is directly linked to the market value of the underlying portfolio of assets. The Group does not share in the explicit returns of the assets held by the policyholder, apart from secondary exposure to future annual management fees that the Group expects to receive over the life of the policy.

#### **'Hybrid' Insurance and investment contracts – unbundling**

Generally, life and pensions contracts allow for a single classification at product class level. For those contracts containing both an insurance component and an investment component, the Group has elected to unbundle these contracts and account for each component separately. This approach has been applied to a number of the Group's unit-linked assurance business contract types where a significant component of insurance risk exists.

## **BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

*For the year ended 31 December 2017*

### **4(d) Fee and commission income**

Fee and commission income represents the fair value of services provided, net of value-added tax and consists predominantly of fees charged to clients for plan and policy administration, investment management, surrenders and other contract services in relation to the Group's unit linked business. The fees may be for fixed amounts or vary with the amounts being managed, and will generally be charged as an adjustment to the policyholder's balance. Fee income and commission income is recognised as revenue as investment management services are provided to policyholders. Where fees, such as initiation and advice fees, are received upfront, either at inception or over an initial period for services not yet provided, the income is deferred and recognised as a deferred fee income ("DFI") liability on the statement of financial position and released to the income statement as services are provided over the lifetime of the contract. In addition, this also includes advice income from Quilter Financial Planning.

Performance-based incentive fees are charged for managing certain investment funds outside of the Group's core unit-linked business. These fees are based on the fund's performance, relative to a benchmark. These services are deemed to be provided (and revenue recognised) only when the performance of the fund for the period is known and has crystallised, usually bi-annually. These fees are borne in our Single Strategy asset management business which is included within Discontinued Operations.

### **4(e) Investment return**

Investment return comprises two elements (a) investment income and (b) realised and unrealised gains and losses on investments held at FVTPL.

#### **Investment income**

Investment income includes dividends on equity securities which are recorded as revenue on the ex-dividend date and interest income which is recognised using the effective interest rate method which allocates interest and other finance costs at a constant rate over the expected life of the financial instrument.

#### **Realised and unrealised gains and losses**

A gain or loss on a financial investment is only realised on disposal or transfer and represents the difference between the proceeds received, net of transaction costs, and its original cost (or amortised cost). Unrealised gains or losses, arising on investments which have not been disposed or transferred, represent the difference between carrying value at the year end and the carrying value at the previous year end or purchase value (if this occurs during the year), less the reversal of previously recognised unrealised gains or losses in respect of disposals made during the year.

Gains and losses resulting from changes in both market value and foreign exchange on investments classified at FVTPL are recognised in the consolidated income statement in the period in which they occur.

### **4(f) Premiums**

Premiums receivable under insurance contracts are shown in the income statement gross of commission and exclude sales-based taxes and levies. For regular (and recurring) premium contracts, receivables are recognised when payments are due. Premiums in respect of other insurance contracts are recognised in the income statement when receivable, apart from premiums received in respect of unit-linked insurance contracts (see below). Where policies lapse due to non-receipt of premiums, then all the related premium income accrued but not received from the date they are deemed to have lapsed is offset against premiums.

Premiums received in respect of unit-linked insurance contracts are recognised when the corresponding liability to the policyholder is established. For single premium business, this is the date from which the policy is effective.

### **4(g) Deferred acquisition costs**

#### **Investment contracts**

Incremental costs, including fee and commission expenses, that are directly attributable to securing either unit linked investment contracts or other asset management services are deferred and recognised as a 'deferred acquisition cost' (DAC) asset if they can be identified separately and measured reliably and it is probable that the costs will be recovered. Because such deferred acquisition costs are linked to the contractual right to benefit from providing investment management services, they are amortised through the income statement as the related revenue is recognised.

After initial recognition, deferred acquisition costs are reviewed by category of business and are impaired to the extent that they are no longer considered to be recoverable. All other costs are recognised as expenses when incurred.

## **BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

*For the year ended 31 December 2017*

### **Insurance contracts**

Incremental costs directly attributable to securing an insurance contract, such as initial commission and the costs of obtaining and processing such business are deferred and a DAC asset recognised, to the extent that they are expected to be recovered out of future margins.

Long-term business deferred acquisition costs are amortised as an expense on a straight line basis, adjusted for expected persistency, over the expected life of the contract, as the services are provided (equal service provision assumed) and no longer than the period in which such costs are expected to be recoverable out of future margins.

At the end of each reporting period, deferred acquisition costs are reviewed for recoverability, by category of business, against future margins from the related contracts. They are impaired in the income statement where they are no longer considered to be recoverable.

### **4(h) Investment contracts**

Investment contracts are those contracts not classified as insurance contracts because they do not transfer significant insurance risk. The majority of the Group's investment contracts are unit-linked contracts. At inception, investment contract liabilities for unit linked business are designated as financial liabilities and measured at FVTPL. For these contracts, the fair value liability is equal to the total value of units allocated to the policyholders, based on the bid price of the underlying assets in the fund. The FVTPL classification reflects the fact that the matching investment portfolio, that backs the unit-linked liabilities, is managed, and its performance evaluated, on a fair value basis.

Contributions received on investment contracts are treated as policyholder deposits and credited directly to investment contract liabilities on the statement of financial position, as opposed to being reported as revenue in the consolidated income statement. This practise is known as deposit accounting. Withdrawals paid out to policyholders on investment contracts are treated as a reduction to policyholder deposits, reducing the investment contract liabilities on the statement of financial position, as opposed to being recognised as expenses in the consolidated income statement.

### **4(i) Insurance contract liabilities**

#### **Claims**

Long-term business claims reflect the cost of all claims arising during the year and include payments for maturities, annuities, surrender, death and disability claims, as well as claims handling costs, incurred in connection with the negotiation and settlement of claims. They are recognised as expenses in the income statement. Maturity and annuity claims are recorded as they fall due for payment. Death and disability claims and surrenders are accounted for when notified. Reinsurance recoveries are accounted for in the same period as the related claim.

#### **Long-term business liabilities**

The Group calculates its long term business liabilities separately for each life operation, based on local regulatory requirements and actuarial principles consistent with those applied in each local market. For UK business this is in accordance with UK regulatory requirements (the Modified Statutory Solvency Basis), in place before the introduction of Solvency II, adjusted to remove certain regulatory reserves and margins in assumptions. Liabilities are calculated using the gross premium valuation method, which is based on the amount of contractual premiums receivable and includes explicit assumptions for interest and discount rates, as well as for mortality, morbidity, persistency and future expenses. These assumptions are set on a prudent basis and can vary by contract type and reflect current and expected future experience. The liability for contractual benefits that are expected to be paid in the future is determined as the discounted value of the excess of future expected outgoings over future expected income. Future expected outgoings include claim costs, direct expenses, commissions and reinsurance premiums. Future expected income includes premiums payable by policyholders and recoveries made from reinsurers. For anticipated future claims that have been incurred but not yet paid, the company establishes a provision for outstanding claims.

The method used to determine liabilities for long-term life business makes allowance for the level of risk and uncertainty inherent in the business by the use of margins for caution within the assumptions used to project future income and outgoings. The portion of premiums received that relates to unexpired risks as at the reporting period end is reported within the long term insurance liabilities. The change in insurance contract liabilities, comprising the full movement in the corresponding liabilities during the period, is recognised in the income statement.

## **BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

*For the year ended 31 December 2017*

### **Liability adequacy test**

At each reporting date, the Group assesses whether the recognised insurance contract liabilities are adequate in light of current estimates of future cash flows. This liability adequacy test is performed by comparing the carrying value of the insurance contract liabilities and the discounted projections of future cash flows. If the carrying value is less than the future expected cash flows, the deficiency is initially recognised by writing down the DAC asset. The recoverability of the DAC asset is tested against present value of in-force (PVIF) business, determined on a best estimate basis, with any deficit written off the DAC asset immediately. Any required write down in excess of the value of the DAC asset is recognised in the income statement with a corresponding additional provision in the statement of financial position.

### **4(i) Reinsurance**

#### **Long-term insurance business**

The Group cedes reinsurance in the normal course of business for the purpose of limiting its claims costs. Ceded reinsurance contracts include arrangements where regular risk premiums are paid by the Group to the reinsurer and an agreed share of claims are paid by the reinsurer to the Group. These arrangements are in respect of underlying policies that are classified as insurance contracts. Accordingly, contracts with reinsurers are assessed to establish whether they contain significant insurance risk to justify such a classification. Only rights under contracts that give rise to a transfer of significant insurance risk are accounted for as long term insurance business reinsurance assets.

Reinsurance premiums for ceded reinsurance are recognised as an expense on a basis that is consistent with the recognition basis for the premiums on the related insurance contracts. The un-expensed portion of ceded reinsurance premiums is included in reinsurance assets. Reinsurance recoveries are recognised in the income statement in the same period as the related claim.

Reinsurance recoveries due from reinsurers and reinsurance premiums due to reinsurers under reinsurance contracts that are contractually due at the reporting date are separately recognised in other receivables and other payables respectively unless a right of offset exists, in which case the net amount is reported on the consolidated statement of financial position. Assets, liabilities and income and expenses arising from ceded reinsurance contracts are presented separately from the related assets, liabilities, income and expense from the underlying insurance contracts because the reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

The value of the benefits that the Group is entitled to under the ceded reinsurance arrangements are reported as "reinsurers' share of policyholder liabilities" in the statement of financial position. This is calculated as the difference between the insurance contract liability assuming no reinsurance arrangement exists (the gross basis) and the liability with explicit allowance for all cash flows relating to the reinsurance arrangement (the net basis). Insurance contract liabilities are calculated quarterly on the gross and net bases taking into account all relevant experience effects. The reinsurers' share of insurance provisions is updated consistently with these calculations. Any resulting movement in the reinsurers' share of insurance provisions is recognised in the income statement.

Reinsurance assets are assessed for impairment at each reporting date. A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due to it under the terms of the contract and that the event has an impact that can be measured reliably on the amounts that the Group will receive from the reinsurer. The reinsurers' share of policyholder liabilities is updated for any impairment. Any resulting movement in the reinsurers' share of policyholder liabilities is recognised in the income statement.

#### **Investment contracts**

Policyholder investments recognised by the Group that are fully managed by a third party reinsurer are shown on the statement of financial position within reinsurers' share of investment contract liabilities, with the corresponding liability to the policyholder included within liabilities for linked investment contracts.

## **BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

*For the year ended 31 December 2017*

### **4(k) Financial instruments (other than derivatives)**

Financial instruments cover a wide range of financial assets, including financial investments, trade receivables and cash and cash equivalents and financial liabilities, including investment contract liabilities, trade payables, and borrowings. Derivatives, which are also financial instruments, are covered by accounting policy 4.12. Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes party to the contractual provisions of the instrument. The Group derecognises a financial asset when the contractual rights to receive cash flows have expired or been forfeited by the Group. A financial liability is derecognised when, and only when the liability is extinguished.

Management determines the classification of financial investments at initial recognition depending on the purpose for which they were acquired. This classification determines the subsequent measurement basis. Financial investments which are not derivatives and are not designated at FVTPL are classified as loans and receivables. Management also determines the classification of financial liabilities at initial recognition.

#### **Financial investments**

The Group's interests in pooled investment funds, equity securities and debt securities are designated at FVTPL, as they are part of groups of financial assets which are managed and whose performance is evaluated on a fair value basis. These investments are recognised at fair value initially and subsequently, with changes in fair value recognised in investment return in the consolidated income statement.

The fair value of quoted financial investments, which represents the vast majority of the Group's investments, are based on the value within the bid-ask spread that is most representative of fair value. If the market for a financial investment is not active, the Group establishes fair value by using valuation techniques such as recent arm's length transactions, reference to similar listed investments, discounted cash flow or option pricing models.

The Group recognises purchases and sales of financial investments on trade date, which is the date that the Group commits to purchase or sell the assets. The costs associated with investment transactions are included within expenses in the statement of comprehensive income.

#### **Loans and advances**

Loans with fixed maturities, including policyholder loans, are recognised when cash is advanced to borrowers or policyholders. Policyholder loans are interest free and are designated at FVTPL since they are taken from the policyholder's account and thereby linked to underlying investments held at FVTPL. Other loans and advances are carried at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are made and recognised in the income statement when there is objective evidence that the asset is impaired.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible to a known amount of cash. Cash and cash equivalents held within consolidated unit trust funds are classified as FVTPL. All other cash and cash equivalents are classified as loans and receivables which means they are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. The carrying amount of these assets is approximately equal to their fair value.

#### **Financial liabilities and equity**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. At inception, investment contract liabilities for unit linked business are designated as financial liabilities and measured at FVTPL. For unit-linked contracts, the fair value liability is equal to the total value of units allocated to the policyholders, based on the bid price of the underlying assets in the fund. The FVTPL classification reflects the fact that the matching investment portfolio, that mirrors the unit-linked liabilities, is managed, and its performance evaluated, on a fair value basis. Other financial liabilities are measured at amortised cost using the effective interest method.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

#### **Trade payables and receivables**

Due to the short term nature of trade payables and receivables, their carrying amount is considered to be the same as their fair value.

## **BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

*For the year ended 31 December 2017*

### **4(l) Derivatives and hedge accounting**

Derivative financial instruments are generally used to reduce the risk from possible movements in foreign exchange rates, equity indices, and interest rates and to reduce credit risk or to achieve efficient portfolio management. Derivative instruments include foreign exchange contracts, interest rate futures, currency and interest rate swaps, currency and interest rate options (both written and purchased). Management determines the classification of derivatives at initial recognition. All derivatives instruments are classified as held for trading except those designated as part of a hedge accounting relationship, which is addressed below. Held for trading derivatives are measured at fair value with changes in fair value recognised in the income statement. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Using derivatives to manage a particular exposure is referred to as hedging. Hedge accounting is a technique that modifies the normal basis for recognising gains and losses (or revenues and expenses) on associated hedging instruments and hedged items so that both are recognised in profit or loss or OCI in the same accounting period. This is a matching concept that eliminates or reduces the volatility in the statement of comprehensive income that otherwise would arise if the hedged item and the hedging instrument were accounted for separately under IFRS. If the hedging relationship meets the IAS 39 criteria for hedge accounting, then the two sides of the relationship are treated as a single transaction within the financial statements. For a derivative to be considered as part of a hedging relationship its purpose must be formally documented up front. In addition, the effectiveness of the hedge must be initially high and be able to be reliably measured regularly. If a derivative ceases to meet the relevant hedging criteria, hedge accounting is discontinued.

Derivatives used to hedge the fair value of a recognised asset or liability, are designated as fair value hedges. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the income statement. The gain or loss on the hedged item is also recognised in the income statement. Derivatives used to hedge the variability in future cash flows are designated as cash flow hedges, while derivatives used to hedge currency risk on investments in foreign operations are designated as net investment hedges. For a derivative that qualifies as a cash flow or net investment hedge, the effective part of any gain or loss resulting from the change in fair value is recognised in OCI and in the cash flow or net investment hedge reserve in equity. Gains and losses accumulated in this reserve are included in the income statement on disposal of the relevant occurrence of cash flow or investment, as appropriate. Any ineffective part is recognised immediately in the income statement.

### **4(m) Employee benefits**

#### **Pension obligations**

The Group operates two types of pension plans which have been established for eligible employees of the Group:

- Defined contribution schemes where the Group makes contributions to members' pension plans but has no further payment obligations once the contributions have been paid.
- Defined benefit plans which provide pension payments upon retirement to members as defined by the plan rules. The Group has funded these liabilities by ring-fencing assets in trustee-administered funds.

#### **Defined contribution pension obligation**

Under a defined contribution plan, the Group's legal or constructive obligation is limited to the amount it agrees to contribute to a pension fund and there is no obligation to pay further contributions if the fund does not hold sufficient assets to pay benefits. Contributions in respect of defined contribution schemes for current service are expensed in the income statement as staff costs and other employee-related costs when incurred.

#### **Defined benefit pension obligation**

A defined benefit pension plan typically defines the amount of pension benefit that an employee will receive on retirement. For these plans, the Group's defined benefit obligation is calculated by independent actuaries using the projected unit credit method, which measures the pension obligation as the present value of estimated future cash outflows. The discount rate used is determined based on the yields for investment grade corporate bonds that have maturity dates approximating to the terms of the Group's obligations. Plan assets are measured at their fair value at the reporting date. The net surplus or deficit of the defined benefit plan is recognised as an asset or liability in the statement of financial position and represents the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets.

## **BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

*For the year ended 31 December 2017*

The value of any asset recognised is restricted to the sum of any unrecognised past service costs plus the present value of available funds and reductions in future contributions to the plan.

The current service cost and any past service costs together with the expected return on plan assets less the unwinding of the discount on the plan liabilities is charged to 'other expenses' in the income statement.

Re-measurements which comprise gains and losses as a result of experience adjustments and changes in actuarial assumptions, the actual return on plan assets (excluding interest) and the effect of the asset ceiling are recognised immediately in OCI in the period in which they occur. Re-measurements are not reclassified to the income statement in subsequent periods. Administration costs (other than the costs of managing plan assets) are recognised in the income statement when the service is provided.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in the income statement when the plan amendment or curtailment occurs.

### **Employee share-based payments**

The Group operates a number of share incentive plans for its employees. These generally involve an award of shares or options in the Group (equity-settled share based payments), but may also take the form of a cash award based on the share price of the Group (cash-settled share based payments).

The Group's incentive plans have conditions attached before the employee becomes entitled to the award. These can be performance and/or service conditions (vesting conditions) or conditions that are often wholly within the control of the employee, for example where the employee has to provide funding during the vesting period, which is then used to exercise share options (non-vesting condition).

Performance conditions may be market based or non-market based. Market performance conditions are those related to an entity's equity, such as achieving a specified share price or target based on a comparison of the entity's share price with an index of share prices. Non-market performance conditions are those related to an entity's profit or revenue targets, an example of which would be Earnings per Share (EPS). Market based performance conditions and non-vesting conditions are taken into account when estimating the fair value of the share or option awards at the measurement date. The fair value of the share awards or options is not adjusted to take into account non-market performance features. These are taken into consideration by adjusting the number of equity instruments in the share-based payment measurement and this adjustment is made each period until the equity instruments vest.

The fair value of share-based payment awards granted is recognised as an expense in the income statement over the vesting period which accords with the period for which related services are provided by the employee. A corresponding increase in equity is recognised for equity settled plans and a corresponding financial liability for cash settled plans.

For equity-settled plans, the fair value is determined at grant date and not subsequently re-measured. For cash settled plans, the fair value is re-measured at each reporting date and the date of settlement, with any changes in fair value recognised in the statement of comprehensive income for the period and the liability adjusted accordingly.

At each period end the Group reassesses the number of equity instruments expected to vest and recognises any difference between the revised and original estimate in the income statement with a corresponding adjustment to the share-based payments reserve in equity.

At the time the equity instruments vest, the amount recognised in the share-based payments reserve in respect of those equity instruments is transferred to retained earnings.



## **BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

*For the year ended 31 December 2017*

### **4(n) Tax**

#### **Current tax**

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to income tax payable in respect of previous years. Current tax is charged or credited to the income statement, except when it relates to items recognised directly in equity or in other comprehensive income.

#### **Deferred tax**

Deferred taxes are calculated according to the statement of financial position method, based on temporary differences between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax is charged or credited to the income statement, except when it relates to items recognised directly in equity or in other comprehensive income. In certain circumstances, as permitted by accounting guidance, deferred tax balances are not recognised. In particular, where the liability relates to the initial recognition of goodwill, or transactions that are not a business combination and at the time of their occurrence affect neither accounting nor taxable profit. Note 33(b) includes further detail of circumstances in which the Group does not recognise temporary differences.

#### **Policyholder tax**

Certain products are subject to tax on policyholder's investment returns. This 'policyholder tax' is an element of tax expense. To make the tax expense more meaningful, tax attributable to policyholder returns and tax attributable to shareholder profits is shown separately.

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 shareholder profits.

### **4(o) Goodwill and intangible assets**

The recognition of goodwill arises on the acquisition of a business and represents the premium paid over the fair value of the Group's share of the identifiable asset and liabilities acquired at the date of acquisition. Intangible assets include both purchased intangible assets initially recognised as part of a business combination and internally generated assets, such as software development costs related to amounts recognised for in-house systems development.

#### **Goodwill and goodwill impairment**

Goodwill arising on the Group's investments in subsidiaries is shown as a separate asset, while that on associates where it arises is included within the carrying value of those investments. Goodwill is recognised as an asset at cost at the date that control is achieved (the acquisition date) and is subsequently measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to annual impairment reviews.

Goodwill is allocated to one or more cash-generating units (CGUs) expected to benefit from the synergies of the combination, where the CGU represents the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Goodwill is reviewed for impairment at least once annually, as a matter of course even if there is no indication of impairment, and whenever an event or change in circumstances occurs which indicates a potential impairment. For impairment testing, the carrying value of goodwill is compared to the recoverable amount, which is the higher of value-in-use and the fair value less costs of disposal. Any impairment loss is recognised immediately in profit or loss and is not subsequently reversed.

On disposal of an operation within a group of CGUs to which goodwill has been allocated, the goodwill associated with that operation is included in the carrying amount of the operation when determining the gain or loss on disposal. It is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

## BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 December 2017

### Intangible assets acquired as part of a business combination

Intangible assets acquired as part of a business combination are recognised where they are separable and can be measured reliably. Acquired intangible assets consist primarily of contractual relationships such as customer relationships and distribution channels. Such items are capitalised at their fair value, represented by the estimated net present value of the future cash flows from the relevant relationships acquired at the date of acquisition. Brands and similar items acquired as part of a business combination are capitalised at their fair value based on a 'relief from royalty' valuation methodology.

Subsequent to initial recognition acquired intangible assets are measured at cost less amortisation and any recognised impairment losses. Amortisation is provided at rates calculated to write off the cost or valuation less estimated residual value, using a straight-line method over their estimated useful lives as set out below:

- Distribution channels 10 years
- Customer relationships 10 years
- Brand 15 – 20 years

The economic lives are determined by considering relevant factors such as usage of the asset, product life cycles, potential obsolescence, competitive position and stability of the industry. The amortisation period is re-evaluated at least at the end of each financial year end.

### Internally developed software

There are a number of factors taken into account when considering whether internally developed software meets the recognition criteria in IAS 38 *Intangible assets*. Where for example a third party provider retains ownership of the software, this will not meet the control criterion in the standard (i.e. the power to obtain benefits from the asset) and the costs will be expensed as incurred.

Where it is capitalised, internally developed software is held at cost less accumulated amortisation and impairment losses. Such software is recognised in the statement of financial position if, and only if, it is probable that the relevant future economic benefits attributable to the software will flow to the Group and its cost can be measured reliably.

Costs incurred in the research phase are expensed, whereas costs incurred in the development phase are capitalised, subject to meeting specific criteria, as set out in the relevant accounting guidance, the main one being that future economic benefits can be identified as a result of the development expenditure. Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of the relevant software, which range between three and five years, depending on the nature and use of the software.

### Subsequent expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

### Impairment testing for intangible assets

For intangible assets with finite lives, impairment charges are recognised where evidence of impairment is observed. If an indication of impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is calculated as the higher of fair value less costs to sell and value-in-use. If the recoverable amount of an intangible asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense in the income statement immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

#### 4(p) **Assets and liabilities held for sale and discontinued operations**

Assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered through a sales transaction rather than through continuing use. This condition is regarded as having been met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year of the date of classification. Assets and liabilities held for sale are presented separately in the consolidated statement of financial position.

Assets and liabilities (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and their fair value less costs to sell. No depreciation or amortisation is charged on a non-current asset while classified as held for sale or while part of a disposal group once it has been classified as held for sale.

## **BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

*For the year ended 31 December 2017*

The Group classifies as discontinued operations areas of the business which have been disposed of, or are classified as held for sale at the year end and which either represent a separate major line of business or geographical area, or are part of a plan to dispose of one, or are subsidiaries acquired exclusively with a view to resale.

When an asset (or disposal group) ceases to be classified as held for sale, the individual assets and liabilities cease to be shown separately in the statement of financial position at the end of the year in which the classification changes. Comparatives are not restated. If the line of business was previously presented as a discontinued operation and subsequently ceases to be classified as held for sale, profit and loss and cash flows of the comparative period are restated to show that line of business as a continuing operation.

Further information can be found in note 5.

### **4(q) Provisions and contingent liabilities**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more probable than not that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date. Where the effect of the time value of money is material, provisions are discounted and represent the present value of the expected expenditure.

The Group recognises specific provisions where they arise for the situations outlined below:

- Onerous contracts when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting the obligations under the contract.
- Corporate restructuring only if the Group has approved a detailed formal plan and raised a valid expectation among those parties directly affected, that the plan will be carried out either by having commenced implementation or by publicly announcing the plan's main features. Such provisions include the direct expenditure arising from the restructuring, such as employee termination payments but not those costs associated with the ongoing activities of the Group.

Provisions are not recognised for future operating costs or losses.

Contingent liabilities are possible obligations of the Group of which the timing and amount are subject to significant uncertainty. Contingent liabilities are not recognised in the consolidated statement of financial position, unless they are assumed by the Group as part of a business combination. They are however disclosed, unless they are considered to be remote. If a contingent liability becomes probable and the amount can be reliably measured it is no longer treated as contingent and recognised as a liability.

Contingent assets which are possible benefits to the Group are only disclosed if it is probable that the Group will receive the benefit. If such a benefit becomes virtually certain, it is no longer considered contingent and is recognised on the consolidated statement of financial position as an asset.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 5: Acquisitions, discontinued operations and disposal groups held for sale

This note provides details of the acquisitions and disposals of subsidiaries the Group has made during the three-year period, together with details of businesses held for sale during that same period.

#### 5(a) Business acquisitions completed during the three-year period

##### Business acquisitions completed during 2017

###### *Caerus Capital Group Limited (Caerus)*

On 1 June 2017, the Group completed the acquisition of 100% of the share capital of Caerus, a UK based adviser network that operates in a similar manner to Intrinsic and which has approximately £4 billion of funds under advice and 300 advisers.

The total consideration of £24 million includes £15 million cash consideration and up to £3 million that has been deferred for two years and £6 million that has been deferred for three years. The deferred consideration has been included as part of the cost of the acquisition as there is no continuing employment condition applying to the sellers of the business. The deferred consideration payable is dependent on turnover targets post acquisition and is potentially reduced by the amount of any relevant claims arising from in-force business existing prior to the payment dates.

The purchase price has been allocated based on a provisional estimate of the fair value of assets acquired and liabilities assumed at the date of acquisition determined in accordance to IFRS 3 'Business Combinations'. The provisional allocation required significant assumptions and it is possible that the preliminary estimates may change materially as the purchase price allocations are finalised. The accounting must be finalised within 12 months of the acquisition date.

The carrying value of assets and liabilities in Caerus's consolidated statement of financial position on acquisition date approximates the fair value of these items determined by the Group. In addition, the Group recognised identified intangible assets of £10 million relating to customer distribution channels. The value of the intangible assets was determined by applying cash flows to standard industry valuations models. Goodwill of £10 million was recognised on the acquisition and is attributable to the delivery of significant cost and revenue synergies that cannot be linked to identifiable intangible assets.

Transaction costs incurred of £1 million relating to the acquisition have been recognised within other operating expenses in the consolidated income statement, but not included within adjusted operating profit.

###### *Old Mutual Wealth Private Client Advisers (PCA)*

During 2017, the Group completed the acquisition of eight adviser businesses as part of the expansion of its PCA business that was launched in October 2015. The aim is to develop a Quilter branded, employed adviser business focused upon servicing upper affluent and high net worth clients, offering a centrally-defined restricted advice proposition focused upon Group's investment solutions and platform.

The purchase price for each acquisition has been allocated based on a provisional estimate of the fair value of assets acquired and liabilities assumed at the dates of acquisition determined in accordance to IFRS 3 'Business Combinations'. The provisional allocations required significant assumptions and it is possible that the preliminary estimates may change materially as the purchase price allocations are finalised. The accounting must be finalised within 12 months of the acquisition dates.

The estimated consideration payable is £20 million, of which £10 million was cash consideration and up to £10 million in relation to deferred payments. The amount of deferred consideration is dependent upon the meeting certain performance targets, generally relating to the value of funds under management and levels of on-going fee income. The deferred consideration has been included as part of the cost of the acquisition. Total other intangible assets of £10 million in respect of customer relationships were recognised as a result of the acquisitions, together with goodwill of £5 million.

Transaction costs incurred of £1 million relating to the acquisitions have been recognised within other operating expenses in the consolidated income statement, but not included within adjusted operating profit.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### *Attivo Investment Management Limited (AIM)*

On 29 March 2017, the Group completed the acquisition of 100% of the share capital of AIM, a UK based investment management business offering a comprehensive investment management service.

The fair value of the total estimated consideration was £8 million, of which £4 million was cash consideration and £4 million was deferred for two years. The deferred consideration is included within the cost of the acquisition because it is dependent on levels of assets under management being maintained, with no requirement for continuing employment applied to the sellers of the business.

The book value of total assets and total net assets of the acquired business were both less than £1m.

The purchase price has been allocated based on a provisional estimate of the fair value of assets acquired and liabilities assumed at the date of acquisition determined in accordance to IFRS 3 'Business Combinations'. The provisional allocation required significant assumptions and it is possible that the preliminary estimates may change materially as the purchase price allocations are finalised. The accounting must be finalised within 12 months of the acquisition date.

The carrying value of assets and liabilities in AIM's statement of financial position on acquisition date approximates the fair value of these items determined by the Group. Other intangible assets of £7 million, relating to customer relationships, were recognised as a result of the acquisition. No goodwill was recognised on this transaction.

Transaction costs incurred of £0.5m relating to the acquisition have been recognised within other operating expenses in the consolidated income statement, but not included within adjusted operating profit.

### *Commsale 2000 Limited*

On 29 September 2017, the Group acquired Commsale 2000 Limited (Commsale) from Old Mutual plc. Commsale is a UK based service company that runs the lease for the Old Mutual head office building and is responsible for the payment of rent, rates and service charges relating to the building and recharging the costs to all tenants through a service charge.

This represents a business combination involving entities or businesses under common control because the combining businesses are ultimately controlled by the same party or parties before and after the business combination.

The total consideration was for £0.29m. The Net Asset Value (NAV) at the date of acquisition was £0.45m, with a gain on purchase of £0.16m being recognised, representing assets not valued within the agreed consideration.

### *Global Edge Technology Ltd (GET)*

On 30 November 2017, the Group acquired 100% of the issued share capital of Global Edge Technology Ltd (GET) from Old Mutual plc. GET is a service company incorporated in South Africa, with a branch in the UK that provides IT support for the Group's Platform business services.

This represents a business combination involving entities or businesses under common control because the combining businesses are ultimately controlled by the same party or parties before and after the business combination.

The total consideration was for £0.8m. The Net Asset Value (NAV) at the date of acquisition was £4.1m, with a gain on purchase of £3.3m being recognised. We determined that the excess of book value over consideration paid was attributable to potential future integration costs which, if incurred, would be expensed in future periods. As potential future integrating activities do not qualify to be recognised as a liability in the application of the acquisition method of accounting, no such liability was recognised, and we recorded the excess as a bargain purchase gain.

## **Business acquisitions completed during 2016**

### *Acquisition of AAM Advisory Pte Ltd (AAM)*

On 16 March 2016, the Group completed the acquisition of 100% of AAM, a Singapore financial advisory business. The cash consideration paid was £7 million (Singapore Dollars 'SGD': 14 million) with additional potential deferred consideration of £13 million (SGD 26 million), which is subject to AAM meeting certain performance targets for the period from 2016 to 2018. Deferred consideration is not included in the cost of acquisition due to the requirement for the sellers to remain within the business. The book value of total net assets of the acquired business was less than £1m.

Goodwill of £4 million and other intangible assets of £3 million were recognised as a result of the transaction.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### *Old Mutual Wealth Private Client Advisers (OMWPCA)*

During the second half of 2016, the Group completed the acquisition of a number of PCA advisory businesses and client books as part of the expansion of the PCA business that was launched in October 2015, with the aim of developing a Quilter branded, employed adviser business focused upon servicing upper affluent and high-net worth clients, offering a centrally-defined restricted advice proposition focused upon the Group's investment solutions and platform. The total cash consideration paid was an initial £8 million with additional potential deferred consideration of £8 million, dependent upon meeting certain performance targets, generally relating to funds under management.

Goodwill of £8 million and other intangible assets of £3 million were recognised as a result of the transaction. The deferred consideration was capitalised in the calculation of goodwill recognised.

### **Business acquisitions completed during 2015**

#### *Acquisition of Quilter Cheviot Limited*

On 25 February 2015, the Group completed the acquisition of 100% of Quilter Cheviot Limited, a leading UK-based discretionary investment manager, for a total consideration of £585 million, comprising of £543 million cash and £42 million of deferred consideration to be settled in Old Mutual plc shares. Deferred consideration is not included in the cost of acquisition due to the requirement for the sellers to remain within the business. An additional £23 million was paid to the seller to compensate for the increase in the net asset value of Quilter Cheviot Limited between the date at which the acquisition was agreed and the completion of the transaction. The purchase consideration for the acquisition of Quilter Cheviot was the total cash paid of £566 million.

Goodwill of £292 million and other intangible assets of £288 million (£273 million customer relationships and £15 million brand) were recognised as a result of the transaction.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

The table below sets out the consolidated assets and liabilities acquired as a result of the acquisition of Quilter Cheviot Limited:

	£m	
	Acquiree's carrying amount	Fair value
<b>Assets</b>		
Intangible assets	–	288
Property, plant and equipment	8	8
Deferred tax asset	1	1
Current tax receivable	3	3
Cash and cash equivalents	69	69
Trade, other receivables and other assets	128	128
<b>Total assets</b>	<b>209</b>	<b>497</b>
<b>Liabilities</b>		
Deferred tax liabilities	–	(58)
Provisions and accruals	(50)	(53)
Current tax payable	(5)	(5)
Trade, other payables and other liabilities	(107)	(107)
<b>Total liabilities</b>	<b>(162)</b>	<b>(223)</b>
<b>Total net assets acquired</b>	<b>47</b>	<b>274</b>
Fair value of net assets at acquisition date		543
Increase in fair value of net assets to completion date		23
<b>Total cash consideration paid</b>		<b>566</b>
<b>Goodwill recognised</b>		<b>292</b>

The table below represents the financial results of Quilter Cheviot Limited for the period from 1 January 2015 to 28 February 2015 (the period before acquisition) and for the period 26 February 2015 to 31 December 2015.

	£m		
	1 January 2015 to 25 February 2015	26 February 2015 to 31 December 2015	Combined year ended 31 December 2015
<b>Revenue</b>			
Fee and commission income, and income from service activities	21	117	<b>138</b>
Net investment income	1	3	<b>4</b>
<b>Total revenue</b>	<b>22</b>	<b>120</b>	<b>142</b>
<b>Expenses</b>			
Other operating and administrative expenses	(25)	(106)	<b>(131)</b>
<b>Total expenses</b>	<b>(25)</b>	<b>(106)</b>	<b>(131)</b>
<b>Profit before tax</b>	<b>(3)</b>	<b>14</b>	<b>11</b>
Income tax expense	(2)	(4)	<b>(6)</b>
<b>Profit for the period after tax</b>	<b>(5)</b>	<b>10</b>	<b>5</b>

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

The acquired business contributed revenues of £120 million and net profit of £10 million to the Group for the period from 26 February 2015 to 31 December 2015. If the acquisition had occurred on 1 January 2015, the Group consolidated revenue and profit for the year ended 31 December 2015 would have been £2,060 million and £80 million respectively. These amounts have been calculated using the subsidiary's results and adjusting them for: (i) differences in the accounting policies between the group and subsidiary and (ii) the additional amortisation that would have been charged, assuming the fair value adjustments to intangible assets had been applied from 1 January 2015, together with tax effects.

### 5(b) *Disposal of subsidiaries, associated undertakings and strategic investments*

#### **Year ended 31 December 2017**

In August 2016, the Group announced that it has agreed to sell Old Mutual Wealth Italy S.p.A. to Ergo Previdenza S.p.A. ("Ergo"), a member of the Flavia insurance group). The sale completed on 9 January 2017. The consideration for the transaction was £221 million (€278 million) in cash, plus interest to completion recognising a profit on disposal of £80 million.

#### **Year ended 31 December 2016**

There were no disposals of subsidiaries, associated undertakings or strategic investments during the year ended 31 December 2016.

#### **Year ended 31 December 2015**

On 2 February 2015, the Group completed the sale of its interest in Luxembourg subsidiary Skandia Life S.A. (Skandia Luxembourg and Skandia France) for a cash consideration of £9 million recognising a loss on disposal of £28 million.

### 5(c) *Discontinued operations*

The Group's Discontinued Operations include the Single Strategy Business, Old Mutual Wealth Italy S.p.A. (up to the date its sale completed on 9 January 2017) and Skandia Life S.A. (Skandia Luxembourg and Skandia France) (up to the date of its sale completed on 2 February 2015).

In December 2017, the Group announced that it had entered into an agreement to sell its Single Strategy asset management business ("Single Strategy business") to a special purpose vehicle ultimately owned by funds managed by TA Associates and certain members of the Single Strategy management team (together "the Acquirer"), for an expected total consideration of c.£600 million, comprising cash consideration of £570 million payable on or before completion, with approximately £30 million anticipated to be payable thereafter, paid primarily in 2019 to 2021 as surplus capital associated with the separation from Quilter is released in the business. These values are subject to a number of potential price adjustments depending on the net asset value of the business and a number of other factors at the disposal date. The deferred consideration is not subject to performance conditions. Once the transaction completes, economic ownership of the Single Strategy business will pass to the Acquirer effective from 1 January 2018 with all profits and performance fees generated up until 31 December 2017 for the account of Quilter.

	<b>£m</b>	
	<b>Year ended 31 December 2017</b>	Year ended 31 December 2015
	Old Mutual Wealth Italy S.p.A.	Skandia Life S.A.
Consideration received	<b>221</b>	9
Less: transaction costs	<b>(4)</b>	(11)
Net proceeds from sale	<b>217</b>	(2)
Carrying value of net assets disposed of	<b>(137)</b>	(26)
Profit/(Loss) on sales of operations before tax	<b>80</b>	(28)
Profit/(Loss) on sales of operations after tax	<b>80</b>	(28)



## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 5(d) *Discontinued income statement*

The table below sets out the combined trading results of the Group's discontinued operations and also any profit/(loss) on the sale of discontinued operations during the three-year period:

	<b>£m</b>		
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
Note			
<b>Revenue</b>			
Net earned premiums	–	1	13
Fee and commission income, and income from service activities	<b>389</b>	354	301
Net investment income	<b>7</b>	141	164
Other income	<b>3</b>	2	6
<b>Total revenue</b>	<b>399</b>	498	484
<b>Expenses</b>			
Net insurance claims and benefits incurred	–	–	(10)
Change in insurance contract liabilities	–	(1)	(51)
Change in investment contract liabilities	–	(133)	(107)
Fee and commission expenses, and other acquisition costs	<b>(62)</b>	(140)	(126)
Other operating and administrative expenses	<b>(185)</b>	(142)	(119)
<b>Total expenses</b>	<b>(247)</b>	(416)	(413)
Profit/(Loss) on disposal of subsidiaries	5(c) <b>80</b>	–	(28)
<b>Profit before tax from discontinued operations</b>	<b>232</b>	82	43
Tax attributable to shareholders' funds	<b>(29)</b>	(20)	(15)
<b>Profit for the year after tax from discontinued operations</b>	<b>203</b>	62	28
Attributable to:			
<b>Equity holders of the Parent Company</b>	<b>203</b>	62	28
<b>Earnings per ordinary share on profit attributable to ordinary shareholders of the Parent Company</b>			
<b>Basic</b> – from discontinued operations (pence)	<b>156.2</b>	47.7	21.5
<b>Diluted</b> – from discontinued operations (pence)	<b>156.2</b>	47.7	21.5

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 5(e) *Statement of comprehensive income from Discontinued Operations*

		£m
	Note	
	Year ended 31 December 2017	Year ended 31 December 2016
	Year ended 31 December 2015	
Profit for the year	203	62
Other comprehensive income from discontinued operations:		28
Items that may be reclassified subsequently to income statement		
Exchange gains/(losses) on translation of foreign operations	4	18
Other comprehensive income/(expenses) for the year	3	6
Total other comprehensive income from discontinued operations, net of tax	7	24
Total comprehensive income for the year from discontinued operations	210	86
		20

### 5(f) *Net cash flows from discontinued operations*

			£m	
	Note	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
Net cash flows from operating activities		(22)	398	596
Net cash outflow from investing activities		137	(362)	(558)
<b>Total net cash flows from discontinued operations</b>		<b>115</b>	36	38

### 5(g) *Assets and liabilities held for sale*

#### **Assets and liabilities held for sale during 2017**

Assets and liabilities of operations classified as held for sale at 31 December 2017 relate to the Single Strategy asset management business. The operation has been classified as held for sale from December 2017 and the transaction is expected to complete during 2018. The assets and liabilities held for sale are disclosed in the table below.

#### **Assets and liabilities held for sale during 2016**

Assets and liabilities of operations classified as held for sale at 31 December 2016 relate to Old Mutual Wealth Italy S.p.A. The operations had been classified as held for sale from August 2016 and the transaction was completed on 9 January 2017. The principal financial assets and liabilities included as held for sale are investments and securities of £6,189 million and investment contract liabilities of £6,155 million, both of which are classified as Level 1 in terms of the fair value hierarchy.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

The table below represents assets and liabilities held for sale:

		£m
	At 31 December 2017	At 31 December 2016
Note		
<b>Assets classified as held for sale</b>		
Goodwill and other intangible assets	17(a) 82	–
Financial investments	20 –	6,189
Deferred tax assets	33 9	3
Trade, other receivables and other assets	26 204	127
Deferred acquisition costs	27 4	63
Cash and cash equivalents	28 147	14
<b>Assets of operations classified as held for sale</b>	<b>446</b>	<b>6,396</b>
<b>Liabilities directly associated with assets classified as held for sale</b>		
Long-term business insurance policyholder liabilities	–	10
Investment contract liabilities	–	6,155
Provisions and accruals	32 –	3
Deferred tax liabilities	33 –	20
Current tax payable	33	–
Trade, other payables and other liabilities	35 186	70
Deferred revenue	36 –	5
<b>Liabilities of operations classified as held for sale</b>	<b>219</b>	<b>6,263</b>
<b>Net assets of operations classified as held for sale</b>	<b>227</b>	<b>133</b>

### 6: Segmental information

#### 6(a) Segmental presentation

There have been no changes to the presentation of segment information for the three-year period in the historical financial information. All three years have been segmented based on our agreed segmentation post-separation from Old Mutual plc.

The Group's operating segments comprise Advice and Wealth Management and Wealth Platforms. Head Office expenses are also included within our continuing business and this segmentation is consistent with how the Group is managed. For all reporting periods, these businesses have been classified as continuing operations in the IFRS income statement and as core operations in determining the Group's Operating profit. The Head Office function includes certain central costs that are not allocated to a specific business unit.

For the year ended 31 December 2017, 31 December 2016 and 31 December 2015, the Group has classified the European operations and the Single Strategy asset management business as discontinued because they have either been sold or held for sale. Further detail is included in note 5(c).

The Group's segmental results are analysed and reported on a basis with the way that management and the Board of directors of Old Mutual Wealth Management Limited will assess performance of the underlying businesses and allocates resources. Information is presented to the Board on a consolidated basis in pounds sterling (the presentation currency) and in the functional currency of each business.

Operating profit is one of the key measures reported to the Group's management and Board of directors for their consideration in the allocation of resources to, and the review of the performance, of the segments. As appropriate to the business line, the Board reviews additional measures to assess the performance of each of the segments. These typically include sales, net client cash flows, assets under management and advice, and revenue and operating margins.

Consistent with internal reporting, assets, liabilities, revenues and expenses that are not directly attributable to a particular segment are allocated between segments where appropriate and where there is a reasonable basis for doing so. The Group accounts for inter-segment revenues and transfers as if the transactions were with third parties at current market prices.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

*For the year ended 31 December 2017*

The revenues generated in each reported segment is provided in the analysis of profits and losses in note 6. The segmental information in this note reflects the Operating and IFRS measures of profit or loss and the assets and liabilities for each operating segment as provided to management and the Board of directors. There are no differences between the measurement of the assets and liabilities reflected in the primary statements and that reported for the segments.

The Group is primarily engaged in the following business activities from which it generates revenue: asset management business (fee and commission income), life assurance (premium income) and financial advice (management fees). Other revenue includes gains and losses on investment securities.

The principal lines of business from which each operating segment derives its revenues are as follows:

### **Advice and Wealth Management**

This segment comprises Old Mutual Global Investors, Quilter Cheviot Limited and Advice, including Old Mutual Wealth Private Client Advisers (OMWPCA).

Old Mutual Global Investors is a leading provider of investment solutions in the UK multi-asset market. It develops and manages investment solutions in the form of funds for the Group and third party clients. It has several fund ranges which vary on breadth of underlying asset class. The business has primarily been accumulation-focused, with recent development of decumulation solutions.

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

Advice is a restricted financial adviser network (including OMWPCA) providing mortgage and financial planning advice and financial solutions for both individuals and businesses through a network of intermediaries. They operate across all markets, from wealth management and retirement planning advice through to dealing with property wealth and personal and business protection needs.

### **Wealth Platforms**

This segment comprises UK Platforms and Heritage, and International cross border businesses.

UK Platform and Heritage provides advice-based wealth management products and services in the UK, which serves a largely affluent customer base through advised multi-channel distribution. The Heritage business is predominantly closed book, made up of legacy products. Protection products are also part of the business.

International is a cross-border business, focusing on high net worth and affluent local customers and expatriates in Asia, the Middle East, Europe, South Africa and Latin America. Heritage is the book of legacy life and pensions business, the majority of which is closed to new business and in steady, managed run-off. This also includes the open books of protection business and Institutional business.

In addition to the two operating segments, the Group's Head Office comprises the investment return on centrally held assets, which was less than £1m in the three-year historical period, head office expenses, such as Group treasury and finance functions, together with certain taxes and financing costs arising on central borrowings, along with central core structural borrowings and certain tax balances in the segmental statement of financial position.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 6(b)(i) Operating profit statement – segmental information for the year ended 31 December 2017

£m

	Notes	Operating profit – Continuing business				Reconciliation to IFRS		
		Operating segments			Operating Profit	Consolidation Adjustments <sup>1</sup>	Adjusting items (Note 7(a))	IFRS Income Statement
		Advice and Wealth Management	Wealth Platforms	Head Office				
<b>Revenue</b>								
Gross earned premiums		–	148	–	148	–	–	148
Premiums ceded to reinsurers		–	(88)	–	(88)	–	–	(88)
Net earned premiums		–	60	–	60	–	–	60
Fee and commission income, and income from service activities	8(a)	382	526	–	908	(13)	–	895
Net investment income	8(b)	3	4,412	1	4,416	779	–	5,195
Other income		2	83	3	88	(75)	–	13
<b>Segmental revenue</b>		387	5,081	4	5,472	691	–	6,163
<b>Expenses</b>								
Claims and benefits paid		–	(76)	–	(76)	–	–	(76)
Reinsurance recoveries		–	54	–	54	–	–	54
Net insurance claims and benefits incurred		–	(22)	–	(22)	–	–	(22)
Change in reinsurance assets and liabilities		–	85	–	85	–	–	85
Change in insurance contract liabilities		–	(78)	–	(78)	–	–	(78)
Change in investment contract liabilities		–	(4,308)	–	(4,308)	–	–	(4,308)
Fee and commission expenses, and other acquisition costs	9(a)	(52)	(198)	–	(250)	(70)	–	(320)
Change in third party interest in consolidated funds		–	–	–	–	(673)	–	(673)
Other operating and administrative expenses	9(b)	(253)	(336)	(35)	(624)	52	(244)	(816)
Finance costs	10	–	–	–	–	–	(39)	(39)
<b>Segmental expenses</b>		(305)	(4,857)	(35)	(5,197)	(691)	(283)	(6,171)
Profit on the acquisition and re-measurement of subsidiaries	7(c)	–	–	–	–	–	3	3
<b>Operating profit/(loss) before all tax</b>		82	224	(31)	275	–	(280)	(5)
Tax attributable to policyholders’ funds		–	(66)	–	(66)	–	17	(49)
<b>Operating profit/(loss) before tax attributable to shareholders’ funds</b>		82	158	(31)	209	–	(263)	(54)

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

								£m	
	Notes	Operating profit – Continuing business				Reconciliation to IFRS			
		Operating segments			Head Office	Operating Profit	Consolidation Adjustments <sup>1</sup>	Adjusting items (Note 7(a))	IFRS Income Statement
		Advice and Wealth Management	Wealth Platforms						
<b>Reconciliation to IFRS:</b>									
Adjusted for non-operating items:	7(a)								
Impairment of goodwill and impact of acquisition costs		(53)	–	(1)	(54)	–	54	–	
Profit on the acquisition and re-measurement of subsidiaries		–	–	3	3	–	(3)	–	
Business transformation costs		–	(89)	–	(89)	–	89	–	
Managed separation costs		–	–	(32)	(32)	–	32	–	
Finance costs		–	(1)	(38)	(39)	–	39	–	
Policyholder tax adjustments		–	17	–	17	–	(17)	–	
Voluntary customer remediation provision		–	–	(69)	(69)	–	69	–	
Adjusting items before tax		(53)	(73)	(137)	(263)	–	263	–	
<b>IFRS profit before tax attributable to shareholders' funds</b>		29	85	(168)	(54)	–	–	(54)	

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

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 6(b)(iii) Operating profit statement – segmental information for the year ended 31 December 2016

								£m
Operating profit – Continuing business						Reconciliation to IFRS		
Operating segments								
Notes	Advice and Wealth Management	Wealth Platforms	Head Office	Operating Profit	Consolidation Adjustments <sup>1</sup>	Adjusting items (Note 7(a))	IFRS Income Statement	
<b>Revenue</b>								
	–	141	–	141	–	–	141	
Gross earned premiums								
Premiums ceded to reinsurers	–	(84)	–	(84)	–	–	(84)	
Net earned premiums	–	57	–	57	–	–	57	
Fee and commission income, and income from service activities	8(a)	324	497	–	821	(18)	–	803
Net investment income	8(b)	6	5,706	–	5,712	598	–	6,310
Other income	–	–	–	–	17	–	–	17
<b>Total revenue</b>	330	6,260	–	6,590	597	–	7,187	
<b>Expenses</b>								
Claims and benefits paid	–	(72)	–	(72)	–	–	(72)	
Reinsurance recoveries	–	51	–	51	–	–	51	
Net insurance claims and benefits incurred	–	(21)	–	(21)	–	–	(21)	
Change in reinsurance assets and liabilities	–	119	–	119	–	–	119	
Change in insurance contract liabilities	–	(125)	–	(125)	–	–	(125)	
Change in investment contract liabilities	–	(5,522)	–	(5,522)	–	–	(5,522)	
Fee and commission expenses, and other acquisition costs	9(a)	(56)	(215)	–	(271)	(28)	–	(299)
Change in third party interest in consolidated funds	–	–	–	–	(575)	–	(575)	
Other operating and administrative expenses	9(b)	(219)	(262)	(18)	(499)	6	(161)	(654)
Finance costs	10	–	–	–	–	–	(43)	(43)
<b>Total expenses</b>	(275)	(6,026)	(18)	(6,319)	(597)	(204)	(7,120)	
<b>Operating profit/(loss) before all tax</b>	55	234	(18)	271	–	(204)	67	
Tax attributable to policyholders' funds	–	(94)	–	(94)	–	(8)	(102)	
<b>Operating profit/(loss) before tax attributable to shareholders' funds</b>	55	140	(18)	177	–	(212)	(35)	
<b>Reconciliation to IFRS:</b>								
Adjusted for non-operating items:	7(a)							
Impairment of goodwill and impact of acquisition costs	(51)	(1)	–	(52)	–	52	–	
Business transformation costs	–	(102)	–	(102)	–	102	–	
Managed separation costs	–	–	(7)	(7)	–	7	–	
Finance costs	–	–	(43)	(43)	–	43	–	
Policyholder tax adjustments	–	(8)	–	(8)	–	8	–	
Adjusting items before tax	(51)	(111)	(50)	(212)	–	212	–	
<b>IFRS profit before tax attributable to shareholders' funds</b>	4	29	(68)	(35)	–	–	(35)	

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

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 6(b)(iii) Operating profit statement – segmental information for the year ended 31 December 2015

£m

	Notes	Operating profit – Continuing business				Reconciliation to IFRS		
		Operating segments		Head Office	Operating Profit	Consolidation Adjustments <sup>1</sup>	Adjusting items (Note 7(a))	IFRS Income Statement
		Advice and Wealth Management	Wealth Platforms					
<b>Revenue</b>								
Gross earned premiums		–	135	–	135	–	–	135
Premiums ceded to reinsurers		–	(81)	–	(81)	–	–	(81)
Net earned premiums		–	54	–	54	–	–	54
Fee and commission income, and income from service activities	8(a)	288	552	–	840	(24)	–	816
Net investment income	8(b)	3	985	–	988	178	–	1,166
Other income		2	39	–	41	(39)	–	2
<b>Total revenue</b>		293	1,630	–	1,923	115	–	2,038
<b>Expenses</b>								
Claims and benefits paid		–	(77)	–	(77)	–	–	(77)
Reinsurance recoveries		–	56	–	56	–	–	56
Net insurance claims and benefits incurred		–	(21)	–	(21)	–	–	(21)
Change in reinsurance assets and liabilities		–	40	–	40	–	–	40
Change in insurance contract liabilities		–	(32)	–	(32)	–	–	(32)
Change in investment contract liabilities		–	(949)	–	(949)	–	–	(949)
Fee and commission expenses, and other acquisition costs	9(a)	(62)	(246)	–	(308)	(54)	–	(362)
Change in third party interest in consolidated funds		–	–	–	–	(76)	–	(76)
Other operating and administrative expenses	9(b)	(177)	(236)	(14)	(427)	15	(153)	(565)
Finance costs	10	–	–	–	–	–	(32)	(32)
<b>Total expenses</b>		(239)	(1,444)	(14)	(1,697)	(115)	(185)	(1,997)
<b>Operating profit/(loss) before all tax</b>		54	186	(14)	226	–	(185)	41
Tax attributable to policyholders' funds		–	(5)	–	(5)	–	12	7
<b>Operating profit/(loss) before tax attributable to shareholders' funds</b>		54	181	(14)	221	–	(173)	48
<b>Reconciliation to IFRS:</b>								
Adjusted for non-operating items:	7(a)							
Impairment of goodwill and impact of acquisition costs		(47)	–	(10)	(57)	–	57	–
Business transformation costs		–	(96)	–	(96)	–	96	–
Managed separation costs		–	–	–	–	–	–	–
Finance costs		–	–	(32)	(32)	–	32	–
Policyholder tax adjustments		–	12	–	12	–	(12)	–
Adjusting items before tax		(47)	(84)	(42)	(173)	–	173	–
<b>IFRS profit before tax attributable to shareholders' funds</b>		7	97	(56)	48	–	–	48

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



## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 6(c)(i) Statement of financial position – segmental information at 31 December 2017

								£m
	Notes	Advice & Wealth Management	Wealth Platforms	Head Office	Consolidation Adjustments <sup>1</sup>	Total Continuing Operations	Discontinued Operations <sup>2</sup>	Total
<b>Assets</b>								
Goodwill and other intangible assets	17	412	162	–	–	574	–	574
Property, plant and equipment	18	9	9	–	–	18	–	18
Investments in associated undertakings		2	–	1	–	3	–	3
Loans and advances	19	18	180	1	–	199	–	199
Financial investments	20	–	56,562	1	7,685	64,248	–	64,248
Reinsurers' share of policyholder liabilities	25	–	2,908	–	–	2,908	–	2,908
Deferred tax assets	33	6	15	1	–	22	–	22
Current tax receivable		–	–	–	–	–	–	–
Trade, other receivables and other assets	26	208	202	18	69	497	–	497
Deferred acquisition costs	27	–	611	–	–	611	–	611
Derivative assets	21	–	1	–	86	87	–	87
Cash and cash equivalents	28	303	1,062	82	913	2,360	–	2,360
Assets of operations classified as held for sale	5(g)	–	–	–	–	–	446	446
Inter-segment funding – assets		4	–	124	(128)	–	–	–
<b>Total assets</b>		962	61,712	228	8,625	71,527	446	71,973
<b>Liabilities</b>								
Long-term business insurance policyholder liabilities	31	–	489	–	–	489	–	489
Investment contract liabilities	31	–	59,139	–	–	59,139	–	59,139
Third party interests in consolidated funds		–	–	–	7,905	7,905	–	7,905
Provisions and accruals	32	10	89	5	–	104	–	104
Deferred tax liabilities	33	40	150	–	–	190	–	190
Current tax payable		21	38	(21)	–	38	–	38
Borrowings	34	–	–	782	–	782	–	782
Trade, other payables and other liabilities	35	275	607	35	414	1,331	–	1,331
Deferred revenue	36	1	243	–	–	244	–	244
Derivative liabilities	21	–	–	–	433	433	–	433
Liabilities of operations classified as held for sale	5(g)	–	–	–	–	–	219	219
Inter-segment funding – liabilities		–	123	4	(127)	–	–	–
<b>Total liabilities</b>		347	60,878	805	8,625	70,655	219	70,874
<b>Total equity</b>								1,099
<b>Total equity and liabilities</b>								71,973

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

(2) Discontinued operations includes the results of the Group's Single Strategy business.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 6(c)(ii) Statement of financial position – segmental information at 31 December 2016

								£m
	Notes	Advice & Wealth Management	Wealth Platforms	Head Office	Consolidation Adjustments <sup>1</sup>	Total Continuing Operations	Discontinued Operations <sup>2</sup>	Total
<b>Assets</b>								
Goodwill and other intangible assets	17	415	157	–	–	572	82	654
Property, plant and equipment	18	9	9	–	–	18	–	18
Investments in associated undertakings		–	–	1	–	1	–	1
Loans and advances	19	11	207	2	–	220	–	220
Financial investments	20	–	48,614	1	3,620	52,235	–	52,235
Reinsurers' share of policyholder liabilities	25	–	2,863	–	–	2,863	–	2,863
Deferred tax assets	33	4	–	–	–	4	4	8
Current tax receivable		–	20	–	–	20	–	20
Trade, other receivables and other assets	26	195	261	103	122	681	113	794
Deferred acquisition costs	27	–	655	–	–	655	–	655
Derivative assets	21	–	–	–	26	26	–	26
Cash and cash equivalents	28	161	736	88	533	1,518	77	1,595
Assets of operations classified as held for sale	5(g)	–	–	–	–	–	6,396	6,396
Inter-segment funding – assets		4	38	23	(65)	–	–	–
<b>Total assets</b>		<b>799</b>	<b>53,560</b>	<b>218</b>	<b>4,236</b>	<b>58,813</b>	<b>6,672</b>	<b>65,485</b>
<b>Liabilities</b>								
Long-term business insurance policyholder liabilities	31	–	417	–	–	417	–	417
Investment contract liabilities	31	–	51,265	–	–	51,265	–	51,265
Third party interests in consolidated funds		–	–	–	4,140	4,140	–	4,140
Provisions and accruals	32	10	18	1	–	29	–	29
Deferred tax liabilities	33	48	131	–	–	179	–	179
Current tax payable		19	13	(17)	–	15	5	20
Borrowings	34	–	–	839	–	839	–	839
Trade, other payables and other liabilities	35	261	527	13	107	908	116	1,024
Deferred revenue	36	–	261	–	–	261	–	261
Derivative liabilities	21	–	1	–	55	56	–	56
Liabilities of operations classified as held for sale	5(g)	–	–	–	–	–	6,263	6,263
Inter-segment funding – liabilities		8	15	43	(66)	–	–	–
<b>Total liabilities</b>		<b>346</b>	<b>52,648</b>	<b>879</b>	<b>4,236</b>	<b>58,109</b>	<b>6,384</b>	<b>64,493</b>
<b>Total equity</b>								<b>992</b>
<b>Total equity and liabilities</b>								<b>65,485</b>

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

(2) Discontinued operations includes the results of Old Mutual Wealth Italy S.p.A. and the Group's Single Strategy businesses.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 6(c)(iii) Statement of financial position – segmental information at 31 December 2015

								£m
	Notes	Advice & Wealth Management	Wealth Platforms	Head Office	Consolidation Adjustments <sup>1</sup>	Total Continuing Operations	Discontinued Operations <sup>2</sup>	Total
<b>Assets</b>								
Goodwill and other intangible assets	17	442	151	–	–	593	77	670
Property, plant and equipment	18	7	12	–	–	19	–	19
Investments in associated undertakings		–	–	1	–	1	–	1
Loans and advances	19	9	181	–	–	190	–	190
Financial investments	20	–	41,547	–	2,611	44,158	5,136	49,294
Reinsurers' share of policyholder liabilities	25	–	2,507	–	–	2,507	–	2,507
Deferred tax assets	33	2	–	–	–	2	6	8
Current tax receivable		–	27	–	–	27	–	27
Trade, other receivables and other assets	26	147	254	55	54	510	206	716
Deferred acquisition costs	27	–	710	–	–	710	58	768
Derivative assets	21	–	–	–	971	971	–	971
Cash and cash equivalents	28	119	595	81	709	1,504	97	1,601
Inter-segment funding – assets		4	38	8	(50)	–	–	–
<b>Total assets</b>		730	46,022	145	4,295	51,192	5,580	56,772
<b>Liabilities</b>								
Long-term business insurance policyholder liabilities	31	–	286	–	–	286	7	293
Investment contract liabilities	31	–	43,945	–	–	43,945	5,096	49,041
Third party interests in consolidated funds		–	–	–	3,311	3,311	–	3,311
Provisions and accruals	32	11	19	2	–	32	3	35
Deferred tax liabilities	33	56	77	–	–	133	19	152
Current tax payable		10	(2)	(9)	–	(1)	14	13
Borrowings	34	–	–	786	–	786	–	786
Trade, other payables and other liabilities	35	196	500	12	57	765	173	938
Deferred revenue	36	–	307	–	–	307	5	312
Derivative liabilities	21	–	–	–	978	978	–	978
Inter-segment funding – liabilities		–	8	43	(51)	–	–	–
<b>Total liabilities</b>		273	45,140	834	4,295	50,542	5,317	55,859
<b>Total equity</b>								913
<b>Total equity and liabilities</b>								56,772

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

(2) Discontinued operations includes the results of Old Mutual Wealth Italy S.p.A and the Group's Single Strategy businesses.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 6(d)(i) *Geographical segmental information*

In presenting geographical segment information, revenue is based on the geographical location of our businesses. The Group has defined two geographical areas: UK and International.

						£m
For the year ended 31 December 2017	Notes	UK	International	Total continuing operations	Discontinued operations	Total Group
<b>Revenue</b>						
Gross earned premiums		147	1	148	–	148
Premiums ceded to reinsurers		(87)	(1)	(88)	–	(88)
Net earned premiums		60	–	60	–	60
Fee and commission income, and income from service activities	8(a)	662	233	895	389	1,284
Net investment income	8(b)	4,149	1,046	5,195	7	5,202
Other income		11	2	13	3	16
<b>Total revenue</b>		<b>4,882</b>	<b>1,281</b>	<b>6,163</b>	<b>399</b>	<b>6,562</b>
For the year ended 31 December 2016						
Revenue						
Gross earned premiums		140	1	141	1	142
Premiums ceded to reinsurers		(83)	(1)	(84)	–	(84)
Net earned premiums		57	–	57	1	58
Fee and commission income, and income from service activities	8(a)	579	224	803	354	1,157
Net investment income	8(b)	4,302	2,008	6,310	141	6,451
Other income		17	–	17	2	19
Total revenue		4,955	2,232	7,187	498	7,685
For the year ended 31 December 2015						
Revenue						
Gross earned premiums		134	1	135	13	148
Premiums ceded to reinsurers		(80)	(1)	(81)	–	(81)
Net earned premiums		54	–	54	13	67
Fee and commission income, and income from service activities	8(a)	599	217	816	301	1,117
Net investment income	8(b)	1,108	58	1,166	164	1,330
Other income		2	–	2	6	8
Total revenue		1,763	275	2,038	484	2,522

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 7: Other key performance information

#### 7(a) Operating profit adjusting items

##### Summary of adjusting items for determination of operating profit

In determining the operating profit of the Group for core operations, certain adjustments are made to profit before tax to reflect the underlying long-term performance of the Group. The following table shows an analysis of those adjustments from operating profit to profit before and after tax:

		£m		
	Notes	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
<b>Expense/(income)</b>				
Goodwill impairment and impact of acquisition accounting	7(b)	54	52	57
Profit on the acquisition and re-measurement of subsidiaries	7(c)	(3)	–	–
Business transformation costs	7(d)	89	102	96
Managed separation costs	7(e)	32	7	–
Finance costs	10	39	43	32
Policyholder tax adjustments on non-operating items	7(f)	(17)	8	(12)
Voluntary customer remediation provision	7(g)	69	–	–
<b>Total non-operating adjusting items</b>		<b>263</b>	<b>212</b>	<b>173</b>
Tax on non-operating adjusting items	13(c)	(39)	(28)	(45)
Less policyholder tax adjustments on non-operating items		17	(8)	12
<b>Total non-operating adjusting items after tax</b>		<b>241</b>	<b>176</b>	<b>140</b>

#### 7(b) Goodwill impairment and impact of acquisition accounting

When applying acquisition accounting, deferred acquisition costs and deferred revenue existing at the point of acquisition are not recognised under IFRS. These are reversed on acquisition in the statement of financial position and replaced by goodwill and other intangible assets. In determining operating profit, the Group recognises acquisition costs and deferred revenue in relation to policies sold by acquired businesses pre-acquisition. The Group excludes the impairment of goodwill, the amortisation and impairment of acquired other intangible assets as well as the movements in certain acquisition date provisions. Costs incurred on completed acquisitions are also excluded from operating profit.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

The effect of these adjustments to determine operating profit are summarised below:

**For the year ended 31 December 2017**

	£m			
	Advice and Wealth Management	Wealth Platforms	Head office	Total Group
Amortisation of other acquired intangible assets	39	–	–	39
Change in acquisition date provisions	–	–	1	1
Acquisition costs	13	–	–	13
Impairment on disposals	1	–	–	1
	53	–	1	54

For the year ended 31 December 2016

	£m			
	Advice and Wealth Management	Wealth Platforms	Head office	Total Group
Amortisation of other acquired intangible assets	36	–	–	36
Change in acquisition date provisions	–	1	–	1
Acquisition costs	15	–	–	15
	51	1	–	52

For the year ended 31 December 2015

	£m			
	Advice and Wealth Management	Wealth Platforms	Head office	Total Group
Amortisation of other acquired intangible assets	31	–	–	31
Acquisition costs	16	–	10	26
	47	–	10	57

### 7(c) **Profit on the acquisition and re-measurement of subsidiaries**

As part of the managed separation, on 30 November 2017, the Company acquired 100% of the whole of the issued share capital of Global Edge Technologies (Pty) Ltd ("GET"), a company incorporated in South Africa, from OM Group (UK) Limited (part of the Old Mutual plc group) for £0.8 million.

Along with recording the book values of the assets acquired and liabilities assumed of £4 million, the Company recognised a bargain purchase gain of £3.2 million.

We determined that the excess of book value over consideration paid was attributable to potential future integration costs which, if incurred, would be expensed in future periods. As potential future integrating activities do not qualify to be recorded as a liability in the application of the acquisition method of accounting, none was recorded, and we recorded the excess as a bargain purchase gain.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 7(d) **Business transformation costs**

In 2013, the Group UK business embarked on a significant programme to develop new platform capabilities and to outsource UK business administration. This involved replacing many aspects of the existing UK platform, and on completion certain elements of service provision would be migrated to International Financial Data Services (IFDS) under a long-term outsourcing agreement. The cost of developing the new technology did not meet the criteria for capitalisation, hence these costs and the costs of decommissioning existing technology and migrating of services to IFDS are excluded from Operating profit. Only costs that are directly attributable to the programme have been excluded from Operating Profit as management is of the view that this long-term investment in operational capability is a non-operating item. For the year ended 31 December 2017, these costs totalled £53 million (2016: £102 million), (2015: £96 million).

The contracts with International Financial Data Services related to the UK Platform Transformation came to an end by mutual agreement effective as of 2 May 2017.

The Group conducted a comprehensive review of the options available to the UK Platform business and entered into a new contract with FNZ, having concluded that FNZ's scale, market-proven and functionally rich offering was the most suitable to meet the current and anticipated needs of the business.

In partnership with FNZ, the Group expects to deliver all the existing functionality of the platform with increased levels of straight-through processing and enhanced functionality by late 2018/early 2019, with migration of the in-force book to follow shortly thereafter. For the year ended 31 December 2017, these costs totalled £21 million (2016: £nil), (2015: £nil).

The Group has historically had a number of arrangements with the wider Old Mutual plc group's South African businesses. As a consequence of Managed Separation these arrangements have been severed and, as a result, deferred acquisition cost balances totalling £10 million have been written off (included within fee and commission expenses in the income statement), together with a loss incurred of £5 million on the cancellation of reinsurance arrangements (included within other costs within the income statement). The £15 million of charges are regarded as one-off and related to the transformation of the business to a stand-alone group.

### 7(e) **Managed separation costs**

One-off costs related to the implementation of managed separation recognised in the IFRS income statement have been excluded from Operating Profit on the basis that they are not representative of the operating activity of the Group. These costs relate to the capacitation of the businesses in readiness to operate as standalone businesses and the execution of various transactions required to implement our managed separation strategy. They are not expected to persist in the long term as they relate to a fundamental restructuring of the Group, which is not operational in nature, rather than more routine restructuring activity which would be seen as part of the usual course of business. The treatment and the disclosure of these costs as an adjusting item are also intended to make these costs more visible to the readers of the financial statements in the context of publicly disclosed estimates previously given in relation to these items. For the year ended 31 December 2017, these costs totalled £32 million (2016: £7 million), (2015: £nil).

### 7(f) **Policyholder tax adjustments**

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. In addition, adjustments are made to remove distortions to policyholder tax arising from the utilisation of tax allowances from elsewhere in the Quilter group (e.g. capital losses) which are regarded economically as impacting shareholder tax, and from distortions arising from other non-operating adjusting items. For the year ended 31 December 2017, this adjustment to operating profit totalled £17 million, (2016: £(8) million), (2015: £12 million).

### 7(g) **Voluntary Customer Remediation Provision**

As detailed in note 32 *Provisions and Accruals*, the Group has provided £69 million (2016: £nil; 2015: £nil) in respect of voluntary customer remediation following the recommendations of a thematic review by the Financial Conduct Authority (FCA).

The provision has been recognised in the IFRS income statement but has been excluded from operating profit on the basis that it is not representative of the current year operating performance of the business.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 8: Details of income

This note gives further detail on the items appearing in the income section of the consolidated income statement.

#### 8(a) *Fee and commission income, and income from service activities*

This note analyses the fees and commission earned by the Group from negotiating, or participating in the negotiation of a transaction for third parties, transaction and performance fees earned and movements in deferred origination fees.

	£m		
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
<b>Fee and commission income, and income from service activities</b>			
Premium-based fees	114	101	85
Change in fee income receivable	32	24	41
Fund-based fees	698	605	616
Fixed fees	31	33	41
Surrender charges	21	22	16
Change in deferred Income	(11)	14	14
Other fee and commission income	10	4	3
<b>Fee and commission income, and income from service activities</b>			
– continuing operations	895	803	816
<b>Fee and commission income, and income from service activities</b>			
– discontinued operations	389	354	301
<b>Total fee and commission income, and income from service activities</b>	<b>1,284</b>	<b>1,157</b>	<b>1,117</b>

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

#### 8(b) *Net investment income*

This note analyses the investment return from the Group's investing activities.

	£m		
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
<b>Net investment income</b>			
Interest and similar income			
Investments and securities	53	26	22
Cash and cash equivalents	10	20	17
<b>Total interest and similar income</b>	<b>63</b>	<b>46</b>	<b>39</b>
Dividend income	83	58	41
Gains on financial instruments at fair value through income statement	5,046	6,206	1,087
Foreign currency gains and losses	3	–	(1)
<b>Net investment income – continuing operations</b>	<b>5,195</b>	<b>6,310</b>	<b>1,166</b>
<b>Net investment income – discontinued operations</b>	<b>7</b>	<b>141</b>	<b>164</b>
<b>Total net investment income</b>	<b>5,202</b>	<b>6,451</b>	<b>1,330</b>



## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 9: Details of expenses

This note gives further detail on the items appearing in the income section of the consolidated income statement.

#### 9(a) Fee and commission expenses

This note analyses the fee and commission expenses and other acquisition costs.

	£m		
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
<b>Fee and commission expenses</b>			
Fee and commission expense	92	50	81
Acquisition commission costs – investment contracts	80	73	84
Acquisition commission costs – insurance business	12	10	9
Renewal commission – investment contracts	84	81	103
Renewal commission – insurance contracts	–	3	3
Retrocessions paid	16	23	26
Changes in deferred acquisition costs	36	59	56
<b>Fee and commission expenses – continuing operations</b>	<b>320</b>	<b>299</b>	<b>362</b>
<b>Fee and commission expenses – discontinued operations</b>	<b>62</b>	<b>140</b>	<b>126</b>
<b>Total fee and commission expenses</b>	<b>382</b>	<b>439</b>	<b>488</b>

#### 9(b) Other operating and administrative expenses

This note gives further detail on the items included within other operating and administrative expenses section of the consolidated income statement.

		£m		
	Note	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
<b>Other operating and administrative expenses</b>				
Staff costs	11	379	288	216
Depreciation		8	7	7
Operating lease rental		8	7	2
Amortisation of intangibles		2	4	4
Amortisation of other acquired intangibles		39	36	31
Administration and other expenses		380	312	305
<b>Other operating and administrative expenses</b>		<b>816</b>	<b>654</b>	<b>565</b>
<b>Total expenses – discontinued operations</b>		<b>184</b>	<b>142</b>	<b>119</b>
<b>Total expenses</b>		<b>1,000</b>	<b>796</b>	<b>684</b>

Operating lease payments principally represent rentals payable by the Group for the rental of buildings and equipment.

Administration and other expenses include business transformation costs for the year ended 31 December 2017 that totalled £74 million (2016: £102 million), (2015: £96 million) in relation to the Platform Transformation Programme and £69 million in relation to the voluntary customer remediation provision.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 10: Finance costs

This note analyses the interest costs on our borrowings (which are described in note 34) and similar charges. Finance costs comprise:

	£m		
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
<b>Interest payable on borrowed funds</b>	<b>39</b>	43	32
Loans with Old Mutual plc	39	43	32
<b>Total finance costs – continuing operations</b>	<b>39</b>	43	32

Finance costs, which represent the cost of interest and finance charges on the Group's borrowings from Old Mutual plc, borrowed to primarily fund acquisitions, including Quilter Cheviot in 2015. More details regarding the borrowed funds, including the interest rates payable, are shown in note 34.

### 11: Staff costs and other employee-related costs

#### 11(a) Staff costs

		£m		
	Note	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
Wages and salaries		235	174	129
Bonus and incentive remuneration		69	50	32
Social security costs		28	23	19
Retirement obligations				
Defined contribution plans		11	11	9
Defined benefit plans	37(b)	–	(1)	–
Share-based payments				
Equity settled	30(d)	9	6	5
Other		27	25	22
<b>Staff costs – continuing operations</b>		<b>379</b>	288	216
<b>Staff costs – discontinued operations</b>		<b>142</b>	111	99
<b>Total staff costs</b>		<b>521</b>	399	315

#### 11(b) Employee numbers

	£m		
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
<b>The average number of persons employed by the Group was:</b>			
Advice and Wealth Management	1,360	1,162	1,005
Wealth Platforms	2,514	2,341	2,151
Head office	66	51	47
<b>Continuing operations</b>	<b>3,940</b>	3,554	3,203
Discontinued operations	283	380	343
<b>Total average number of employees during the year</b>	<b>4,223</b>	3,933	3,546

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 12: Auditors' remuneration

Included in other operating and administrative expenses are fees paid to the Group's auditors. These can be categorised as follows:

	£m		
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
<b>Fees for audit services</b>			
Group	0.4	0.2	–
Subsidiaries	2.6	1.7	1.4
Total audit fees	3.0	1.9	1.4
<b>Fees for non-audit services</b>			
Other non-audit services	1.1	1.5	0.4
Total non-audit services	1.1	1.5	0.4
<b>Total Group auditors' remuneration – continuing operations</b>	<b>4.1</b>	<b>3.4</b>	<b>1.8</b>
<b>Total Group auditors' remuneration – discontinued operations</b>	<b>0.8</b>	<b>0.4</b>	<b>0.3</b>
<b>Total Group auditors' remuneration</b>	<b>4.9</b>	<b>3.8</b>	<b>2.1</b>

Non-recurring audit costs for the year include charges related to assurance and reporting accountant's work in respect of separation from Old Mutual plc group and listing, regulatory change including Solvency II, Platform transformation and strategic review costs.

### 13: Tax

This note analyses the income tax expense recognised in profit or loss for the year and the various factors that have contributed to the composition of the charge.

#### 13(a) Tax charged to the income statement

The total tax charge for the year comprises:

	£m		
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
<b>Current tax</b>			
United Kingdom	43	47	45
International	3	5	3
Adjustments to current tax in respect of prior years	1	(2)	(13)
<b>Total current tax</b>	<b>47</b>	<b>50</b>	<b>35</b>
<b>Deferred tax</b>			
Origination and reversal of temporary differences	2	46	(44)
Effect on deferred tax of changes in tax rates	(1)	–	(6)
Adjustments to deferred tax in respect of prior years	(7)	(2)	(1)
<b>Total deferred tax</b>	<b>(6)</b>	<b>44</b>	<b>(51)</b>
<b>Total tax charged/(credited) to income statement – continuing operations</b>	<b>41</b>	<b>94</b>	<b>(16)</b>
<b>Total tax charged/(credited) to income statement – discontinued operations</b>	<b>29</b>	<b>20</b>	<b>15</b>
<b>Total tax charged/(credited) to income statement</b>	<b>70</b>	<b>114</b>	<b>(1)</b>

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 13(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:

	£m		
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
<b>(Loss)/Profit before tax</b>	<b>(5)</b>	<b>67</b>	<b>41</b>
Tax at UK standard rate of 19.25% (2016: 20%, 2015: 20.25%)	(1)	13	8
Different tax rate or basis on overseas operations	(3)	(5)	(6)
Untaxed and low taxed income	(2)	(3)	(3)
Disallowable expenses	8	4	(7)
Net movement on deferred tax assets not recognised	(21)	(1)	1
Effect on deferred tax of changes in tax rates	(1)	–	(6)
Income tax attributable to policyholder returns	61	86	(3)
<b>Total tax charged/(credited) to income statement – continuing operations</b>	<b>41</b>	<b>94</b>	<b>(16)</b>
<b>Total tax charged/(credited) to income statement – discontinued operations</b>	<b>29</b>	<b>20</b>	<b>15</b>
<b>Total tax charged/(credited) to income statement</b>	<b>70</b>	<b>114</b>	<b>(1)</b>

### 13(c) Reconciliation of income tax expense in the IFRS income statement to income tax on operating profit

	£m		
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
<b>Income tax expense</b>	<b>41</b>	<b>94</b>	<b>(16)</b>
<b>Tax on non-operating adjusting items</b>			
Goodwill impairment and impact of acquisition accounting	8	8	10
Profit on the acquisition of subsidiaries, associates and strategic investments	–	–	1
Policyholder tax adjustment on non-operating items	17	(8)	12
Other shareholder tax on non-operating items	(26)	(1)	(4)
Business transformation costs	14	20	19
Managed separation costs	4	2	–
Group debt costs and other interest	8	7	7
Voluntary customer remediation provision	14	–	–
<b>Total tax on non-operating adjusting items</b>	<b>39</b>	<b>28</b>	<b>45</b>
Tax attributable to policyholders returns	(66)	(94)	(5)
<b>Tax charged on operating profit – continuing operations</b>	<b>14</b>	<b>28</b>	<b>24</b>
<b>Tax charged on operating profit – discontinued operations</b>	<b>29</b>	<b>20</b>	<b>15</b>
<b>Tax charged on operating profit</b>	<b>43</b>	<b>48</b>	<b>39</b>

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 14: Earnings and earnings per share

The Group calculates earnings per share (EPS) on a number of different bases as appropriate to prevailing international, UK and South African practices and guidance. IFRS requires the calculation of basic and diluted EPS. Operating EPS reflects earnings per share that is consistent with the Group's alternative profit measure. JSE Limited (JSE) listing requirements also require the Group to calculate headline EPS. The Group's EPS on these different bases are summarised below.

Earnings per share is disclosed as required by IAS33 "Earnings per Share". The ultimate share structure will change on initial public offering and, consequently, earnings per share for historical periods is not representative of the Group's future structure.

			Pence		
	Source of guidance	Notes	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
Basic earnings per share	IFRS	14(a)	120.8	26.9	65.4
Diluted basic earnings per share	IFRS	14(b)	120.8	26.9	65.4
Operating earnings per share	Group policy	14(c)	150.0	114.6	151.5
Headline earning per share (Net of tax)	JSE Listing Requirements	14(d)	69.2	26.9	82.3
Diluted headline earning per share (Net of tax)	JSE Listing Requirements	14(d)	69.2	26.9	82.3

#### 14(a) Basic earnings per share

- (i) The profit attributable to ordinary shareholders is:

	Pence		
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
(Loss)/Profit for the financial year attributable to shareholders' of the Parent Company from continuing operations	(46)	(27)	57
Profit for the financial year attributable to shareholders' of the Parent Company from discontinued operations	203	62	28
<b>Profit for the financial year attributable to shareholders' of the Parent Company</b>	<b>157</b>	<b>35</b>	<b>85</b>
<b>Profit for the calculation of earnings per share</b>	<b>157</b>	<b>35</b>	<b>85</b>

The table below summarises the calculation of the weighted average number of ordinary shares for the purposes of calculating basic earnings per share:

	Millions		
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
<b>Weighted average number of ordinary shares in issue</b>	<b>130</b>	<b>130</b>	<b>130</b>
<b>Adjusted weighted average number of ordinary shares used to calculate basic earnings per share</b>	<b>130</b>	<b>130</b>	<b>130</b>
<b>Basic earnings per ordinary share (pence)</b>	<b>120.8</b>	<b>26.9</b>	<b>65.4</b>

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

Basic earnings per share is calculated by dividing the profit for the financial year attributable to ordinary equity shareholders of the parent by the weighted average number of ordinary shares in issue during the year excluding shares held within employee benefit trusts. Shares held within joint shares ownership plans (JSOP) have been excluded within the calculation of the number of shares as they are passed back to the Parent Company when the scheme vests. Although the weighted average number of shares has been adjusted for the JSOP shares, the time weighted calculation has reduced this impact to an insignificant amount within the above table.

### 14(b) *Diluted earnings per share*

Diluted earnings per share recognises the dilutive impact of shares and options held in trusts, to the extent they have value, in the calculation of the weighted average number of shares, as if the relevant shares were in issue for the full year. The table below reconciles the profit attributable to ordinary equity holders to diluted profit attributable to ordinary equity holders and summarises the calculation of weighted average number of shares for the purpose of calculating diluted earnings per share:

		£m		
	Notes	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
Profit attributable to ordinary equity holders (£m)		157	35	85
<b>Diluted profit attributable to ordinary equity holders (£m)</b>		<b>157</b>	<b>35</b>	<b>85</b>
Weighted average number of ordinary shares (millions)	14(a)	130	130	130
<b>Weighted average number of ordinary shares used to calculate diluted earnings per share (millions)</b>		<b>130</b>	<b>130</b>	<b>130</b>
<b>Diluted earnings per ordinary share (pence)</b>		<b>120.8</b>	<b>26.9</b>	<b>65.4</b>

### 14(c) *Operating earnings per share*

The following table presents a reconciliation of profit for the financial year to operating profit after tax attributable to ordinary equity holders and summarises the calculation of operating earnings per share:

		£m		
	Notes	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
<b>Profit for the financial year attributable to shareholders' of the Parent Company</b>		<b>157</b>	<b>35</b>	<b>85</b>
Adjusting items	7	263	212	173
Income tax expense on adjusting items	13(c)	(39)	(28)	(45)
Profit after tax from discontinued operations	5(d)	(203)	(62)	(28)
Less policyholder tax adjustments on non-operating items	5(d)	17	(8)	12
<b>Operating profit after tax attributable to ordinary shareholders' (£m)</b>		<b>195</b>	<b>149</b>	<b>197</b>
<b>Adjusted weighted average number of ordinary shares used to calculate adjusted operating earnings per share (millions)</b>	14(a)	<b>130</b>	<b>130</b>	<b>130</b>
<b>Operating earnings per share (pence)</b>		<b>150.0</b>	<b>114.6</b>	<b>151.5</b>

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 14(d) *Headline earnings per share*

The Group is required to calculate headline earnings per share (HEPS) in accordance with the JSE Limited (JSE) Listing Requirements, determined by reference to the South African Institute of Chartered Accountants' circular 02/2015 "Headline Earnings". The table below sets out a reconciliation of basic EPS and HEPS in accordance with that circular. Disclosure of HEPS is not a requirement of IFRS, but it is a commonly used measure of earnings in South Africa.

The table below reconciles the profit for the financial year attributable to equity holders of the parent to headline earnings and summarises the calculation of basic HEPS:

							£m
	Year ended 31 December 2017		Year ended 31 December 2016		Year ended 31 December 2015		
	Gross	Net of tax	Gross	Net of tax	Gross	Net of tax	
<b>Profit for the financial year attributable to shareholders' of the Parent Company</b>		<b>157</b>		35		85	
Adjusting items							
(Profit)/Loss on acquisitions and disposals of subsidiaries	(83)	(67)	–	–	28	22	
<b>Headline earnings</b>	<b>(83)</b>	<b>90</b>	<b>–</b>	35	28	107	
<b>Diluted headline earnings</b>		<b>90</b>		35		107	
<b>Weighted average number of ordinary shares (millions)</b>		<b>130</b>		130		130	
<b>Diluted weighted average number of ordinary shares (millions)</b>		<b>130</b>		130		130	
<b>Headline earnings per share (pence)</b>		<b>69.2</b>		26.9		82.3	
<b>Adjusted headline earnings per share (pence)</b>		<b>69.2</b>		26.9		82.3	

### 15: Dividends

This note analyses the total dividends and other appropriations paid during the year. The final dividend to shareholders is recognised as a liability when approved at the Annual General Meeting.

				£m
	Payment date	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
<b>Ordinary dividends declared and charged to equity in the year</b>				
2015 Interim dividend paid – 18.46p per ordinary share	21 December 2015	–	–	24
2017 Special dividend paid – 161.47p per ordinary share	9 January 2017	<b>210</b>	–	–
<b>Dividends to ordinary shareholders</b>		<b>210</b>	–	24

The total dividend paid to ordinary shareholders is calculated using the number of shares in issue at the record date less own shares held in certain Employee Benefit Trusts.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 16: Total other comprehensive income

	£m			
	Other reserves	Foreign currency translation reserve	Retained earnings	Total shareholders' equity
<b>For the year ended 31 December 2017</b>				
Other movements	–	–	3	3
<b>Total Other comprehensive income/(expense) for the year</b>	<b>–</b>	<b>–</b>	<b>3</b>	<b>3</b>
<b>For the year ended 31 December 2016</b>				
Fair value gains				
Measurement gains on defined benefit plans	–	–	(1)	(1)
Currency translation differences on translating foreign operations	(1)	3	21	23
Other movements	1	–	(3)	(2)
<b>Total Other comprehensive income/(expense) for the year</b>	<b>–</b>	<b>3</b>	<b>17</b>	<b>20</b>
<b>For the year ended 31 December 2015</b>				
Fair value gains				
Measurement gains on defined benefit plans	–	–	(1)	(1)
Currency translation differences on translating foreign operations	–	–	(8)	(8)
<b>Total Other comprehensive income/(expense) for the year</b>	<b>–</b>	<b>–</b>	<b>(9)</b>	<b>(9)</b>



## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 17: Goodwill and intangible assets

#### 17(a) Analysis of goodwill and intangible assets

The table below shows the movements in cost, amortisation and impairment of goodwill and intangible assets for the years ended 31 December 2017, 31 December 2016 and 31 December 2015.

	£m			
	Goodwill	Software development costs	Other intangible assets	Total
<b>Gross amount</b>				
At 1 January 2015	62	81	41	184
Acquisitions through business combinations <sup>1</sup>	299	–	291	590
Additions	–	6	–	6
Disposals or retirements	–	(2)	–	(2)
Foreign exchange and other movements	–	1	–	1
At 31 December 2015	361	86	332	779
Acquisitions through business combinations <sup>2</sup>	12	–	6	18
Additions	–	3	7	10
Foreign exchange and other movements	–	5	5	10
At 31 December 2016	373	94	350	817
Acquisitions through business combinations <sup>3</sup>	15	–	27	42
Additions	–	2	–	2
Transfer to non-current assets held for sale <sup>4</sup>	(82)	(2)	(3)	(87)
Foreign exchange and other movements	–	7	(7)	–
<b>At 31 December 2017</b>	<b>306</b>	<b>101</b>	<b>367</b>	<b>774</b>
<b>Amortisation and impairment losses</b>				
At 1 January 2015	–	(76)	(2)	(78)
Amortisation charge for the year	–	(4)	(31)	(35)
Foreign exchange and other movements	–	3	1	4
At 31 December 2015	–	(77)	(32)	(109)
Amortisation charge for the year	–	(4)	(36)	(40)
Foreign exchange and other movements	–	(9)	(5)	(14)
At 31 December 2016	–	(90)	(73)	(163)
Acquisitions through business combinations	–	–	(2)	(2)
Amortisation charge for the year	–	(2)	(39)	(41)
Disposals or retirements	–	–	2	2
Transfer to non-current assets held for sale	–	2	3	5
Foreign exchange and other movements	–	–	(1)	(1)
<b>At 31 December 2017</b>	<b>–</b>	<b>(90)</b>	<b>(110)</b>	<b>(200)</b>
<b>Carrying amount</b>				
At 31 December 2015	361	9	300	670
At 31 December 2016	373	4	277	654
<b>At 31 December 2017</b>	<b>306</b>	<b>11</b>	<b>257</b>	<b>574</b>

(1) Goodwill acquired through business combinations for the year ended 31 December 2015 of £299 million relates to the acquisition of Quilter Cheviot Limited £292 million and the completion of the acquisitions of Intrinsic Financial Services Limited £7 million.

(2) Goodwill acquired through business combinations for the year ended 31 December 2016 of £12 million relates to the acquisition of AAM Advisory Pte Ltd (£4 million) and various acquisitions by the Old Mutual Wealth Private Client Advisers business (£8 million).

(3) Goodwill acquired through business combinations for the year ended 31 December 2017 of £15 million relates to the acquisition of Caerus Capital Group Limited (£10 million) and various acquisitions by the Old Mutual Wealth Private Client Advisers business (£5 million). Refer to note 5(a) for further information.

(4) Goodwill transferred to non-current assets held for sale relates to the Single Strategy asset management business (see note 5(f)).

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

*For the year ended 31 December 2017*

The net carrying amount of intangible assets at year-end principally comprises:

- £195 million (2016: £223 million, 2015: £249 million) relating to distribution channels in the Quilter Cheviot business (to be amortised over a further 7 years).
- £24 million (2016: £30 million, 2015: £35 million) relating to mutual fund and asset management relationship assets in the Intrinsic business (to be amortised over a further 5 years).
- £7 million (2016: £10 million, 2015: £13 million) relating to the Quilter Cheviot brand (to be amortised over a further 2 years).
- £3 million (2016: £3 million) relating to the acquisition of OMWPCA business (to be amortised over a further 8 years).
- £3 million (2016: £3 million) relating to the acquisition of AAM Advisory Pte Ltd (to be amortised over a further 8 years).
- £10 million relating to customer distribution channels of Caerus Capital Group Limited (to be amortised over a further 8 years).
- £10 million relating to customer relationships of the PCA business (to be amortised over 6 years).
- £7 million relating to customer relationships of Attivo Investment Management Limited (to be amortised over 6 years).

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 17(b) Allocation of goodwill to cash-generating unit (CGUs) and impairment testing

Goodwill is allocated to the Group's CGUs, which are contained within the following operating segments as follows:

	£m		
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
<b>Goodwill (net carrying amount)</b>			
Advice and Wealth Management	148	141	137
Wealth Platforms	158	153	151
Discontinued Operations	–	79	73
<b>Goodwill (as per the Statement of Financial Position)</b>	<b>306</b>	<b>373</b>	<b>361</b>
Goodwill Held for Sale	82	–	–
<b>Total goodwill</b>	<b>388</b>	<b>373</b>	<b>361</b>

Goodwill in all business units is tested for impairment by comparing the carrying value of the cash generating unit to which the goodwill relates, to the recoverable value of that cash generating unit (CGU). In accordance with the requirements of IAS 36 "Impairment of Assets", goodwill is tested annually for impairment for each CGU, by comparing the carrying amount of each CGU to its recoverable amount, being the higher of that CGU's value-in-use or fair value less costs to sell. An impairment charge is recognised when the recoverable amount is less than the carrying value.

The cash flows attributable to the value of new business are determined with reference to latest approved three-year business plans. The three-year business plan takes into account the management strategy for the underlying businesses, the capital available for deployment, the underlying macro-economic factors which impact the business and the region in which it operates as well as socio-economic factors. Projections beyond the plan period are extrapolated using an inflation based growth assumption.

The value-in-use calculations for life assurance operations are determined as the sum of net tangible assets, the expected future profits arising from the in-force business (after allowing for the cost of capital needed to support the business) and the expected profits from future new business. In determining the expected future profits, the same set of best estimate assumptions for persistency, expense, mortality and morbidity are used as per the Solvency II calculation. The market share and market growth information are also used to inform the expected volumes of future new business.

The cash flows that have been used to determine the value-in-use of the cash generating units are based on the three-year business plans. These cash flows grow at different rates because of the different strategies of the CGUs generating units. In cases where the cash generating units have made significant acquisitions in the recent past, the profits are forecast to grow faster than the more mature businesses. Post the three-year growth forecast, the growth rate used to determine the terminal value of the CGUs approximates the long-term growth rate of the countries in which it operates.

The Group's CGUs generate revenues through their life assurance, asset management, long-term savings and advisory businesses. Goodwill is allocated to the Group's CGUs, which are contained within its distinct operating segments. On disposals of businesses, goodwill is allocated to them based on the relative value-in-use of the business from calculations used within the impairment reviews.

The pre-tax discount rate used for goodwill impairment testing, which reflect specific risks relating to the CGU at the date of evaluation and weighted average growth rate used in 2017 for the CGUs within each operating segment are shown below. The growth rates include improvements in trade performance, where these are forecast in the three-year operational plan for the CGU.

- Growth rate – the rate used was 10% (2016: 14%), (2015: 5.0%) for the three-year business plan period and the expected inflation rate for the period beyond this.
- Discount rate – the rate applied was 9.4% (2016: 8.7%), (2015: 9.0%) and used the relevant 10-year government bond rate as a starting point, which was adjusted for an equity market risk premium and other relevant risk adjustments, which were determined using market valuation models and other observable references.

The directors are satisfied that a reasonable change in assumptions would not cause the recoverable amount of the goodwill to fall below the carrying amount.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 18: Property, plant and equipment

The following table analyses property, plant and equipment.

	£m		
	Leasehold improvements	Plant and equipment	Total
<b>Cost</b>			
At 1 January 2015	–	59	59
Additions	–	5	5
Additions from business combinations	9	11	20
Disposals	–	(2)	(2)
At 31 December 2015	9	73	82
Additions	1	3	4
Additions from business combinations	–	1	1
Disposals	–	(6)	(6)
Foreign exchange and other movements	2	4	6
At 31 December 2016	12	73	85
Additions	1	7	8
Additions from business combinations	–	3	3
Disposals	–	(4)	(4)
Foreign exchange and other movements	–	(2)	(2)
<b>At 31 December 2017</b>	<b>13</b>	<b>75</b>	<b>88</b>
<b>Accumulated depreciation and impairment</b>			
At 1 January 2015	–	(45)	(45)
Depreciation charge for the year	(1)	(6)	(7)
Disposals	–	2	2
Foreign exchange and other movements	(3)	(10)	(13)
At 31 December 2015	(4)	(59)	(63)
Depreciation charge for the year	(1)	(6)	(7)
Disposals	–	4	4
Foreign exchange and other movements	1	(4)	(3)
At 31 December 2016	(4)	(63)	(67)
Depreciation charge for the year	(1)	(7)	(8)
Disposals	–	4	4
Foreign exchange and other movements	(2)	1	(1)
<b>At 31 December 2017</b>	<b>(7)</b>	<b>(63)</b>	<b>(70)</b>
<b>Carrying amount</b>			
At 31 December 2015	5	14	19
At 31 December 2016	8	10	18
<b>At 31 December 2017</b>	<b>6</b>	<b>12</b>	<b>18</b>

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 19: Loans and advances

This note analyses the loans our Group companies have made.

#### (a) Carrying amounts

The carrying amounts of loans and advances were as follows:

	£m		
	At 31 December 2017	At 31 December 2016	At 31 December 2015
Loans to policyholders	181	205	181
Loans to brokers and other loans to clients	19	15	9
<b>Gross loans and advances</b>	<b>200</b>	<b>220</b>	<b>190</b>
<b>Provision for impairments</b>	<b>(1)</b>	<b>–</b>	<b>–</b>
<b>Total net loans and advances</b>	<b>199</b>	<b>220</b>	<b>190</b>

The carrying amount of loans approximates to their fair value which is measured as the principal amounts receivable under the loan agreements.

Policyholder loans are taken from an individual policyholder's transaction account and loaned to the specific policyholder and are therefore considered risk free. Policyholder loans are interest free.

All loans, except broker loans which have a set repayment schedule, are repayable on demand. All broker loans and other loans to clients earn interest at a rate of between annual LIBOR plus 0.5% and 10%. There have been no non-performing loans, loans subject to renegotiations or material impairments on loans and advances recognised in the financial year.

The provision for impairments is a specific impairment relating to a financial advisor that is not expected to be recovered.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 20: Financial investments

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

		£m		
	Notes	At 31 December 2017	At 31 December 2016	At 31 December 2015
Government and government-guaranteed securities		2,427	905	1,330
Other debt securities, preference shares and debentures		2,401	1,983	1,328
Listed		2,220	1,779	1,150
Unlisted		181	204	178
Equity securities		12,554	8,625	6,247
Listed		11,448	8,192	5,934
Unlisted		1,106	433	313
Pooled investments		46,455	46,888	40,335
Listed		16,867	14,848	13,479
Unlisted		29,588	32,040	26,856
Short-term funds and securities treated as investments		15	23	22
Other		396	–	32
<b>Total financial investments</b>		<b>64,248</b>	<b>58,424</b>	<b>49,294</b>
<b>Less: financial investments classified as held for sale</b>	5(g)	<b>–</b>	<b>(6,189)</b>	<b>–</b>
<b>Total financial investments net of held for sale</b>		<b>64,248</b>	<b>52,235</b>	<b>49,294</b>
<b>To be recovered within 12 months</b>		<b>64,072</b>	<b>52,127</b>	<b>49,109</b>
<b>To be recovered after 12 months</b>		<b>176</b>	<b>108</b>	<b>185</b>
		<b>64,248</b>	<b>52,235</b>	<b>49,294</b>

The financial investments contractual maturity profile is based on the intention with which the financial assets are held. These assets, together with the reinsurers' share of investment contract liabilities, are held to cover the liabilities for linked investment contracts (net of reinsurance).

#### 20(a) Debt instruments and similar securities

All debt instruments and similar securities are neither past due nor impaired and are analysed in the table below. These debt instruments and similar securities are classified according to their local credit rating (Standard & Poor's or an equivalent), by investment grade.

Further information of the credit rating of debt instruments and similar securities is analysed in the table in note 42(c) Capital and financial risk management.

#### 20(b) Equity securities

Equity securities are held to cover the liabilities for linked investment contracts. The majority of the listed securities are traded on the London Stock Exchange.

The Group's holdings of unlisted equity securities arise principally from private equity investments.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 21: Derivative financial instruments – assets and liabilities

The Group has limited involvement with derivative instruments and does not use them for speculation purposes. Derivative instruments are used to manage well-defined foreign exchange risks arising out of the normal course of business. The Group enters into forward foreign exchange contracts to reduce currency risk on accounts receivable and future revenues denominated in United States dollars. The Group does not anticipate any material adverse effect on its financial position resulting from its involvement in these types of contracts, nor does it anticipate non-performance by counterparties. The Group only deals with highly rated counterparties.

All derivatives included within the statement of financial position relate to instruments included as a consequence of the consolidation of investment funds. This can be seen within the segmented statement of financial position (note 6(c)).

	£m	
	Assets	Liabilities
Derivatives included through consolidation of funds		
<b>As at 31 December 2017</b>	<b>87</b>	<b>(433)</b>
As at 31 December 2016	26	(56)
As at 31 December 2015	971	(978)

### 22: Categories of financial instruments

The analysis of assets and liabilities into their categories as defined in IAS 39 "Financial Instruments: Recognition and Measurement" 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 IAS 39, are reflected in the non-financial assets and liabilities category.

All gains and losses on measuring the financial assets and liabilities at each reporting date are included in the determination of profit or loss for the year.

For information about the methods and assumptions used in determining fair value please refer to note 23. The Group's exposure to various risks associated with financial instruments is discussed in note 42(c).

# NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

At 31 December 2017

						£m
	Fair value		Amortised cost			
Measurement basis	Held for trading	Designated at fair value through the profit or loss	Loans and receivables	Financial liabilities amortised cost	Non-financial assets and liabilities	Total
<b>Assets</b>						
Investments in associated undertakings and joint ventures <sup>1</sup>	–	–	–	–	3	3
Reinsurers' share of policyholder liabilities	–	2,525	–	–	383	2,908
Loans and advances	–	180	19	–	–	199
Financial investments	–	64,248	–	–	–	64,248
Trade, other receivables and other assets	–	–	154	–	343	497
Derivative financial instruments	87	–	–	–	–	87
Cash and cash equivalents	–	–	2,360	–	–	2,360
Total assets that include financial instruments	87	66,953	2,533	–	729	70,302
Total other non-financial assets	–	–	–	–	1,225	1,225
Total assets net of held for sale	87	66,953	2,533	–	1,954	71,527
Total assets classified as held for sale	–	–	147	–	299	446
<b>Total assets</b>	<b>87</b>	<b>66,953</b>	<b>2,680</b>	<b>–</b>	<b>2,253</b>	<b>71,973</b>
<b>Liabilities</b>						
Long-term business insurance policyholder liabilities	–	–	–	–	489	489
Investment contract liabilities	–	59,139	–	–	–	59,139
Third party interest in consolidation of funds	–	7,905	–	–	–	7,905
Borrowings	–	–	–	782	–	782
Trade, other payables and other liabilities	–	–	–	505	826	1,331
Derivative financial instruments	433	–	–	–	–	433
Total liabilities that include financial instruments	433	67,044	–	1,287	1,315	70,079
Total other non-financial liabilities	–	–	–	–	576	576
Total liabilities net of held for sale	433	67,044	–	1,287	1,891	70,655
Total liabilities classified as held for sale	–	–	–	–	219	219
<b>Total liabilities</b>	<b>433</b>	<b>67,044</b>	<b>–</b>	<b>1,287</b>	<b>2,110</b>	<b>70,874</b>

(1) Investments in associated undertakings and joint ventures classified as non-financial assets and liabilities are equity accounted.



## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

At 31 December 2016

						£m
	Fair value		Amortised cost			
Measurement basis	Held for trading	Designated at fair value through the profit or loss	Loans and receivables	Financial liabilities amortised cost	Non-financial assets and liabilities	Total
<b>Assets</b>						
Investments in associated undertakings and joint ventures <sup>1</sup>	–	–	–	–	1	1
Reinsurers' share of policyholder liabilities	–	2,560	–	–	303	2,863
Loans and advances	–	206	3	–	11	220
Financial investments	–	52,235	–	–	–	52,235
Trade, other receivables and other assets	–	–	181	–	613	794
Derivative financial instruments	26	–	–	–	–	26
Cash and cash equivalents	–	–	1,595	–	–	1,595
Total assets that include financial instruments	26	55,001	1,779	–	928	57,734
Total other non-financial assets	–	–	–	–	1,355	1,355
Total assets net of held for sale	26	55,001	1,779	–	2,283	59,089
Total assets classified as held for sale	–	6,189	14	–	193	6,396
<b>Total assets</b>	26	61,190	1,793	–	2,476	65,485
<b>Liabilities</b>						
Long-term business insurance policyholder liabilities	–	–	–	–	417	417
Investment contract liabilities	–	51,265	–	–	–	51,265
Third party interest in consolidation of funds	–	4,140	–	–	–	4,140
Borrowings	–	–	–	839	–	839
Trade, other payables and other liabilities	–	–	–	167	857	1,024
Derivative financial instruments	56	–	–	–	–	56
Total liabilities that include financial instruments	56	55,405	–	1,006	1,274	57,741
Total other non-financial liabilities	–	–	–	–	489	489
Total liabilities net of held for sale	56	55,405	–	1,006	1,763	58,230
Total liabilities classified as held for sale	–	6,155	–	–	108	6,263
<b>Total liabilities</b>	56	61,560	–	1,006	1,871	64,493

(1) Investments in associated undertakings and joint ventures classified as non-financial assets and liabilities are equity accounted.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

At 31 December 2015

						£m
	Fair value		Amortised cost			
Measurement basis	Held for trading	Designated at fair value through the profit or loss	Loans and receivables	Financial liabilities amortised cost	Non-financial assets and liabilities	Total
<b>Assets</b>						
Investments in associated undertakings and joint ventures <sup>1</sup>	–	–	–	–	1	1
Reinsurers' share of policyholder liabilities	–	2,328	–	–	179	2,507
Loans and advances	–	181	9	–	–	190
Financial investments	–	49,294	–	–	–	49,294
Trade, other receivables and other assets	–	–	129	–	587	716
Derivative financial instruments	971	–	–	–	–	971
Cash and cash equivalents	–	–	1,601	–	–	1,601
Total assets that include financial instruments	971	51,803	1,739	–	767	55,280
Total other non-financial assets	–	–	–	–	1,492	1,492
Total assets net of held for sale	971	51,803	1,739	–	2,259	56,772
Total assets classified as held for sale	–	–	–	–	–	–
<b>Total assets</b>	971	51,803	1,739	–	2,259	56,772
<b>Liabilities</b>						
Long-term business insurance policyholder liabilities	–	–	–	–	293	293
Investment contract liabilities	–	49,041	–	–	–	49,041
Third party interest in consolidation of funds	–	3,311	–	–	–	3,311
Borrowings	–	–	–	786	–	786
Trade, other payables and other liabilities	–	–	–	112	826	938
Derivative financial instruments	978	–	–	–	–	978
Total liabilities that include financial instruments	978	52,352	–	898	1,119	55,347
Total other non-financial liabilities	–	–	–	–	512	512
Total liabilities net of held for sale	978	52,352	–	898	1,631	55,859
Total liabilities classified as held for sale	–	–	–	–	–	–
<b>Total liabilities</b>	978	52,352	–	898	1,631	55,859

(1) Investments in associated undertakings and joint ventures classified as non-financial assets and liabilities are equity accounted.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 23: 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 below, prescribed under the accounting standards, provides an indication about the reliability of inputs used in determining fair value.

#### 23(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.
- Where the assets are private company shares 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. The general principles applied to those instruments measured at fair value are outlined below:

#### Reinsurers' share of policyholder liabilities

Reinsurers' share of policyholder liabilities are measured on a basis that is consistent with the measurement of the provisions held in respect of the related insurance contracts. Reinsurance contracts which cover financial risk are measured at fair value of the underlying assets.

#### 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 are measured at observable market prices where available. In the absence of observable market prices, these investments and securities are fair valued utilising one or more of the following techniques: discounted cash flows, the application of an EBITDA 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. In situations where the derivatives are traded over the counter the fair value of the instruments is determined by the utilisation of option pricing models.

#### 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.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### Third party interest in consolidation of funds

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

### Borrowed funds

Borrowed funds are stated at amortised cost.

### 23(b) Fair value hierarchy

Fair values are determined according to the following hierarchy.

Description of hierarchy	Types of instruments classified in the respective levels
<b>Level 1</b> – 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, reinsurers' share of investment contract liabilities and investment contract liabilities directly linked to other Level 1 financial assets.
<b>Level 2</b> – 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. OTC derivatives, certain privately placed debt instruments and third party interests in consolidated funds.
<b>Level 3</b> – 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.

### 23(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.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 23(d) *Financial assets and liabilities measured at fair value, classified according to fair value hierarchy*

The tables 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 IAS 39 classification, as set out in the accounting policies note 4.11 and in terms of the fair value hierarchy described in note 4.2. The majority of the Group's financial assets are measured utilising quoted market prices for identical instruments in active markets (Level 1) and there has been no significant change compared to the prior year.

The assets, together with the reinsurers' share of investment contract liabilities, 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.

	At 31 December 2017		At 31 December 2016		At 31 December 2015	
	£m	%	£m	%	£m	%
<b>Financial assets measured at fair value</b>						
Level 1	57,945	86.4%	49,775	90.5%	46,556	88.2%
Level 2	7,928	11.8%	4,671	8.5%	5,716	10.8%
Level 3	1,167	1.7%	581	1.1%	502	1.0%
<b>Total</b>	<b>67,040</b>	<b>100.0%</b>	<b>55,027</b>	<b>100.0%</b>	<b>52,774</b>	<b>100.0%</b>
<b>Financial liabilities measured at fair value</b>						
Level 1	57,399	85.1%	50,206	90.5%	47,508	89.1%
Level 2	8,911	13.2%	4,674	8.4%	5,320	10.0%
Level 3	1,167	1.7%	581	1.1%	502	0.9%
<b>Total</b>	<b>67,477</b>	<b>100.0%</b>	<b>55,461</b>	<b>100.0%</b>	<b>53,330</b>	<b>100.0%</b>

  

	£m			
At 31 December 2017	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>				
Held-for-trading (fair value through profit or loss)	–	87	–	87
Derivative assets	–	87	–	87
Designated (fair value through profit or loss)	57,945	7,841	1,167	66,953
Reinsurers' share of policyholder liabilities	2,525	–	–	2,525
Loans and advances	180	–	–	180
Financial investments	55,240	7,841	1,167	64,248
<b>Total assets measured at fair value</b>	<b>57,945</b>	<b>7,928</b>	<b>1,167</b>	<b>67,040</b>
<b>Financial liabilities measured at fair value</b>				
Held-for-trading (fair value through profit or loss)	–	433	–	433
Derivative financial instruments – liabilities	–	433	–	433
Designated (fair value through profit or loss)	57,399	8,478	1,167	67,044
Investment contract liabilities	57,399	573	1,167	59,139
Third party interests in consolidated funds	–	7,905	–	7,905
<b>Total liabilities measured at fair value</b>	<b>57,399</b>	<b>8,911</b>	<b>1,167</b>	<b>67,477</b>

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

	£m			
At 31 December 2016	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>				
Held-for-trading (fair value through profit or loss)	–	26	–	26
Derivative assets	–	26	–	26
Designated (fair value through profit or loss)	49,775	4,645	581	55,001
Reinsurers' share of policyholder liabilities	2,560	–	–	2,560
Loans and advances	206	–	–	206
Financial investments	47,009	4,645	581	52,235
<b>Total assets measured at fair value</b>	<b>49,775</b>	<b>4,671</b>	<b>581</b>	<b>55,027</b>
<b>Financial liabilities measured at fair value</b>				
Held-for-trading (fair value through profit or loss)	1	55	–	56
Derivative financial instruments – liabilities	1	55	–	56
Designated (fair value through profit or loss)	50,205	4,619	581	55,405
Investment contract liabilities	50,205	479	581	51,265
Third party interests in consolidated funds	–	4,140	–	4,140
<b>Total liabilities measured at fair value</b>	<b>50,206</b>	<b>4,674</b>	<b>581</b>	<b>55,461</b>

  

	£m			
At 31 December 2015	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>				
Held-for-trading (fair value through profit or loss)	–	971	–	971
Derivative assets	–	971	–	971
Designated (fair value through profit or loss)	46,556	4,745	502	51,803
Reinsurers' share of policyholder liabilities	2,328	–	–	2,328
Loans and advances	181	–	–	181
Financial investments	44,047	4,745	502	49,294
<b>Total assets measured at fair value</b>	<b>46,556</b>	<b>5,716</b>	<b>502</b>	<b>52,774</b>
<b>Financial liabilities measured at fair value</b>				
Held-for-trading (fair value through profit or loss)	–	978	–	978
Derivative financial instruments – liabilities	–	978	–	978
Designated (fair value through profit or loss)	47,508	4,342	502	52,352
Investment contract liabilities	47,508	1,031	502	49,041
Third party interests in consolidated funds	–	3,311	–	3,311
<b>Total liabilities measured at fair value</b>	<b>47,508</b>	<b>5,320</b>	<b>502</b>	<b>53,330</b>

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 23(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 balances of Level 3 financial assets (and liabilities) to closing balances at the end of the period:

	£m		
	At 31 December 2017	At 31 December 2016	At 31 December 2015
At beginning of the year	581	502	694
Total net fair value gains recognised in: profit or loss	(23)	13	(92)
Purchases	618	21	96
Sales	(23)	(115)	(193)
Transfers in	167	188	52
Transfers out	(152)	(31)	(55)
Foreign exchange and other	1	3	–
<b>Total level 3 financial assets/liabilities</b>	<b>1,169</b>	<b>581</b>	<b>502</b>

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

Transfers into Level 3 assets for the current period comprise £167 million (2016: £188 million), (2015: £52 million) of private company shares that were previously shown within Level 2 and for which price updates have not been received for more than six months. Transfers out of Level 3 assets in the current period comprise £152 million (2016: £31 million), (2015: £55 million) of private company shares that were not being repriced and that have been transferred into Level 2 as they are now actively priced.

	£m		
	At 31 December 2017	At 31 December 2016	At 31 December 2015
Pooled investments	187	229	191
Unlisted and stale price pooled investments	186	216	190
Suspended funds	1	13	1
Private equity investments	982	352	311
	<b>1,169</b>	<b>581</b>	<b>502</b>

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 23(f) *Effect of changes in significant unobservable assumptions to reasonable possible alternatives*

Favourable and unfavourable changes are determined on the basis of changes in the value of the financial asset or liability as a result of varying the levels of the unobservable parameters using statistical techniques. When parameters are not amenable to statistical analysis, quantification of uncertainty is judgemental.

When the fair value of a financial asset or liability is affected by more than one unobservable assumption, the figures shown reflect the most favourable or most unfavourable change from varying the assumptions individually.

The valuations of the private equity investments are 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.

Details of the valuation techniques applied to the different categories of financial instruments can be found in note 23(a) above.

Management believe that in aggregate, 10% (2016 and 2015: 10%) change in the value of the financial asset or liability represents 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 alternative assumptions will be in the range of £117 million, both favourable and unfavourable (2016: £51 million; 2015: £70 million). As described in note 23(e) above, changes in the value of level 3 assets are exactly matched by corresponding changes in the value of liabilities due to policyholders and therefore have no impact on the Group's profit or loss or net asset value.

### 23(g) *Fair value hierarchy for assets and liabilities not measured at fair value*

All of the Group's financial instruments are carried at fair value except for certain amounts included within "Trade, other receivables, and other assets" and "Trade, other payables, and other liabilities". 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. These instruments would be classified as Level 3 in terms of the fair value hierarchy.

## 24: Structured entities

### 24(a) *Group's involvement in structured entities*

Some investment vehicles are classified as structured entities because they have a narrow and well defined purpose. The table below summarises the types of structured entities the Group has an interest in. These entities are not consolidated where the Group determines that it does not have control.

Type of structured entity	Nature	Purpose	Interest held by the Group
• Investments in collective investment vehicles	• Manage shareholder funds through the investment in assets	• Generate fees from managing company assets	• Investment in units issued by the vehicles
• Investments held for the benefit of policyholders	• Manage client funds through the investment in assets	• Generate fees from managing assets on behalf of third party investors	• Investments in units issued by the fund

The Group's holdings in investment vehicles are subject to the terms and conditions of the respective investment vehicle's offering documentation and are susceptible to market price risk arising from uncertainties about future values of those investment vehicles. All of the investment vehicles in the investment portfolios are managed by portfolio managers who are compensated by the respective investment vehicles for their services. Such compensation generally consists of an asset-based fee and a performance based incentive fee, and is reflected in the valuation of the investment vehicles.



## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 24(b) *Interests in unconsolidated structured entities*

The Group invests in unconsolidated structured entities as part of its normal investment and trading activities. The Group's total interest in unconsolidated structured entities is classified as investments and securities held at fair value through profit or loss. The Group does not sponsor any of the unconsolidated structured entities. The table below provides a summary of the carrying value of the Group's interest in unconsolidated structured entities:

	£m		
	At 31 December 2017	At 31 December 2016	At 31 December 2015
<b>Pooled investments</b>			
Listed – non-managed funds	885	826	605
Unlisted – managed funds	2,564	2,382	3,203
Unlisted – non-managed funds	40,811	37,732	37,798
	<b>44,260</b>	<b>40,940</b>	<b>41,606</b>

The Group's maximum exposure to loss with regard to the interests presented above is the carrying amount of the Group's investments. Once the Group has disposed of its shares or units in a fund, it ceases to be exposed to any risk from that fund. The Group's holdings in the above unconsolidated structured entities are largely less than 50% and as such the net asset value of these structured entities are likely to be significantly higher than their carrying value.

### 24(c) *Consolidation considerations for structured entities*

In structured entities voting rights are not the predominant factor in deciding who controls the entity but rather it is the Group's exposure to the variability of returns from these entities. The Group acts as fund manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of decision making rights as fund manager, the investor's rights to remove the fund manager and the aggregate economic interests of the Group in the fund in the form of interest held and exposure to variable returns.

In most instances the Group's decision-making authority, in its capacity as fund manager, with regard to these funds is regarded to be well-defined. Discretion is exercised when decisions regarding the relevant activities of these funds are being made. For funds managed by the Group where the investors have the right to remove the Group as fund manager without cause, the fees earned by the Group, are considered to be market related. These agreements include only terms, conditions or amounts that are customarily present in arrangements for similar services and level of skills negotiated on an arm's length basis. The Group has concluded that it acts as agent on behalf of the investors in all instances.

The Group is considered to be acting as principal where the Group is the fund manager and is able to make the investment decisions on behalf of the unit holders earn a variable fee, and there are no kick out rights that would remove the Group as fund manager.

There have been no changes in facts or circumstances which have changed the Group's conclusion on the consolidation of funds.

The Group has not provided any non-contractual support to any consolidated or unconsolidated structured entities.

Disclosure of consolidated securitisation vehicles, which are structured entities, is included in note 46.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 24(d) *Other interests in unconsolidated structured entities*

The Group receives management fees and other fees in respect of its asset management businesses that manage investments in which the Group has no holding. These also represent interests in unconsolidated structured entities. As these investments are not held by the Group, the investment risk is borne by the external investors and therefore the Group's maximum exposure to loss relates to future management fees. The Group does not sponsor any of the funds or investment vehicles from which it receives fees.

The table below shows the assets under management of entities that the Group manages but does not have a holding in and the fees earned from those entities.

	<b>At 31 December 2017</b>		<b>At 31 December 2016</b>		<b>At 31 December 2015</b>	
	<b>Assets under management</b>	<b>Fees earned</b>	<b>Assets under management</b>	<b>Fees earned</b>	<b>Assets under management</b>	<b>Fees earned</b>
<b>Pooled investments</b>						
Open Ended Investment Company (OEIC)	<b>275</b>	<b>6</b>	224	3	294	5
	<b>275</b>	<b>6</b>	224	3	294	5

### 25: **Reinsurers' share of policyholder liabilities**

This note details the reinsurance recoverables on insurance and investment contract liabilities.

#### 25(a) *Carrying amounts*

The reinsurance assets at 31 December 2017 comprised:

	<b>At 31 December 2017</b>	<b>At 31 December 2016</b>	<b>At 31 December 2015</b>
<b>Reinsurers' share of policyholder liabilities</b>			
<b>Reinsurers' share of long-term business insurance policyholder liabilities</b>	<b>383</b>	303	179
Life assurance policyholder liabilities	<b>375</b>	290	171
Outstanding claims	<b>8</b>	13	8
<b>Reinsurers' share of investment contract liabilities</b>			
Reinsurers' share of unit-linked investment contracts	<b>2,525</b>	2,560	2,328
<b>Total reinsurers' share of policyholder liabilities</b>	<b>2,908</b>	2,863	2,507

Of the total, £2,908 million (2016: £2,863 million), (2015: £2,507 million) is expected to be recovered in less than one year after the statement of position date.

The reinsurers' share of policyholder liabilities of £ 2,525 million (2016: £ 2,560 million), (2015: £ 2,328 million) relating to investment contracts is where the direct management of assets are ceded to a third party through a reinsurance arrangement. Due to the nature of the arrangement, there is no transfer of insurance risk.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 25(b) Assumptions

The assumptions, including discount rates, used for reinsurance of policyholder liabilities follow those used for the equivalent gross policyholder liabilities. Reinsurance assets are valued net of an allowance for their recoverability.

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 DAC asset and DFI 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 DAC asset is restricted to the recoverable amount. For linked contracts, the assumptions are on a best estimate basis.

### 25(c) Movements

Movements in the amounts outstanding in respect of reinsurers' share of unit-linked investment contracts and policyholder liabilities, other than outstanding claims, are set out below:

	£m		
	At 31 December 2017	At 31 December 2016	At 31 December 2015
<b>Unit-linked investment contracts</b>			
Carrying amount at 1 January	2,560	2,328	2,026
Net premium income	(365)	(138)	265
Fair value movements	330	370	37
<b>Total reinsurers' share of unit-linked investment contract liabilities</b>	<b>2,525</b>	<b>2,560</b>	<b>2,328</b>

	£m		
	At 31 December 2017	At 31 December 2016	At 31 December 2015
<b>Life assurance policyholder liabilities</b>			
Carrying amount at 1 January	290	171	131
Impact of new business	55	33	32
Impact of experience effects	23	23	14
Impact of assumption changes	7	63	(6)
	85	119	40
<b>Total reinsurers' share of life assurance policyholder liabilities</b>	<b>375</b>	<b>290</b>	<b>171</b>

The impact of assumption changes in the above analysis shows the resulting movement in the carrying value of reinsurance assets with corresponding movements in gross insurance contract liabilities. For further information on the on credit rating and maturity of reinsurer's share of policyholder liabilities see note 42(c)(i).

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 26: Trade, other receivables and other assets

The note analyses total trade, other receivables and other assets.

	<b>£m</b>		
	At <b>31 December 2017</b>	At 31 December 2016	At 31 December 2015
Notes			
Debtors arising from direct insurance operations			
Amounts owed by policyholders	–	–	6
Amounts owed by intermediaries	<b>2</b>	1	3
	<b>2</b>	1	9
Debtors arising from reinsurance operations	<b>8</b>	6	7
Outstanding settlements	<b>216</b>	244	161
Other receivables	<b>414</b>	456	380
Accrued interest	<b>3</b>	21	23
Prepayments and accrued income	<b>28</b>	27	18
Other assets	<b>30</b>	166	118
<b>Total trade, other receivables and other assets</b>	<b>701</b>	921	716
<b>Less: trade, other receivables and other assets classified as held for sale</b>	5(g) <b>(204)</b>	(127)	–
<b>Total trade, other receivables and other assets net of held for sale</b>	<b>497</b>	794	716
<b>To be settled within 12 months</b>	<b>469</b>	678	581
<b>To be settled after 12 months</b>	<b>28</b>	116	135
	<b>497</b>	794	716

Other receivables mainly relate to fee and commission income, and income from service activities. Total other receivables of **£201 million** (2016: £121 million), (2015: £nil million) were transferred to held for sale during the year.

There have been no non-performing receivables or material impairments in the financial year that require disclosure. None of the receivables reflected above have been subject to the renegotiation of terms.

All amounts are current, short term and interest free with the carrying amount approximating to fair value.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 27: Deferred acquisition costs

Deferred acquisition costs relate to costs that the Group incurred to obtain new business. These acquisition costs are capitalised in the statement of financial position and are amortised in profit or loss over the life of the contracts. The table below analyses the movements in deferred acquisition costs relating to insurance, investment and asset management contracts.

	£m			
	Insurance contracts	Investment contracts	Asset management	Total
At 1 January 2015	27	761	41	829
New business	–	107	1	108
Amortisation	(6)	(140)	(20)	(166)
Foreign exchange and other movements	–	(3)	–	(3)
At 31 December 2015	21	725	22	768
New business	–	92	1	93
Amortisation	(4)	(138)	(14)	(156)
Foreign exchange and other movements	–	13	–	13
Transfer to non-current assets held for sale	–	(63)	–	(63)
At 31 December 2016	17	629	9	655
New business	–	<b>79</b>	<b>8</b>	<b>87</b>
Amortisation	(3)	(108)	(8)	(119)
Foreign exchange and other movements	–	(8)	–	(8)
Transfer to non-current assets held for sale	–	–	(4)	(4)
<b>At 31 December 2017</b>	<b>14</b>	<b>592</b>	<b>5</b>	<b>611</b>

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 28: Statement of cash flows

This note gives further detail behind the figures in the statement of cash flows.

(a) The reconciliation of profit before tax to the net cash inflow for operating activities is:

	£m		
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
<b>Cash flows from operating activities</b>			
Profit before tax	227	149	84
<b>Adjustments for non-cash movements in net profit for the year</b>			
Depreciation of property, plant and equipment	8	7	7
Amortisation and impairment of deferred acquisition costs	81	100	93
Amortisation and impairment of intangibles	41	40	35
Fair value movements on disposal of financial assets	(3,513)	(4,745)	(274)
Fair value movements in insurance and investment contract liabilities	3,703	4,895	171
Profit on sale of subsidiaries, associates and strategic investments	(83)	–	28
Change in insurance and investment contract liabilities	4,194	2,660	2,833
Reclassification interest paid to financing activities	39	43	32
Other movements	(409)	(448)	(47)
	4,061	2,552	2,878
<b>Net changes in working capital</b>			
Decrease/(increase) in reinsurance assets	370	127	(261)
Decrease in deferred acquisition costs	(79)	(93)	(110)
Decrease/(increase) in derivatives	315	23	(12)
Decrease/(increase) in deferred revenue	14	18	(1)
Decrease/(increase) in loans and advances	23	(31)	7
Increase/(decrease) in provisions	75	(2)	(9)
Decrease in other assets	416	187	196
	1,134	229	(190)
Taxation paid	(9)	(59)	(40)
<b>Net cash flows from operating activities</b>	<b>5,413</b>	<b>2,871</b>	<b>2,732</b>
(b) Cash and cash equivalents in the statement of cash flows at 31 December comprised:			
Cash and cash equivalents for the Group	1,595	1,076	892
Cash and cash equivalents in Consolidated Funds	912	533	709
Less cash and cash equivalents included in assets held for sale	(147)	(14)	–
<b>Total net of held for sale</b>	<b>2,360</b>	<b>1,595</b>	<b>1,601</b>

Except for cash and cash equivalents subject to consolidation of funds of £912 million (2016: £533 million), (2015: £709 million), management do not consider that there are any material amounts of cash and cash equivalents which are not available for use in the Group's day-to-day operations.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 29: Share capital

#### 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 130,000,257 ordinary shares of 100p each, (2016: 130,000,256), (2015: 130,000,256), of which 96% is held by its immediate parent, and the ultimate parent, Old Mutual plc, with the remainder held by an employee benefit trust for the benefit of group employees as described in note 30.

This note gives details of the Parent Company's ordinary share capital and shows the movements during the year.

		£m	£m
	Number of shares	Nominal value	Share premium
At 1 January 2015	130,000,256	130	–
At 1 January 2016	130,000,256	130	–
At 1 January 2017	130,000,256	130	–
Issue of share capital	200,000,001	200	58
Reduction of share capital	(200,000,000)	(200)	–
<b>At 31 December 2017</b>	<b>130,000,257</b>	<b>130</b>	<b>58</b>

On 3 May 2017 the Parent Company issued 200 million £1 ordinary shares, for a consideration of £200 million, to its parent Old Mutual plc, and on 27 November 2017 the Parent Company carried out a share capital reduction, which cancelled the 200 million £1 ordinary shares.

On 21 December 2017, Old Mutual plc contributed £58 million to the Parent Company in exchange for the issue of 1 share.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 30: Share-based payments

During the years ended 31 December 2017, 31 December 2016 and 31 December 2015, the Group participated in a number of Old Mutual plc share-based payment arrangements. This note describes the nature of the plans and how the share options and awards are valued.

The Group had the following share-based payment arrangements:

Scheme	Description of award				Contractual life	Vesting conditions	
	Restricted shares	Options	Dividend entitlement	Other <sup>1</sup>	Years	Service (years)	Performance (measure)
UK Sharesave Scheme	–	✓	–	✓	3 <sup>1/2</sup> – 5 <sup>1/2</sup>	3 & 5	–
UK Share Option and Deferred Delivery Plan	–	✓	✓	–	6	3	Target growth in EPS
UK Restricted Share Plan	✓	–	✓	–	3 – 5	3 & 5	–
Old Mutual plc Share Reward Plan – Share Options	–	✓	–	–	Up to 10 years	3	–
Old Mutual plc Share Reward Plan – Restricted Shares	✓	–	✓	–	Not less than 3 years	–	–
Old Mutual plc Performance Share Plan – Share Options	–	✓	–	–	Up to 10 years	3	–
Old Mutual plc Performance Share Plan – Restricted Shares	✓	–	✓	–	Not less than 3 years	Not less than 3 years	Target growth in EPS and ROE
Old Mutual plc 2008 Sharesave Plan	–	✓	–	✓	3 <sup>1/2</sup> – 5 <sup>1/2</sup>	3 & 5	–

(1) Scheme is linked to a savings plan.

### 30(a) Reconciliation of movements in options

The movement in the options outstanding under these arrangements during the year is detailed below:

	Year ended 31 December 2017		Year ended 31 December 2016		Year ended 31 December 2015	
Options over shares in Old Mutual plc (London Stock Exchange)	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
<b>Outstanding at beginning of the year</b>	<b>4,600,952</b>	<b>£1.60</b>	4,061,293	£1.69	3,966,671	£1.51
Granted during the year	–	–	2,316,591	£1.51	1,491,938	£1.87
Forfeited during the year	(344,127)	£1.60	(1,180,443)	£1.77	(357,771)	£1.65
Exercised during the year	(1,194,526)	£1.61	(610,104)	£1.52	(1,015,432)	£1.28
Expired during the year	–	–	–	–	(1,104)	£1.63
Other transfers during the year	79,291	–	13,615	–	(23,009)	–
<b>Outstanding at end of the year</b>	<b>3,141,590</b>	<b>£1.60</b>	4,600,952	£1.60	4,061,293	£1.69
<b>Exercisable at 31 December</b>	<b>148,449</b>	<b>£1.61</b>	21,755	£1.63	88,208	£1.58

The amount outstanding at the end of the year for 2017, 2016 and 2015 includes an amount for employees who have transferred into/out of Quilter from/to other Old Mutual divisions.



## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

The following table summarises information about options outstanding at 31 December 2017, 31 December 2016 and 31 December 2015:

Year	Range of exercise price	Outstanding options	Weighted remaining contractual life Years	Weighted average exercise price
<b>At 31 December 2017</b>	<b>£1.28 to £1.87</b>	<b>3,141,590</b>	<b>1.1</b>	<b>£1.94</b>
At 31 December 2016	£1.28 to £1.87	4,600,952	1.6	£1.91
At 31 December 2015	£0.94 to £1.87	4,061,293	1.8	£2.16

### 30(b) *Measurements and assumptions*

In determining the fair value of equity-settled share-based awards and the related charge to the income statement, the Group makes assumptions about future events and market conditions. Specifically, management makes estimates of the likely number of shares that will vest and the fair value of each award granted which is valued and "locked in" at the grant date.

The recognition and measurement principles in IFRS 2 – Share-based Payment have only been applied to equity settled share arrangements granted post November 2002 in accordance with the transitional provisions in IFRS 2. Any options forfeited, exercised or lapsed prior to the IFRS 2 implementation date of 1 January 2005 have not been included in the IFRS 2 valuation.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of fair value of share options granted is measured using a Black-Scholes option pricing model.

Where share options are granted under a service and non-market based performance condition, such conditions are not taken into account in the grant date fair value measurement of the share options granted. There are no market conditions associated with the share option grants.

### 30(c) *Forfeitable/Restricted share grants*

The following summarises the fair value of restricted shares granted by the Group during the year:

Instruments granted and purchased during the year		Number granted	Weighted average fair value
UK Share Reward Plan – restricted shares	<b>2017</b>	–	–
	2016	2,152,628	£1.87
	2015	849,933	£2.40

The share price at measurement date was used to determine the fair value of the restricted shares. Expected dividends were not incorporated into the measurement of fair value where the holder of the restricted share is entitled to dividends throughout the vesting period.

### 30(d) *Financial impact*

The total expense recognised for the year arising from equity compensation plans was as follows:

	£m		
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
Expense arising from equity settled share and share option plans – continuing operations	9	6	5
Expense arising from equity settled share and share option plans – discontinued operations	1	1	1
Total expense arising from equity settled and share option plans	10	7	6

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 30(e) Joint share ownership plan (JSOP)

During 2013, a share-based payment plan was implemented for certain key employees of Quilter. The plan is designed to reward participants for the achievement of strategic objectives, value creation and other metrics over a three-year period. The shares awarded in the parent Old Mutual Wealth Management Limited when vested have the option to be called by Old Mutual plc to be converted into Old Mutual plc listed shares. The awards are accounted for as an equity settled share-based payment scheme. The cumulative amount recognised in equity for this scheme is £3,155,098 (2016: £3,548,620), (2015: £1,993,044) and an expense of £393,522 (2016: £1,555,576), (2015: £1,121,036) has been recognised in the income statement during the year.

On 22 December 2017 the employee benefit trust (EBT) which was set up for the benefit of Quilter employees, and specifically for the purposes of the JSOP, was transferred to the Group from Old Mutual plc. The EBT holds £97 million of Old Mutual Wealth Management Limited shares. As a result of this transfer, on consolidation the Group's equity will reduce by this amount (£97 million), representing the Company shares held within the trust, which are recognised as treasury shares and deducted from equity.

### 31: Insurance and investment contract liabilities

The following is a summary of the Group's insurance and investment contract provisions and related reinsurance assets as at 31 December 2017.

	£m								
	At 31 December 2017			At 31 December 2016			At 31 December 2015		
	Gross	Re-insurance	Net	Gross	Re-insurance	Net	Gross	Re-insurance	Net
<b>Life assurance policyholder liabilities</b>									
<b>Long-term business insurance policyholder liabilities</b>	<b>489</b>	<b>(383)</b>	<b>106</b>	417	(303)	114	293	(179)	114
Life assurance policyholder liabilities	480	(375)	105	402	(290)	112	284	(171)	113
Outstanding claims	9	(8)	1	15	(13)	2	9	(8)	1
<b>Investment contract liabilities</b>									
Unit-linked investment contracts	59,139	(2,525)	56,614	51,265	(2,560)	48,705	49,041	(2,328)	46,713
<b>Total life assurance policyholder liabilities</b>	<b>59,628</b>	<b>(2,908)</b>	<b>56,720</b>	51,682	(2,863)	48,819	49,334	(2,507)	46,827

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 31(a) *Insurance contract liabilities (gross of reinsurance)*

Movements in the amounts outstanding in respect of life assurance policyholder liabilities, other than outstanding claims, are set out below:

	£m		
	At 31 December 2017	At 31 December 2016	At 31 December 2015
<b>Carrying amount at 1 January</b>	<b>402</b>	<b>284</b>	<b>253</b>
Impact of new business	42	25	24
Impact of experience effects	30	34	29
Impact of assumption changes	7	66	(10)
Currency translation loss	–	1	–
Disposal of interest in subsidiaries	–	–	(12)
Transfer to liabilities held for sale	–	(10)	–
Other movements	(1)	2	–
	<b>78</b>	<b>118</b>	<b>31</b>
<b>Total insurance contract life assurance policyholder liabilities</b>	<b>480</b>	<b>402</b>	<b>284</b>

### 31(b) *Assumptions – life assurance*

The liabilities for non-linked contracts have been calculated using a gross premium discounted cash flow approach on a policy-by-policy basis, using the following assumptions:

Class of business	Mortality/morbidity	Interest rates
Non-linked protection business	Based on relevant risk reinsurance rates	1.610%
Non-linked protection business (BLAGAB)	Based on relevant risk reinsurance rates	1.287%
Pension annuity payment	100% PA92 (C2030) ult. projected using the long-term cohort basis	1.330%

During 2017, a modification was made to achieve a better match of the IFRS liabilities to available gilts. In aggregate across the non-linked protection business, there is expected to be a net income over the next 4 years. This net income has been excluded from the matching exercise and has instead been discounted using Bank of England forward rates of the relevant durations. Liabilities after these four years are matched and the rates provided above are used. For non-linked contracts (defined as insurance contracts under IFRS 4) the objective of the assumptions is to target a level of assurance within each individual assumption of at least 60%. On this basis there is a 40% chance that an event may occur over the following year that results in the actual experience being worse than that assumed in the valuation. When all of the assumptions are combined, the overall confidence levels are in excess of 60%. The interest rate assumption is calculated according to UK valuation regulations (INSPRU) and so this assumption has been set at a level to comply with the relevant rules. The liability values do not make allowance for the amortisation of the deferred acquisition cost ("DAC") asset. A separate liability adequacy test is carried out on best estimate assumptions allowing for all of the cash flows used to derive the liability values and the run off of the DAC asset.

The key assumptions considered are mortality rates, maintenance expenses, interest rates, persistency rates and methodology changes. These assumptions are based on market data, internal experience data and also external data where either no internal experience data exists or where internal data is too sparse to give credible estimates of the true expectation of experience. Anticipated future trends have been allowed for in deriving mortality and morbidity assumptions.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### Impact of changes in assumptions

	£m		
	Impact on IFRS reported profit (before reinsurance)	Impact of reinsurance	Impact on IFRS reported profit (after reinsurance)
<b>2017</b>			
<b>Assumption</b>			
Mortality/morbidity rates	10.1	(10.7)	(0.6)
Maintenance expense	3.1	(0.1)	3.0
Maintenance expense inflation	0.3	–	0.3
Interest rates	(15.1)	13.0	(2.1)
Persistency rates	(5.0)	4.8	(0.2)
	(6.6)	7.0	0.4
	£m		
	Impact on IFRS reported profit (before reinsurance)	Impact of reinsurance	Impact on IFRS reported profit (after reinsurance)
<b>2016</b>			
<b>Assumption</b>			
Mortality/morbidity rates	18.4	(18.2)	0.2
Maintenance expense	12.7	(0.2)	12.5
Maintenance expense inflation	(0.6)	0.1	(0.5)
Interest rates	(93.2)	77.1	(16.1)
Methodology changes	1.9	–	1.9
Persistency rates	(5.5)	3.7	(1.8)
	(66.3)	62.5	(3.8)
	£m		
	Impact on IFRS reported profit (before reinsurance)	Impact of reinsurance	Impact on IFRS reported profit (after reinsurance)
<b>2015</b>			
<b>Assumption</b>			
Mortality/morbidity rates	(9.0)	8.6	(0.4)
Maintenance expense	(0.3)	–	(0.3)
Maintenance expense inflation	(0.6)	–	(0.6)
Interest rates	18.0	(14.6)	3.4
Methodology changes	2.3	–	2.3
Persistency rates	(0.4)	0.2	(0.2)
	10.0	(5.8)	4.2

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 31(c) *Unit-linked investment contract liabilities*

Movements in the amounts outstanding in respect of unit-linked and other investment contracts are set out below:

	£m		
	At 31 December 2017	At 31 December 2016	At 31 December 2015
<b>Carrying amount at 1 January</b>	<b>51,265</b>	49,041	46,294
Contributions received	9,717	7,587	7,704
Maturities	(220)	(226)	(222)
Withdrawals and surrenders	(5,682)	(5,229)	(4,951)
Fair value movements	3,627	4,731	337
Investment income	681	792	612
Claims and benefits	(217)	(295)	(290)
Impact of change in actuarial assumptions	–	–	3
Transfer to held for sale	–	(6,155)	–
Other movements	(77)	374	(202)
<b>Change in liability</b>	<b>7,829</b>	1,579	2,991
Currency translation loss/(gain)	45	645	(244)
<b>Total unit-linked investment contract policyholder liabilities</b>	<b>59,139</b>	51,265	49,041

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 of £2,908m (2016: £2,863m), (2015: £2,507m) were rated according to the table in note 42. None of these were past due as at 31 December 2017 (2016: £nil), (2015: £nil).

### 31(d) *Methodology and assumptions – investment contracts*

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 DAC asset and deferred fee income (DFI) 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 DAC asset is restricted to the recoverable amount. For linked contracts, the assumptions are on a best estimate basis.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 32: Provisions and accruals

	£m			
Year ended 31 December 2017	Compensation provisions	Restructuring	Other	Total
Balance at beginning of the year	13	–	16	29
Charge to income statement	76	–	6	82
Utilised during the year	(5)	–	(5)	(10)
Foreign exchange and other movements	(2)	–	5	3
<b>Balance at 31 December 2017</b>	<b>82</b>	<b>–</b>	<b>22</b>	<b>104</b>

	£m			
Year ended 31 December 2016	Compensation provisions	Restructuring	Other	Total
Balance at beginning of the year	12	6	17	35
Charge to income statement	4	–	8	12
Utilised during the year	–	(3)	(1)	(4)
Unused amounts reversed	(2)	(3)	(6)	(11)
Transfer to liabilities of operations held for sale	(1)	–	(2)	(3)
<b>Balance at 31 December 2016</b>	<b>13</b>	<b>–</b>	<b>16</b>	<b>29</b>

	£m			
Year ended 31 December 2015	Compensation provisions	Restructuring	Other	Total
Balance at beginning of the year	16	14	11	41
Additions from business combinations	–	3	–	3
Charge to income statement	–	–	6	6
Utilised during the year	(2)	(3)	1	(4)
Unused amounts reversed	(2)	(8)	(1)	(11)
<b>Balance at 31 December 2015</b>	<b>12</b>	<b>6</b>	<b>17</b>	<b>35</b>

#### Compensation provisions

Compensation provisions totalled £82 million (2016: £13 million), (2015: £12 million).

##### *Voluntary client remediation provision*

As part of its ongoing work to promote fair customer outcomes, the Group has conducted product reviews consistent with the recommendations from the FCA's thematic feedback and the FCA's guidance "FG16/8 Fair treatment of long-standing customers in the life insurance sector". Following these reviews, the Group has decided to commence voluntary remediation to customers in certain legacy products, resulting in an additional provision raised during the year of £69 million, including £7 million of programme cost and £13 million of estimated interest.

The voluntary remediation relates to early encashment charges and contribution servicing charges made on pension products and following the re-introduction of annual reviews, compensation payable to a subset of Protection plan holders.

The redress comprises retrospective refunds and compensation, going back to 1 January 2009, and prospective 5% caps on early encashment charges. An FCA press release (03/03/2016) stated that its investigation will focus on disclosure of exit and paid-up charges after December 2008. From 2004 to 2007 the Financial Services Authority published a number of communications on treating customers fairly (TCF) which made it clear that all firms were required to have regard to customers' information needs through the life cycle of a product. Firms were required to implement changes to complete their TCF work no later than December 2008.

The Group intends to substantially complete the review and remediation by the end of 2018.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### *Estimates and assumptions*

Key estimates and assumptions in relation to the provision are:

- Protection policy sustainability period assumption of 4 years; and
- The programme costs of carrying out the remediation activity and interest on remediation payments.

If past reviews had been carried out correctly, policies would be expected to have funds sufficient to provide up to four years' cover from the current balance sheet date, on the basis that future premium increases are not applied. This assumption has been used to determine the cost of reconstructing the impacted Protection policies to their expected values.

The programme costs of conducting the remediation activity are highly variable and are subject to a number of uncertainties. In calculating the best estimate of these costs, consideration has been given to such matters as the identification of impacted customers, access to and the quality of customer files, likelihood of the customer contesting the offer, the complexity of the calculations, the level of quality assurance and checking, the ease of contacting and communicating with customers and the level of customer interactions.

Sensitivities relating to the assumptions and uncertainties are provided in the table below:

Assumption	Change in assumption	Consequential change in provision
Protection policy sustainability period	Protection policy sustainability period assumption reduced to 3 years	+£3.1m
Protection policy sustainability period	Protection policy sustainability period assumption reduced to 5 years	+£3.3m
Programme cost per case of conducting the review	Estimate based on bottom of range	+/- £1.4m

No provision has been recognised for any potential enforced redress and associated penalties that may be levied by the FCA, as explained in note 39 Contingent Liabilities.

### *Compensation provision (other)*

The compensation provision also includes amounts relating to regulatory uncertainty and multiple causal events; on-going resolution of claims as a result of mis-selling guarantee contracts; and to the provision for claw-back of prescribed claims. This provision is held to allow for the possible future payment of claims that have been previously reversed. Due to the nature of the provision, the timing of the expected cash outflows is uncertain. Estimates are reviewed annually and adjusted as appropriate for new circumstances.

### **Restructuring provision**

Restructuring provision of £nil million (2016: £nil million), (2015: £6 million), is primarily in respect of onerous costs of vacant properties leased by the Group. The restructuring provision has been utilised.

### **Other provisions**

Other provisions also include long-term staff benefits and amounts for the resolution of legal uncertainties and the settlement of other claims raised by contracting parties.

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.

Of the total provisions recorded above, £10 million (2016: £7 million), (2015: £13 million) is estimated to be payable after one year.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 33: Deferred tax assets and liabilities

Deferred income taxes are calculated on all temporary differences at the tax rate applicable to the jurisdiction in which the timing differences arise.

#### Deferred tax summary

		£m
	At 31 December 2017	At 31 December 2016
Notes	At 31 December 2017	At 31 December 2015
<b>Deferred tax assets</b>		
Deferred tax asset	31	11
Less: amounts classified as held for sale	5(g) 9	3
	22	8
<b>Deferred tax liabilities</b>		
Deferred tax liabilities	190	199
Less: amounts classified as held for sale	5(g) –	20
	190	152
<b>Net deferred tax liability</b>	168	171

#### 33(a) Deferred tax assets

Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable, being where on the basis of all available evidence it is considered more likely than not that there will be suitable taxable profits against which the reversal of the deferred tax asset can be deducted.

The movement on the recognised deferred tax assets account is as follows:

		£m
Year ended 31 December 2017	At beginning of the year	Income statement (charge)/ credit
Tax losses carried forward	6	–
Netted against liabilities	(11)	2
Deferred fee income	4	(2)
Other temporary differences	9	22
<b>Deferred tax assets at 31 December 2017</b>	8	22

		£m
Year ended 31 December 2016	At beginning of the year	Income statement (charge)/ credit
Tax losses carried forward	7	(1)
Netted against liabilities	(16)	5
Deferred fee income	10	(4)
Other temporary differences	7	3
<b>Deferred tax assets at 31 December 2016</b>	8	3



## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

	£m				
Year ended 31 December 2015	At beginning of the year	Income statement (charge)/ credit	Acquisition/ disposal of subsidiaries	Foreign exchange and other movements	At end of the year
Tax losses carried forward	8	–	–	(1)	7
Netted against liabilities	(22)	5	–	1	(16)
Deferred fee income	16	(5)	–	(1)	10
Other temporary differences	4	–	3	–	7
Deferred tax assets at 31 December 2015	6	–	3	(1)	8

### Unrecognised deferred tax assets

The amounts for which no deferred tax asset has been recognised comprise:

	£m					
	At 31 December 2017		At 31 December 2016		At 31 December 2015	
	Gross amount	Tax	Gross amount	Tax	Gross amount	Tax
<b>Unrelieved tax losses</b>						
Expiring in less than a year	–	–	–	–	4	1
Expiring between one and five years	–	–	21	4	6	1
Expiring after five years	471	80	362	62	336	66
	471	80	383	66	346	68
Accelerated capital allowances	108	18	167	28	159	29
Other timing differences	269	46	301	51	268	53
	848	144	851	145	773	150

### 33(b) Deferred tax liabilities

The movement on the deferred tax liabilities account is as follows:

	£m				
Year ended 31 December 2017	At beginning of the year	Income statement (credit)/ charge	Acquisition/ disposal of subsidiaries	Foreign exchange and other movements	At end of the year
Deferred acquisition costs	(7)	(2)	–	–	(9)
Other acquired intangibles	49	(8)	–	–	41
Netted against assets	(11)	2	–	–	(9)
Other temporary differences	148	19	–	–	167
Deferred tax liabilities at 31 December 2017	179	11	–	–	190

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

£m					
Year ended 31 December 2016	At beginning of the year	Income statement (credit)/charge	Acquisition/disposal of subsidiaries	Foreign exchange and other movements	At end of the year
Deferred acquisition costs	16	(6)	–	(17)	(7)
Other acquired intangibles	55	(7)	1	–	49
Netted against assets	(16)	5	–	–	(11)
Other temporary differences	97	52	–	(1)	148
Deferred tax liabilities at 31 December 2016	152	44	1	(18)	179

  

£m					
Year ended 31 December 2015	At beginning of the year	Income statement (credit)/charge	Acquisition/disposal of subsidiaries	Foreign exchange and other movements	At end of the year
Deferred acquisition costs	27	(9)	–	(2)	16
Other acquired intangibles	8	(10)	57	–	55
Netted against assets	(22)	5	–	1	(16)
Other temporary differences	135	(41)	–	3	97
Deferred tax liabilities at 31 December 2015	148	(55)	57	2	152

### 34: Borrowings

The following table analyses the Group's borrowed funds, repayable on demand and categorised in terms of IAS39 – *Financial Instruments: Recognition and Measurement* as "liabilities held at amortised cost". All amounts are payable either to the Group's current ultimate Parent Company, Old Mutual plc, or to other related entities within the Old Mutual plc group. For further information on new financing arrangements post year end refer to note 45: Events after the reporting date.

£m			
	At 31 December 2017	At 31 December 2016	At 31 December 2015
<b>Loans from Old Mutual plc:</b>			
<b>Subordinated debt</b>			
Fixed rate loan at 5.50% <sup>1</sup>	566	566	566
<b>Other borrowed funds</b>			
Fixed rate loan note at 10% <sup>2</sup>	–	51	46
Fixed rate loan at 0.63% <sup>3</sup>	93	92	91
Floating rate loan at 3 month LIBOR + 0.10% <sup>4</sup>	80	87	83
Fixed rate loan at 3.125% <sup>5</sup>	43	43	–
	<b>782</b>	<b>839</b>	<b>786</b>

(1) Commenced on 25 February 2015 and was used to finance the acquisition of the Quilter Cheviot group.

(2) Commenced on 25 February 2015 and was used to finance the acquisition of the Quilter Cheviot group.

(3) Commenced during 2014 and was used to finance the acquisition of Intrinsic Financial Services Limited.

(4) Commenced in 2011 and was used to finance other historical corporate activity.

(5) Commenced on 21 June 2016 was used to finance one of the Group's employee ownership trusts.

Amounts borrowed are unsecured and are repayable on demand. The carrying amount approximates to fair value which is valued as the principal amount repayable.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 35: Trade, other payables and other liabilities

	£m		
	At 31 December 2017	At 31 December 2016	At 31 December 2015
Amounts payable on direct insurance business			
Funds held under reinsurance business ceded	16	14	12
Amounts owed to policyholders	244	170	147
Amounts owed to intermediaries	50	60	69
	310	244	228
Accounts payable on reinsurance business	6	10	11
Accruals and deferred income	4	–	–
Trade creditors	36	67	39
Outstanding settlements	577	281	191
Other liabilities	584	492	469
<b>Total trade, other payables and other liabilities</b>	<b>1,517</b>	<b>1,094</b>	<b>938</b>
<b>Less: Trade, other payables and other liabilities classified as held for sale</b>	<b>(186)</b>	<b>(70)</b>	<b>–</b>
<b>Total trade, other payables and other liabilities net of held for sale</b>	<b>1,331</b>	<b>1,024</b>	<b>938</b>
<b>To be settled within 12 months</b>	<b>1,295</b>	<b>1,008</b>	<b>908</b>
<b>To be settled after 12 months</b>	<b>36</b>	<b>16</b>	<b>30</b>
	<b>1,331</b>	<b>1,024</b>	<b>938</b>

### 36: Deferred revenue

Deferred revenue relates to front-end fee income, comprising fees received at inception or receivable over an initial period for services not yet provided, is deferred through the creation of a deferred fee income liability ("DFI") on the statement of financial position and released to income as the services are provided. Equal service provision is assumed over the lifetime of the contract and, as such, the deferred revenue is amortised on a linear basis over the expected life of the contract, adjusted for expected persistency. The deferred revenue principally comprises fee income already received in cash. The table below analyses the movements in deferred revenue.

	£m								
	Life and Savings			Asset Management			Total		
Year ended 31 December	2017	2016	2015	2017	2016	2015	2017	2016	2015
<b>Balance at 1 January</b>	<b>255</b>	294	329	<b>6</b>	18	36	<b>261</b>	312	365
Fees and commission income deferred	16	18	20	1	–	–	17	18	20
Amortisation	(33)	(45)	(56)	(5)	(12)	(18)	(38)	(57)	(74)
Foreign exchange and other movements	4	(7)	1	–	–	–	4	(7)	1
Transfer to held for sale	–	(5)	–	–	–	–	–	(5)	–
<b>Balance at 31 December</b>	<b>242</b>	255	294	<b>2</b>	6	18	<b>244</b>	261	312

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 37: Post-employment benefits

The Group operates a number of defined contribution and defined benefit pension schemes in the UK, the Channel Islands and Ireland.

#### Defined contribution pension schemes

The Group operates a number of defined contribution schemes. The Schemes require contributions to be made to funds held in trust, separate from the assets of the Group. Participants receive either a monthly pension supplement to their salaries or contributions to personal pension plans. For the defined contribution schemes, the Group pays contributions to separately administered pension schemes. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised in current service cost in the consolidated income statement as staff costs and other employee-related costs when they are due.

#### Defined benefit schemes

The Group operates two defined benefit schemes: The Quilter Cheviot Limited Retirement Benefits Scheme (the UK Scheme) and the Quilter Cheviot Channel Islands Retirement Benefits Scheme (the CI Scheme) which are both closed to new members. The assets of these Schemes are held in separate trustee administered funds. Pension costs and contributions relating to defined benefit schemes are assessed in accordance with the advice of qualified actuaries. Actuarial advice confirms that the current level of contributions payable to each pension scheme, together with existing assets, are adequate to secure members' benefits over the remaining service lives of participating employees. The Schemes are reviewed at least on a triennial basis or in accordance with local practice and regulations. In the intervening years the actuary reviews the continuing appropriateness of the assumptions applied.

#### IAS 19 disclosures

This note gives full IAS 19, Employee Benefits, disclosures for the above schemes.

#### 37(a) Liability for defined benefit obligations

The IAS 19 value of the assets and the scheme obligations are as follows:

	£m		
Year ended 31 December	2017	2016	2015
<b>Changes in retirement benefit obligations</b>			
<b>Total IAS 19 retirement benefit obligation at 1 January</b>	<b>52</b>	45	–
Acquisitions through business combinations	–	–	62
Interest cost on benefit obligation	3	2	2
Effect of changes in actuarial assumptions	(1)	(1)	(2)
Actuarial losses/(gains)	–	11	(1)
Benefits paid	(6)	(5)	(9)
Foreign exchange and other movements	–	–	(7)
<b>Total IAS 19 retirement benefit obligations at 31 December</b>	<b>48</b>	52	45
<b>Change in plan assets</b>			
<b>Total IAS 19 fair value of scheme assets at 1 January</b>	<b>62</b>	56	–
Acquisitions through business combinations	–	–	68
Actual return on plan assets	4	10	3
Company contributions	1	1	1
Benefits paid	(6)	(5)	(9)
Foreign exchange and other movements	–	–	(7)
<b>Total IAS 19 fair value of scheme assets at 31 December</b>	<b>61</b>	62	56
<b>Net IAS 19 asset/(liability) recognised in statement of financial position</b>			
Funded status of plan	13	10	11
Unrecognised assets	(13)	(10)	(11)
<b>Net IAS 19 amount recognised in statement of financial position</b>	<b>–</b>	–	–

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 37(b) (Income)/expense recognised in the income statement

The total pension charge to staff costs for all of the Group's defined benefit schemes were:

	£m		
Year ended 31 December	2017	2016	2015
Current service costs	–	(1)	–
<b>Total charge for pension schemes (included in staff costs)</b>	<b>–</b>	<b>(1)</b>	<b>–</b>

Actuarial gains and losses and the effect of the limit to the pension asset under IAS 19 "Employee benefits" paragraph 58 have been reported in other comprehensive income.

The cumulative amount of actuarial losses recognised in other comprehensive income is £25 million (2016: £25 million), (2015: £24 million).

### Assumptions

The expected long-term rate of return on assets represents the Group's best estimate of the long-term return on the scheme assets and generally was estimated by computing a weighted average return of the underlying long-term expected returns on the different asset classes, based on the target asset allocations. The expected long-term return on assets is a long-term assumption that generally is expected to remain the same from one year to the next unless there is a significant change in the target asset allocation, the fees and expenses paid by the plan or market conditions.

The Group, in consultation with its independent investment consultants and actuaries, determined the asset allocation targets based on its assessment of business and financial conditions, demographic and actuarial data, funding characteristics and related risk factors. Other relevant factors, including industry practices, long-term historical and prospective capital market returns, were also considered.

The scheme return objectives provide long-term measures for monitoring the investment performance against growth in the pension obligations. The overall allocation is expected to help protect the plan's funded status while generating sufficiently stable real returns (net of inflation) to help cover current and future benefit payments.

Both the equity and fixed income portions of the asset allocation use a combination of active and passive investment strategies and different investment styles. The fixed income asset allocation consists of longer duration fixed income securities in order to help reduce plan exposure to interest rate variation and to better correlate assets with obligations. The longer duration fixed income allocation is expected to help stabilise plan contributions over the long run.

The following table presents the principal actuarial assumptions at the end of the reporting period:

	%		
	2017	2016	2015
Discount rate	2.5	2.7	3.7
Rate of increase in defined benefit funds	3.8	3.8	3.6
Inflation	3.2	3.5	3.2

The mortality assumptions used give the following life expectancy at 65:

	Mortality table	Life expectancy at 65 for male member currently		Life expectancy at 65 for female member currently	
		Aged 65	Aged 45	Aged 65	Aged 45
<b>31 December 2017</b>	<b>S2PA Light</b>	<b>22.30</b>	<b>23.60</b>	<b>23.30</b>	<b>24.70</b>
31 December 2016	S2PA Light	22.40	24.00	23.50	25.30
31 December 2015	S2PA Light	22.10	23.50	23.10	24.60

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, inflation rate and rate of mortality.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

The sensitivities regarding the principal assumptions used to measure the defined benefit obligations are as follows:

	Changes in mortality	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.1%	Decrease/increase by 2%
Inflation assumptions	Increase/decrease by 0.1%	Increase/decrease by 1%
Rate of mortality	Increase by 1 year	Increase by 4%

### 37(c) Scheme assets allocation

Scheme assets are stated at their fair values at 31 December 2017. Total scheme assets are comprised as follows:

	%			£m		
At 31 December	2017	2016	2015	2017	2016	2015
Equity securities	39.3	38.7	37.5	24	24	21
Debt securities	60.7	59.7	60.7	37	37	34
Cash and other assets	–	1.6	1.8	–	1	1
<b>Total IAS 19 fair value of scheme assets</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>61</b>	<b>62</b>	<b>56</b>

### 38: Master netting or similar agreements

The Group offsets financial assets and liabilities in the statement of financial position when it has a legal enforceable right to do so and intends to settle on a net basis simultaneously.

The following tables present information on the potential effect of netting offset arrangements after taking into consideration these types of agreements:

							£m
							Related amounts available for future set off
At 31 December 2017	Gross amounts	Amounts offset in the statement of financial position	Net amounts reported in the statement of financial position	Master netting agreement	Collateral received/pledged <sup>1</sup>	Net amount	
<b>Financial assets</b>							
Cash and cash equivalents	2,415	(55)	2,360	–	–	2,360	
<b>Financial liabilities</b>							
Trade, other payables and other liabilities	1,386	(55)	1,331	–	–	1,331	
							£m
							Related amounts available for future set off
At 31 December 2016	Gross amounts	Amounts offset in the statement of financial position	Net amounts reported in the statement of financial position	Master netting agreement	Collateral received/pledged <sup>1</sup>	Net amount	
<b>Financial assets</b>							
Cash and cash equivalents	1,722	(127)	1,595	–	–	1,595	
<b>Financial liabilities</b>							
Trade, other payables and other liabilities	1,151	(127)	1,024	–	–	1,024	

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

£m						
At 31 December 2015	Related amounts available for future set off					
	Gross amounts	Amounts offset in the statement of financial position	Net amounts reported in the statement of financial position	Master netting agreement	Collateral received/pledged <sup>(1)</sup>	Net amount
<b>Financial assets</b>						
Cash and cash equivalents	1,714	(113)	1,601	–	–	1,601
<b>Financial liabilities</b>						
Trade, other payables and other liabilities	1,051	(113)	938	–	–	938

(1) This represents the amounts that could be offset in the event of default. These arrangements are typically governed by master netting and collateral arrangements.

### 39: 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 32). 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".

#### 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.

#### Contingent liabilities – implications of the Managed Separation strategy

The Group routinely monitors and reassesses contingent liabilities arising from matters such as litigation, warranties and indemnities relating to past acquisitions and disposals. Although the announcement of the Managed Separation strategy on 11 March 2016 does not affect the nature of such items, it is possible that the Group may seek to resolve certain matters as part of the implementation of the Managed Separation strategy.

#### UK Financial Conduct Authority notification of investigation – Old Mutual Wealth Life Assurance Limited

The Group is committed to treating customers fairly and supporting its customers in meeting their lifetime goals and treating customers fairly is central to how our businesses operate. We routinely engage with customers and regulators to ensure that we meet this commitment, but there is the risk of regulatory intervention across various jurisdictions, giving rise to the potential for customer redress which can result in retrospective changes to policyholder benefits, penalties or fines. The Group monitors the exposure to these actions and makes provision for the related costs as appropriate.

As detailed in note Provisions and Accruals, the Group has recognised a provision of £69 million in 2017 for the cost of voluntary redress for affected customers following the publication by the UK Financial Conduct Authority (FCA) of a report detailing its findings of their industry-wide thematic review on the fair treatment of long-standing customers invested in closed-book products sold by the life insurance sector (TR 16/2) (Thematic Review) and the subsequent announcement that it was initiating an investigation into a number of firms, including Old Mutual Wealth Life Assurance Limited (OMWLA), a subsidiary of the Group, in relation to potential breaches of the FCA's standards relevant to the matters covered by the Thematic Review.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

The company is in the process of assessing and responding to detailed thematic review feedback. The appointment of investigators does not itself mean that the FCA has determined that rule breaches and/or other contraventions or offences have occurred, and at this stage it is not possible to assess the outcome and, by extension, whether the matter will have financial consequences for the Group.

### 40: Commitments

The Group has contractual commitments in respect of funding arrangements and leases which will be payable in future periods. These commitments are not recognised on the Group's statement of financial position at the year end but are disclosed to give an indication of the Group's future committed cash flows. See note 41.

### 41: Operating lease arrangements

The Group has entered into commercial non-cancellable leases on certain property, plant and equipment where it is not in the best interest of the Group to purchase these assets. Such leases have varying terms, escalation clauses and renewal rights. All Group leases are operating leases, being leases where the lessor retains substantially all the risks and rewards of the ownership of the leased asset.

#### Operating lease commitments where the Group is the lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	£m		
	At 31 December 2017	At 31 December 2016	At 31 December 2015
<b>Outstanding commitments under non-cancellable operating leases, fall due as follows:</b>			
Within one year	14	11	11
Between one and five years	37	28	25
After five years	43	34	37
	<b>94</b>	<b>73</b>	<b>73</b>

### 42: Capital and financial risk management

#### 42(a)(i) Capital management

The Group manages its capital with a focus on capital efficiency and effective risk management. The capital objectives are to maintain the Group's ability to continue as a going concern while supporting the optimisation of return relative to the risks. The Group ensures that it can meet its expected capital and financing needs at all times having regard to the Group's business plans, forecasts and strategic initiatives and regulatory requirements in all businesses in the Group. The Group's overall capital risk appetite is set with reference to the requirements of the relevant stakeholders and seeks to:

- Maintain sufficient, but not excessive, financial strength to support stakeholder requirements
- Optimise debt to equity structure to enhance shareholder returns
- Retain financial flexibility by maintaining liquidity including unutilised committed credit lines.

The primary sources of capital used by the Group are equity shareholders' funds, subordinated debt and borrowings. Alternative resources are utilised where appropriate. Risk appetite has been defined for the level of capital, liquidity and debt within the Group. The risk appetite includes long term targets, early warning thresholds and risk appetite limits. The dividend policy sets out the target dividend level in relation to profits.

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

The Internal Capital Adequacy Assessment Process (ICAAP) is used to assess the level of capital which should be retained for the investment and advice businesses within the Group.



## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 42(a)(iii) *Regulatory capital in accordance with Solvency II rules*

From 1 January 2016, both the consolidated Group and regulated insurance entities (see note 46 for a list of the Group's regulated insurance entities) within the Group operating in the EU have been required to measure and monitor their capital resources under the Solvency II (SII) regulatory regime.

The Group's capital position under SII is determined by aggregating the assets and liabilities of the Group recognised and measured on a SII basis (being Own funds) and comparing this to the Group's SII solvency capital requirement (SCR) to determine surplus capital.

The Group's unaudited Solvency II surplus is £ 653 million (2016: £ 800 million), (2015: £ 794 million, representing a Solvency II ratio of 155% (2016: 175%), (2015: 182%) calculated under the standard formula. Own funds include a £566 million subordinated loan from Old Mutual plc (see note 34), and as such represents how the capital position of the Group was presented within Old Mutual plc. This subordinated loan has been effectively converted to equity after the year-end (see note 45). In accordance with the European Insurance and Occupational Pensions Authority (EIOPA) guidance, we have included the Individual Capital Guidance (ICG) requirement within our SCR in all periods. Surplus capital at individual entity level is assessed for availability to the Group and therefore may be restricted when determining Group own funds.

The estimated SCR and corresponding eligible own funds for each period (unaudited) were as follows:

	£m		
	At 31 December 2017	At 31 December 2016	At 31 December 2015
Eligible Own Funds	1,849	1,872	1,768
Solvency capital requirements (SCR)	1,196	1,072	974
Solvency II surplus	653	800	794
<b>Coverage</b>	<b>155%</b>	<b>175%</b>	<b>182%</b>

### 42(a)(iii) *Own Risk and Solvency Assessment (ORSA)*

The Solvency II directive introduced a requirement for the Group and the insurance entities located within the EU to conduct an ORSA.

The purpose of the ORSA is:

- To provide quantitative and qualitative assessments of the Group's risk profile relative to risk appetite;
- To provide assessment of regulatory and overall solvency needs and the financial condition of the Group on a forward looking basis;
- To demonstrate the link between the business strategy, risk profile and solvency needs;
- To test the financial, operational and strategic resilience of the business, identify and assess events which could threaten the viability of the Group and validate recovery plans; and
- To assess the effectiveness of risk monitoring, management and control processes.

The assessment considers both the current risk and capital position and the forward looking assessment of the risk profile over the three-year planning horizon of the Group.

The assessment of capital requirements is driven by the assessment of risks within the Group. Each material risk is assessed in order to determine the potential losses which could arise in the event that risk crystallise. These assessments support strategic decisions to accept or mitigate risks.

The assessment of risk and solvency needs is in principle carried out continuously. In practice, the assessment consists of a range of specific activities and decisions carried out at different times of the year as part of an annual cycle, supplemented as necessary by ad hoc assessments of the impact of external events and developments and of internal business proposals.

Papers are presented to the Board throughout the year dealing with individual elements that make up the ORSA. The information contained in those papers and the associated decisions taken are summarised in an annual ORSA report, which is submitted to the Group's regulators as part of the normal supervisory process.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 42(b) *Insurance risk (risk arising within insurance contracts)*

For accounting purposes insurance risk is defined as risk arising on insurance business. Contracts issued by the Group may include both insurance and financial risk. Contracts with significant insurance risk are classified as insurance contracts, while contracts with no or insignificant insurance risk are classified as investment contracts.

The Group assumes insurance risk by issuing insurance contracts, under which the Group agrees to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) affecting the policyholder occurs. Insurance risk includes mortality and morbidity risk in the case of life assurance.

Insurance risk arises through exposure to variable claims experience on life assurance, critical illness and other protection business and exposure to variable operating experience in respect of factors such as persistency levels and management expenses. Unfavourable persistency, expenses and mortality and morbidity claim rates, relative to the actuarial assumptions made in the pricing process, may prevent the Group from achieving its profit objectives.

The Group has developed an insurance risk policy which sets out the practices which are used to monitor and manage insurance risks. As well as management of persistency, expense and claims experience, the risk policy sets requirements and standards on matters such as underwriting and claims management practices, and the use of reinsurance to mitigate insurance risk.

The sensitivity of the Group's earnings and capital position to insurance risk is monitored through the Group's business planning and capital management processes. The insurance risk profile and experience is closely monitored to ensure that the exposure remains acceptable.

The Group effectively manages its insurance risks through the following mechanisms:

- Having an agreed risk appetite for all risk types including those related to insurance;
- The Group does not offer group insurance business in order to avoid risk concentrations;
- Analysis of mortality, morbidity, persistency and expense experience to calculate premiums and monitor claims patterns;
- Standards for underwriting and claims management, use of reinsurance and product governance;
- Reinsurance, which is used to limit the Group's exposure to large single claims and catastrophes. When selecting a reinsurer, the Group requires that reinsurers meet financial strength criteria; and
- The matching of assets, which is driven by the nature and term of the insurance liabilities. The management of assets and liabilities is closely monitored to ensure that there are sufficient interest bearing assets to match the guaranteed portion of liabilities. Hedging instruments are used at times to limit exposure to equity market and interest rate movements.

### **Terms and conditions of long-term insurance business**

The terms and conditions attached to insurance contracts determine the level of insurance risk accepted by the Group. The following table outlines the general form of terms and conditions that apply to contracts sold in each category of business, and the nature of the risk incurred by the Group.

Category	Essential terms	Main risks	Policyholder guarantees	Policyholder participation in investment return
Unit linked life assurance	Mortality charges may be re-priced	Mortality	The initial premium is guaranteed to sustain the original cover for the first 10 years	None
Unit linked critical illness	Mortality and morbidity charges may be re-priced	Mortality, Morbidity	The initial premium is guaranteed to sustain the original cover for the first 10 years	None
Non-linked life assurance and critical illness (fixed term and whole of life)	Premium rates fixed at inception	Mortality, Morbidity	Rates fixed for the life of the contract	None
Non-linked life assurance and critical illness (rolling term)	Premium rates fixed, but may be re-priced when the term is rolled	Mortality, Morbidity	Rates fixed for the first 10 years if cover levels are not altered	None

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### **Mortality and morbidity**

Mortality and morbidity risk is the risk that death, critical illness and disability claims are different from expected levels. Possible causes are new and unexpected epidemics and widespread changes in lifestyle such as eating, smoking and exercise habits. Higher than expected claims levels will reduce expected emerging profits.

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

The operations manage mortality and morbidity risks through the underwriting policies and external reinsurance arrangements where its policy is to retain certain types of insurance risks within specified maximum single event loss limits. Exposures above accepted limits are transferred to reinsurance counterparties.

### **Persistency**

Persistency risk is the risk that policyholder surrenders, transfers or premium cessation on contracts occur at levels that are different to expected.

Persistency statistics are monitored monthly and a detailed persistency analysis at a product level is carried out on an annual basis. Management actions may be triggered if statistics show significant adverse movement or emerging trends in experience.

### **Expenses**

Expense risk is the risk that actual expenses and expense inflation differ from expected levels. Higher expenses and expense inflation may result in emerging profit falling below the Group's profit objectives.

Expense levels are monitored quarterly against budgets and forecasts. An activity-based costing process is used to allocate costs relating to processes and activities to individual product lines.

Some products' structures include maintenance charges. These charges are reviewed annually in light of changes in maintenance expense levels. This review may result in changes in charge levels, subject to "Treating Customers Fairly" principles.

### **Tax**

Tax risk is the risk that the projected taxation basis for basic life assurance business is incorrect, resulting in contracts being incorrectly priced.

Tax risk also represents potential changes in the interpretation or application of prevailing tax legislation as paid by either policyholders or shareholders, resulting in higher taxes reducing profitability or increasing shareholder tax burdens. The taxation position of the operations is projected annually and tax changes will result in changes to new business pricing models as part of the annual control cycle. High risk issues and emerging trends are reported internally on a quarterly basis.

### **42(b)(i) Sensitivity testing – life assurance**

Sensitivity analysis has been performed by applying the following parameters to the statement of financial position and income statement as at 31 December 2017, 31 December 2016 and 31 December 2015.

#### **Interest rates**

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

A 1% rise in interest rates would impact the value of linked funds and therefore impact the fee income that is based on the market value of the investments held for the policyholders. Linked funds would move in value by around 2% as a shift of 1% in gilt yields moves gilt market values by 10%, but only 20% of linked assets are gilts.

Perfect matching has been assumed for insurance contracts so that any movement in asset values is balanced by a movement in the insurance provision.

A decrease in interest rates by 1% would have decreased profit and shareholders' equity by £1.9m after tax (2016: £1.2m decrease), (2015: £5.9m decrease). An equal change in the opposite direction would have increased profit and shareholders' equity by £4.0m after tax (2016: £2.4m decrease), (2015: £4.1m decrease).

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### Equity/property

A movement in equity and property prices would impact the fee income that is based on the market value of the investments held for the policyholders. In this analysis, all linked renewal commission is assumed to be fund based and all gains are assumed to be realised gains. The sensitivity is applied as an instantaneous shock to equity and property prices at the start of the year.

An increase in equity and property prices of 10% would have increased profit by £6.2m after tax (2016: £4.1m), (2015: £6.8m). An equal change in the opposite direction would have decreased profit by £6.0m after tax (2016: £4.1m), (2015: £6.8m).

### Expenses

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

An increase in expenses of 10% would have decreased profit by £15.3m after tax (2016: £8.7m), (2015: £10.9m).

### Mortality/morbidity

The impact on profit of an increase in mortality and morbidity claims rates of 5% is tested. This would affect the level of insurance contract claims and is assumed to apply throughout the year.

An increase in mortality and morbidity claims of 5% each would have decreased profit after tax by £0.9m (2016: £1.0m), (2015: £0.9m).

## 42(c) *Financial risk management*

Risk is an inherent part of the Group's business activities. The Group seeks to identify, assess, monitor and manage each of the various types of risk involved in its business activities in accordance with defined policies and procedures. A key component of our approach to capital management is to ensure that the Group's policies are aligned with the Group's overall strategy, business plans and risk appetite. The Group's Capital Management Forum (CMF) reviews the capital position of each of the regulated businesses on a monthly basis.

The key focus of financial risk management for the Group is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance and asset management operations. The material components of financial risk are credit risk, market risk (arising from changes in equity, bond prices, interest and foreign exchange rates) and liquidity risk.

## 42(c)(i) *Credit risk*

### Overall exposure to credit risk

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

The Group has established a credit risk policy which applies to all activities where the shareholder is exposed to credit risk, either directly or indirectly. The Policy sets out a suitable credit risk management framework to limit and manage the Group's exposure to credit risk.

The credit risk exposures of the Group are monitored regularly to ensure that counterparties remain creditworthy, to ensure there is appropriate diversification of counterparties and to ensure that exposures are within approved limits. At 31 December 2017, the Group's material credit exposure was to financial institutions (primarily through the investment of shareholder funds), corporate entities (including external fund managers and reinsurers) and individuals (primarily through fund management trade settlement activities).

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

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### Reinsurance arrangements

The Group has reinsurance arrangements in place to mitigate the risk of excessive claims on unit-linked and non-linked protection contracts. Reinsurance arrangements are also used in respect of unit-linked institutional business to access specific funds not available through direct fund links and to provide liquidity.

Since the Group uses reinsurance as a means of mitigating insurance risk, reinsurance counterparties bear a significant financial obligation to the Group.

In general, credit risk is controlled through the use of risk premium reinsurance terms, where reinsurance cover is paid for as the cover is provided. In these arrangements credit risk is limited to the risk of being unable to recover amounts due as a result of claims arising over the latest quarter, since reinsurance accounts are settled quarterly in arrears. This risk is largely mitigated since the Group would be able to withhold amounts due to the reinsurer to offset amounts due from the reinsurer.

The Group also has reinsurance arrangements in which there is a timing difference between the reinsurance premium payment and the provision of cover, which results in prepayment for cover by the company. In respect of these arrangements, a credit risk exposure can arise.

Reinsurance credit risk is managed by dealing only with reinsurance firms with credit ratings which meet the requirements of the company's credit risk policy on inception of new reinsurance arrangements. The Group monitors the exposure to and credit rating of reinsurance counterparties regularly to ensure that these remain within acceptable limits. Legal agreements are in place for all reinsurance arrangements which set out the terms of the arrangement and the rights of both the Group and the reinsurance providers.

None of the Group's reinsurance assets are either past due or impaired. Of the reinsurance assets shown in the statement of financial position all are considered investment grade with the exception of £51 million of unrated exposures (2016: £68 million, 2015: £97 million). Collateral is not taken against reinsurance assets or deposits held with reinsurers other than in limited circumstances. For further information see note 25.

Details of the age analyses and credit quality of reinsurance assets in respect of insurance contracts and investment contracts are included below.

### Investment of shareholder funds

The risk of counterparty default in respect of the investment of shareholder funds is managed through:

- Setting minimum credit rating requirements for counterparties;
- Setting limits and early warning indicators for individual counterparties and counterparty concentrations;
- Monitoring exposures regularly against approved limits; and
- Reviewing counterparties and associated limits on at least an annual basis.

Risk of default by financial advisers in respect of commission debt is controlled through monthly monitoring of commission debt balances.

### Other credit risks

The Group is exposed to financial adviser counterparty risk through a number of loans that it makes to its advisers and the payment of upfront commission on the sale of certain types of business. The risk of default by financial advisers is managed through monthly monitoring of loan and commission debt balances and the establishment of a net provision, when considered appropriate. The Group is exposed to the risk of default by fund management groups in respect of settlements and rebates of fund management charges on collective investments held for the benefit of policyholders. This risk is managed through the due diligence process which is completed before entering into any relationship with a fund group. Amounts due to and from fund groups are monitored for prompt settlement and appropriate action is taken where settlement is not timely.

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

Details of the credit quality of debt securities can be found in note 20(a).

### Impact of credit risk on fair value

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

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### Collateral and other credit enhancements

The amount and type of collateral required by the Group depends on an assessment of the credit risk of the counterparty. Collateral held is managed in accordance with Group's guidelines and the relevant underlying agreements. The market value of securities received as collateral is monitored on a daily basis and securities received as collateral generally are not recognised on the statement of financial position.

### Maximum exposure to credit risk

The table below represents the Group's maximum exposure to credit risk. The Group's maximum exposure to credit risk does not differ from the carrying value disclosed in the relevant notes to the financial statements. Exposure arising from financial instruments not recognised on the statement of financial position is measured as the maximum amount that the Group would have to pay, which may be significantly greater than the amount that would be recognised as a liability. The "not rated" balances represent the pool of counterparties that do not require a rating. These counterparties individually generate no material credit exposure and this pool is highly diversified, monitored and subject to limits.

The Group does not have any significant exposure arising from items not recognised on the statement of financial position.

£m										
Credit rating relating to financial assets that are neither past due nor impaired										
At 31 December 2017	AAA	AA	A	BBB	<BBB	Internally rated	Included through consolidation of funds	Carrying value including held for sale	Less: Amount classified as held-for-sale	Carrying value
Financial investments	–	183	–	12	–	508	4,536	5,239	–	5,239
Government and government-related securities	–	183	–	–	–	–	2,244	2,427	–	2,427
Other debt securities, preference shares and debentures	–	–	–	–	–	505	1,896	2,401	–	2,401
Short-term funds and securities	–	–	–	12	–	3	–	15	–	15
Other Investments and Securities	–	–	–	–	–	–	396	396	–	396
Reinsurance assets	–	1,050	1,807	–	–	51	–	2,908	–	2,908
Loans and advances neither past due nor impaired	–	–	–	–	–	199	–	199	–	199
	–	1,233	1,807	12	–	758	4,536	8,346	–	8,346

# NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

£m										
Credit rating relating to financial assets that are neither past due nor impaired										
At 31 December 2016	AAA	AA	A	BBB	<BBB	Internally rated	Included through consolidation of funds	Carrying value including held for sale	Less: Amount classified as held-for-sale	Carrying value
Financial investments	5	170	5	22	1	465	2,243	2,911	(35)	2,876
Government and government-related securities	–	164	–	18	1	1	721	905	(19)	886
Other debt securities, preference shares and debentures	–	–	–	–	–	461	1,522	1,983	–	1,983
Short-term funds and securities	5	6	5	4	–	3	–	23	(16)	7
Reinsurance assets	–	877	1,918	–	–	68	–	2,863	–	2,863
Loans and advances neither past due nor impaired	–	–	–	–	–	220	–	220	–	220
	5	1,047	1,923	22	1	753	2,243	5,994	(35)	5,959

£m										
Credit rating relating to financial assets that are neither past due nor impaired										
At 31 December 2015	AAA	AA	A	BBB	<BBB	Internally rated	Included through consolidation of funds	Carrying value including held for sale	Less: Amount classified as held-for-sale	Carrying value
Financial investments	187	6	6	23	1	351	2,138	2,712	–	2,712
Government and government-related securities	187	–	–	23	1	–	1,119	1,330	–	1,330
Other debt securities, preference shares and debentures	–	–	–	–	–	341	987	1,328	–	1,328
Short-term funds and securities	–	6	6	–	–	10	–	22	–	22
Other Investments and Securities	–	–	–	–	–	–	32	32	–	32
Reinsurance assets	–	685	1,725	–	–	97	–	2,507	–	2,507
Loans and advances neither past due nor impaired	–	–	–	–	–	190	–	190	–	190
	187	691	1,731	23	1	638	2,138	5,409	–	5,409

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### Financial assets past due but not impaired

At 31 December 2017 there were no financial assets past due but not impaired (2016: nil, 2015: nil).

### Financial assets individually impaired

At 31 December 2017 there was a £1 million provision in respect of financial assets individually impaired (2016: nil, 2015: nil).

The main considerations for the impairment assessment include whether there are known issues in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Group determines the allowance appropriate for each individually significant asset on an individual basis. Items considered when determining the allowance amount include the sustainability of the counterparty's business plan, the counterparty's ability to improve performance once a financial issue has arisen, the realisable value of collateral, and the timing of expected cash flows. The impairment losses are evaluated at each reporting date.

## 42(c)(iii) **Market risk**

### (i) Overview

Market risk is the risk of a financial impact to earnings or value arising from the changes in values of financial assets or financial liabilities from changes in equity, bond and property prices, interest rates and foreign exchange rates. Market risk arises differently across the Group's businesses depending on the types of financial assets and liabilities held.

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

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

### (ii) Insurance operations

For the Group's insurance operations, equity, property, volatility and interest rate risk exposure to capital and to earnings are quantified through sensitivity testing.

For the Group's unit-linked assurance operations, policyholders carry the full market risk, with the only risk to the Group being asset-based fee risk from charges on policyholder funds. In respect of the Group's shareholders' funds, market risk is addressed in the Group's Credit Risk and Liquidity Risk policies, which ensure that entities invest their shareholder funds in such a manner as to minimise market risk.

### (iii) Equity and property price risk

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

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

The above exposures are not material. Due to the nature of the investments held there is no material exposure to equity and property price risk on non-linked term assurance policyholder assets.



## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

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

	£m		
	Impact on profit after tax		
	At 31 December 2017	At 31 December 2016	At 31 December 2015
Impact of 10% increase in equity and property prices	32	30	29
Impact of 10% decrease in equity and property prices	(31)	(31)	(29)

### (iv) Interest rate risk

Interest rate risk arises primarily from investment in fixed interest government securities, which are exposed to fluctuations in interest rates and bank balances held with financial institutions.

Fixed interest government securities are held to match liabilities for non-linked protection business determined on an IFRS basis. Therefore, on an IFRS basis there is no material exposure to interest rate movements.

A rise in interest rates would also cause an immediate fall in the value of investments in fixed income securities within unit-linked funds, resulting in a short term fall in fund based fees.

Exposure of the IFRS income statement and statement of financial position equity to interest rates are summarised in sensitivities later within this section.

#### Interest rate sensitivity testing

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

A 1% rise in interest rates would impact the value of linked funds and therefore impact the fee income that is based on the market value of the investments held for the policyholders. Linked funds would move in value by around 2% as a shift of 1% in gilt yields moves gilt market values by 10%, but only 20% of linked assets are gilts. In previous years, gilts backing free capital and sterling reserves were held for regulatory purposes (2015: £75.6m) and these were subject to market movements, although the sterling reserves themselves were not included in the IFRS financial statements. These gilts are no longer required due to regulatory changes effective from 2016.

Perfect matching has been assumed for insurance contracts so that any movement in asset values is balanced by a movement in the insurance provision.

	£m		
	Impact on profit after tax		
	At 31 December 2017	At 31 December 2016	At 31 December 2015
Impact of 1% increase in interest rates	20	16	12
Impact of 1% decrease in interest rates	(10)	(12)	(13)

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### (v) Currency translation risk

The Group is exposed to movements in exchange rates from changes in the Sterling value of surplus assets and earnings denominated in foreign currencies. From a capital perspective, our capital is held where our risks are located and currency translation risk would only be realised if we were to require a transfer of surplus capital between regions during a period of stress. The functional currencies of the Group's principal overseas operations are Euro and Hong Kong dollars.

Some of the Groups' business operations may undertake activities that are not in their functional currencies. These activities are economically hedged by numerous activities such as the use of currency swaps, currency borrowings and forward foreign exchange contracts.

The foreign currency translation table below have been prepared on the basis that the values of the economic hedging instruments are reflected at their carrying value as opposed to their notional amounts. The tables are therefore a reflection of the foreign currency exposures in their respective currencies. Each currency is actively managed and compared with appropriate limits. The Group does not have significant concentrations of foreign currency risk exposure.

At 31 December 2017, the Group's total shareholders' equity deployed by currency was:

						£m
	GBP	EUR	USD	SEK	Other	Total
<b>Shareholders' equity at 31 December 2017</b>	<b>891</b>	<b>7</b>	<b>173</b>	<b>21</b>	<b>7</b>	<b>1,099</b>
Shareholders' equity at 31 December 2016	779	179	12	19	3	992
Shareholders' equity at 31 December 2015	764	148	(15)	10	6	913

### (vi) Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Group manages liquidity by maintaining adequate liquidity resources and banking facilities, continuously monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities. Individual businesses maintain and manage their local liquidity requirements according to their business needs, within the overall liquidity framework established by the Group. The Group maintains contingency funding arrangements to provide liquidity support to businesses in the event of severe liquidity stresses.

Information on the nature of the investments and securities held is given in note 22.

During 2016 and 2015, the Group had an implicit borrowing arrangement with its parent Old Mutual plc where it could receive funding for liquidity strains in stress scenarios should the need arise. No drawdown on this arrangement was made over the period. In January 2017, the Group established a new internal £200 million revolving credit facility with Old Mutual plc for a two year duration which was subsequently amended in May 2017 to £70 million over the same term. Further details, together with information on the Group's borrowed funds, are given in note 34.

Group operating segments are required, both in terms of their local requirements and in accordance with the Group's liquidity risk framework, to establish their own processes for managing their liquidity and capital needs and these are subject to review by their local oversight functions, with representation from the Group.

The Group does not have material liquidity exposure to special purpose entities or investment funds. The contractual maturities of the Group's financial liabilities are set out below.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 42(d) *Contractual maturity analysis*

The following table is a maturity analysis of liability cash flows based on contractual maturity dates for investment contract liabilities and expected claim dates for insurance contracts. Investment contract policyholders have the option to terminate or transfer their contracts at any time and to receive the surrender or transfer value of their policies. Although these liabilities are payable on demand, and are therefore included in the contractual maturity analysis as due in less than three months and more than three months and less than one year, the Group does not expect all these amounts to be paid out within one year of the reporting date.

The undiscounted cash flows of discretionary participating investment contracts only include amount vested or to be vested, while their carrying amount include reserves that are payable at the discretion of the Group.

£m						
At 31 December 2017	Carrying amount	Undiscounted cash flows				Total
		Up to three months	Three months to one year	Between one and five years	More than five years	
<b>Life assurance policyholder liabilities</b>						
<b>Insurance contracts</b>	<b>489</b>	<b>15</b>	<b>8</b>	<b>34</b>	<b>855</b>	<b>912</b>
Life assurance policyholder liabilities	480	6	8	34	855	903
Outstanding claims	9	9	–	–	–	9
<b>Investment contracts</b>						
Unit-linked investment contracts and similar contracts	59,139	59,139	–	–	–	59,139
<b>Total policyholder liabilities</b>	<b>59,628</b>	<b>59,154</b>	<b>8</b>	<b>34</b>	<b>855</b>	<b>60,051</b>

£m						
At 31 December 2016	Carrying amount	Undiscounted cash flows				Total
		Up to three months	Three months to one year	Between one and five years	More than five years	
<b>Life assurance policyholder liabilities</b>						
<b>Insurance contracts</b>	<b>417</b>	<b>22</b>	<b>10</b>	<b>56</b>	<b>660</b>	<b>748</b>
Life assurance policyholder liabilities	402	7	10	56	660	733
Outstanding claims	15	15	–	–	–	15
<b>Investment contracts</b>						
Unit-linked investment contracts and similar contracts	51,265	53,080	–	–	–	53,080
<b>Total policyholder liabilities</b>	<b>51,682</b>	<b>53,102</b>	<b>10</b>	<b>56</b>	<b>660</b>	<b>53,828</b>

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

	Undiscounted cash flows					£m
At 31 December 2015	Carrying amount	Up to three months	Three months to one year	Between one and five years	More than five years	Total
<b>Life assurance policyholder liabilities</b>						
<b>Insurance contracts</b>	293	23	10	49	538	620
Life assurance policyholder liabilities	284	14	10	49	538	611
Outstanding claims	9	9	–	–	–	9
<b>Investment contracts</b>						
Unit-linked investment contracts and similar contracts	49,041	48,525	516	–	–	49,041
<b>Total policyholder liabilities</b>	<b>49,334</b>	<b>48,548</b>	<b>526</b>	<b>49</b>	<b>538</b>	<b>49,661</b>

### 42(e) **Operational risk**

Operational risk is the risk that failure of people, processes, systems or external events results in financial loss, damage to brand/reputation or adverse regulatory intervention or government or regulatory fine.

Operational risk includes all risks resulting from operational activities, excluding risks already described above and excluding strategic risks and risks resulting from being part of a wider group of companies.

Operational risk includes the effects of failure of the administration processes, IT maintenance and development processes, investment processes (including settlements with fund managers, fund pricing and matching & dealing), product development and management processes, legal risks (e.g. risk of inadequate legal contract with third parties), risks relating to the relationship with third party suppliers, and the consequences of financial crime and business interruption events.

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

The company executive management have responsibility for implementing the Group risk management methodologies and framework and for development and implementation of action plans to manage risk levels within acceptable tolerances and resolve issues.

### 42(f) **Investment contract risk**

Investment contract risk arises through the exposure to unfavourable operating experience in respect of factors such as persistency levels and management expenses relative to the Group's expectations when pricing contracts, which may prevent the Group from achieving its profit objectives.

### 43: **Fiduciary activities**

The Group provides custody, trustee, corporate administration and investment management and advisory services to third parties that involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. Some of these arrangements involve the Group accepting targets for benchmark levels of returns for the assets under the Group's care. These services give rise to the risk that the Group will be accused of misadministration or under performance.

### 44: **Related parties**

In the normal course of business, the Group enters into transactions with related parties that relate to insurance and investment management business. These are conducted on an arm's length basis and are not material to the Group's results.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 44(a) *Services provided to, and by related parties*

Transactions with related parties carried out by the Group during the year were as follows:

	£m		
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
Income earned	5	2	3
Expenses incurred	(60)	(70)	(71)
Receivable at year end	28	115	56
Payable at year end	(790)	(843)	(792)

Expenses incurred include interest on loans to Old Mutual plc and commission paid/payable to other related parties. Payables at year end mainly relate loans payable to Old Mutual plc. Interests in subsidiaries and related undertakings are set out in Appendix B.

### 44(b) *Transactions with key management personnel, remuneration and other compensation*

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group. Details of the compensation paid to the Board of directors as well as their shareholdings in the Company are disclosed in the Remuneration Report.

### 44(c) *Key management personnel compensation*

	£'000 At 31 December 2017	£'000 At 31 December 2016	£'000 At 31 December 2015
<b>Aggregate directors' emoluments</b>			
Aggregate emoluments excluding pension contributions	4,201	2,424	2,338
Company pension contribution to defined contributions schemes	10	17	38
	4,211	2,441	2,376

Three directors had money paid to a money purchase scheme during the year (2016: 1), (2015: 1).

Five directors (2016: 2), (2015: 2) received or were due to receive shares or share options in Old Mutual plc under a long term incentive scheme.

Two directors (2016: 2), (2015: 2) exercised options during the year.

	£'000 At 31 December 2017	£'000 At 31 December 2016	£'000 At 31 December 2015
<b>Emoluments of the highest paid director</b>			
Aggregate emoluments excluding pension contributions	1,323	1,086	1,233

The highest paid director exercised share options during the current and prior years.

The directors' emoluments disclosed above are in respect of the two directors of the Parent Company in office during the year who are directly employed by Old Mutual Wealth Business Services Limited, a subsidiary undertaking (2016: 2), (2015: 2). The above disclosure includes the remuneration of those directors in relation to their services to this Parent Company and its subsidiaries. The remuneration for each director is apportioned on the basis of time spent across the Parent Company and its subsidiaries but restricted to the period in which they were a director of the Parent Company (and also reflecting the changing group structure across the reporting period).

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

The above emoluments also include the fees paid to the non-executive directors except for JB Hemphill and I G Johnson as they consider that their services to the Parent Company are incidental to their duties within the Group.

### 44(d) Key management personnel transactions

Key management personnel and members of their close family have undertaken transactions with the Group and its subsidiaries, joint ventures and associated undertakings in the normal course of business.

Various members of key management personnel hold or have at various times during the year held, investments managed by asset management businesses of the Group. These include unit trusts and mutual funds. None of the amounts concerned are material in the context of the funds managed by the Group business concerned, and all of the investments have been made by the individuals concerned either on terms which are the same as those available to external clients generally or, where that is not the case, on the same preferential terms as were available to employees of the business generally.

### 44(e) Other related parties

Details of the Group's pension schemes, whose assets are managed by external investment managers are provided in note 37. Transactions made between the Group and related parties were made in the normal course of business. Loans from related parties are made on normal arm's length commercial terms.

## 45: Events after the reporting date

### Acquisition of Skandia UK from Old Mutual plc

The Skandia UK Limited group of entities was acquired from Old Mutual plc on 31 January 2018 and comprises seven Old Mutual plc group entities with net asset value of £591 million. The transfer was financed by the issue of a share and with the balance represented by a merger reserve; no debt was taken on as a result of this transaction. The most significant asset within these entities is a £566m receivable which corresponds to an equivalent payable within the Group's statement of financial position. The net effect of this transaction for the Group is to replace a payable due to Old Mutual plc with equity.

### Financing arrangements

On 23 February 2018, the Group entered into, and fully drew down, the New Term Loan, a £300 million senior unsecured term loan with a number of relationship banks with an annual coupon of 45 basis points above LIBOR, to be updated every three months. The New Term Loan will be repaid in full using proceeds from the sale of the Single Strategy Business following the completion of the OMGI Transaction.

On 28 February 2018, the Group issued a £200 million subordinated debt security in the form of a 10-year Tier 2 bond with a one-time issuer call option after 5 years to J.P. Morgan Securities plc, paying a semi-annual coupon of 4.478% (the "Tier 2 Bond"). Including the impact of amortisation of bond set-up costs, the issuance of the Tier 2 Bond will increase operating expenses in the Head Office function by approximately £11 million on an annual basis. The debt security is currently undocumented and unlisted and has a Fitch instrument rating of BBB-. The Group intends to finalise a prospectus and obtain a listing for the Tier 2 Bond on the regulated market of the London Stock Exchange, with a view to a potential remarketing and secondary placement of the Tier 2 Bond in due course. In addition, the Group entered into the New Revolving Facility, a £125 million revolving credit facility which is currently undrawn and is expected to remain undrawn during 2018.

Subsequent to the year end, and as part of a series of internal transactions, £566 million of intercompany indebtedness to other companies within the Old Mutual plc group has been equitised, with the effect of the intercompany indebtedness being cancelled and replaced with equity in the form of share capital and a merger reserve. The overall indebtedness also reduced by £16 million from ordinary course transactions. The remaining £200 million intercompany indebtedness was repaid in full from the new facilities referred to above and from existing cash resources on 28 February 2018. On the same date, the £70 million revolving credit facility with Old Mutual plc was cancelled.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2017

### 46: Subsidiaries

Critical accounting estimates and judgements – Consolidation set of standards

The Group has applied the following key judgements in the application of the requirements of the consolidation set of standards (IFRS 10 “Consolidated Financial Statements” and IFRS 11 “Joint Arrangements”):

#### Consolidation of investment funds and securitisation vehicles

The Group acts as a fund manager to a number of investment funds. In determining whether the Group controls such a fund, it will focus on an assessment of the aggregate economic interests of the Group (comprising any carried interests and expected management fees) and the investor’s rights to remove the fund manager. The Group assesses, on an annual basis, such interests to determine if the fund will be consolidated. See note 24 for disclosures in respect of the investment funds in which the Group has an interest.

#### Structured entities

In assessing whether the Group has power over such investees in which it has an economic interest, the Group considers numerous factors. These factors may include the purpose and design of the investee, its practical ability to direct the relevant activities of the investee, the nature of its relationship with the investee and the size of its exposure to the variability of returns of the investee. The Group has evaluated all exposures and has concluded that all investments in investment funds as well as and other funding vehicles represent investments in structured entities. Information on structured entities is included in note 24.

#### 46(a) Principal subsidiaries and Group enterprises

The following table lists the principal Group undertakings whose results are included in the consolidated financial statements. A complete list of the Group’s related undertakings comprising of subsidiaries, associates and other significant holdings is contained in note Appendix B.

##### Parent company

Quilter plc (formerly known as Old Mutual Wealth Management Limited)

##### Subsidiaries

The principal subsidiaries of the Group at 31 December 2017 are listed by country of incorporation.

Name	Nature of business	% held
<b>United Kingdom</b>		
Old Mutual Wealth Holdings Limited	Holding company	100
Old Mutual Wealth UK Holding Limited	Holding company	100
Old Mutual Global Investors Holdings Limited	Holding company	100
Old Mutual Wealth Life Assurance Limited	Life assurance	100
Old Mutual Wealth Life & Pensions Limited	Life assurance	100
Old Mutual Investment Management Limited	Multi-asset business	100
Quilter Cheviot Limited	Investment management	100
Intrinsic Financial Services Limited	Financial Advice	100
Old Mutual Wealth Limited	Savings and Investments	100
Old Mutual Wealth Business Services Limited	Management services	100
<b>Ireland</b>		
Old Mutual International Ireland Limited	Life assurance	100
<b>Isle of Man</b>		
Old Mutual International Holdings Limited	Holding company	100
Old Mutual International Isle of Man Limited	Life assurance	100

All the above companies have a year end of 31 December and their financial results have been incorporated and are included in the Group financial statements from the effective date that the Group controls the entity.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

*For the year ended 31 December 2017*

### 46(b) ***Guarantees provided by the Group to subsidiaries***

No significant guarantees have been provided by the Group during the financial year.

The Group provides financial support in certain cases where funds require seed capital and also provides liquidity funding in the case of large divestments from unit trust funds.

During 2016 the Parent Company made capital contributions of £35 million to its subsidiary Old Mutual Wealth Holdings Limited.

### 46(c) ***Loss of control of subsidiaries***

There has been no loss of control of any major subsidiaries during the course of the current and previous year.



## **APPENDIX A – OTHER ACCOUNTING POLICIES**

### **Investments in associates**

An associate is an entity over which the Group has significant influence, but not control or joint control, through its participation in the entity's financial and operating policy decisions. Significant influence is generally demonstrated by the Group holding between 20% and 50%, of the voting rights. Where voting rights are irrelevant, all other factors, contractual or otherwise, are assessed in determining whether the Group has the ability to exercise significant influence.

The results, assets and liabilities of associates, other than those that are measured at FVTPL (see below) are incorporated into these consolidated financial statements using the equity method of accounting from the date that significant influence commences until the date it ends. Under this method, the cost of the investment in an associate together with the Group's share of that entity's post-acquisition changes to shareholders' funds is included as an asset in the consolidated statement of financial position. The cost includes goodwill recognised on acquisition. The Group's share of associates' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. Where a Group entity transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Unrealised losses are eliminated in the same way but only to the extent that there is no evidence of impairment. Investments in associates that are held with a view to subsequent resale are accounted for as non-current assets held for sale.

Where the Group has an investment in an associate, a portion of which is held by, or is held indirectly through a unit trust or similar entity, including investment-linked insurance funds, that portion of the investment is measured at FVTPL.

### **Foreign currency translation**

The Group's presentation currency is pounds sterling (£). The functional currency of the Group's foreign operations is the currency of the primary economic environment in which these entities operate. The Parent Company functional currency is pounds sterling (£). Income statements and cash flows of foreign entities are translated into the Group's presentation currency at average exchange rates for the year and their statements of financial position are translated at the year-end exchange rates. Exchange rate differences arising from the translation of the net investment in foreign subsidiaries and associates are recognised in other comprehensive income and taken to the currency translation reserve within equity. To the extent that these gains and losses are effectively hedged, the cumulative effect of such gains and losses arising on the hedging instruments are also included in that component of shareholders' equity. On disposal of a foreign entity, exchange differences are transferred out of this reserve to the income statement as part of the gain or loss on sale.

Foreign currency transactions are converted into the relevant functional currency at the exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the relevant functional currency at exchange rates prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the functional currency at foreign exchange rates prevailing at the dates the fair values were determined. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are converted into the functional currency at the rate of exchange ruling at the date of the initial recognition of the asset and liability and are not subsequently retranslated.

Exchange gains and losses on the translation and settlement during the period of foreign currency assets and liabilities are recognised in profit or loss. Exchange differences for non-monetary items are recognised in the statement of other comprehensive income when the changes in the fair value of the non-monetary item are recognised in the statement of other comprehensive income, and in profit or loss if the changes in fair value of the non-monetary item are recognised in profit or loss.

### **Property, plant and equipment**

Property, plant and equipment consists principally of computer equipment, motor vehicles, fixtures and fittings, and is stated at cost less accumulated depreciation and any recognised impairment losses. Cost includes the original purchase price of the asset and the costs of bringing the asset to its working condition for its intended use. Depreciation is charged to profit or loss on a straight-line basis to write down the cost of the asset to its residual value over its estimated useful life, ranging between 3 and 10 years depending on the length of time the Group expects to derive benefit from the asset.

Management determines useful lives and residual values for assets when they are acquired, based on experience of similar assets and taking into account other relevant factors such as any expected changes in technology. The Group assesses and adjusts (if required) the useful life, residual value and depreciation method for property plant and equipment on an annual basis.

Items of property, plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. Where the carrying amount of an asset is greater than its estimated recoverable amount, which represents the higher of the asset's fair value less costs of disposal and value in use, it is written down immediately to its recoverable amount and an impairment loss is recognised in the income statement. Impaired non-financial assets, except goodwill, are reviewed for possible reversal of the impairment at each reporting date. On de-recognition of an item of equipment, any gain or loss on disposal, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is included in profit or loss in the period of the de-recognition. Items of property and equipment that are not owned by the Group, but are held under lease arrangements are accounted for in accordance with the accounting policy on leases.

## **Leases**

### **Operating leases**

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Where the Group is the lessee, payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the term of the lease.

### **Finance leases**

Lease agreements where the Group substantially accepts the risks and rewards of ownership of the leased asset are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Lease payments are allocated between the liability and finance charges so as to achieve a constant interest rate on the outstanding balance of the liability.

Finance lease obligations, net of finance charges, are included in liabilities. The interest element of the finance cost is charged to profit or loss over the lease period under the effective interest method. Where applicable, assets acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

## **Share Capital**

### **Equity instruments**

Shares are classified as equity instruments when there is no contractual obligation to deliver cash or other assets to another entity on terms that may be unfavourable. The value of the Company's share capital consists of the number of ordinary shares in issue multiplied by their nominal value. The difference between the proceeds received on issue of the shares and the nominal value of the shares issued is recorded in share premium.

### **Share issue costs**

Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of the issue and disclosed where material.

### **Dividends**

Dividends are distributions of profit to holders of the Group's share capital and as a result are recognised as a deduction in equity. Dividends payable to holders of equity instruments are recognised in the period in which they are authorised or approved. Interim dividends payable to holders of the Group's ordinary share capital are announced with the Half Year results and authorised by the directors of the Parent Company. The final dividend is announced with the Annual Report and Accounts and typically requires shareholder approval at the Annual General Meeting. For this reason it is not included in the annual consolidated financial statements.

### **Shares held by trusts**

Shares in the Parent Company that are held by the Employee Benefit Trust (EBT) are treated as 'own shares' or Treasury shares. The EBT purchases shares in the Parent Company for delivery to employees under employee incentive plans. Purchased shares are recognised as a deduction from equity at the price paid for them.

## **Earnings per share**

Basic earnings per share are calculated by dividing the profit attributable to the ordinary shareholders of the Parent Company by the weighted average number of Ordinary Shares in issue during the period, excluding Ordinary Shares purchased by various share trusts of the Group and held as own shares.

Diluted earnings per share is calculated by increasing the weighted average number of Ordinary Shares outstanding to assume conversion of all dilutive potential Ordinary Shares, notably those related to employee share schemes.

## APPENDIX B – RELATED UNDERTAKINGS

The Companies Act 2006 requires disclosure of certain information about the Group's related undertakings which is set out in this note. Related undertakings comprise subsidiaries, joint ventures, associates and other significant holdings. Significant holdings are where the Group either has a shareholding greater than or equal to 20% of the nominal value of any share class, or a book value greater than 20% of the Group's assets.

The definition of a subsidiary undertaking in accordance with the Companies Act 2006 is different from the definition under IFRS. As a result, the related undertakings included within the list below may not be the same as the undertakings consolidated in the Group IFRS financial statements. Refer to accounting policies note 4.1 Group Accounting for further detail on principles of consolidation and definition of joint ventures.

The Group's related undertakings along with the country of incorporation, the registered address, the classes of shares held and the effective percentage of equity owned at 31 December 2017 are disclosed below.

Company Name	Share Class	% Held
<b>United Kingdom</b>		
<b><i>Old Mutual House, Portland Terrace, Southampton, SO14 7EJ</i></b>		
IFA Holding Company Limited	Ordinary	100
IFA Services Holdings Company Limited	Class A and Class B Ordinary	100
Old Mutual Wealth Business Services Limited	Ordinary	100
Old Mutual Wealth Holdings Limited	Ordinary	100
Old Mutual Wealth Life Assurance Limited	Ordinary	100
Old Mutual Wealth Life & Pensions Limited	Ordinary	100
Old Mutual Wealth Limited	Ordinary	100
Old Mutual Wealth Nominees Limited	Ordinary	100
Old Mutual Wealth Pensions Trustee Limited	Ordinary	100
Old Mutual Wealth UK Holding Limited	Ordinary	100
Onenote Limited (dissolved 24 January 2017)	Ordinary	100
Selestia Investments Limited	Class A1, B1, B2, B3 and C shares	100
Selestia Services Limited (dissolved 24 January 2017)	Class A1, B1, B2, B3, C and R shares	100
<b><i>Millennium Bridge House, 2 Lambeth Hill, London, EC4V 4GG</i></b>		
Beaumont Robinson Limited	Ordinary	100
Commsale 2000 Limited	Ordinary	100
Dodd Murray Limited	Ordinary class B, C, D, I & K	100
DQS Financial Management Limited	Ordinary	100
Infiniti Financial Planning & Investment Management Limited	Ordinary	100
Maestro Financial Services Limited	Ordinary & preference	100
Michael Waite Independent Financial Advice Limited	Ordinary	100
NPL Financial Limited	Ordinary	100
Old Mutual Global Investors Holdings Limited	Ordinary	100
Old Mutual Global Investors (UK) Limited	Ordinary	100
Old Mutual Investment Management Limited	Ordinary	100
Old Mutual Wealth Private Client Advisers Limited	Ordinary	100
OMIFM Limited	Ordinary	100
OMW CoSec Services Limited	Ordinary	100
Premier Planning Limited	Ordinary	100
Premier Wealth Limited	Ordinary	100
Quilter Cheviot Investment Management Limited	Ordinary	100
Quilter Financial Planning Limited	Ordinary	100
Quilter International Limited	Ordinary	100
Quilter Investors Limited	Ordinary	100
Quilter Life Assurance Limited	Ordinary	100
Quilter Private Client Advisors Limited	Ordinary	100

Company Name	Share Class	% Held
Quilter Wealth Solutions Limited	Ordinary	100
<b>One Kingsway, London, WC2B 6AN</b>		
Cheviot Capital (Nominees) Limited	Ordinary	100
Quilter Group Limited (formerly Cheviot GP Limited)	Ordinary	100
QUILPEP Nominees Limited	Class A and B2 shares	100
Quilter Cheviot Holdings Limited	Ordinary	100
Quilter Cheviot Limited	Ordinary	100
Quilter Limited	Ordinary	100
Quilter Nominees Limited	Class B shares	100
Violet No2 Limited	Ordinary	100
Cheviot Exodus LP (dissolved 25 August 2017)	Ordinary	100
<b>Wiltshire Court, Farnsby Street, Swindon, SN1 5AH</b>		
Blueprint Distribution Limited	Ordinary and cumulative redeemable preference shares	100
Blueprint Financial Services Limited	Ordinary and cumulative redeemable preference shares	100
Blueprint Organisation Limited	Ordinary and cumulative redeemable preference shares	100
Caerus Bureau Services Limited	Ordinary	100
Caerus Capital Group Limited	Ordinary and Class B shares	100
Caerus Financial Limited	Ordinary	100
Caerus Holdings Limited	Ordinary	100
Caerus Portfolio Management Limited	Ordinary	100
Caerus Wealth Limited	Ordinary	100
Caerus Wealth Solutions Limited	Ordinary	100
Intrinsic Valuation Services Limited	Ordinary	100
Intrinsic Cirilium Investment Company Limited	Class A, Class B and preference shares	100
Intrinsic Financial Planning Limited	Ordinary	100
Intrinsic Financial Services Limited	Ordinary	100
Intrinsic Financial Solutions Limited	Ordinary	100
Intrinsic Mortgage Planning Limited	Ordinary	100
Intrinsic Wealth Financial Solutions Limited	Ordinary	100
Intrinsic Wealth Limited	Ordinary	100
<b>Riverside House, The Waterfront, Newcastle upon Tyne, NE15 8NY</b>		
Positive Solutions (Financial Services) Limited	Class B1 Shares	100
Think Synergy Limited	Ordinary	100
<b>12 – 14, Upper Marlborough Road, St Albans, Hertfordshire, AL1 3UR</b>		
360 Dot Net Limited	Ordinary	13
<b>6 Tollgate Business Park Tollgate West, Stanway, Colchester, Essex, England, CO3 8AB</b>		
Charles Derby Group Limited	Ordinary	10
<b>Hong Kong</b>		
<b>24th Floor, Henley Building, 5 Queen's Road</b>		
Old Mutual Global Investors (Asia Pacific) Limited	Ordinary	100

Company Name	Share Class	% Held
<b>Ireland</b>		
<b>Arthur Cox Building, Earlsfort Terrace, Dublin 2, D02 CK83</b>		
Old Mutual International (Ireland) dac	Ordinary	100
<b>Hambledon House, 2nd Floor, 19/26 Lower Pembroke Street, Dublin 2</b>		
Pembroke Quilter (Ireland) Nominees Limited	Ordinary	100
<b>Isle of Man</b>		
<b>King Edward Bay House, King Edward Road, Onchan, IM99 1NU</b>		
Old Mutual International Business Services Limited	Ordinary	100
Old Mutual International Holdings Limited	Ordinary	100
Old Mutual International Isle of Man Limited	Ordinary	100
Old Mutual International Trust Company Limited	Ordinary	100
<b>Jersey</b>		
<b>4th Floor 28/30 The Parade, St Helier, JE2 3QQ</b>		
C.I.P.M Nominees Limited	Ordinary	100
QGCI Nominees Limited	Ordinary	100
<b>Singapore</b>		
<b>Marina Boulevard, #05-02, Marina Bay Financial Centre</b>		
Old Mutual Global Investors (Singapore) PTE. Limited	Ordinary	100
<b>Capita Green, #06-01, 138 Market Street, 048946</b>		
AAM Advisory PTE Limited	Ordinary	100
<b>South Africa</b>		
<b>Mutual Gardens, Mowbray, Cape Town</b>		
Global Edge Technologies (Pty) Limited	Ordinary	100
<b>Switzerland</b>		
<b>Schützengasse 4, 8001 Zürich</b>		
Old Mutual Global Investors (Switzerland) LLC	Ordinary	100
<b>United Arab Emirates</b>		
<b>7 &amp; 8, Level 2, Gate Village 7, Dubai International Financial Centre, Dubai, 482062</b>		
Old Mutual International Middle East Limited	Ordinary and Class B and Class D redeemable preference shares	100

In addition, the following funds are consolidated and constitute related undertakings:

Fund Name	Share Class	% Held
<b>United Kingdom</b>		
<b><i>Millennium Bridge House, 2 Lambeth Hill, London, EC4V 4AJ</i></b>		
Old Mutual Asian Equity Income Fund	Ordinary	95
Old Mutual Absolute Return Government Bond Fund	Accumulation	48
Old Mutual Cirilium Balanced Portfolio	Accumulation	47
Old Mutual Cirilium Balanced Passive Portfolio	Accumulation	65
Old Mutual Cirilium Conservative Portfolio	Accumulation	50
Old Mutual Cirilium Conservative Passive Portfolio	Accumulation	58
Old Mutual Cirilium Dynamic Passive Portfolio	Accumulation	52
Old Mutual Cirilium Moderate Passive Portfolio	Accumulation	55
Old Mutual Compass Portfolio 2	Hedged	73
Old Mutual Compass Portfolio 3	Hedged	84
Old Mutual Compass Portfolio 4	Hedged	81
Old Mutual Compass Portfolio 5	Hedged	97
Old Mutual Europe Ex UK Smaller Companies Fund	Hedged	47
Old Mutual Global Emerging Markets	Ordinary	53
Old Mutual Global Strategic Absolute Return Bond Fund	Hedged	99
Old Mutual Japanese Equity	Hedged	55
Old Mutual Local Currency Emerging Market Debt Fund	Hedged	61
Old Mutual Managed Fund	Accumulation	24
Old Mutual Monthly Income High Yield Bond Fund	Hedged	98
Old Mutual Style Premia Absolute Return Fund	Hedged	96
Old Mutual Woodford Equity Income	Accumulation	100
OM Aberdeen Asia Pacific Fund	Accumulation	100
OM Artemis Income Fund	Accumulation	100
OM Artemis UK Special Situations Fund	Accumulation	100
OM Asia Pacific Fund	Accumulation	44
OM Blackrock Gold & General Fund	Accumulation	100
Old Mutual Newton UK Opportunities Fund	Accumulation	100
OM Bond 1 Fund	Income	100
OM Bond 2 Fund	Income and Accumulation	100
OM Bond 3 Fund	Income and Accumulation	100
OM Corporate Bond Fund	Income and Accumulation	50
OM Equity 1 Fund	Accumulation	100
OM Equity 2 Fund	Accumulation	100
OM Ethical Fund	Accumulation	62
OM European Equity (ex UK) Fund	Accumulation	77
OM Fidelity Global Focus Fund	Accumulation	100
OM Fidelity Moneybuilder Income Fund	Income and Accumulation	100
OM Fidelity Strategic Bond Fund	Income and Accumulation	100
OM Foundation 3 Fund	Income and Accumulation	97
OM Foundation 4 Fund	Income and Accumulation	100
OM Foundation 5 Fund	Income and Accumulation	100
OM Generation Target 3 Fund	Income and Accumulation	76
OM Generation Target 4 Fund	Income and Accumulation	85
OM Generation Target 5 Fund	Income and Accumulation	73
OM Gilt Fund	Income and Accumulation	100
OM Global Best Ideas Fund	Accumulation	58

<b>Fund Name</b>	<b>Share Class</b>	<b>% Held</b>
OM Global Equity Income Fund	Income and Accumulation	88
OM Global Property Securities Fund	Income and Accumulation	73
OM Global Strategic Bond Fund	Income and Accumulation	35
OM Henderson China Opportunities Fund	Accumulation	100
OM Henderson European Growth Fund	Accumulation	100
OM Invesco Perpetual Asian Fund	Accumulation	100
OM Invesco Perpetual Corporate Bond Fund	Income and Accumulation	100
OM JPM Emerging Markets Fund	Accumulation	100
OM JPM Natural Resources Fund	Accumulation	99
OM Monthly Income Bond Fund	Income and Accumulation	79
OM Newton Global Income Fund	Income and Accumulation	100
Old Mutual Newton UK Income Fund	Income and Accumulation	100
OM North American Equity Fund	Accumulation	28
OM Schroder Tokyo Fund	Accumulation	100
OM Schroder US Mid Cap Fund	Income and Accumulation	100
Old Mutual Creation Conservative Portfolio	Accumulation	92
Old Mutual Creation Balanced Portfolio	Accumulation	92
Old Mutual Creation Moderate Portfolio	Accumulation	92
Old Mutual Creation Dynamic Portfolio	Accumulation	89
Old Mutual JPM US Growth Advantage Fund	Accumulation	100
OM Threadneedle European Select Fund	Accumulation	100
OM Threadneedle High Yield Bond Fund	Income and Accumulation	100
OM UK Equity Income Fund	Income and Accumulation	67
OM UK Index Fund	Accumulation	100
OM Voyager Diversified Fund	Accumulation	99
OM Voyager Global Dynamic Equity Fund	Accumulation	96
OM Voyager Strategic Bond Fund	Income and Accumulation	94
OM World Index Fund	Accumulation	100
Old Mutual Cirilium Moderate Portfolio	Ordinary	39
Old Mutual Schroder European Alpha Income Fund	Ordinary	100
Old Mutual Cirilium Adventurous Portfolio	Ordinary	64
Old Mutual Cirilium Adventurous Passive Portfolio	Ordinary	71
Old Mutual Creation Adventurous Portfolio	Ordinary	100
Old Mutual Emerging Market Debt Fund	Ordinary	43
Old Mutual Financials Contingent Capital Fund	Ordinary	75
<b>Oakhill House, 150 Tonbridge Road, Hildenborough, Tonbridge, Kent, TN11 9DZ</b>		
Fidelity Multi Asset Adventurous Fund	Accumulation	65
<b>Luxembourg</b>		
<b>4, Rue Jean Monnet L-2180 Luxembourg Grand Duchy of Luxembourg</b>		
Old Mutual Global Portfolios – Balanced Fund	Ordinary	100
Old Mutual Global Portfolios – Dynamic Fund	Ordinary	100
Old Mutual Global Portfolios – Cautious Fund	Ordinary	100

---

## ACCOUNTANTS' REPORT ON QUILTER CHEVIOT LIMITED'S HISTORICAL FINANCIAL INFORMATION

---

The Directors  
Quilter plc  
Millennium Bridge House  
2 Lambeth Hill  
London  
EC4V 4AJ

20 April 2018

Ladies and Gentlemen

### Quilter plc

We report on the financial information set out on pages 302 to 336 for the year ended 31 December 2015. This financial information has been prepared for inclusion in the prospectus dated 20 April 2018 of Quilter plc on the basis of the accounting policies set out in Note 3. This report is required by paragraph 20.1 of Annex I of the Prospectus Directive Regulation and is given for the purpose of complying with that paragraph and for no other purpose. We have not audited or reviewed the financial information for the year ended 31 December 2014 which has been included for comparative purposes only, and accordingly do not express an opinion thereon.

### Responsibilities

The Directors of Quilter plc are responsible for preparing the financial information on the basis of preparation set out in Note 2 to the financial information and in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

### Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

### Opinion on financial information

In our opinion, the financial information gives, for the purposes of the prospectus dated 20 April 2018, a true and fair view of the state of affairs of Quilter Cheviot Limited as at 31 December 2015 and of its profits, cash flows, recognised gains and losses and changes in equity for the year ended 31 December 2015 in accordance with the basis of preparation set out in Note 2 and in accordance with International Financial Reporting Standards as adopted by the European Union as described in Note 3.



**Declaration**

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG LLP  
Chartered Accountants  
15 Canada Square  
London  
E14 5GL

20 April 2018

## QUILTER CHEVIOT LIMITED'S HISTORICAL FINANCIAL INFORMATION

### HISTORICAL FINANCIAL INFORMATION AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015 AND 2014

#### INCOME STATEMENT

Year ended 31 December 2015

	Note	2015 £'000	2014 £'000 (unaudited)
Fee and commission income		141,931	135,945
Fee and commission expense		(5,715)	(8,134)
<b>Net fee and commission income</b>		<b>136,216</b>	<b>127,811</b>
Unit trust trail commission		1,885	3,613
Other expense	6	(130,050)	(108,993)
<b>Operating profit</b>		<b>8,051</b>	<b>22,431</b>
Interest income	4	3,665	4,319
Interest expense	4	(42)	(21)
<b>Net interest income</b>		<b>3,623</b>	<b>4,298</b>
<b>Profit before income tax</b>		<b>11,674</b>	<b>26,729</b>
Income tax expense	9	(5,037)	(5,543)
<b>Profit for the year</b>		<b>6,637</b>	<b>21,186</b>

The accompanying notes form an integral part of these financial statements.

#### STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	Note	2015 £'000	2014 £'000 (unaudited)
PROFIT FOR THE YEAR		6,637	21,186
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified subsequently to income statement</i>			
Exchange losses on translation of foreign operations		(261)	(184)
Income tax on items that may be reclassified subsequently to profit or loss	9	–	–
<i>Items that will not be reclassified subsequently to income statement</i>			
Measurement movements on defined benefit plans		(634)	(2,115)
Income tax on items that will not be reclassified to profit or loss	9	–	60
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>5,742</b>	<b>18,947</b>

# STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

2015	Note	Share capital £'000	Special reserve £'000	Currency translation reserve £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 1 January 2015</b>		13,823	280	(5)	68,625	82,723
<b>Profit for the year</b>						
<b>Other comprehensive</b>					6,637	6,637
– Foreign currency translation differences on foreign operations				(261)		(261)
– Actuarial losses on defined benefit pension plans					(634)	(634)
Total comprehensive income				(261)	6,003	5,742
<b>Transactions with owners:</b>						
– Dividends to equity holders of the Company	19				(67,246)	(67,246)
– Issue of share capital	18	7,568				7,568
– Share options	18				1,352	1,352
– Share-based payment	18				17,398	17,398
<b>Balance at 31 December 2015</b>	<b>18</b>	21,391	280	(266)	26,132	47,537
<b>2014</b>						
<b>(unaudited)</b>						
<b>Balance at 1 January 2014</b>		13,823	280	179	46,765	61,047
<b>Profit for the year</b>					21,186	21,186
<b>Other comprehensive</b>						
– Foreign currency translation differences on foreign operations				(184)		(184)
– Actuarial losses on defined benefit pension plans					(2,115)	(2,115)
– Income tax relating to components of other comprehensive income					60	60
Total comprehensive income				(184)	19,131	18,947
<b>Transactions with owners:</b>						
– Dividends to equity holders of the Company	19				(9,039)	(9,039)
– Income tax relating to equity settled deferred compensation	9				556	556
– Capital contribution	18				7,929	7,929
– Share options	18				3,283	3,283
<b>Balance at 31 December 2014</b>	<b>18</b>	13,823	280	(5)	68,625	82,723

The accompanying notes form an integral part of these financial statements.

**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2015

	<b>Note</b>	<b>2015 £'000</b>	<b>2014 £'000 (unaudited)</b>
<b>ASSETS</b>			
Cash at bank	20a	48,403	80,300
Loans and receivables:			
Trade receivables		42,264	60,903
Loans and advances	10	342	1,340
Other receivables		2,725	14,494
		45,331	76,737
Deferred tax assets	16	974	2,524
Prepayments		2,317	1,787
Accrued income		26,090	24,986
Investments in subsidiaries	11	126	127
Property, plant and equipment	12	7,134	8 062
Intangible assets	13	36	166
<b>TOTAL ASSETS</b>		<b>130,411</b>	<b>194,649</b>
<b>LIABILITIES AND EQUITY</b>			
Financial liabilities at amortised cost:			
Trade payables		38,855	60,681
Other payables	14	11,562	6,303
		50,417	66,984
Provisions	15	2,520	2,547
Current tax		1,425	3,071
Accruals		28,512	37,984
Retirement benefit obligations	27		1,340
<b>TOTAL LIABILITIES</b>		<b>82,874</b>	<b>111,926</b>
<b>EQUITY ATTRIBUTABLE TO EQUITY OF THE COMPANY</b>			
Share capital	18	21,391	13,823
Special reserve	18	280	280
Currency translation reserve	18	(266)	(5)
Retained earnings		26,132	68,625
<b>TOTAL EQUITY</b>		<b>47,537</b>	<b>82,723</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>130,411</b>	<b>194,649</b>

The accompanying notes form an integral part of these financial statements.

**STATEMENT OF CASH FLOWS**

Year ended 31 December 2015

	<b>Note</b>	<b>2015 £'000</b>	<b>2014 £'000 (unaudited)</b>
NET CASH FLOWS FROM OPERATING ACTIVITIES	20b	28,781	28,431
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	12	(922)	(2,522)
Purchase of intangible assets	13	(78)	(116)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(1,000)	(2,638)
FINANCING ACTIVITIES			
Issue of ordinary share capital	18	7,568	
Dividends paid to equity holders of the Company	19	(67,246)	9,039
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(59,678)	(9,039)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(31,897)	16,754
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		80,300	63,546
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	20a	48,403	80,300

The accompanying notes form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

### 1. CORPORATE INFORMATION

Quilter Cheviot Limited ("QCL") is registered and domiciled in England and Wales, at the following address: 1 Kingsway, London WC2R 6AN, QCL is engaged in providing financial services to corporations, financial institutions and individual investors.

### 2. BASIS OF PREPARATION

#### Statement of compliance

Quilter Cheviot Limited's standalone financial statements have been prepared in accordance with the requirements of the Prospectus Directive regulation and the Listing Rules in accordance with this basis of preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as endorsed by the European Union (EU), with interpretations issued by the IFRS Interpretations Committee (IFRICs), and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Quilter Cheviot Limited was acquired by Quilter plc in February 2015 and consolidated within Quilter plc's financial information from that date onwards. Quilter Cheviot Limited is deemed to represent greater than 25% of the Quilter plc business. Standalone financial information for the full year ended 31 December 2015 has therefore been included within this prospectus, with an accompanying accountant's report, in order to address the requirements of Listing Rule 6.1.3BR and Listing Rule 6.1.3DR.

These financial statements do not constitute statutory accounts. Statutory accounts for the year ended 31 December 2015 have been reported on by QCL's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006. The numbers presented within this prospectus have been extracted from the Quilter Cheviot Limited statutory accounts for the year ended 31 December 2015.

The Quilter plc Directors are responsible for preparing the Historical Financial Information of Quilter Cheviot Limited and confirm that it is prepared in a form that is consistent with those accounting policies which will be adopted by Quilter plc in preparing its next annual accounts.

#### Standards, amendments to standards, and interpretations adopted in the annual financial statements

During the year, there were no new standards implemented that had a material effect on the financial statements of the Company.

#### Future standards, amendments to standards, and interpretations not early-adopted in the annual financial statements

At the date of authorisation of these financial statements, the following standards, amendments to standards, and interpretations, which are relevant to QCL, have been issued by the IASB.

IFRS 9 "Financial instruments" was issued by the IASB in July 2014 for prospective application in annual periods beginning on or after 1 January 2018, and was endorsed by the EU in November 2016. QCL has reviewed its financial assets and liabilities against the new requirements and does not expect IFRS 9 to materially impact the classification and measurement of its financial assets when it adopts the new standard on 1 January 2018.

IFRS 15 "Revenue from Contracts with Customers" was issued by the IASB in May 2014 for application in annual periods beginning on or after 1 January 2018, and was endorsed by the EU in September 2016. A detailed impact assessment of the new standard has been conducted which involved reviewing and analysing the different types of revenue streams. Based on the analysis performed, QCL is not likely to require any significant adjustments to its current revenue recognition models, either because balances are immaterial or because its existing policy is already in line with the requirements of IFRS 15.

IFRS 16 "Leases" was issued by the IASB in January 2016 for application in annual periods beginning on or after 1 January 2019.

For lessees, IFRS 16 will result in almost all leases being recognised on the balance sheet as IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognise:

- (a) assets (the right to use the leased item) and liabilities (to pay lease rentals); and
- (b) depreciation of lease assets separately from interest on lease liabilities in the income statement.

The only exceptions to these requirements are for leased arrangements that are short term in nature (less than 12 months) or low value leased items.

The most significant effect of the new requirements in IFRS 16 is a potential increase in the recognition of lease assets and financial liabilities on the statement of financial position. QCL is currently assessing the impact of IFRS 16 and is in the process of identifying those lease arrangements (if any) for which right to use assets and financial liabilities are required to be recognised, i.e. those that are neither short term nor low value. The new requirements are not likely to have a material impact on QCL.

IFRS 16 will be effective for accounting periods beginning on or after 1 January 2019. It was endorsed by the EU in October 2017. Early application is permitted for companies that also apply IFRS 15 Revenue from Contracts with Customers. At this stage QCL does not intend to adopt the standard before its effective date. QCL also intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

### **Basis of measurement**

The financial statements of QCL are prepared under the historical cost convention.

### **The going concern assumption**

The notes to the financial statements include QCL's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Directors believe that QCL has sufficient capital and sufficient liquidity to meet its liabilities as they fall due and have therefore continued to adopt the going concern basis for preparation of the financial statements. There are no future plans to change the way the business is run.

### **Use of estimates and sources of uncertainty**

The preparation of financial information requires QCL to make judgements, estimates and assumptions regarding the valuation of impairment of assets, deferred tax assets, pension obligations, share-based payments, and other matters that affect the financial statements and related disclosures, which are detailed elsewhere in the financial statements. QCL believes that the estimates utilised in preparing the financial statements are reasonable, relevant and reliable. Actual results could differ from these estimates.

The areas where judgements, estimates and assumptions have the most significant effect on the amounts recognised in the consolidated financial statements are summarised below:

<b>Area</b>	<b>Critical accounting judgement or assumption/estimate</b>	<b>Accounting Policy</b>	<b>Note</b>
<b>Provisions</b>	In assessing whether a provision should be recognised, QCL evaluates the likelihood of a constructive or legal obligation to settle an event that took place in the past and whether a reliable estimate can be made. The amount of provision is calculated, based on the Group's estimation of the expenditure required to settle the obligation at the statement of financial position date.	3 (l)	15
<b>Deferred tax</b>	The calculation and recognition of temporary differences resulting in deferred tax balances includes estimation of the extent to which future taxable profits are available against which temporary differences can be utilised.	3 (j)	9
<b>Retirement benefit obligations</b>	The calculation of retirement benefit obligations for QCL's defined benefit retirement plans are measured on an actuarial basis in accordance with the advice of an independent qualified actuary.  Significant actuarial assumptions are discount rate, rate of increase in defined benefit funds, inflation rate and mortality assumptions.	3 (o)	27

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a. Functional currency

Items included in the financial statements are measured and presented in pounds sterling, the currency of the primary economic environment in which QCL operates.

All currency amounts in the financial statements are rounded to the nearest thousand pounds sterling.

#### b. Foreign currencies

All monetary assets and liabilities denominated in currencies other than pounds sterling are translated into pounds sterling at the rates ruling at the reporting date. Assets and liabilities of the Ireland branch are translated into pounds sterling using the closing rate method. Transactions in currencies other than pounds sterling are recorded at the rates prevailing at the dates of the transactions. Translation differences arising from the net investment in the Ireland branch are taken to the "Currency translation reserve" in equity. All other translation differences are taken through the income statement. Exchange differences recognised in the income statement are presented in "Fee and commission income" or "Other expense", except where noted in 3(c) below.

#### c. Financial instruments

QCL classifies its financial assets into the following categories on initial recognition: investments in subsidiaries, loans and receivables and financial assets classified at fair value through profit or loss.

QCL classifies its financial liabilities as financial liabilities at amortised cost on initial recognition. More information regarding these classifications is included below:

##### i) Investments in subsidiaries

Investments in subsidiaries are stated at cost, less provision for any impairment. Dividends, impairment losses and reversals of impairment losses are recognised in the income statement in "Net gains/(losses) from investments in subsidiaries".

##### ii) Loans and receivables and financial liabilities at amortised cost

Financial assets classified as loans and receivables are initially recognised on settlement date at fair value (see note 3(d) below) and subsequently measured at amortised cost less allowance for impairment. Interest is recognised in the income statement in "Interest income", using the effective interest method as described below. Transaction costs that are directly attributable to the acquisition of the financial asset are added to or deducted from the fair value on initial recognition. Impairment losses and reversals of impairment losses on financial assets classified as loans and receivables are recognised in the income statement in "Other expense".

Financial liabilities held at amortised cost are initially recognised on settlement date at fair value (see note 3(d) below) and subsequently measured at amortised cost. Interest is recognised in the income statement in "Interest expense" using the effective interest method as described below. Transaction costs that are directly attributable to the issue of the financial liability are added to or deducted from the fair value on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the expected life of the financial asset or financial liability. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability. The calculation of the effective interest rate includes all fees and commissions paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

##### iii) Financial assets designated at fair value through profit or loss

Financial assets classified at fair value through profit or loss are stated at fair value, with gains and losses arising on remeasurement recognised in the income statement. The net gain or loss recognised in the income statement incorporates any dividend or interest earned on the financial asset and is included in "Other gains and losses" in the income statement.

#### d. Fair value of financial instruments

##### *Fair value measurement*

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants at the measurement date. In the normal course of business, the fair value of a financial instrument on initial recognition is the transaction price (i.e. the fair value of the consideration given or received).



Fair values are determined according to the following hierarchy:

Description of hierarchy	Types of instruments classified in the respective levels
<b>Level 1</b> – 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, actively traded pooled investments, certain quoted derivative assets and liabilities, listed borrowed funds, reinsurance share of policyholder liabilities and investment contract liabilities directly linked to other Level 1 financial assets.
<b>Level 2</b> – valuation techniques using observable inputs: financial assets and liabilities with quoted prices for similar instruments in active 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, with a majority determined with reference to observable prices.  Certain loans and advances, certain privately placed debt instruments, third party interests in consolidated funds and amounts owed to bank depositors.
<b>Level 3</b> – 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 debt securities with significant unobservable inputs, securities where the market is not considered sufficiently active, including certain inactive pooled investments, and derivatives embedded in certain portfolios of insurance contracts where the derivative is not closely related to the host contract and the valuation contains significant unobservable inputs.

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 for 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.

e. Impairment of financial assets

At each reporting date, an assessment is made as to whether there is any objective evidence of impairment in the value of a financial asset classified as loans and receivables, and subsidiaries. Impairment losses are recognised if an event has occurred which will have an adverse impact on the expected future cash flows of an asset and the expected impact can be reliably estimated.

Impairment losses on investments in subsidiaries, measured as the difference between cost and the current estimated recoverable amount, are recognised within the income statement in "Net gains/losses on investments in subsidiaries" and are reflected against the carrying amount of the impaired asset on the statement of financial position.

Impairment losses on loans and receivables carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated cash flows discounted at the asset's original effective interest rate. Such impairment losses are recognised in the income statement within "Other expense" and are reflected against the carrying amount of the impaired asset on the statement of financial position. Interest on the impaired asset continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset.

If in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed as detailed in note 3(c).

Any reversal is limited to the extent that the value of the asset may not exceed the original amortised cost of the asset had no impairment occurred.

f. Impairment of non-financial assets

Non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that have suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

g. Fees and commissions

Fees and commissions classified within "Fee and commission income" in the income statement include investment management fees, bargain commissions, and advisory fees. The fees may vary with the amounts being managed or be for fixed amounts, and will generally be charged as an adjustment to the client's balance. Fee income and commission income is recognised as revenue as investment management services are provided to the clients.

"Fees and commission expense" includes transaction and service fees. These amounts are recognised as the related services are performed or received.

h. Property, plant and equipment

Property, plant and equipment are stated at cost net of depreciation and any provision for impairment in value, which are included within "Other expense" in the income statement.

For premises held under operating leases (see note 3(k) below), a reinstatement provision is recognised for the estimated cost to reinstate the premises at the end of the lease period. When the reinstatement provision is established and included within "Provisions" in the statement of financial position, an equivalent asset is recognised and included in the cost of leasehold improvements at the initial present value of any reinstatement obligations. The reinstatement asset is depreciated over the useful economic life of the relevant leasehold improvement asset and the depreciation charge is included within "Other expense".

Depreciation is provided on property, plant and equipment at rates calculated to write off the cost of the assets on a straight-line basis over their expected useful lives as follows:

Leasehold improvements, including reinstatement assets	– Remaining life of lease
Fixtures, fittings and equipment	– 5 years
Information technology	– 4 years

i. Intangible assets

Software acquired by QCL is stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in "Other expense" in the income statement on a straight-line basis over the estimated useful life of the software from the date that it is available for use. The estimated useful life of acquired software is one to three years.

Expenditure on internally developed software is recognised as an asset when QCL is able to demonstrate its intention and ability to complete the development, to use the software in a manner that will generate future economic benefits, and to reliably measure the costs to complete the development. Internally developed software is stated at capitalised cost less accumulated amortisation and any impairment. Amortisation is recognised in "Other expense" in the income statement on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of internally developed software is one to four years.

j. Income tax

The tax expense represents the sum of the tax currently paid and payable, and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit may differ from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. QCL's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date. Current tax is charged or credited in the income statement, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the current tax is also dealt with in other comprehensive income or equity respectively.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and limited to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is dealt with in other comprehensive income or equity, respectively.

Current tax assets are offset against current tax liabilities and deferred tax assets are offset against deferred tax liabilities when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and QCL intends to settle its current tax assets and current tax liabilities on a net basis.

k. Operating leases

*Lessee:*

Rentals payable under operating leases are charged in "Other expense" in the income statement on a straight-line basis over the lease term. Lease incentives are allocated on a straight-line basis over the lease term as a reduction to rental expense.

*Sub-lessor:*

Sub-lease rentals receivable under operating leases are credited to "Other expense" in the income statement on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the leased asset and recognised in the income statement on a straight-line basis over the lease term.

l. Provisions

Provisions are recognised when QCL has a present obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation.

m. Employee compensation plans

Deferred consideration – acquisition of Cheviot

As part of the acquisition of Cheviot Partners LLP by QCHL, deferred consideration was granted to the former Cheviot partners, most of whom became employees of QCL. Those who became employees have remuneration expenses over a three-year retention period. Additionally, some employees entered into contracts to replace existing arrangements. The related expense is recorded within "Staff costs" in "Other expense". Deferred consideration is recognised on a straight-line basis.

Deferred consideration – acquisition by Old Mutual

As a result of the acquisition of Penrose Topco Limited by OMWHL, certain employees of QCL received restricted shares in Old Mutual plc, which vest over a three- to four-year period, based upon certain net client cash flows (NCCF) and employment criteria being met. The related expense is recorded within "Staff costs" in "Other expense".

n. Share-based payments

The services rendered in an equity-settled transaction with employees are measured at the fair value of the equity instruments granted. The fair value of those equity instruments is measured at the grant date.

If the equity instruments granted vest immediately and the employee is not required to complete a specified period of service before becoming unconditionally entitled to those instruments, the services received are recognised in full on the grant date in the income statement for the period, with a corresponding increase in equity.

Where the equity instruments do not vest until the employees has completed a specified period of service, it is assumed that the services rendered by the employee, as consideration for those equity instruments, will be received in the future, during the vesting period. These services are accounted for in the income statement as they are rendered during the vesting period, with a corresponding increase in equity.

The equity instruments granted by QCL are measured at fair value at measurement date using standard option pricing valuations models. The valuation technique is consistent with generally acceptable valuation methodologies for pricing financial instruments and incorporates all factors and assumptions that knowledgeable, willing market participants would consider in setting the price of the equity instruments.

o. Retirement benefits

QCL operates two defined contribution schemes, the Quilter Cheviot Limited 1997 Retirement Benefits Scheme (the "Money purchase scheme"), and the Quilter (Ireland) Pension Plan (the "Ireland plan"). Contributions due are recognised in "Other expense" in the income statement when payable.

QCL also operates two defined benefit pension schemes, the Quilter Cheviot Limited Retirement Benefits Scheme (the "UK Scheme") and the Quilter Cheviot Channel Islands Retirement Benefits Scheme (the "CI Scheme").

For QCL's defined benefit retirement plans, the plan obligations are measured on an actuarial basis in accordance with the advice of an independent qualified actuary using the projected unit credit method and discounted at a rate that reflects the current rate of return on a high quality corporate bond of equivalent term and currency to the plan liabilities. Plan assets are measured at their fair value at the reporting date. A surplus or deficit of plan assets over liabilities is recognised in the statement of financial position as an asset or a liability respectively. The value of any asset recognised is restricted to the present value of available refunds and reductions in future contributions to the plan. The current service cost and any past service costs together with the expected return on plan assets less the unwinding of the discount on the plan liabilities is charged to "Other expense" in the income statement. Actuarial gains and losses that arise in calculating QCL's obligation in respect of a plan are recognised in other comprehensive income, in the period in which they occur.

Details of the schemes are given in note 27 to these accounts.

p. Client money

QCL holds cash on behalf of its clients in segregated accounts in accordance with the FCA's client money rules. Such monies and the corresponding liability to clients are not shown on the face of the statement of financial position where QCL is not beneficially entitled hereto. Interest earned on cash balances is included in "Interest income" within the income statement.

#### 4. INTEREST INCOME AND INTEREST EXPENSE

"Interest income" and "Interest expense" represent total interest income and total interest expense for financial assets and financial liabilities that are not carried at fair value.

No other gains or losses have been recognised in respect of loans and receivables other than as disclosed as "Interest income" within the income statement.

No other gains or losses have been recognised in respect of financial liabilities measured at amortised cost other than as disclosed as "Interest expense" within the income statement.

#### 5. GROUP OPERATING PROFIT

For the purposes of the historical financial information, Group operating profit has been presented, as it is used by management of QCL's parent, Quilter plc, as a key measure to monitor the group's performance.

*Table: Reconciliation between Group operating profit before tax and profit after tax.*

	2015 £'000	2014 £'000 (unaudited)
Group operating profit before tax	38,059	37,795
Impairment of goodwill and impact of acquisition accounting	(26,385)	(11,066)
Profit before tax for the financial year	11,674	26,729
Taxation	(5,037)	(5,543)
Profit after tax for the financial year	6,637	21,186

When applying acquisition accounting, deferred acquisition costs are not recognised under IFRS. These are reversed on acquisition in the statement of financial position and replaced by goodwill and other intangible assets. In determining operating profit, the Group recognises acquisition costs pre-acquisition. The Group excludes the impairment of goodwill, the amortisation and impairment of acquired other intangible assets as well as the movements in certain acquisition date provisions. Costs incurred on completed acquisitions are also excluded from operating profit.

Impairment of goodwill and impact of acquisition accounting includes deferred consideration related to the acquisition of QCL by Old Mutual and the acquisition of Cheviot by QCL, where the deferred consideration is charged to 'Other expense' in the income statement over the deferral period; and other costs incurred by QCL associated with the acquisition of QCL by Old Mutual.

## 6. OTHER EXPENSE

	2015 £'000	2014 £'000 (unaudited)
Staff costs (note 7)	79,578	70,377
Operating lease rentals	2,845	2,879
Depreciation on property, plant and equipment	1,850	2,450
Amortisation of intangible assets	208	143
Auditor's remuneration:		
Audit fees:		
Audit of QCL's financial statements	125	125
Audit of the financial statements of other group undertakings	18	44
Fees for other services:		
Other services	84	58
Management charges from other group undertakings relating to other services	3,250	–
Other	42,092	32,917
	130,050	108,993

"Other" includes costs associated with Facilities, Brokerage & Clearing, Market Data, Information Processing & Communications, Marketing, Business Development, Regulatory charges, Professional services, and costs associated with the sale of QCL.

## 7. STAFF COSTS

The average number of employees of QCL including the Directors, is analysed below:

	2015 Number	2014 Number (unaudited)
Investment managers	189	181
Support staff	322	340
	511	521

The costs of the staff including Directors are analysed below:

	2015 £'000	2014 £'000 (unaudited)
Wages and salaries	70,801	61,052
Social security costs	6,588	6,453
Pension costs	2,189	2,872
	79,578	70,377

Included within "Staff costs" is an expense of £16,313,000 in relation to share-based payment schemes granted to employees upon completion of the sale of Penrose Topco Limited to OMWHL. Other share based payment schemes were granted during the year, with an expense of £1,244,000 included within "Staff costs".

In 2014, an expense of £7,929,000 was recognised in relation to deferred consideration and contracts to replace existing arrangements relating to the purchase of Cheviot Partners LLP.

## 8. DIRECTORS' BENEFITS

	2015 £'000	2014 £'000 (unaudited)
Total emoluments of all Directors:		
Aggregate emoluments	2,730	1,420
Company contributions to pension schemes	30	70
	2,760	1,490
Disclosures in respect of the highest paid Director:		
Aggregate emoluments	1,209	659
Company contributions to pension schemes	23	47
	1,232	706

Directors' emoluments have been calculated as the sum of cash, bonuses, and benefits in kind.

The value of assets awarded under other long-term incentive schemes has been included in the above disclosures when the awards vest, which is generally within three years from the date of the award.

There are two Directors to whom retirement benefits are accruing under a money purchase scheme (2014: two). QCL operated defined benefit pension schemes in the UK and Channel Islands, which are both closed to new members. No Directors have deferred defined benefits under these schemes (2014: one).

## 9. INCOME TAX EXPENSE

	2015 £'000	2014 £'000 (unaudited)
Current tax expense		
UK corporation tax	4,651	5,369
Adjustments in respect of prior years	(1,275)	204
Overseas current taxation	111	67
	3,487	5,640
Deferred tax expense		
Origination and reversal of temporary differences	1,654	(399)
Adjustment in respect of prior years	(104)	302
Income tax expense	5,037	5,543

### Reconciliation of effective tax rate

The 2015 income tax expense is higher than that resulting from applying the average standard rate of corporation tax in the UK of 20.25% (2014: 21.50%). The main differences are explained below:

	2015 £'000	2014 £'000 (Unaudited)
Profit before income tax	11,674	26,729
Income tax using the standard rate of corporation tax in the UK of 20.25% (2014: 21.50%)	2,364	5,747
Impact on tax of:		
Expenses not deductible for tax purposes	5,356	2,175
Adjustment in respect of prior years	(1,275)	204
Group relief received for nil consideration	(1,095)	(3,038)
Overseas profits and losses taxed at lower rates	(241)	143
Share options	–	33
Deferred tax – change in tax rates	32	–
Deferred tax – prior year adjustment	(104)	302
Other	–	(23)
Total income tax expense in the income statement	5,037	5,543

Expenses not deductible for tax purposes include share-based payment scheme expenses, legal and professional costs and client entertaining. Adjustments in respect of prior years includes interest deductibility related to group arrangements.

The Finance Act 2013 reduced the main rate of corporation tax to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015. Further reductions have been subsequently enacted, reducing the main rate of UK corporation tax to 19% with effect from 1 April 2017 and 17% with effect from 1 April 2020.

In addition to the amount charged to the income statement, the aggregate amount of current and deferred tax relating to each component of other comprehensive income was as follows:

	2015 Before tax £'000	2015 Tax benefit £'000	2015 Net of tax £'000	2014 Before tax £'000 (unaudited)	2014 Tax benefit £'000 (unaudited)	2014 Net of tax £'000 (unaudited)
Foreign currency translation differences on foreign operations	(261)	–	(261)	(184)	–	(184)
Actuarial losses on defined benefit pension plans	(634)	–	(634)	(2,115)	60	(2,055)
<b>Other comprehensive (loss)/gain</b>	<b>(895)</b>		<b>(895)</b>	<b>(2,299)</b>	<b>60</b>	<b>(2,239)</b>
Equity-settled deferred compensation					556	556
<b>Amounts recognised directly in equity</b>					<b>556</b>	<b>556</b>

#### 10. LOANS AND ADVANCES

	2015 £'000	2014 £'000 (unaudited)
Loans and advances	458	1,456
Less provision	(116)	(116)
	342	1,340

A reconciliation of provisions for loans and advances is as follows:

	2015 £'000	2014 £'000 (unaudited)
At 1 January	(116)	(116)
(Charge)/credit for the year	–	–
At 31 December	(116)	(116)

#### 11. INVESTMENTS IN SUBSIDIARIES

The movement in QCL's investments in its subsidiaries for the year is as follows:

	Subsidiary undertakings £'000
Cost and net book value	
At 1 January 2015	127
Disposed during the year	(1)
At 31 December 2015	126

During the year, QCL disposed of its holding in Coastal Nominees Limited, Coastal Nominees (International) Limited and Hawks head Trust Nominees Limited.

No impairment provisions were made against investments during the year, and therefore, cost of investments is equal to net book value.

Dividend income of £nil was recognised during the year (2014: £nil).



Details of the investments in subsidiaries of QCL at 31 December 2015 are as follows:

Name of Company	Registered office	Country of incorporation	Type of shares held	Proportion of shares held	Proportion of voting rights held	Nature of business
Cheviot Capital Nominees Limited	One Kingsway London WC2B 6AN	United Kingdom	Ordinary	100%	100%	Nominee
Cheviot GP Ltd	One Kingsway London WC2B 6AN	United Kingdom	Ordinary	100%	100%	Nominee
C.I.P.M. Nominees Limited	4th Floor 28/30 The Parade St Helier JE2 3QQ	Jersey	Ordinary	100%*	100%*	Nominee
Pembroke Quilter (Ireland) Nominees Limited	Hambledon House 2ndFloor 19/26 Lower Pembroke St Dublin 2 D02 WV96	Ireland	Ordinary	100%	100%	Nominee
Quilter Nominees Limited	One Kingsway London WC2B 6AN	United Kingdom	Ordinary	100%	100%	Nominee
QGCI Nominees Limited	4th Floor 28/30 The Parade St Helier JE2 3QQ	Jersey	Ordinary	100%*	100%*	Nominee
Quilpep Nominees Limited	One Kingsway London WC2B 6AN	United Kingdom	Ordinary	100%	100%	Nominee
Quilter Fund Management Ltd	One Kingsway London WC2B 6AN	United Kingdom	Ordinary	100%	100%	Financing

An\* denotes shareholdings attributed to QCL which are not all held directly by QCL. The ultimate parent undertaking and controlling entity and the largest group of which QCL is a member is Old Mutual plc.

## 12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £'000	Fixtures, fittings & equipment £'000	Information technology £'000	Total £'000
<b>2015</b>				
Cost				
At 1 January 2015	7,704	2,803	6,881	17,388
Additions	148	102	672	922
Disposals		—	(1,553)	(1,553)
At 31 December 2015	7,852	2,905	6,000	16,757
Depreciation				
At 1 January 2015	2,319	1,794	5,213	9,326
Charge for the year	723	335	792	1,850
Disposals	—	—	(1,553)	(1,553)
At 31 December 2015	3,042	2,129	4,452	9,623
Net book value				
At 31 December 2015	4,810	776	1,548	7,134
<b>2014 (unaudited)</b>				
Cost				
At 1 January 2014	7,072	4,678	7,300	19,050
Additions	1,723	244	555	2,522
Disposals	(1,091)	(2,119)	(974)	(4,184)
At 31 December 2014	7,704	2,803	6,881	17,388
Depreciation				
At 1 January 2014	2,109	3,546	5,405	11,060
Charge for the year	1,301	367	782	2,450
Disposals	(1,091)	(2,119)	(974)	(4,184)
At 31 December 2014	2,319	1,794	5,213	9,326
Net book value				
At 31 December 2014	5,385	1,009	1,668	8,062

### 13. INTANGIBLE ASSETS

	Computer software £'000	Internally developed computer software £'000	Total £'000
<b>2015</b>			
Cost			
At 1 January 2015	651	1,669	2,320
Additions	78	–	78
Disposals	(541)	–	(541)
At 31 December 2015	188	1,669	1,857
Amortisation			
At 1 January 2015	485	1,669	2,154
Amortisation	208	–	208
Disposals	(541)	–	(541)
31 December 2015	152	1,669	1,821
Carrying amounts			
At 31 December 2015	36	–	36
	Computer software £'000	Internally developed computer software £'000	Total £'000
<b>2014 (unaudited)</b>			
Cost			
At 1 January 2014	683	1,669	2,352
Additions	116	–	116
Disposals	(148)	–	(148)
At 31 December 2014	651	1,669	2,320
Amortisation			
At 1 January 2014	490	1,669	2,159
Amortisation	143	–	143
Disposals	(148)	–	(148)
At 31 December 2014	485	1,669	2,154
Carrying amounts			
At 31 December 2014	166	–	166

### 14. OTHER PAYABLES

	2015 £'000	2014 £'000 (unaudited)
Amounts due to other group undertakings	6,006	2,391
Other amounts payable	5,556	3,912
	11,562	6,303

## 15. PROVISIONS

	<b>Property £'000</b>
At 1 January 2015	2,547
Provisions utilised	(27)
At 31 December 2015	2,520

### Property

Property provisions represent the net present value of expected future costs of excess office space (net of sublease income) and the net present value of expected future costs of reinstating leasehold improvements at the end of the lease term. Lease reinstatement provisions are released when the reinstatement obligations have been fulfilled. The related asset for lease reinstatement provisions is included in "Leasehold improvements" within "Property, plant and equipment" (note 12).

## 16. DEFERRED TAX ASSETS

Deferred taxes are calculated on all temporary differences under the liability method. The movement in the deferred tax asset account is as follows:

	<b>2015 £'000</b>	<b>2014 £'000 (unaudited)</b>
At 1 January	2,524	2,324
Adjustments in respect of prior years	104	(302)
Amount recognised in the income statement	(1,529)	399
Amount recognised in other comprehensive income:		
Defined benefit plans	–	(318)
Equity-settled deferred compensation	–	421
Effect of changes in tax rates	(125)	
At 31 December	974	2,524

The deferred tax included in the statement of financial position and changes recorded in the "Income tax expense" are as follows:

	<b>2015 Deferred tax asset £'000</b>	<b>2015 Income statement £'000</b>	<b>2014 Deferred tax asset £'000 (unaudited)</b>	<b>2014 Income statement £'000 (unaudited)</b>
Depreciation – temporary differences	472	(159)	334	(65)
Pension obligation balances	–	412	568	–
Deferred compensation	447	1,279	1,544	(322)
Other temporary differences	55	18	78	290
	974	1,550	2,524	(97)

The deferred tax assets recognised are based on management assessment that it is probable that QCL will have taxable profits against which the temporary differences can be utilised.

All deferred tax assets have been recognised.

## 17. COMMITMENTS AND CONTINGENCIES

### Leases

QCL has entered into non-cancellable commercial leases on premises and equipment.

QCL has also entered into sub-leases on certain of its commercial leases.

	2015 £'000	2014 £'000 (unaudited)
Lease payments under non-cancellable operating leases recognised as an expense in the year		
– Minimum lease payments	2,845	2,879

Future minimum lease payments under non-cancellable operating leases at 31 December are due as follows:

	2015 £'000	2014 £'000 (unaudited)
Within one year	3,136	2,469
In two to five years	10,362	11,074
Over five years	13,505	15,289
	27,003	28,832

Future minimum sub-lease receivables under non-cancellable operating leases at 31 December are due as follows:

	2015 £'000	2014 £'000 (unaudited)
Within one year	25	26
In two to five years	8	35
	33	61

## 18. EQUITY

Ordinary share capital Issued and fully paid	Ordinary shares of £1 each Number	Ordinary shares of £1 each £'000
At 1 January 2014	13,822,734	13,823
At 31 December 2014	13,822,734	13,823
Issued in the year: 25 February 2015	7,567,981	7,568
At 31 December 2015	21,390,715	21,391

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of QCL.

### Reserves

#### Special reserve

On 16 July 1997, the High Court of Justice granted an order, effective from 17 July 1997, that QCL reduce its capital. The Order states that, if QCL receives from any subsidiary any distribution paid out of profits available for distribution prior to 1 January 1997, the whole of such dividend shall be credited to a separate reserve to be maintained in the books of QCL called the "Special Reserve". QCL received no dividends from subsidiary undertakings during 2015 relating to distributable profits prior to 1 January 1997 (2014: £nil).

### *Currency translation reserve*

The "Currency translation reserve" comprises all foreign exchange differences arising from the translation of the total assets less total liabilities of foreign operations.

### *Capital contribution*

On 18 January 2013, ownership of QCL was transferred from Penrose Bidco Limited to another group company, QCHL. QCHL purchased the share capital of Cheviot Partners LLP on 18 January 2013. As part of the sales proceeds, deferred consideration was granted to the former Cheviot partners, most of whom became employees of QCL. Those who became employees have remuneration expenses over a three-year retention period. Additionally, some employees entered into contracts with Penrose Bidco Limited to replace existing arrangements. QCHL have taken on the responsibility for the payment of these charges and have given a capital contribution of £7,929,000 in 2014 to QCL in respect of the 2014 and 2015 charge.

### *Share options*

Options over shares in Penrose Topco Limited were granted to certain employees of QCL on 18 August 2014. An expense of £1,352,000 has been recognised in the income statement for the fair value of the options issued (2014: £3,283,000). During the year, Penrose Topco Limited was sold to OMWHL. As a result of the transaction, these employees exercised their options over the Penrose Topco Limited shares and sold the resulting shares immediately to OMWHL.

### *Share-based payments*

Share based payment schemes were granted to certain employees upon completion of the sale of Penrose Topco Limited to OMWHL on 25 February 2015. During the year, other share-based payment schemes were granted to employees. An expense of £17,398,000 has been recognised in the income statement for the fair value of the share-based payment schemes.

## 19. DIVIDENDS

The following amounts represent the dividends paid in the current and prior year:

	2015		2014 (unaudited)	
	Per share £	Total £'000	Per share £	Total £'000
Dividends on ordinary shares	4.1993	67,246	0.6539	9,039

## 20. ADDITIONAL CASH FLOW INFORMATION

### a. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following balances, which have less than three months maturity from the date of acquisition:

	2015 £'000	2014 £'000 (unaudited)
Cash at bank	48,396	80,292
Cash on hand	7	8
	48,403	80,300

b. Reconciliation of cash flows from operating activities

	Note	2015 £'000	2014 £'000 (unaudited)
Profit for the year		6,637	21,186
<i>Adjustments for:</i>			
Depreciation on property, plant and equipment	12	1,850	2,450
Amortisation of intangible assets	13	208	143
Actuarial losses on defined benefit plans		(634)	(2,115)
Capital contribution	18	–	7,929
Share options	18	1,352	3,283
Net changes in shares in subsidiary undertakings	11	1	–
Share-based payment	18	17,398	–
Interest income		(3,665)	(4,319)
Interest expense		42	21
Income tax expense		5,037	5,543
Profit before changes in operating assets and liabilities		28,226	34,121
Changes in operating assets			
Decrease/(increase) in loans and receivables, excluding cash at bank		31,406	(25,157)
Increase in prepayments and accrued income		(1,674)	(1,287)
		29,732	26,444)
Changes in operating liabilities			
(Decrease)/increase in financial liabilities at amortised cost, excluding bank loans and overdrafts		(16,567)	5,884
(Decrease)/increase in accruals and deferred income		(9,472)	9,770
Decrease in provisions		(27)	(49)
(Decrease)/increase in retirement benefit obligations		(1,340)	1,162
		(27,406)	16,767
Interest received		3,665	4,319
Interest paid		(42)	(21)
Income taxes paid		(5,133)	(127)
Effect of foreign exchange movements		(261)	(184)
Net cash flows from operating activities		28,781	28,431

21. EXPECTED MATURITY OF ASSETS AND LIABILITIES

QCL's financial assets and liabilities expected maturity dates are disclosed in note 22.

None of QCL's non-financial assets and liabilities are expected to be recovered or settled more than twelve months after the reporting period (2014: none).

## 22. FINANCIAL RISK MANAGEMENT

### Risk management procedures

Risk is an inherent part of QCL's business activity. QCL seeks to identify, assess, monitor and manage each of the various types of risk involved in its business activities in accordance with defined policies and procedures. Significant risks faced by QCL resulting from its trading activities are set out below.

### Credit risk

Credit risk refers to the risk of loss arising from a borrower or counterparty default.

QCL manages credit risk exposure by ensuring transparency of material credit risks, ensuring compliance with established limits, approving material extensions of credit and escalating risk concentrations to appropriate senior management. Credit risk management policies and procedures for QCL include escalation to appropriate key management personnel of QCL.

QCL also reviews its credit exposure and risk to types of customers. At 31 December 2015, QCL's material credit exposure was to corporate entities, financial institutions and individuals.

### Collateral and other credit enhancements

The amount and type of collateral required by QCL depends on an assessment of the credit risk of the counterparty. Collateral held is managed in accordance with QCL's guidelines and the relevant underlying agreements. The market value of securities received as collateral is monitored on a daily basis and securities received as collateral generally are not recognised on the statement of financial position.

### Exposure to credit risk

The maximum exposure to credit risk ("gross credit exposure") of QCL as at 31 December 2015 is disclosed below, based on the carrying amount of the financial assets QCL believes are subject to credit risk. Exposure arising from financial instruments not recognised on the statement of financial position is measured as the maximum amount that QCL could have to pay, which may be significantly greater than the amount that would be recognised as a liability. The "unrated" balance represents the pool of counterparties that do not require a rating. These counterparties individually generate no material credit exposure and this pool is highly diversified, monitored and subject to limits.

QCL does not have any significant exposure arising from items not recognised on the statement of financial position.

#### • Exposure to credit risk by class

Class	2015 Gross credit exposure <sup>(1)</sup> £'000	2015 Credit enhancement £'000	2015 Net credit exposure £'000	2014 Gross credit exposure £'000 (unaudited)	2014 Credit enhancement £'000 (unaudited)	2014 Net credit exposure £'000 (unaudited)
Cash at bank	48,403	48,403	–	80,300	80,300	–
Trade receivables	42,264	–	42,264	60,903	–	60,903
Loans and advances	342	342	–	1,340	1,340	–
Other receivables	2,725	–	2,725	14,494	–	14,494
	93,734	48,745	44,989	157,037	81,640	75,397

(1) The carrying amount recognised in the statement of financial position best represents QCL's maximum exposure to credit risk.



- *Maximum exposure to credit risk by credit rating*<sup>(2)</sup>

Credit rating	Gross credit exposure	
	2015 £'000	2014 £'000 (unaudited)
AA	34,110	74,062
A	1	1,936
BBB	14,641	195
BB	–	4,100
Unrated	44,982	76,744
Total	93,734	157,037

(2) Credit rating as used by S&P rating agency.

#### *Financial assets either past due or impaired*

- *Ageing analysis: Financial assets past due but not impaired*

At 31 December 2015 there were no financial assets past due but not impaired (2014: None).

- *Financial assets individually impaired*

At 31 December 2015 there were no financial assets individually impaired (2014: None).

The main considerations for the impairment assessment include whether there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. QCL determines the allowance appropriate for each individually significant asset on an individual basis. Items considered when determining the allowance amount include the sustainability of the counterparty's business plan, the counterparty's ability to improve performance once a financial difficulty has arisen, the realisable value of collateral, and the timing of expected cash flows. The impairment losses are evaluated at least at each reporting date. The fair value of collateral held by QCL in respect of "Financial assets individually impaired" at 31 December 2015 was £nil (2014: £nil).

#### **Liquidity risk**

Liquidity risk is the risk that QCL may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

QCL's senior management establishes the overall liquidity and funding policies of QCL. QCL's liquidity and funding risk management policies are designed to mitigate the potential risk QCL may be unable to access adequate financing to service their financial liabilities when they become payable without material, adverse franchise or business impact. The key objective of the liquidity and funding risk management framework is to support the successful execution of QCL's business strategies while ensuring ongoing and sufficient liquidity through the business cycle and during periods of stressed market conditions.

#### *Maturity analysis*

In the following maturity analysis of financial assets and financial liabilities, amounts represent undiscounted cash flows receivable and payable by QCL arising from its financial assets and financial liabilities to earliest contractual maturities as at 31 December 2015. Receipts of financial assets and repayments of financial liabilities that are subject to immediate notice are treated as if notice were given immediately and are classified as on demand. This presentation is considered by QCL to appropriately reflect the liquidity risk arising from those financial assets and financial liabilities, presented in a way that is consistent with how the liquidity risk on these financial assets and financial liabilities is managed by QCL.

			Equal to or more than 1 month but less than 1 year £'000	Equal to or more than 1 year but less than 5 years £'000	Equal to or more than 5 years £'000	Total £'000
<b>31 December 2015</b>	<b>On demand £'000</b>	<b>Less than one month £'000</b>				
Financial assets						
Cash at bank	48,403	–	–	–	–	48,403
Trade receivables	–	42,264	–	–	–	42,264
Loans and advances	342	–	–	–	–	342
Other receivables	361	2,364	–	–	–	2,725
<b>Total financial assets</b>	<b>49,106</b>	<b>44,628</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>93,734</b>
Financial liabilities						
Financial liabilities at amortised cost:						
Trade payables	–	38,855	–	–	–	38,855
Other payables	6,006	5,556	–	–	–	11,562
Accruals	5,874	1,254	21,384	–	–	28,512
<b>Total financial liabilities</b>	<b>11,880</b>	<b>45,665</b>	<b>21,384</b>	<b>–</b>	<b>–</b>	<b>78,929</b>
Unrecognised financial instruments						
Lease commitments			3,136	10,362	13,505	27,003
<b>31 December 2014 (unaudited)</b>	<b>On demand £'000</b>	<b>Less than one month £'000</b>	Equal to or more than 1 month but less than 1 year £'000	Equal to or more than 1 year but less than 5 years £'000	Equal to or more than 5 years £'000	Total £'000
Financial assets						
Cash at bank	80,300	–	–	–	–	80,300
Trade receivables	–	60,903	–	–	–	60,903
Loans and advances	1,340	–	–	–	–	1,340
Other receivables	9,978	4,516	–	–	–	14,494
<b>Total financial assets</b>	<b>91,618</b>	<b>65,419</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>157,037</b>
Financial liabilities						
Financial liabilities at amortised cost:						
Trade payables	–	60,681	–	–	–	60,681
Other payables	2,391	3,912	–	–	–	6,303
Other payables	11,608	1,756	24,620	–	–	37,984
<b>Total financial liabilities</b>	<b>13,999</b>	<b>66,349</b>	<b>24,620</b>	<b>–</b>	<b>–</b>	<b>104,968</b>
Unrecognised financial instruments						
Lease commitments			2,469	11,074	15,289	28,832

#### Market Risk

Market risk is defined under IFRS 7 “Financial instruments: disclosures” as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Sound market risk management is an integral part of QCL’s culture. QCL is responsible for ensuring that market risk exposures are well managed and prudent and more broadly for ensuring transparency of material market risks, monitoring compliance with established limits, and escalating risk concentrations to appropriate senior management.

The market risk management policies and procedures of QCL include performing risk analyses and reporting any material risks identified to appropriate key management personnel of QCL.

QCL is exposed to the following types of market risk: interest rate risk and currency risk.

#### *Interest rate risk*

Interest rate risk is defined under IFRS 7 as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. QCL is primarily exposed to interest rate risk under this definition as a result of changes in the future cash flows received from cash at bank.

The application of a parallel shift in market interest rates of +50 basis points to the cash balances, with all other variables remaining constant, would result in an increase in pre-tax profit reported in the income statement of QCL of approximately £5,744,000 (2014: £4,980,000). The application of a parallel shift in market interest rates of -50 basis points to the cash balances, with all other variables remaining constant, would result in a decrease in pre-tax profit reported in the income statement of QCL of approximately £5,744,000 (2014: £4,956,000).

#### *Currency risk*

QCL has foreign currency exposure arising from its investment in an Irish branch, which operates in Euros. The foreign currency exposure, relating to Euros at 31 December 2015 is £795,000 (2014: £3,150,000).

At 31 December 2015, if the UK pound had weakened/strengthened by 10% against the Euro with all other variables held constant, total comprehensive income for the year would have been £80,000 higher/lower, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated receivables (2014: £400,000).

QCL also has foreign currency exposure arising from its assets and liabilities in currencies other than pounds sterling. The foreign currency exposures, relating to other currencies at 31 December 2015 is £3,579,000 (2014: £82,000). Each currency is actively managed, and compared with appropriate limits. The residual currency risk for QCL from this activity is not material.

### **23. FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE**

For all financial assets and financial liabilities, the carrying amount is considered to be a reasonable approximation of fair value due to the short-term nature of these financial assets and liabilities.

### **24. CAPITAL MANAGEMENT**

QCL manages its capital, which broadly includes ordinary share capital and reserves.

QCL actively manages its capital structure and makes adjustments to it in the light of changing economic conditions and the risk characteristics of the underlying assets and liabilities. In order to maintain or adjust the capital structure, QCL may adjust the amount of dividends paid, return capital to shareholders, issue new shares, or sell assets to reduce debt.

QCL is regulated by the FCA and the JFSC and as such is subject to minimum capital requirements. QCL's capital is monitored on an ongoing basis to ensure compliance with the rules within the FCA's General Prudential Sourcebook and the JFSC's Codes of Practice for Investment Business. At a minimum, in accordance with FCA requirements, QCL must ensure that Capital Resources (share capital, audited profit and loss and eligible reserves) are greater than the Capital Resource Requirement, which is the greater of fixed overhead requirement or the sum of credit and market risk. The JFSC requires that QCL ensures that minimum levels of share capital and net assets are retained at all times in addition to a surplus of Adjusted Net Liquid Assets over its Expenditure Requirement.

QCL complied with all of its regulatory capital requirements during the year. QCL manages the following items as capital:

	2015 £'000	2014 £'000 (unaudited)
Ordinary share capital	21,391	13,823
Reserves	26,146	68,900
	47,537	82,723

## 25. EMPLOYEE COMPENSATION PLANS

### Deferred consideration – acquisition of Cheviot

As part of the acquisition of Cheviot Partners LLP by QCHL, deferred consideration was granted to the former Cheviot partners, most of whom became employees of QCL. Those who became employees have remuneration expenses over a three-year retention period. Additionally, some employees entered into contracts to replace existing arrangements. The related expense is recorded within "Staff costs" in "Other expense".

### Deferred consideration-acquisition by Old Mutual

As a result of the acquisition of Penrose Topco Limited by OMWHL, certain employees of QCL received restricted shares in Old Mutual plc, which vest over a three-to-four year period, based upon certain NCCF and employment criteria being met. The related expense is recorded within "Staff costs" in "Other expense".

## 26. SHARE-BASED PAYMENTS

During the year ended 31 December 2015, share-based payment schemes were implemented for employees of QCL, with the stated objective of achieving certain strategic objectives and metrics. The awards are accounted for as an equity settled share-based payment scheme.

Type of arrangement	Description of award	Contractual life	Vesting options
UK Sharesave Scheme ("SAYE")	Options over Old Mutual plc shares listed on the London Stock Exchange ("LSE").	Exercise period ends within six months of vesting	Service over either a three- or five-year period and payment of monthly contributions to a savings contract
UK Restricted share plans	Old Mutual plc restricted shares listed on LSE. Employees are in some instances entitled to dividend payments throughout the vesting period.	Three- to four- year period	Service over a contractual period and certain NCCF targets
Joint Share Ownership Plan ("JSOP")	Old Mutual plc shares listed on LSE.	Three-year period	Service over a three-year period and achievement of strategic objectives, value creation and other profitability metrics

Options over shares in plc Mutual plc are:

	Number of options 2015	Weighted average exercise price 2015
Outstanding at 1 January	–	£0.00
Granted during the year	2,018,287	£1.87
Forfeited during the year	–	£0.00
Cancelled during the year	(61,889)	£1.87
Outstanding at 31 December	1,956,398	£1.87

In determining the fair value of equity-settled share-based awards and the related charge to the income statement, QCL makes assumptions about future events and market conditions. Specifically, management makes estimates of the likely number of shares that will vest and the fair value of each award granted.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of fair value of share options granted is measured using a Black-Scholes option pricing model.

Share options are granted under a service and non-market-based performance condition. Such conditions are not taken into account in the grant date fair value measurement of the share options granted. There are no market conditions associated with the share option grants.

The following describes the option pricing inputs used for options granted by QCL during the year:

	Year	Number of options granted	Fair value at measurement date	Exercise price
UK Sharesave scheme	2015	2,018,287	£0.58	£1.87

The following describes the fair value of the restricted shares granted by Old Mutual plc during the year:

	Year	Number granted	Weighted average fair value
UK Share Reward Plan – Restricted Shares	2015	23,304,361	£2.14

	Year	Cost of award	Amounts charged to equity
Joint Share Ownership Plan	2015	£675,000	£204,000

## 27. RETIREMENT BENEFITS

QCL operates four occupational pension schemes in the UK, the Channel Islands and Ireland (the “Plans”).

### Defined contribution plans

QCL operates the Quilter Cheviot Limited 1997 Retirement Benefits Scheme (the “Money purchase scheme”) in the UK, and the Quilter (Ireland) Pension Plan (the “Ireland plan”) in Ireland, which require contributions to be made to funds held in trust, separate from the assets of QCL. These Plans are defined contribution plans. Certain individuals receive either a monthly pension supplement to their salaries, or contributions from QCL to personal pension plans.

### Defined benefit plans

QCL also operates the Quilter Cheviot Limited Retirement Benefits Scheme (the “UK Scheme”), and the Quilter Cheviot Channel Islands Retirement Benefits Scheme, (the “CI Scheme”), which are both closed to new members, which provide pension benefits that are based on an actuarial valuation. QCL’s policy is to fund at least the amounts sufficient to meet minimum funding requirements under applicable employee benefit and tax regulations.

### Retirement benefit plan expense

The amounts recognised in “Staff costs”, within “Other expense”, in the income statement in respect of these retirement benefit plans, of which £nil was accrued at 31 December 2015 (2014: £nil), are as follows:

	2015 £’000	2014 £’000 (unaudited)
Defined contribution plans		
– Money purchase scheme	1,900	1,524
– Ireland plan	91	98
– Other schemes	1,672	1,262
Defined contribution plan expense	3,663	2,884
Defined benefit plans		
– UK Scheme	–	473
– CI Scheme	(1,474)	(485)
Defined benefit plan benefit	(1,474)	(12)

(i) UK Scheme

Defined benefit plan expense

The amounts recognised in "Staff costs", within "Other expense", in the income statement in respect of the defined benefit plan are as follows:

	2015 £'000	2014 £'000 (unaudited)
Current service cost		(1,111)
Gain on curtailment		638
Defined benefit plan expense	–	(473)

Actuarial gains and losses and the effect of the limit to the pension asset under IAS 19 "Employee benefits" paragraph 58 have been reported in other comprehensive income.

The cumulative amount of actuarial losses recognised in other comprehensive income is £21,297,000 (2014: £20,797,000).

Retirement benefit asset

The following table provides a reconciliation of the present value of the defined benefit obligation and fair value of plan assets included in the statement of financial position, as well as a summary of the funded status of the plan:

	2015 £'000	2014 £'000 (unaudited)
Present value of funded defined benefit obligation	(42,528)	(52,377)
Fair value of plan assets	53,793	61,480
	11,265	9,103
Effect of limit to defined benefit pension plan asset	(11,265)	(9,103)
Retirement benefit obligation recognised in the statement or financial position	–	–

Related deferred tax asset

Contributions for the year to the defined benefit plan totalled £500,000 (2014: £684,000), of which £nil was accrued at 31 December 2015 (2014: £nil). QCL expects to contribute £nil (2014: £nil) in the next financial year, based upon the current funded status and the expected return assumptions for the next financial year.

Changes in the present value of the defined benefit obligation during the year were as follows:

	2015 £'000	2014 £'000 (unaudited)
Defined benefit obligations at 1 January	(52,377)	(43,141)
Current service cost		(1,111)
Interest cost	(1,759)	(2,013)
Actuarial gains from changes in demographic assumptions	1,960	953
Gain on curtailment		638
Actuarial gains/(losses) from changes in financial assumptions	148	(8,904)
Changes due to experience adjustments	1,032	115
Benefits paid	8,468	1,086
Defined benefit obligations at 31 December	(42,528)	(52,377)

Changes in the fair value of plan assets were as follows:

	2015 £'000	2014 £'000 (unaudited)
Fair value of plan assets at 1 January	61,480	55,825
Expected return on scheme assets less interest income	(1,805)	3,494
Employer contributions	500	684
Benefits paid	(8,468)	(1,086)
Interest income	2,086	2,563
Fair value of plan assets at 31 December	53,793	61,480

	2015 £'000	2014 £'000 (unaudited)
Actual return on plan assets	(1,805)	3,494

The major categories of the total plan assets are as follows:

	2015 %	2014 %	2015 £'000 (unaudited)	2014 £'000 (unaudited)
Equity securities	36	45	19,365	27,666
Fixed income securities	63	53	33,890	32,584
Other	1	2	538	1,230
			53,793	61,480

The expected long-term rate of return on assets represents QCL's best estimate of the long-term return on the plan assets and generally was estimated by computing a weighted average return of the underlying long-term expected returns on the different asset classes, based on the target asset allocations. The expected long-term return on assets is a long-term assumption that generally is expected to remain the same from one year to the next unless there is a significant change in the target asset allocation, the fees and expenses paid by the plan or market conditions.

QCL, in consultation with its independent investment consultants and actuaries, determined the asset allocation targets based on its assessment of business and financial conditions, demographic and actuarial data, funding characteristics and related risk factors. Other relevant factors, including industry practices, long-term historical and prospective capital market returns, were also considered.

The Plan return objectives provide long-term measures for monitoring the investment performance against growth in the pension obligations. The overall allocation is expected to help protect the plan's funded status while generating sufficiently stable real returns (net of inflation) to help cover current and future benefit payments.

Both the equity and fixed income portions of the asset allocation use a combination of active and passive investment strategies and different investment styles. The fixed income asset allocation consists of longer duration fixed income securities in order to help reduce plan exposure to interest rate variation and to better correlate assets with obligations. The longer duration fixed income allocation is expected to help stabilise plan contributions over the long run.

The following table presents the principal actuarial assumptions at the end of the reporting period:

	2015 %	2014 % (unaudited)
Discount rate	3.7	3.6
Rate of increase in defined benefit funds	3.6	3.6
Inflation assumption	3.2	3.2

The mortality assumptions used give the following life expectations at 65:

	Mortality table	Life expectancy at age 65 for a male member currently:		Life expectancy at age 65 for a female member currently:	
		Aged 65	Aged 45	Aged 65	Aged 45
31 December 2015	S2PA Light	22.10	23.50	23.10	24.60
31 December 2014 (unaudited)	S2PA Light	22.30	23.50	23.40	24.80

The sensitivities regarding the principal assumptions used to measure the defined benefit obligations are as follows:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.1%	Decrease/increase by 2%
Inflation assumption	Increase/decrease by 0.1%	Increase/decrease by 1%
Rate of mortality	Increase by 1 year	Increase by 3%

The history of experience adjustments is as follows:

	2015 £'000	2014 £'000 (unaudited)
Present value of defined benefit obligation	(42,528)	(52,377)
Fair value of plan assets	53,793	61,480
Surplus/(deficit)	11,265	9,103
Experience adjustments on plan liabilities:		
Amount (£'000)	(1,032)	(115)
Percentage of plan liabilities (%)	2.4	0.2
Experience adjustments on plan assets:		
Amount (£'000)	–	–
Percentage of plan assets (%)	–	–

(ii) CI Scheme

Defined benefit plan expense

The amounts recognised in "Staff costs", within "Other expense", in the income statement in respect of the defined benefit plan are as follows:

	2015 £'000	2014 £'000 (unaudited)
Current service cost	–	(310)
Gain on curtailment	–	797
Net interest on the net defined benefit liability	(13)	(2)
Settlement costs	1,487	–
Defined benefit plan benefit	1,474	485

Actuarial gains and losses and the effect of the limit to the pension asset under IAS 19 "Employee benefits" paragraph 58 have been reported in other comprehensive income.

The cumulative amount of actuarial losses recognised in other comprehensive income is £3,029,000 (2014: £2,895,000).



## Retirement benefit obligation

The following table provides a reconciliation of the present value of the defined benefit obligation and fair value of plan assets included in the statement of financial position, as well as a summary of the funded status of the plan:

	2015 £'000	2014 £'000 (unaudited)
Present value of funded defined benefit obligation	(2,316)	(9,297)
Fair value of plan assets	2,653	7,957
	337	(1,340)
Effect of limit to defined benefit pension plan asset	(337)	–
Retirement benefit obligation recognised in the statement of financial position	–	(1,340)
Related deferred tax asset	–	134

Contributions for the year to the defined benefit plan totalled £nil (2014: £247,000), of which £nil was accrued at 31 December 2015 (2014: £nil). QCL expects to contribute £nil (2014: £nil) in the next financial year, based upon the current funded status and the expected return assumptions for the next financial year.

Changes in the present value of the defined benefit obligation during the year were as follows:

	2015 £'000	2014 £'000 (unaudited)
Defined benefit obligations at 1 January	(9,297)	(7,679)
Current service cost		(310)
Interest cost	(146)	(345)
Actuarial gains/(losses) from changes in demographic assumptions	23	22
Gain on curtailment		797
Actuarial losses from changes in financial assumptions	(232)	(2,048)
Changes due to experience adjustments	41	230
Liabilities extinguished on settlements	7,259	–
Benefits paid	36	36
Defined benefit obligations at 31 December	(2,316)	(9,297)

Changes in the fair value of plan assets were as follows:

	2015 £'000	2014 £'000 (unaudited)
Fair value of plan assets at 1 January	7,957	7,501
Expected return on scheme assets less interest income	371	(97)
Employer contributions		247
Assets distributed on settlements	(5,772)	
Benefits paid	(36)	(36)
Interest income	133	342
Fair value of plan assets at 31 December	2,653	7,957

	2015 £'000	2014 £'000 (unaudited)
Actual return on plan assets	371	(97)

The major categories of the total plan assets are as follows:

	2015 %	2014 % (unaudited)	2015 £'000	2014 £'000 (unaudited)
Equity securities	64	66	1,698	5,252
Fixed income securities	33	28	875	2,228
Other	3	6	80	477
			2,653	7,957

The expected long-term rate of return on assets represents QCL's best estimate of the long-term return on the plan assets and generally was estimated by computing a weighted average return of the underlying long-term expected returns on the different asset classes, based on the target asset allocations. The expected long-term return on assets is a long-term assumption that generally is expected to remain the same from one year to the next unless there is a significant change in the target asset allocation, the fees and expenses paid by the plan or market conditions.

QCL, in consultation with its independent investment consultants and actuaries, determined the asset allocation targets based on its assessment of business and financial conditions, demographic and actuarial data, funding characteristics and related risk factors. Other relevant factors, including industry practices, long-term historical and prospective capital market returns, were also considered.

The Plan return objectives provide long-term measures for monitoring the investment performance against growth in the pension obligations. The overall allocation is expected to help protect the plan's funded status while generating sufficiently stable real returns (net of inflation) to help cover current and future benefit payments.

Both the equity and fixed income portions of the asset allocation use a combination of active and passive investment strategies and different investment styles. The fixed income asset allocation consists of longer duration fixed income securities in order to help reduce plan exposure to interest rate variation and to better correlate assets with obligations. The longer duration fixed income allocation is expected to help stabilise plan contributions over the long run.

The following table presents the principal actuarial assumptions at the end of the reporting period:

	2015 %	2014 % (unaudited)
Discount rate	3.8	3.5
Rate of increase in salaries	N/A	3.9
Rate of increase in defined benefit funds	3.0	3.0
Inflation assumption	3.5	3.4

The mortality assumptions used give the following life expectations at 63:

	Mortality table	Life expectancy at age 63 for a male member currently:		Life expectancy at age 63 for a female member currently:	
		Aged 63	Aged 50	Aged 63	Aged 50
31 December 2015	S1 Light	25.90	27.30	27.40	28.70
31 December 2014 (unaudited)	S1 Light	26.10	27.50	27.40	28.90

The sensitivities regarding the principal assumptions used to measure the defined benefit obligations are as follows:

Assumption	Discount rate	Inflation assumption	Rate of mortality
Change in assumption	Increase/decrease by 0.1%	Increase/decrease by 0.1%	Increase by 1 year
Impact on scheme liabilities	Decrease/increase by 2%	Increase/decrease by 1%	Increase by 4%

The history of experience adjustments is as follows:

	31 December 2015 £'000	31 December 2014 £'000 (unaudited)
Present value of defined benefit obligation	(2,316)	(9,297)
Fair value of plan assets	2,653	7,957
Surplus/(deficit)	337	(1,340)
Experience adjustments on plan liabilities: Amount (£'000)	41	230
Percentage of plan liabilities (%)	1.8	2.5
Experience adjustments on plan assets: Amount (£'000)	–	–
Percentage of plan assets (%)	–	–

## 28. RELATED PARTY DISCLOSURES

### *Parent and subsidiary relationships Parent and ultimate controlling entity*

QCL's immediate parent undertaking is Quilter Cheviot Holdings Limited, a company incorporated in England and Wales.

The ultimate parent undertaking and controlling entity and the largest group of which QCL is a member and for which group financial statements are prepared is Old Mutual plc. Old Mutual plc is registered in England and Wales and copies of its financial statements can be obtained from 5th Floor, Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG.

### Key management compensation

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of QCL. Key management personnel includes the Board of Directors and the Executive Group of QCL.

Compensation paid to key management personnel in respect of their services rendered to QCL is:

	2015 £'000	2014 £'000 (unaudited)
Short-term employee benefits	2,338	1,420
Post-employment benefits	30	70
Share-based payments	392	–
	2,760	1,490

### Directors' Transactions

During the current year, two (2014: three) Directors and their families have used the share dealing service of QCL which is available to all staff and is charged at an amount below that charged to non-staff clients. These transactions amounted to a total benefit, calculated as the difference between the actual amount of commission charged at staff rates and what would have been charged had the transaction been charged at non-staff rates, of £33,000 (2014: £8,000).

### Transactions with related parties

QCL enters into transactions with other group undertakings on an arm's-length basis for the purposes of utilising financing and infrastructure services. The nature of these relationships along with information about the transactions and outstanding balances is given below. QCL has not recognised any expense and has made no provision for impairment relating to the amount of outstanding balances from related parties (2014: £nil).

### *Funding*

QCL receives funding from other group undertakings in the following form:

- *General funding*

General funding is undated, unsecured, floating rate lending. Funding may be received or provided for specific transaction-related funding requirements, or for general operational purposes.

Details of the outstanding balances on these funding arrangements and the related interest expense recognised in the income statement during the year are shown in the table below:

	2015 Interest £'000	2015 Balance £'000	2014 Interest £'000 (unaudited)	2014 Balance £'000 (unaudited)
Amounts due from:				
Other group undertakings	–	361	–	9,978
	–	361	–	9,978
Amounts due to: Subsidiaries	–	244	–	246
Other group undertakings	–	5,762	–	2,145
		6,006	–	2,391

### *Management charges*

QCL incurs management charges from other group undertakings for costs incurred and services provided. Management recharges incurred during the year are as follows:

	2015 £'000	2014 £'000 (unaudited)
Amounts recharged from:		
Other group undertakings	3,250	–

Amounts outstanding at the reporting date are included within the general funding balances disclosed above.

---

## PART XIII

### UNAUDITED *PRO FORMA* FINANCIAL INFORMATION

---

#### SECTION A – *PRO FORMA* FINANCIAL INFORMATION OF QUILTER PLC

The unaudited *pro forma* financial information set out below has been prepared to illustrate the effect of the disposal of the Single Strategy Business, the acquisition of Skandia UK, the external debt refinancing and the repayment of an Old Mutual plc loan on the consolidated statement of financial position of Quilter plc as if they had taken place on 31 December 2017 and on the consolidated income statement of Quilter plc as if they had taken place on 1 January 2017.

The *pro forma* financial information is based on the audited historical financial information of Quilter plc as at and for the year ended 31 December 2017 as set out in *Part XII – “Historical Financial Information”* of this Prospectus.

The *pro forma* financial information has been prepared on the basis of, and should be read in conjunction with, the notes set out below.

The *pro forma* financial information has been prepared in a manner consistent with the accounting policies to be adopted by Quilter plc for the year ending 31 December 2018, and in accordance with IFRS as adopted by the EU.

The *pro forma* financial information has been prepared for illustrative purposes only in accordance with Annex II of the Prospectus Directive. Because of its nature, the *pro forma* financial information addresses a hypothetical situation and, therefore, does not represent Quilter plc’s actual financial position or results. It may not, therefore, give a true picture of Quilter plc’s financial position or results nor is it indicative of the results that may, or may not, be expected to be achieved in the future.

The *pro forma* financial information is the responsibility of the Directors.

**UNAUDITED PRO FORMA STATEMENT OF FINANCIAL POSITION**

	Adjustments						Unaudited <i>Pro forma</i>
	Quilter plc as at 31 December 2017	Acquisition of Skandia UK	New Tier 2 Bond	Repayment of Old Mutual plc loan	Subtotal	Disposal of the Single Strategy Business	
	Note 1	Note 2	Note 3	Note 4		Note 5	
	<i>(£ millions)</i>						
<b>Assets</b>							
Goodwill and other intangible assets	574	–	–	–	574	–	574
Property, plant and equipment	18	–	–	–	18	–	18
Investments in associated undertakings	3	–	–	–	3	–	3
Loans and advances	199	–	–	–	199	–	199
Financial investments	64,248	–	–	–	64,248	–	64,248
Reinsurers' share of policyholder liabilities	2,908	–	–	–	2,908	–	2,908
Deferred tax assets	22	–	–	–	22	–	22
Trade, other receivables and other assets	497	–	–	(16)	481	–	481
Deferred acquisition costs	611	–	–	–	611	–	611
Derivative assets	87	–	–	–	87	–	87
Cash and cash equivalents	2,360	26	189	(194)	2,381	585	2,966
Assets of operations classified as held for sale	446	–	–	–	446	(446)	–
<b>Total assets</b>	<b>71,973</b>	<b>26</b>	<b>189</b>	<b>(210)</b>	<b>71,978</b>	<b>139</b>	<b>72,117</b>
<b>Equity and Liabilities</b>							
<b>Equity</b>							
Ordinary share capital	130	–	–	–	130	–	130
Share premium	58	–	–	–	58	–	58
Merger reserve	–	591	–	–	591	–	591
Other reserves	39	–	–	–	39	–	39
Retained earnings	872	29	(11)	6	896	358	1,254
<b>Total equity</b>	<b>1,099</b>	<b>620</b>	<b>(11)</b>	<b>6</b>	<b>1,714</b>	<b>358</b>	<b>2,072</b>

	Adjustments						Unaudited <i>Pro forma</i>
	Quilter plc as at 31 December 2017	Acquisition of Skandia UK	New Tier 2 Bond	Repayment of Old Mutual plc loan	Subtotal	Disposal of the Single Strategy Business	
	Note 1	Note 2	Note 3	Note 4		Note 5	
	(£ millions)						
<b>Liabilities</b>							
Long-term business insurance policyholder liabilities	489	–	–	–	489	–	489
Investment contract liabilities	59,139	–	–	–	59,139	–	59,139
Third party interests in consolidated funds	7,905	–	–	–	7,905	–	7,905
Provisions and accruals	104	3	–	–	107	–	107
Deferred tax liabilities	190	–	–	–	190	–	190
Current tax payable	38	–	–	–	38	–	38
Borrowings	782	(566)	200	(216)	200	–	200
Trade, other payables and other liabilities	1,331	(32)	–	–	1,299	–	1,299
Deferred revenue	244	–	–	–	244	–	244
Derivative liabilities	433	–	–	–	433	–	433
Liabilities of operations classified as held for sale	219	–	–	–	219	(219)	–
<b>Total liabilities</b>	<b>70,874</b>	<b>(595)</b>	<b>200</b>	<b>(216)</b>	<b>70,263</b>	<b>(219)</b>	<b>70,044</b>
<b>Total equity and liabilities</b>	<b>71,973</b>	<b>25</b>	<b>189</b>	<b>(210)</b>	<b>71,977</b>	<b>139</b>	<b>72,116</b>

- (1) The financial information for the year ended 31 December 2017 has been extracted without adjustment from the historical financial information set out in Section B of Part XII – “Historical Financial Information” of this Prospectus.
- (2) *Acquisition of Skandia UK Limited:* The Skandia UK Limited group of entities was acquired from Old Mutual plc on 31 January 2018 and comprises seven Old Mutual plc group entities with a net asset value of £591 million. The transfer was financed by the issue of one share, with the balance represented by a merger reserve; no debt was taken on as a result of this transaction. The most significant asset within these entities is a £566 million receivable which corresponds to an equivalent payable within the Group’s statement of financial position. Subsequent to the year-end, a series of transactions were carried out, the net effect of which was to replace £566 million of intercompany indebtedness to Old Mutual plc with equity in the form of share capital and a merger reserve.
- (3) *Tier 2 Bond:* On 28 February 2018, the Group issued a £200 million subordinated debt security in the form of a 10-year Tier 2 Bond with a one-time issuer call option after five years to J.P. Morgan Securities plc, paying a semi-annual coupon of 4.478%. Including the impact of amortisation of bond set-up costs, the issuance of the Tier 2 Bond will increase operating expenses, which will be reported as part of Head Office, by £11 million on an annual basis. The Tier 2 Bond has a Fitch instrument rating of BBB- and has been admitted to trading on the regulated market of the London Stock Exchange. The Tier 2 Bond Purchaser sold the Tier 2 Bond to third party investors on 17 April 2018 following a remarketing exercise conducted by the Tier 2 Bond Purchaser and the Company.
- (4) *Repayment of Old Mutual plc loan of £200 million:* As at 31 December 2017, the Group had net payables due to Old Mutual plc of £766 million (representing a gross payable of £782 million offset by a £16 million receivable). The acquisition of Skandia UK Limited (see Note 2 above) in January 2018 reduced this payable by £566 million to £200 million; the remaining £200 million net liability to Old Mutual plc was settled from the new financing arrangements obtained in February 2018 and from existing cash resources.
- (5) *Disposal of the Single Strategy Business:* In December 2017, the Group announced that it had entered into an agreement to sell the Single Strategy Business to Bidco for an expected total consideration of approximately £600 million, comprising cash consideration of approximately £570 million payable on or before completion, with approximately £30 million anticipated to be payable thereafter, paid primarily in 2019 to 2021 as surplus capital associated with the separation from the Group is released in the business. These values are subject to a number of potential price adjustments depending on the net asset value of the business and a number of other factors at the disposal date. The deferred consideration is not subject to performance conditions. Once the OMGI Transaction completes, economic ownership of the Single Strategy Business will pass to Bidco effective from 1 January 2018 with all profits and performance fees generated up until 31 December 2017 for the account of the Group. On 23 February 2018, the Group entered into, and fully drew down on 28 February 2018, the New Term Loan, a £300 million senior unsecured term loan with a number of lenders with an opening interest rate of 45 basis points above LIBOR subject to a margin ratchet linked to the Company’s credit rating, to bridge the period until such time as the cash consideration from the sale of the Single Strategy Business is received. These have been netted off for the purposes of this pro forma statement, as both the loan and the sale are assumed to be completed on 1 January 2017. No interest costs have been included within the pro forma financial statements.

**UNAUDITED PRO FORMA INCOME STATEMENT**

	Adjustments						Unaudited <i>Pro forma</i>
	Quilter plc as at 31 December 2017	Acquisition of Skandia UK	New Tier 2 Bond	Repayment of Old Mutual plc loan	Subtotal	Disposal of the Single Strategy Business	
	Note 1	Note 2	Note 3	Note 4		Note 5	
	<i>(£ millions)</i>						
<b>Revenue</b>							
Gross earned premiums	148	–	–	–	148	–	148
Premiums ceded to reinsurers	(88)	–	–	–	(88)	–	(88)
Net earned premiums	60	–	–	–	60	–	60
Fee and commission income, and income from service activities	895	–	–	–	895	–	895
Net investment income	5,195	–	–	–	5,195	–	5,195
Other income	13	2	–	–	15	–	15
<b>Total revenue</b>	6,163	2	–	–	6,165	–	6,165
<b>Expenses</b>							
Claims and benefits paid	(76)	–	–	–	(76)	–	(76)
Reinsurance recoveries	54	–	–	–	54	–	54
Net insurance claims and benefits incurred	(22)	–	–	–	(22)	–	(22)
Change in reinsurance assets and liabilities	85	–	–	–	85	–	85
Change in insurance contract liabilities	(78)	–	–	–	(78)	–	(78)
Change in investment contract liabilities	(4,308)	–	–	–	(4,308)	–	(4,308)
Fee and commission expenses, and other acquisition costs	(320)	–	–	–	(320)	–	(320)
Change in third party interest in consolidated funds	(673)	–	–	–	(673)	–	(673)
Other operating and administrative expenses	(816)	–	–	–	(816)	–	(816)
Finance costs	(39)	32	(11)	8	(10)	–	(10)
<b>Total expenses</b>	(6,171)	32	(11)	8	(6,142)	–	(6,142)



	Adjustments						
	Quilter plc as at 31 December 2017	Acquisition of Skandia UK	New Tier 2 Bond	Repayment of Old Mutual plc loan	Subtotal	Disposal of the Single Strategy Business	Unaudited Pro forma
	Note 1	Note 2	Note 3	Note 4		Note 5	
	(£ millions)						
Profit on the acquisition and re-measurement of subsidiaries	3	–	–	–	3	–	3
<b>Profit/(loss) before tax</b>	(5)	34	(11)	8	26	–	26
Tax expense attributable to policyholders' funds	(49)	–	–	–	(49)	–	(49)
<b>Profit/(loss) before tax attributable to shareholders' profits</b>	(54)	34	(11)	8	(23)	–	(23)
Income tax expense	(41)	(5)	–	(2)	(48)	–	(48)
Less: tax attributable to policyholders' funds	49	–	–	–	49	–	49
Tax attributable to shareholders' funds	8	(5)	–	(2)	1	–	1
<b>Profit/(loss) after tax from continuing operations</b>	(46)	29	(11)	6	(22)	–	(22)
Profit after tax from discontinued operations	203	–	–	–	203	235	438 <sup>(6)</sup>
<b>Profit for the year after tax</b>	157	29	(11)	6	181	235	416

(1) The financial information for the year ended 31 December 2017 has been extracted without adjustment from the historical financial information set out in Section B of Part XII – "Historical Financial Information" of this Prospectus.

(2) *Acquisition of Skandia UK Limited:* The Skandia UK Limited group of entities was acquired from Old Mutual plc on 31 January 2018 and comprises seven Old Mutual plc group entities with a net asset value of £591 million. The transfer was financed by the issue of one share, with the balance represented by a merger reserve; no debt was taken on as a result of this transaction. The most significant asset within these entities is a £566 million receivable which corresponds to an equivalent payable within the Group's statement of financial position. Subsequent to the year-end, a series of transactions were carried out, the net effect of which was to replace £566 million of intercompany indebtedness to Old Mutual plc with equity in the form of share capital and a merger reserve.

(3) *Tier 2 Bond:* On 28 February 2018, the Group issued a £200 million subordinated debt security in the form of a 10-year Tier 2 Bond with a one-time issuer call option after five years to J.P. Morgan Securities plc, paying a semi-annual coupon of 4.478%. Including the impact of amortisation of bond set-up costs, the issuance of the Tier 2 Bond will increase operating expenses, which will be reported as part of Head Office, by £11 million on an annual basis. The Tier 2 Bond has a Fitch instrument rating of BBB- and has been admitted to trading on the regulated market of the London Stock Exchange. The Tier 2 Bond Purchaser sold the Tier 2 Bond to third party investors on 17 April 2018 following a remarketing exercise conducted by the Tier 2 Bond Purchaser and the Company.

(4) *Repayment of Old Mutual plc loan of £200 million:* As at 31 December 2017, the Group had net payables due to Old Mutual plc of £766 million (representing a gross payable of £782 million offset by a £16 million receivable). The acquisition of Skandia UK Limited (see Note 2 above) in January 2018 reduced this payable by £566 million to £200 million; the remaining £200 million net liability to Old Mutual plc was settled from the new financing arrangements obtained in February 2018 and from existing cash resources.

(5) *Disposal of the Single Strategy Business:* In December 2017, the Group announced that it had entered into an agreement to sell the Single Strategy Business to Bidco for an expected total consideration of approximately £600 million, comprising cash consideration of approximately £570 million payable on or before completion, with approximately £30 million anticipated to be payable thereafter, paid primarily in 2019 to 2021 as surplus capital associated with the separation from the Group is released in the business. These values are subject to a number of potential price adjustments depending on the net asset value of the business and a number of other factors at the disposal date. The deferred consideration is not subject to performance conditions. Once the OMGI Transaction completes, economic ownership of the Single Strategy Business will pass to Bidco effective from 1 January 2018 with all profits and performance fees generated up until 31 December 2017 for the account of the Group. On 23 February 2018, the Group entered interest, and fully drew down on 28 February 2018, the New Term Loan, a £300 million senior unsecured term loan with a number of lenders with an opening interest rate of 45 basis points above LIBOR subject to a margin ratchet linked to the Company's credit rating, to bridge the period until such time as the cash consideration from the sale of the Single Strategy Business is received. These have been netted off for the purposes of this pro forma statement, as both the loan and the sale are assumed to be completed on 1 January 2017. No interest costs have been included within the pro forma financial statements.

(6) Breakdown of profit after tax from discontinued operations:

**Profit after tax from discontinued operations**

Profit on sale of Old Mutual Wealth Italy	80
Single Strategy Business profit after tax	123

**Quilter plc as at 31 December 2017** **203**

Profit on sale of the Single Strategy Business	358
Remove the Single Strategy Business profit after tax	(123)

**Pro Forma** **438**

## SECTION B – ACCOUNTANTS’ REPORT ON THE UNAUDITED *PRO FORMA* FINANCIAL INFORMATION

The Directors  
Quilter plc  
Millennium Bridge House  
2 Lambeth Hill  
London  
EC4V 4AJ

20 April 2018

### Quilter plc

We report on the *pro forma* financial information (the “***Pro forma financial information***”) set out in Section A of Part XIII (“**Unaudited Pro Forma Financial Information**”) of the prospectus dated 20 April 2018, which has been prepared on the basis described in Section A, for illustrative purposes only, to provide information about how the disposal of the Single Strategy Business, the acquisition of Skandia UK and a restructuring of the Company’s debt might have affected the financial information presented on the basis of the accounting policies adopted by Quilter plc in preparing the financial statements for the year ended 31 December 2017. This report is required by paragraph 7 of Annex II of the Prospectus Directive Regulation and is given for the purpose of complying with that paragraph and for no other purpose.

### Responsibilities

It is the responsibility of the directors of Quilter plc to prepare the *Pro forma* financial information in accordance with Annex II of the Prospectus Directive Regulation.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Directive Regulation, as to the proper compilation of the *Pro forma* financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the *Pro forma* financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

### Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the *Pro forma* financial information with the directors of Quilter plc.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the *Pro forma* financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of Quilter plc.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

### Opinion

In our opinion:

- the *Pro forma* financial information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of Quilter plc.

### Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG LLP

---

## PART XIV TAXATION

---

### 1. UK Taxation

The following statements are intended to apply only as a general guide to certain UK tax considerations in relation to the Ordinary Shares. They are based on current UK tax law and what is understood to be the current practice of HM Revenue and Customs ("HMRC") (which may not be binding on HMRC), both of which are subject to change at any time, possibly with retrospective effect.

They relate only to certain limited aspects of the UK taxation treatment of, and are intended to apply only (except to the extent that the position of non-UK resident shareholders is referred to expressly) to, shareholders who are resident, and, in the case of individuals, domiciled or deemed domiciled for the relevant period, solely in the UK for UK tax purposes for the relevant period who hold the Ordinary Shares as investments (other than under an individual savings account or a self-invested personal pension) and who are the absolute beneficial owners of both the Ordinary Shares and any dividends paid on them. The statements may not apply to certain classes of shareholder such as (but not limited to) trustees, persons holding the Ordinary Shares through trust arrangements, persons acquiring Ordinary Shares in connection with an office or employment, dealers in securities, banks, insurance companies and collective investment schemes.

**Prospective holders of Ordinary Shares who may be subject to tax in a jurisdiction other than the UK or who may be unsure as to their UK tax position should seek their own professional advice.**

#### 1.1 *Income (Dividends)*

##### 1.1.1 *Withholding tax*

The Company will not be required to deduct or withhold amounts on account of UK income tax at source from dividend payments it makes, irrespective of the residence or particular circumstances of the shareholder receiving such dividend payment.

##### 1.1.2 *Individuals*

For 6 April 2018 to 5 April 2019, a nil rate of income tax will apply for the first £2,000 of dividend income received by individual Shareholders in a tax year (the "**Nil Rate Band**").

The rate of tax applicable to dividend income in excess of the Nil Rate Band will depend on the wider tax position of the Shareholder. Broadly speaking, a Shareholder's taxable income (after taking into account the amount (if any) of their personal allowance and any other allowances, exemptions and reliefs) up to the basic rate limit will fall within the basic rate band; taxable income between the basic rate limit and the higher rate limit will fall within the higher rate band; and taxable income above the higher rate limit will fall within the additional rate band. For 6 April 2018 to 5 April 2019 the basic rate limit is £34,500 and the higher rate limit is £150,000 (however, these limits can be increased in certain circumstances).

Dividend income (including dividend income in the Nil Rate Band) is treated as the top slice of a Shareholder's income, and will fall within the basic rate band, higher rate band and/or additional rate band accordingly.

The rates of income tax on dividends received above the Nil Rate Band are (a) 7.5% for dividends in the basic rate band; (b) 32.5% for dividends in the higher rate band; and (c) 38.1% for dividends in the additional rate band.

Because dividend income (including income within the Nil Rate Band) is taken into account in assessing whether a Shareholder's overall income is above the higher or additional rate thresholds, the receipt of such income may also affect the amount of personal allowances to which the Shareholder is entitled.

##### 1.1.3 *Companies*

Shareholders within the charge to UK corporation tax that are "small companies" for the purposes of Chapter 2 of Part 9A of the Corporation Tax Act 2009 will not be subject to UK corporation tax on any dividend received from the Company provided certain conditions are met (including an anti-avoidance condition).

Shareholders within the charge to UK corporation tax that are not “small companies” for this purpose will not be subject to UK corporation tax on any dividend received from the Company so long as the dividend falls within an exempt class and certain conditions are met. For example, (i) dividends paid on shares that are not redeemable and do not carry any present or future preferential rights to dividends or to the Company’s assets on its winding up, and (ii) dividends paid to a person holding less than a 10% interest in the Company, should generally fall within an exempt class. However, the exemptions mentioned above are not comprehensive and are subject to general and targeted anti-avoidance rules.

If the conditions for exemption are not met or cease to be satisfied, or such a Shareholder elects for an otherwise exempt dividend to be taxable, the Shareholder will be subject to UK corporation tax on dividends received from the Company, at the rate of corporation tax applicable to that Shareholder (the main rate of corporation tax is currently 19%).

## 1.2 **Chargeable gains (disposals)**

A disposal or deemed disposal of Ordinary Shares by a Shareholder who is resident in the UK for tax purposes may, depending on the Shareholder’s circumstances and subject to any available exemptions and reliefs, give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of capital gains.

### 1.2.1 **Individuals**

For individual Shareholders, the principal factors that will determine the UK capital gains tax position on a disposal or deemed disposal of Ordinary Shares are the extent to which the Shareholder realises any other capital gains in the UK tax year in which the disposal is made, the extent to which the Shareholder has incurred capital losses in that or earlier UK tax years, the income tax band into which the Shareholder falls, and the level of the annual allowance of tax-free gains in that UK tax year (the “**Annual Exemption**”). The Annual Exemption will be increased from £11,300 to £11,700 from 6 April 2018.

The applicable rate for an individual Shareholder who is subject to income tax at a rate or rates not exceeding the basic rate and makes a capital gain on the disposal (or deemed disposal) of Ordinary Shares which (after taking advantage of the Annual Exemption and deducting any available capital losses) is liable to UK capital gains tax is 10%. Where an individual Shareholder is subject to income tax at either the higher or the additional rate, or to the extent that any gain on the disposal (or deemed disposal) takes the individual Shareholder’s aggregate income and gains over the higher rate threshold, the applicable rate will be 20%.

A Shareholder who ceases to be resident (or ordinarily resident in the case of a cessation prior to the 2013/2014 UK tax year) in the UK for tax purposes for a period of less than five complete tax years and who disposes of Ordinary Shares during that period of non-residence may also be liable on his return to the UK to tax on any capital gain realised, subject to any available exemptions or reliefs.

### 1.2.2 **Companies**

A disposal or deemed disposal of Ordinary Shares by a Shareholder within the charge to UK corporation tax may give rise to a chargeable gain or allowable loss for the purposes of UK corporation tax, depending on the circumstances and subject to any available exemptions or reliefs. Corporation tax is charged on chargeable gains at the corporation tax rate in effect in the year in which the disposal is made. The main rate of corporation tax is currently 19%.

## 1.3 **Inheritance tax**

A Shareholder who is unsure as to whether a disposition of Ordinary Shares may be within the scope of UK inheritance tax or where there is potential for a double charge to UK inheritance tax and an equivalent tax in another country is recommended to seek professional advice. The UK’s inheritance tax rules are complex and certain aspects only are discussed in the paragraphs below.

### 1.3.1 **Ordinary Shares not registered on the South African branch share register**

Ordinary Shares not registered on the South African branch register will be assets situated in the UK for the purposes of UK inheritance tax.

Accordingly, (i) the deemed transfer of Ordinary Shares on the death of the Shareholder under the UK inheritance tax rules or (ii) a lifetime disposition (which may include a gift, transfer at less than full market value, settlement or deemed transfer) of the Ordinary Shares may give rise to a liability to UK inheritance tax regardless of whether a Shareholder is resident, domiciled or deemed domiciled in the UK for tax purposes. The applicable rate of inheritance tax depends on the circumstances of the Shareholder and of the disposition and can be up to 40%.

Various exemptions and reliefs may be available depending on the circumstances of the Shareholder and of the disposition. In particular, no inheritance tax liability should generally arise for a Shareholder who is not domiciled or deemed domiciled in the UK unless the accumulative aggregate value of their UK assets has exceeded the inheritance tax nil rate band (currently £325,000).

#### 1.3.2 *Ordinary Shares registered on the South African branch share register*

Ordinary Shares registered on the South African branch register will not be assets situated in the UK for the purposes of UK inheritance tax and will accordingly be outside the scope of UK inheritance tax for Shareholders who are neither domiciled nor deemed domiciled in the UK for tax purposes.

### 1.4 **Stamp duty and stamp duty reserve tax**

The following statements about UK stamp duty and stamp duty reserve tax ("**SDRT**") apply regardless of whether or not a Shareholder is resident, domiciled or deemed domiciled in the UK. Certain categories of person, including intermediaries, brokers, dealers and persons connected with depositary receipt arrangements and clearance services, may not be liable to stamp duty or SDRT or may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

Shareholders are referred to "*—2. South African Taxation*" below, which contains information regarding the application of certain South African transfer taxes to the Ordinary Shares.

#### 1.4.1 ***The Offer***

The sale of Offer Shares by the Selling Shareholder under the Offer will generally give rise to a liability to stamp duty and/or SDRT at a rate of 0.5% of the Offer Price (in the case of stamp duty, rounded up to the nearest multiple of £5). Pursuant to the terms of the Underwriting Agreement the cost of this stamp duty and/or SDRT will be borne by the Selling Shareholder.

Special rules apply to depositary receipt systems and clearance services which are discussed below.

#### 1.4.2 ***Deposit of Ordinary Shares in CREST***

Deposits of Ordinary Shares into CREST will generally not be subject to stamp duty or SDRT unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT will arise usually at the rate of 0.5% of the amount of value of the consideration.

#### 1.4.3 ***Subsequent transfers within CREST***

Paperless transfers of Ordinary Shares within CREST are generally liable to SDRT, rather than stamp duty, at the rate of 0.5% of the amount of value of the consideration. CREST is obliged to collect SDRT on relevant transactions settled within the system and to account for this to HMRC.

#### 1.4.4 ***Subsequent transfers outside CREST***

The conveyance or transfer on sale of Ordinary Shares outside the CREST system will generally be subject to stamp duty on the instrument of transfer at the rate of 0.5% of the amount or value of the consideration given (rounded up to the nearest £5).

An exemption from stamp duty is available on an instrument transferring Ordinary Shares where the amount or value of the consideration is £1,000 or less, and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000.

An unconditional agreement to transfer Ordinary Shares will normally give rise to a charge to SDRT at the rate of 0.5% of the amount or value of the consideration for the Ordinary Shares. However, where within six years of the date of the agreement (or, if the agreement is conditional, the date on which it becomes unconditional) an instrument of transfer is executed pursuant to the agreement, and stamp duty is paid on that instrument, any SDRT already paid will generally be refunded (generally, but not necessarily, with interest) provided that a claim for payment is made, and any outstanding liability to SDRT will be cancelled.

The purchaser or transferee of the Ordinary Shares will generally be responsible for paying SDRT. In the absence of contractual agreement no party is legally responsible for the payment of stamp duty as it is not an assessable tax; however, in practice the purchaser or transferee will usually pay this to ensure that the company register of members can be updated by the registrar to show the transfer.

#### 1.4.5 **Clearance Services and Depository Receipt arrangements**

Subject to the comments in the following paragraphs (including the commentary in “— 1.4.6 Ordinary Shares registered on the South African branch share register” in relation to Strate), where Ordinary Shares are issued or transferred (i) to, or to a nominee for, a person whose business is or includes the provision of clearance services or (ii) to, or to a nominee or agent for, a person whose business is or includes issuing depository receipts, stamp duty or SDRT may be payable at a rate of 1.5% of the amount or value of the consideration payable or, in certain circumstances, the value of the Ordinary Shares (in the case of stamp duty, rounded up to the nearest multiple of £5).

However, following the ECJ decision in *C-569/07 HSBC Holdings Plc, Vidacos Nominees Limited v The Commissioners of Her Majesty’s Revenue & Customs* and the First-tier Tax Tribunal decision in *HSBC Holdings Plc and The Bank of New York Mellon Corporation v The Commissioners of Her Majesty’s Revenue & Customs*, HM Revenue & Customs has confirmed that 1.5% SDRT is no longer payable when new Ordinary Shares are issued to a clearance service or depository receipt system.

Transfers of Ordinary Shares within a clearance service or depository receipt system will generally be exempt from SDRT and, provided no instrument of transfer is entered into, will not be subject to stamp duty.

Clearance service providers may opt, in certain circumstances, for the normal rates of stamp duty and SDRT to apply to an issue or transfer of Ordinary Shares into, and to transactions within, the service instead of the higher rate applying to an issue or transfer of the Ordinary Shares into the clearance system and the exemption for dealings in the Ordinary Shares whilst in the system.

Any liability for stamp duty or SDRT in respect of a transfer into a clearance service or depository receipt system, or in respect of a transfer within such service or system, which does arise, will generally be an obligation of the clearance service or depository receipt system operator or their nominee, as the case may be, but the cost will in practice be borne by the participants in the clearance service or depository receipt system.

#### 1.4.6 **Ordinary Shares registered on the South African branch share register**

UK stamp duty will not be payable on the transfer of Ordinary Shares which are registered on the South African branch share register provided that no instrument of transfer is executed in the UK in respect of them.

The Company understands that confirmation has been obtained from HMRC by Strate in relation to electronic transfers of Ordinary Shares listed on the JSE to the effect that:

- (i) issues or transfers of shares in UK companies which are registered on a South African branch share register into Strate will not be subject to UK stamp duty or SDRT at the higher rate of 1.5%; and
- (ii) transfers of such shares within Strate should not be subject to UK stamp duty or SDRT.

#### 1.4.7 **Transfers of Ordinary Shares between the UK share register and the South African branch share register**

No United Kingdom stamp duty or SDRT will arise on the transfer of Ordinary Shares between the UK share register and the South African branch share register provided that (i) there is no change in beneficial ownership of the Ordinary Shares and (ii) in the case of stamp duty only, the transfer is not a conveyance in contemplation of a sale of the Ordinary Shares.

## 2. **South African Taxation**

The commentary below is based on the Company’s understanding of the applicable laws, treaties and regulatory interpretations in effect in South Africa on the date of this Prospectus, which are subject to change occasioned by future legislative amendments and court decisions, including changes that could have a retrospective effect. The commentary does not constitute tax advice and is intended only as a guide on the South African tax treatment of:

- dividend distributions by the Company to South African tax resident shareholders only in respect of those Ordinary Shares that are listed on the JSE; and
- the future disposal of the Ordinary Shares that are listed on the JSE by the South African shareholders.

Accordingly, the commentary does not consider the South African tax treatment in the hands of South African tax resident shareholders who hold Ordinary Shares that are listed on the LSE. The commentary applies only to South African tax resident shareholders who are the beneficial owners of the Ordinary Shares. The commentary covers only South African tax resident shareholders that constitute individuals and companies.

Prospective investors who are in any doubt as to their tax position (including as to whether or not they are a South African tax resident), or who own their shares through the LSE, or who are subject to tax in a jurisdiction other than South Africa are strongly advised to consult their own professional advisers.

This commentary does not purport to address all tax consequences associated with the acquisition, ownership and disposal of the Ordinary Shares, and does not take into account the specific circumstances of any particular investor or the tax laws of any country other than South Africa. The summary of South African income tax consequences set out below is for general information only. All shareholders should consult their tax advisers regarding the particular tax consequences applicable to them in relation to the Ordinary Shares, including the applicability and effect of other tax laws and possible changes in tax law.

## **2.1 South African income tax considerations on foreign dividends distributions**

The below summarises the expected South African income tax implications for those individuals and companies holding Ordinary Shares that are listed on the JSE upon the receipt or accrual of foreign dividends.

A monetary amount paid by the Company to a South African resident shareholder, in respect of an Ordinary Share, will comprise of either a "foreign dividend" or a "foreign return of capital" for South African income tax purposes. The determination of which form the amount comprises is made with reference to the treatment of the amount according to UK tax law relating to companies (or in the absence of tax law, UK company law). In essence, an amount will comprise a foreign return of capital if it does not comprise a foreign dividend (i.e. if treated as another form of distribution or similar payment for purposes of UK tax laws applicable to companies). It is understood that distributions made in respect of the Ordinary Shares will generally comprise dividends for UK income tax purposes, and will accordingly generally comprise foreign dividends for South African income tax purposes.

### **2.1.1 Individual shareholders**

Cash settled foreign dividends received by or accrued to individual shareholders in the Company are exempt from normal income tax, where such foreign dividends are received or accrued in respect of the Ordinary Shares that are listed on an exchange.

### **2.1.2 Company shareholders**

Cash settled foreign dividends received by or accrued to a company that holds shares in the Company are exempt from normal income tax, if such foreign dividends are received or accrued in respect of the Ordinary Shares that are listed on an exchange.

## **2.2 Imposition of South African dividends tax on foreign dividend distributions**

Cash settled foreign dividends paid by a non-resident company in respect of shares that are listed on an exchange are subject to South African dividends tax at a rate of 20%. As such, South African dividends tax will be triggered on foreign dividends distributed by the Company in respect of the Ordinary Shares listed on an exchange, but subject to certain exemptions that may apply, depending on the nature of the shareholder. A foreign dividend will be exempt from dividends tax if the beneficial owner is, *inter alia*, a company which is a South African tax resident, a public benefit organisation a pension fund, a pension preservation fund, a provident fund, a retirement annuity fund, a benefit fund or a collective investment scheme in securities.

A South African shareholder who receives a foreign dividend which is subject to dividends tax, should investigate whether they can claim a rebate if any foreign taxes are imposed on the payment by the government of another country. The rebate shall be limited to the amount of dividends tax payable. A South African shareholder may also rely on the tax treaty between South Africa and the UK for purposes of reducing UK withholding taxes.

### **2.2.1 Application to individual shareholders**

Individuals are not exempt from dividends tax, therefore South African dividends tax will be withheld at a rate of 20% on any foreign dividends paid to the individual shareholders, in respect of the Ordinary Shares listed on an exchange.

### **2.2.2 Application to company shareholders**

South African resident company shareholders are exempt from dividends tax. In order to qualify for the exemption, the company shareholders would need to submit a declaration and an undertaking (in the form prescribed by the South African Revenue Service) to the company or regulated intermediary (typically, the company's stockbroker) prior to the date of payment of the dividend. In the event that dividends tax was withheld as result of an absence of the required declaration and undertaking, the beneficial owners have a period of three years from the date of payment of the dividend to submit any outstanding documentation to the relevant party and claim a refund.

## **2.3 Taxation on disposal of the Ordinary Shares listed on the JSE**

South African taxpayers are subject to tax on their worldwide income including gains and losses on the sale of any assets, including shares.

The South African tax system distinguishes between the tax treatment of receipts and accruals of a revenue nature and those of a capital nature. Capital receipts are subject to capital gains tax, while revenue receipts are subject to normal income tax.

The determination of whether shares are held as capital assets is generally a question of fact and depends primarily upon the intention with which the shares were acquired and held, and will be determined by applying South African common law principles as well as the "safe harbour" rules in terms of section 9C of the Income Tax Act, No 58 of 1962. Section 9C states that if the listed Ordinary Shares were held for a continuous period of at least three years, any gains or losses derived from the disposal of such shares will be deemed to be capital in nature irrespective of what the actual intention was.

#### **2.3.1 Tax implications where the Ordinary Shares are held as trading stock**

To the extent that the Ordinary Shares are held for trading purposes, any gains or losses arising from the disposal of shares will likely be considered revenue in nature and should be subject to South African normal income tax.

Companies are subject to normal income tax at a corporate income tax rate of 28%, whilst individuals are taxed on a sliding scale. The maximum statutory tax rate for individuals is 45%.

However, where the Ordinary Shares were held for a continuous period of at least three years, any gains or losses derived from the disposal of such shares will be deemed to be capital in nature. However, where the Ordinary Shares were held for a continuous period of at least three years, those shares will be deemed to be capital in nature and any gains or losses derived from the disposal of such shares will be subject to capital gains tax.

#### **2.3.2 Tax implications where the Ordinary Shares are held for investment purposes**

A capital gain or loss is calculated as the difference between the proceeds realised on the disposal of the Ordinary Shares and the base cost of that asset. In general, the base cost of an asset will be the acquisition cost of the asset in question (i.e. the subscription price in the event that a person subscribed for shares or the purchase price paid in the event of an acquisition of shares). 33.3% of any interest incurred on loans to acquire listed shares may also be included in the base cost of listed shares.

Where the "proceeds" derived from the disposal of the Ordinary Shares exceed the "base cost", a capital gain will arise in the hands of the shareholders. However, where the "base cost" of the Ordinary Shares exceeds the "proceeds", a capital loss will arise.

Capital gains are subject to capital gains tax at an effective tax rate of 22.4% for companies (which is the inclusion rate of the gain into taxable income at 80% multiplied by the tax rate of 28%), or 18% for individuals (which is the inclusion rate at 40% multiplied by the highest marginal tax rate of 45%).

For individual shareholders, an annual exclusion from capital gains of R40,000 can be applied against any capital gain.

Capital losses may only be set off against other capital gains realised in the same or any subsequent tax year. However, capital gains may be set off against income tax losses.

In certain instances where a shareholder disposes of the Ordinary Shares on capital account, depending on the facts and circumstances, such shareholder may rely on the participation exemption from capital gains tax, subject to meeting very specific requirements. Accordingly, this should be examined on a case-by-case basis.

In circumstances where a person receives a foreign return of capital (and receives such amount prior to the disposal of its Ordinary Shares), such person must reduce their base cost for capital gains tax purposes by the amount received. If the amount received exceeds the base cost of the Ordinary Shares, the excess portion will be treated as a capital gain in the hands of a holder of the Ordinary Shares for the year of assessment in which the foreign return of capital is received by or accrues to the holder of the Ordinary Shares, and will be subject to capital gains tax.

### **2.4 Securities transfer tax implications**

Securities transfer tax ("STT") is levied in respect of every transfer of Ordinary Shares that are listed on the JSE at the rate of 0.25% of the taxable amount.

When Ordinary Shares listed on the JSE are transferred through the agency of or from a member (i.e. a JSE stockbroker) or when the transfer of Ordinary Shares listed on the JSE is effected by a participant (i.e. a person that holds in custody and administers a listed share), the member or participant will be liable for the STT. That member or participant may, however, recover the STT payable from the person to whom the Ordinary Shares listed on the JSE were transferred (i.e. the purchaser).

For the purposes of the calculation of the STT, the taxable amount shall be the following:

- where Ordinary Shares listed on the JSE are transferred through the agency of or from a member (i.e. a JSE stockbroker), the STT must be calculated on the purchase consideration; or
- where the transfer of Ordinary Shares listed on the JSE is effected by a participant, the STT must be calculated with reference to the declared consideration. If no consideration is declared or if the declared consideration is less than the lowest JSE traded price on the date of the transaction, the STT must be calculated with reference to the closing price on that date.



**THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISER ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN ORDINARY SHARES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.**

### **3. US Federal Income Taxation**

The following discussion is a general summary of certain US federal income tax consequences of the acquisition, ownership and disposition of Ordinary Shares that are relevant to US Holders and non-US Holders (each as defined below). This summary is based on the US Internal Revenue Code of 1986, as amended, final, temporary and proposed US Treasury regulations, administrative and judicial interpretations, all as of the date hereof and all of which are subject to change, possibly with retroactive effect, as well as the income tax treaty between the United States and the UK as currently in force (the "**Treaty**").

For purposes of this summary, a "**US Holder**" is a beneficial owner of the Ordinary Shares that is for US federal income tax purposes (i) a citizen or individual resident of the United States, (ii) a corporation created or organised under the laws of the United States or its political subdivisions, (iii) a trust subject to the control of one or more US persons and under the primary supervision of a US court or that has validly elected to be treated as a domestic trust for US federal income tax purposes and (iv) an estate the income of which is subject to US federal income tax without regard to its source. A "**non-US Holder**" is a beneficial owner of Ordinary Shares that is neither a US Holder nor a partnership.

This summary addresses only investors that acquire Ordinary Shares in the Offer and hold Ordinary Shares as capital assets (generally, property held for investment). The discussion is a general summary; it is not a substitute for tax advice. It does not address the tax treatment of investors subject to special rules, such as banks or other financial institutions, individual retirement accounts and other tax-deferred accounts, tax-exempt entities, insurance companies, dealers, regulated investment companies, real estate investment trusts, partnerships, pass-through entities or persons that hold Ordinary Shares through pass-through entities, US expatriates and former long-term residents of the United States, investors that directly, indirectly or constructively own 10% or more of the Company's stock measured by vote or value, US Holders that do not use the US dollar as their functional currency, traders or dealers in stocks, securities, currencies or notional principal contracts or investors that hold Ordinary Shares as part of a straddle, hedging, conversion or other integrated transaction. It also does not address tax consequences applicable to holders of equity interests in a holder of Ordinary Shares, US federal estate, gift, alternative minimum tax or net investment income tax considerations or non-US, US state or local tax considerations.

The US federal income tax treatment of a partner in an entity or arrangement treated as a partnership for US federal income tax purposes that holds Ordinary Shares will depend on the status of the partner and the activities of the partnership. Any such partner or partnership should consult their tax advisers concerning the US federal income tax consequences of the acquisition, ownership and disposition of Ordinary Shares.

#### **3.1 Passive Foreign Investment Company Rules**

If the Company is classified as a passive foreign investment company ("**PFIC**") in any taxable year, US investors holding the Company's Ordinary Shares may be subject to adverse tax consequences, which could be significant, and may be subject to additional US tax form filing requirements. The Company will be classified as a PFIC in respect of any taxable year in which, after taking into account its income and gross assets, including the income and assets of 25% or more owned subsidiaries, either (i) 75% or more of its gross income consists of certain types of "passive income" or (ii) 50% or more of the average quarterly value of its assets is attributable to "passive assets" (assets that produce or are held for the production of passive income). PFIC status is a factual determination that needs to be made annually after the close of each taxable year, on the basis of the composition of the Company's income, the relative value of its active and passive assets, and its market capitalisation. For this purpose, the Company's PFIC status depends in part on the application of complex rules, which may be subject to differing interpretations, relating to the classification of the Company's income and assets. Based on the Company's interpretation of the law, its recent financial statements, and taking into account expectations about its income, assets and activities, the Company believes that it was a PFIC for the taxable year ended 31 December 2017 and expects that it will be a PFIC for the current taxable year.

If the Company is classified as a PFIC in any year that a US Holder is a shareholder, the Company generally will continue to be treated as a PFIC for that US Holder in all succeeding years, regardless of whether the Company continues to meet the income or asset test described above.

If a US Holder does not make a valid mark-to-market election as discussed below, and the Company is a PFIC for any taxable year during which an investor is a US Holder, the investor will be subject to special tax rules with respect to any "excess distribution" received and any gain realised from a sale or other disposition (including a pledge) of Ordinary Shares. Distributions received in a taxable year that are greater than 125 per cent. of the average annual distributions received during the shorter of the three preceding taxable years or the US Holder's holding period for the Ordinary Shares will be treated as excess distributions. Under these special tax rules: (i) the excess distribution or gain will be allocated rateably over the US Holder's holding period for the Ordinary Shares; (ii) the amount allocated to the current taxable year and any years before the Company was a PFIC will be treated as ordinary income; and (iii) the amount allocated to each other year will be subject to tax at the

highest tax rate in effect for that year and an interest charge (at the rate generally applicable to underpayments of tax for the period from such year to the current year) will be imposed on the resulting tax attributable to each such year. A US Holder will generally be subject to similar rules with respect to distributions to the Company by, and dispositions by the Company of the stock of, any direct or indirect subsidiaries of the Company that are also PFICs. Additionally, dividends paid by the Company would not be eligible for the reduced rate of tax described below under “—3.2 Dividends”. US Holders should consult their own tax adviser about the application of the PFIC rules.

If the Company were a PFIC for any taxable year and any subsidiaries of the Company were also a PFIC (any such entity, a “**Lower-tier PFIC**”), US Holders would be deemed to own a proportionate amount (by value) of the shares of each Lower-tier PFIC and would be subject to US federal income tax according to the rules just described on (i) certain distributions by a Lower-tier PFIC and (ii) dispositions of shares of Lower-tier PFICs, in each case, as if the US Holders held such shares directly.

A US Holder subject to the PFIC rules discussed above or below may be required to file IRS Form 8621 with respect to its investment in the Ordinary Shares where certain conditions have been met.

### 3.1.1 **Mark-to-market election**

To mitigate some of the adverse consequences of the PFIC rules discussed above, a US Holder may make an election to include gain or loss on the Ordinary Shares as ordinary income or loss under a mark-to-market method, provided that the Ordinary Shares are regularly traded on a qualified exchange. The Ordinary Shares would be treated as “regularly traded” for any calendar year in which more than a *de minimis* quantity of the Ordinary Shares were traded on a qualified exchange on at least 15 days during each calendar quarter. Application has been made to, and approval has been given subject to certain conditions by, the London Stock Exchange to list the Ordinary Shares on the London Stock Exchange, which the Company expects to be a qualified exchange.

There is no guarantee that the Ordinary Shares will be eligible for mark-to-market election treatment. If a US Holder makes an effective mark-to-market election, the US Holder will include in each year as ordinary income the excess of the fair market value of its Ordinary Shares at the end of the year over its adjusted tax basis in the Ordinary Shares. The US Holder will be entitled to deduct as an ordinary loss each year the excess of its adjusted tax basis in the Ordinary Shares over their fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A US Holder’s adjusted tax basis in the Ordinary Shares will be increased by the amount of any income inclusion and decreased by the amount of any loss deduction under the mark-to-market rules. In addition, gains from an actual sale or other taxable disposition of Ordinary Shares will be treated as ordinary income, and any losses will be treated as ordinary losses to the extent of any unreversed mark-to-market gains for prior years, with any excess treated as capital loss.

If a US Holder makes a mark-to-market election, distributions paid on the Ordinary Shares will be treated as discussed under “—3.2 Dividends” and the election will be effective for the taxable year for which the election is made and all subsequent taxable years unless the Ordinary Shares are no longer regularly traded on a qualified exchange or the IRS consents to the revocation of the election. US Holders will not be able to make a mark-to-market election with respect to Lower-tier PFICs, if any.

## 3.2 **Dividends**

Subject to the PFIC rules discussed above, distributions made by the Company on Ordinary Shares (including amounts withheld in respect of non-US income tax, if any) will generally be dividend income from foreign sources includible in the gross income of a US Holder as ordinary income to the extent of the Company’s current and accumulated earnings and profits as determined under US federal income tax principles. To the extent the amount of such distribution exceeds the Company’s current and accumulated earnings and profits as so computed, the distribution will be treated first as a non-taxable return of capital to the extent of such US Holder’s adjusted tax basis in the Ordinary Shares and, to the extent the amount of such distribution exceeds such adjusted tax basis, will be treated as gain from the sale of such Ordinary Shares. The Company does not expect to maintain calculations of earnings and profits for US federal income tax purposes. Therefore, a US Holder should expect that such distribution will generally be treated as a dividend. The dividends will not be eligible for the dividends-received deduction available to US corporations.

Dividends received by individuals and certain other non-corporate US Holders generally will not be taxed at the preferential rate applicable to qualified dividend income because of the Company’s status as a PFIC in the year of the distribution or the year preceding the distribution. If the Company is not treated as a PFIC in the year of the distribution and the year preceding the distribution, dividends received by individuals and certain other non-corporate US Holders should be taxed at the preferential rate applicable to qualified dividend income if (i) the Company qualifies for the benefits of the Treaty, which the Company believes it does and (ii) the holder has held the Ordinary Shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date. No assurance can be given that the Company will be eligible for the benefits of the Treaty.

Dividends on the Ordinary Shares generally will constitute income from sources outside the United States for foreign tax credit limitation purposes. The amount of any distribution of property other than cash will be the fair market value of the property on the date of the distribution.

Dividends paid in a currency other than US dollars (for the purposes of this section 3.2 only, a “foreign currency”) will be included in income in a US dollar amount based on the exchange rate in effect on the date of receipt of the dividend, whether or not the currency is converted into US dollars at that time. If dividends received in foreign currency are converted into US dollars on the day they are received, the US Holder generally will not be required to recognise foreign currency gain or loss in respect of the dividend income. If the dividends received in foreign currency are not converted into US dollars on the day they are received, the US Holder will have a basis in the foreign currency equal to its US dollar value on the date of receipt. Any gain or loss on a subsequent conversion or other disposition of the foreign currency generally will be treated as ordinary income or loss to such US Holder and generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

### 3.3 **Dispositions**

Subject to the PFIC rules discussed above, a US Holder generally will recognise capital gain or loss on the sale or other disposition of Ordinary Shares equal to the difference between the US dollar value of the amount realised and the US Holder’s tax basis in the Ordinary Shares. A US Holder’s tax basis in the Ordinary Shares will generally be the US dollar cost of the Ordinary Shares. The US dollar cost of an Ordinary Share purchased with foreign currency generally will be the US dollar value of the purchase price paid in the Offer. Any gain or loss generally will be treated as arising from US sources. The gain or loss will be long-term capital gain or loss if the US Holder’s holding period exceeds one year. Deductions for capital loss are subject to significant limitations.

A US Holder that receives foreign currency on the sale or other disposition of the Ordinary Shares will generally realise an amount equal to the US dollar value of the foreign currency on the date of sale or other disposition and will recognise currency gain or loss if the US dollar value of the currency received at the spot rate on the settlement date differs from the amount realised. However, in the case of Ordinary Shares traded on an “established securities market”, a cash basis or electing accrual basis taxpayer will realise an amount equal to the US dollar value of the foreign currency on the settlement date, and no exchange gain or loss will be recognised at that time. A US Holder will have a tax basis in the foreign currency received equal to its value at the spot rate on the settlement date. Any currency gain or loss realised on the settlement date or on a subsequent conversion of the foreign currency into US dollars will be US source ordinary income or loss.

### 3.4 **Non-US Holders**

A non-US Holder generally should not be subject to US federal income or withholding tax on any distributions made on the Ordinary Shares or gain from the sale, redemption or other disposition of the Ordinary Shares unless: (i) that distribution and/or gain is effectively connected with the conduct by that non-US Holder of a trade or business in the United States (and, if a treaty applies, is attributable to a permanent establishment in the United States); or (ii) in the case of any gain realised on the sale or exchange of securities by an individual non-US Holder, that non-US Holder is present in the United States for 183 days or more in the taxable year of the sale, exchange or retirement and certain other conditions are met.

### 3.5 **Information reporting and backup withholding**

Payments made through a US paying agent or US intermediary to a US Holder may be subject to information reporting unless the US Holder establishes that payments to it are exempt from these rules. Payments that are subject to information reporting may be subject to backup withholding if a US Holder does not provide its taxpayer identification number and otherwise comply with the backup withholding rules. Non-US Holders may be required to comply with applicable certification procedures to establish that they are not US Holders in order to avoid the application of such information reporting requirements and backup withholding.

Backup withholding is not an additional tax. Any amount withheld may be credited against the holder’s US federal income tax liability subject to certain rules and limitations. Prospective holders are urged to consult with their own tax advisers regarding the availability of the foreign tax credit under their particular circumstances.

US taxpayers that own certain foreign financial assets, including equity of foreign entities, with an aggregate value in excess of US\$50,000 at the end of the taxable year or US\$75,000 at any time during the taxable year (or, for certain individuals living outside the United States and married individuals filing joint returns, certain higher thresholds) may be required to file an information report with respect to such assets with their tax returns. The Ordinary Shares are expected to constitute foreign financial assets subject to these requirements unless the Ordinary Shares are held in an account at a financial institution (in which case the account may be reportable if maintained by a foreign financial institution). US Holders should consult their tax advisers regarding the application of the rules relating to foreign financial asset reporting.

#### 4. The Proposed Financial Transaction Tax

On 14 February 2013, the European Commission published a proposal (the **"Commission's Proposal"**) for a Directive for a common financial transaction tax ("**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **"participating Member States"**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Offer Shares (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Offer Shares where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional Member States may decide to participate. Prospective holders of the Offer Shares are advised to seek their own professional advice in relation to the FTT.

**THE DISCUSSION IN THIS PART XIV – "TAXATION" IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISER ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN ORDINARY SHARES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.**

---

## PART XV

### DETAILS OF THE OFFER

---

#### 1. The Offer

The Offer comprises an offer of Offer Shares to be sold by the Selling Shareholder and will be made by way of: (i) an offer of the Offer Shares to certain institutional and professional investors in the UK, South Africa and elsewhere outside the United States in reliance on Regulation S; and (ii) in the United States to persons reasonably believed to be QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. In addition, further Offer Shares, representing 10% of the total number of Offer Shares, are being made available by the Selling Shareholder pursuant to the Over-allotment Option. The final number of Offer Shares to be sold pursuant to the Offer, and the maximum number of Over-allotment Shares, will be determined following publication of this Prospectus, and published in the Price Range Supplement prior to Admission.

In South Africa, the Offer Shares will be offered to (i) selected persons falling within one of the specified categories listed in section 96(1)(a) of the South African Companies Act and (ii) selected persons, acting as principal, acquiring Ordinary Shares for a contemplated total acquisition cost of R1,000,000 or more, as contemplated in section 96(1)(b) of the South African Companies Act.

The Offer is subject to satisfaction of conditions which are customary for transactions of this type as set out in the Underwriting Agreement, including, among others, Admission occurring and becoming effective by no later than 8:00 a.m. (London) on 25 June 2018 or such later time and/or date as the Company and the Joint Global Coordinators may agree, and the Underwriting Agreement not having been terminated in accordance with its terms.

The distribution of this Prospectus and the offer and sale of the Offer Shares are subject to the restrictions set out in paragraph 15: "Selling restrictions" in this *Part XV – "Details of the Offer"*.

When admitted to trading, the Ordinary Shares will be registered with ISIN number GB00BDCXV269 and SEDOL number BDCXV26 and it is expected that the Ordinary Shares will be traded under the ticker symbol "QLT".

The JSE has granted a secondary inward listing of the Ordinary Shares in the "Asset Manager" sub-sector of the JSE List under the abbreviated name Quilter, Alpha code QLT and ISIN GB00BDCXV269 subject to the fulfilment of certain conditions (including the Company having satisfied the requirements of the JSE Listings Requirements regarding the spread of shareholders, on the South African branch share register, being public shareholders holding not less than 20% of the issued ordinary share capital of the Company at the point of listing on the JSE).

The Offer Shares will, on and from Admission, rank equally in all respects with the Ordinary Shares in issue, including for all dividends and other distributions thereafter declared, made or paid on the share capital of the Company. The Offer Shares will, immediately on and from Admission, be freely transferable, subject to the Articles. The rights attaching to the Offer Shares, and any Over-allotment Shares sold pursuant to the Over-allotment Option, will be uniform in all respects and they will form a single class for all purposes. Save as described in this *Part XV – "Details of the Offer"*, there are no other terms and conditions of the Offer. There are no convertibility or redemption provisions relating to the Offer Shares. The Company, the Directors, the Selling Shareholder and the Joint Global Coordinators reserve the right to determine the aggregate number of Ordinary Shares sold under the Offer.

#### 2. Managed Separation

In March 2016, the board of Old Mutual plc announced that the long-term interests of Old Mutual plc shareholders and other stakeholders would be best served by separating the four businesses then owned by the Old Mutual plc group from each other so that they could operate as fully independent businesses. This was described as a "Managed Separation". For further information on the Managed Separation, see *Part XVI – "Managed Separation"*.

#### 3. Reasons for the Offer

The directors of the Selling Shareholder believe that the Offer, which is expected to be carried out at the same time as the Quilter Separation, will support the development of an active and liquid market in the Ordinary Shares on the London Stock Exchange and broaden the investor base of Quilter by allowing new investors to participate in the listing of Quilter. The net proceeds of the Offer will be retained by Old Mutual Limited and its subsidiaries and subsidiary undertakings from time to time (the "**Old Mutual Limited Group**") and will further strengthen its capital position.

In certain circumstances, the Selling Shareholder may proceed with the Quilter Separation but decide not to proceed with the Offer or choose to proceed with an Offer of only some of the Offer Shares. If the Selling Shareholder chooses not to proceed with the Offer, the Selling Shareholder (which will ultimately become a subsidiary of Old Mutual Limited) will retain up to 9.6% of the Ordinary Shares in issue at 8:00 a.m. on the date of Admission, representing 10.0% of

Old Mutual plc's interests in Ordinary Shares immediately prior to the effective time of the scheme of arrangement to effect the Quilter Separation, and then the Selling Shareholder may seek to sell those retained Ordinary Shares as soon as reasonably practicable having regard to market conditions. See Part XVII – "Additional Information—6. Directors' and Senior Managers' interests in the Company".

#### 4. Pricing

The Price Range Supplement, which will contain the Price Range, the minimum and maximum number of Offer Shares to be sold pursuant to the Offer, and the maximum number of Over-allotment Shares, is expected to be published on or about 11 June 2018 in printed form and, on publication, will be available free of charge at the Company's registered office at Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ. The final Offer Price, the final number of Offer Shares and the final maximum number of Over-allotment Shares will be determined by the Selling Shareholder in consultation with the Joint Global Coordinators and the Company and is expected to be announced on or about 25 June 2018.

A number of factors will be considered in deciding the final Offer Price and the number of Ordinary Shares to be sold in the Offer, including the level and the nature of the demand for the Offer Shares during the bookbuilding process, the prevailing market conditions and the objective of establishing an orderly and liquid after-market in the Ordinary Shares. The Offer Price will be established at a level determined in accordance with these arrangements, taking into account indications of interest received (whether before or after the times and/or dates stated) from potential investors in the Offer. The Company, the Directors, the Selling Shareholder and the Joint Global Coordinators reserve the right to determine the aggregate number of Ordinary Shares sold under the Offer. If the Price Range announced in the Price Range Supplement changes prior to the announcement of the final Offer Price, the revised Price Range will be announced and advertised as soon as possible and the Company will publish an additional supplementary prospectus.

The Joint Bookrunners will solicit from prospective investors indications of interest in acquiring Ordinary Shares under the Offer. Prospective investors will be required to specify the number of Ordinary Shares which they would be prepared to acquire either at specified prices or at the Offer Price (as finally determined). Subject to the Company and the Selling Shareholder determining allocations, there is no minimum or maximum number of Ordinary Shares which can be applied for.

#### 5. Dealing arrangements

Application will be made to the FCA for all of the Ordinary Shares to be admitted to the premium listing segment of the Official List, to the London Stock Exchange for the Ordinary Shares to be admitted to trading on its main market for listed securities and to the JSE for the secondary inward listing of the Ordinary Shares on its Main Board. It is expected that Admission will become effective and that unconditional dealings in the Ordinary Shares will commence on the London Stock Exchange at 8:00 a.m. (London) and 9:00 a.m. (South Africa) on 25 June 2018. There will be no period of conditional dealings. Settlement of dealings in connection with the Offer will be on a two-trading day basis.

The above mentioned dates and times may be changed without further notice.

Each investor will be required to undertake to pay the Offer Price for the Offer Shares sold to such investor in such manner as shall be directed by the Joint Global Coordinators. It is expected that the final pricing and other related information will be made available by the Company at 8:00 a.m. (London)/9:00 a.m. (South Africa) on 25 June 2018.

It is intended that, where applicable, definitive share certificates in respect of the Offer Shares will be despatched on the week commencing 25 June 2018 or as soon thereafter as is practicable. Temporary documents of title will not be issued. Dealings in advance of crediting of the relevant CREST stock account(s) shall be at the sole risk of the persons concerned.

#### 6. Admission and dealings in South Africa

Applications will be made to the JSE for admission of the Offer Shares to the Main Board of the JSE and it is expected that Admission will become effective and that unconditional dealings in the Offer Shares will commence on the JSE at 9:00 a.m. (South Africa) on 25 June 2018. The Offer Shares issued and traded on the JSE will be denominated in ZAR. The Offer Shares will be fully transferable between the Company's UK share register and South African branch share register.

The Offer Shares to be sold in South Africa will be sold in dematerialised form only. Shares may only be traded on the exchange operated by the JSE in electronic form as dematerialised shares and will trade for electronic settlement in terms of the Strate system immediately following the Admission.

## 7. **Stabilisation and Over-allotment Option**

In connection with the Offer the Stabilising Manager, or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot Ordinary Shares or effect other transactions with a view to supporting the market price of the Ordinary Shares at a higher level than that which might otherwise prevail in the open market. The Stabilising Manager is not required to enter into such transactions and such transactions may be effected on any securities market, over-the-counter market, stock exchange or otherwise and may be undertaken at any time during the period commencing on the date of the commencement of conditional dealings of the Ordinary Shares on the London Stock Exchange and ending no later than the 30th calendar day thereafter. However, there will be no obligation on the Stabilising Manager or any of its agents to effect stabilising transactions and there is no assurance that stabilising transactions will be undertaken. Such stabilisation, if commenced, may be discontinued at any time without prior notice. In no event will measures be taken to stabilise the market price of the Ordinary Shares above the Offer Price. Except as required by law or regulation, neither the Stabilising Manager nor any of its agents intends to disclose the extent of any over allotments made and/or stabilisation transactions conducted in relation to the Offer.

In connection with the Offer, the Stabilising Manager may, for stabilisation purposes, over-allot Ordinary Shares up to a maximum of 10% of the total number of Ordinary Shares comprised in the Offer. For the purposes of allowing the Stabilising Manager to cover short positions resulting from any such over-allotments and/or from sales of Ordinary Shares effected by it during the stabilising period, the Selling Shareholder has granted the Stabilising Manager an Over-allotment Option pursuant to which the Stabilising Manager may purchase or procure purchasers for additional Ordinary Shares up to a maximum of 10% of the total number of Ordinary Shares comprised in the Offer at the Offer Price. The Over-allotment Option will be exercisable in whole or in part, upon notice by the Stabilising Manager, at any time on or before the 30th calendar day after the commencement of conditional dealings of the Ordinary Shares on the London Stock Exchange and the JSE. Any Over-allotment Shares made available pursuant to the Over-allotment Option will rank *pari passu* in all respects with the Ordinary Shares, including for all dividends and other distributions declared, made or paid on the Ordinary Shares, will be purchased on the same terms and conditions as the Ordinary Shares being sold in the Offer and will form a single class for all purposes with the other Ordinary Shares.

## 8. **CREST**

CREST is a paperless settlement system enabling securities to be transferred from one person's CREST account to another's without the need to use share certificates or written instruments of transfer. The Company has applied for the Ordinary Shares to be admitted to CREST with effect from Admission and, also with effect from Admission, the Articles will permit the holding of Ordinary Shares under the CREST system. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if any shareholder so wishes. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

## 9. **Strate and trading of Ordinary Shares on the JSE**

Ordinary Shares may be traded only on the JSE in electronic form (as dematerialised shares) and will be trading for electronic settlement in terms of Strate immediately following the listing.

Strate is a system of "paperless" transfer of securities. If you have any doubt as to the mechanics of Strate, please consult your broker, CSDP or other appropriate adviser and you are referred to the Strate website ([www.strate.co.za](http://www.strate.co.za)) for more detailed information.

Some of the principal features of Strate are:

- electronic records of ownership replace certificates and physical delivery of certificates;
- trades executed on the JSE must be settled within three business days;
- all investors owning dematerialised shares or wishing to trade their securities on the JSE are required to appoint either a broker or a CSDP to act on their behalf and to handle their settlement requirements; and
- unless investors owning dematerialised shares specifically request their CSDP to register them as an "own-name" dematerialised shareholder (which entails a fee), their respective CSDP's or broker's nominee company holding ordinary shares on their behalf, will be the holder (member) of the relevant company and not the investor. Subject to the agreement between the investor and the CSDP or broker (or the CSDP's or broker's nominee company), generally in terms of the rules of Strate, the investor is entitled to instruct the CSDP or broker (or the CSDP's or broker's nominee company), as to how it wishes to exercise the rights attaching to the ordinary shares and/or to attend and vote at shareholder meetings.

## 10. **South African Exchange Control**

Exchange controls are imposed on South African residents in terms of the Exchange Control Regulations. FinSurv is responsible for the day-to day administration of the exchange controls. FinSurv has a wide discretion which discretion is, however, not exercised arbitrarily but is based upon a set of norms, and is subject to the policy guidelines laid down by the Minister of Finance, Director General Finance, and SARB. From time to time, FinSurv issues "rulings" and circulars to provide further guidelines regarding the implementation of exchange controls. The Exchange Control Regulations,

Currencies and Exchanges Manual for Authorised Dealers ("**Authorised Dealer Manual**") and circulars are collectively referred to as "**Excon Rules**" for purpose of this document.

Certain South African banks have been appointed to act as authorised dealers (as defined by the Excon Rules) ("**Authorised Dealers**") in foreign exchange. Authorised Dealers may buy and sell foreign exchange, subject to conditions and within limits prescribed by FinSurv.

The Authorised Dealers are also required to assist FinSurv in administering the Excon Rules. All applications to the FinSurv are required to be made through an Authorised Dealer. The Authorised Dealer Manual, issued by FinSurv, set out the conditions, permissions and limits applicable to the transaction in foreign exchange which may be undertaken by Authorised Dealers, as well as details of related administrative responsibilities.

South Africa's Excon Rules provide for restrictions on exporting capital from the Common Monetary Area. Transactions between residents of the Common Monetary Area, on the one hand, including corporations, and persons whose normal place of residence, domicile or registration is outside of the Common Monetary Area ("**non-residents**"), on the other hand, are subject to these Exchange Control Regulations.

Currency and shares are not freely transferable from South Africa to any jurisdiction outside the geographical borders of South Africa or jurisdictions outside of the Common Monetary Area. These transfers must comply with the Excon Rules as described below.

FinSurv has approved the secondary inward listing of the Company on the Main Board of the JSE, and classified the inward listed Ordinary Shares as "domestic" for exchange control purposes.

In terms of FinSurv's approval, South African shareholders in the Company must hold/trade their shares on the JSE in accordance with the provisions of the Excon Rules.

All dividends and any other distributions declared and paid by the Company to South African shareholders must be remitted to South Africa in terms of the requirements of regulation 6 of the Exchange Control Regulations and any requests to issue Ordinary Shares and/or securities to South African shareholders *in lieu* of a cash dividend will be subject to the prior approval of FinSurv. Any (i) utilisation of Ordinary Shares and/or securities as acquisition currency in the purchase of CMA assets and (ii) participation by holders of Ordinary Shares registered as such on the South African register in any future capital raising undertaken by the Company by means of a new issue, rights offer or similar transaction, will be subject to the prior approval of FinSurv.

In line with the approval obtained from the FinSurv, the Ordinary Shares listed on the JSE will only be allotted and issued to the applicants on listing date of the Ordinary Shares on the JSE. The subscription for Ordinary Shares listed on the JSE and the trade in Ordinary Shares listed on the JSE may only be done in terms of the Excon Rules.

Set out below is a summary of the Excon Rules relating to the subscription for Ordinary Shares listed on the JSE and the trade in Ordinary Shares listed on the JSE in South Africa.

This summary of the Excon Rules is intended as a guide only and is therefore not comprehensive. If you are in any doubt you should consult an appropriate professional adviser immediately.

#### 10.1 **South African Private Individuals**

South African resident investors may trade in the Ordinary Shares listed on the JSE without having recourse to their foreign portfolio allowances.

A South African private individual need not take any additional administrative actions and can instruct its broker to accept, buy and sell Ordinary Shares listed on the JSE on its behalf as it would with any other listed security on the JSE. Such Ordinary Shares listed on the JSE are on the South African branch share register and are Rand-denominated.

#### 10.2 **South African Institutional Investors**

As announced by the Minister of Finance in the 2011 Medium-Term Budget Policy Statement, all inward listed shares on the JSE traded and settled in Rand are now classified as domestic for the purposes of exchange control. Accordingly, South African retirement funds, long-term insurers, collective investment scheme management companies and asset managers who have registered with FinSurv as institutional investors for exchange control purposes and Authorised Dealers approved as such by SARB may now invest in such shares without affecting their permissible foreign portfolio investment allowances or foreign exposure limits.

South African institutional investors may therefore subscribe for Ordinary Shares listed on the JSE or acquire Ordinary Shares listed on the JSE without affecting their foreign portfolio investment allowances or foreign exposure limits.



### 10.3 **Member Brokers of the JSE**

The Excon Rules provide for a special dispensation to local brokers to facilitate the trading in inward listed shares. South African brokers are now allowed, as a book-building exercise, to purchase Ordinary Shares offshore and to transfer the Ordinary Shares to the South African branch share register. This special dispensation is confined to inward listed shares and brokers may warehouse such shares for a maximum period of thirty days only.

### 10.4 **South African Corporate Entities, Banks, Trusts and Partnerships**

South African corporate entities, banks, trusts and partnerships may subscribe for Ordinary Shares listed on the JSE or acquire Ordinary Shares listed on the JSE without restriction.

### 10.5 **Non-Residents of the Common Monetary Area**

Non-residents of the common monetary area may subscribe for Ordinary Shares listed on the JSE or acquire Ordinary Shares listed on the JSE, provided that payment is received in foreign currency or Rand from a non-resident account.

All payments in respect of subscriptions for or purchase of Ordinary Shares listed on the JSE by non-residents must be made through an Authorised Dealer. Such non-residents should seek advice as to whether any governmental and/or other legal consent is required and/or whether any other formality must be observed to enable an application to be made in response to the Offer.

Share certificates issued in respect of Ordinary Shares listed on the JSE purchased by non-residents will be endorsed "non-resident" in accordance with the Excon Rules. Holders of Dematerialised Ordinary Shares will have their statements endorsed "non-resident" and their accounts at their CSDP or broker annotated accordingly.

Provided that the relevant share certificate is endorsed "non-resident" or the relevant account of the Shareholder's CSDP or broker is annotated accordingly, there is no restriction under the Excon Rules on the payment to a non-resident Shareholder of cash dividends from the distributable profits of the Group in proportion to the Shareholder's percentage holding of Ordinary Shares. Payment to non-resident Shareholders of other dividends and distributions (including special dividends, dividends in specie and capitalisation issues) require the consent of FinSurv.

Cash dividends and any proceeds from the sale of Ordinary Shares listed on the JSE by non-resident Shareholders may be freely transferred out of South Africa, subject to being converted into a currency other than Rand or paid for the credit of a non-resident Rand account.

Non-residents may sell Ordinary Shares listed on the JSE on the market and repatriate the proceeds without restriction.

Former residents of the common monetary area who have emigrated may use emigrant blocked funds to subscribe for Ordinary Shares listed on the JSE or acquire the Ordinary Shares listed on the JSE on the market. The Ordinary Shares listed on the JSE will be credited to their blocked share accounts at the CSDP controlling their blocked portfolios. The sale proceeds derived from the sale of the Ordinary Shares listed on the JSE will be transferred to the Authorised Dealer in foreign exchange controlling the emigrants' blocked assets for credit to the emigrants' blocked account.

### 10.6 **Movement of Ordinary Shares between Registers**

Ordinary Shares are fully fungible and may be transferred between registers, subject to investors obtaining necessary exchange control approvals where necessary.

South African resident investors may only acquire Ordinary Shares, via the JSE, that are already on the South African branch share register maintained by Link Market Services, the Company's transfer secretaries (the "**South African Transfer Secretaries**").

Member brokers of the JSE may acquire ordinary shares on foreign exchanges and transfer ordinary shares to the South African branch share register as described in paragraph 10.3 above.

Non-residents are not subject to Exchange Control Regulations and may freely transfer ordinary shares between branch registers.

## 11. **Underwriting arrangements**

The Company, the Directors, the Selling Shareholder, the Underwriters and the Sponsors have entered into the Underwriting Agreement pursuant to which, on the terms and subject to certain conditions contained therein (which are customary in agreements of this nature), the Underwriters have severally agreed to use their reasonable endeavours to procure purchasers for the Offer Shares, failing which the Underwriters will purchase such Offer Shares themselves.

The Underwriting Agreement contains provisions which entitle the Joint Global Coordinators (acting on behalf of the Underwriters) to terminate the Offer (and the arrangements associated with it) at any time prior to Admission in certain circumstances. If this right is exercised, the Offer and the arrangements relating to the Offer will lapse. The Offer is conditional upon, among other things, Admission occurring not later than 8:00 a.m. (London) on 25 June 2018 (or such later date and time as the Joint Global Coordinators and the Company may agree) and the Underwriting Agreement becoming unconditional in all respects and not having been terminated in accordance with its terms. Certain conditions contained in the Underwriting Agreement are related to events which are outside the control of the Company, the Directors, the Selling Shareholder and the Underwriters.

The Underwriting Agreement provides for the Underwriters to be paid a commission in respect of the Offer Shares sold. Any commissions received by the Underwriters may be retained and any Offer Shares acquired by them may be retained or dealt in, by them, for their own benefit.

All Offer Shares sold pursuant to the Offer will be sold at the Offer Price. Further details of liability for UK stamp duty and SDRT are set out in *Part XIV – “Taxation”* of this Prospectus. Further details of the terms of the Underwriting Agreement are set out in *Part XVII – “Additional Information—14. Material contracts—14.1 Underwriting Agreement”* of this Prospectus.

## 12. Stock Lending Arrangements

In connection with settlement and stabilisation, Merrill Lynch International and/or Merrill Lynch South Africa (Pty) Limited, as the context requires, as Stabilising Manager, and the Selling Shareholder, have entered into a stock lending agreement (the “**Stock Lending Agreement**”). Pursuant to this agreement, the Stabilising Manager will be able to borrow from the Selling Shareholder up to a maximum of 10% of the total number of Offer Shares for the purposes, amongst other things, of allowing the Stabilising Manager to settle, on Admission, over-allotments, if any, made in connection with the Offer. If the Stabilising Manager borrows any Ordinary Shares pursuant to the Stock Lending Agreement, it will be required to return equivalent securities to the Selling Shareholder in accordance with the terms of the Stock Lending Agreement.

## 13. Lock-up arrangements and exceptions

### 13.1 Lock-up in relation to the Company

Pursuant to the Underwriting Agreement, the Company has entered into certain lock-up arrangements pursuant to which it has agreed that, subject to the exceptions described below, during the period from the date of this Prospectus until 180 days after the date of Admission, it will not, without the prior written consent of the Joint Global Coordinators (on behalf of themselves and the other Underwriters), directly or indirectly, offer, issue, lend, mortgage, assign, charge, pledge, sell, contract to sell or issue or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Ordinary Shares (or any interest therein or in respect thereof) or any other securities exercisable or exchangeable for or convertible into, or substantially similar to, Ordinary Shares or enter into any transaction with the same economic effect as, or agree to do, any of the foregoing.

The restrictions described in the preceding paragraph shall not apply in respect of Ordinary Shares issued under or in connection with the employee share plans described at *Part XVII – “Additional Information”* of this Prospectus or in connection with Ordinary Shares held by Nedgroup Trust Limited as the trustee of the Group’s joint share ownership plan (the “**JSOP Trustee**”).

### 13.2 Lock-up in relation to Directors

Pursuant to the Underwriting Agreement, each of the Directors has entered into certain lock-up arrangements pursuant to which he or she has agreed that, subject to the exceptions described below, during the period from the date of this Prospectus until 365 days from the date of Admission he or she will not, without the prior written consent of the Joint Global Coordinators (on behalf of themselves and the other Underwriters), directly or indirectly, offer, sell, contract to sell, grant or sell options over, purchase any option or contract to sell, transfer, charge, pledge, grant any right or warrant to purchase or otherwise transfer, lend or dispose of, directly or indirectly, any Ordinary Shares or any securities convertible into or exercisable or exchangeable for Ordinary Shares or enter into any transaction with the same economic effect as, or agree to do, any of the foregoing.

The restrictions described in the preceding paragraph shall not prohibit a Director from:

- (a) acquiring Ordinary Shares from the Selling Shareholder pursuant to a share purchase agreement between the Selling Shareholder, certain of the Non-Executive Directors and certain non-executive directors of the Selling Shareholder dated 19 April 2018 (the “**NED Share Purchase Agreement**”), pursuant to which such Non-Executive Directors and non-executive directors of the Selling Shareholder have conditionally agreed to purchase £1,423,000 of Ordinary Shares in aggregate (the “**NED Shares**”) from the Selling Shareholder at the Offer Price (the “**NED Share Purchase**”);

- (b) accepting a general offer made to all holders of Ordinary Shares in accordance with the City Code on Takeovers and Mergers (the “**City Code**”) on terms which treat all such holders alike (including the execution of an irrevocable commitment or undertaking to accept such general offer);
- (c) effecting a transfer or disposal pursuant to a compromise or arrangement between the Company and its creditors (or any class of them) which is agreed to by the creditors or members in accordance with applicable law;
- (d) selling or otherwise disposing of Ordinary Shares pursuant to any offer by the Company to purchase its own Ordinary Shares which is made on identical terms to all holders of Ordinary Shares;
- (e) taking up Ordinary Shares or other rights and disposing of any rights granted in respect of a rights-issue or other pre-emptive share offering by the Company; or
- (f) subject to the relevant transferee first agreeing to adhere to restrictions set out in the Underwriting Agreement in respect of the Ordinary Shares, effecting a transfer for bona fide purposes of Ordinary Shares to any connected person (within the meaning of section 252 of the Companies Act 2006) of the relevant Director or to a trust whose beneficiaries comprise such connected persons.

#### 14. Conditionality of the Offer

The Offer is subject to the satisfaction of conditions which are customary for transactions of this type contained in the Underwriting Agreement, including Admission becoming effective by no later than 8:00 a.m. (London) on 25 June 2018, determination of the final Offer Price, and the Underwriting Agreement not having been terminated prior to Admission. See Part XVII – “Additional Information— 14. Material contracts— 14.1 Underwriting Agreement” of this Prospectus for further details about the underwriting arrangements.

The Selling Shareholder and the Company expressly reserve the right to determine, at any time prior to Admission, not to proceed with the Offer. If such right is exercised, the Offer (and the arrangements associated with it) will lapse and any monies received in respect of the Offer will be returned to applicants without interest.

#### 15. Allocations under the Offer

Allocations under the Offer will be determined between the Selling Shareholder and the Company, following consultation with the Joint Global Coordinators (on behalf of themselves and the other Banks). A number of factors will be considered in determining the basis of allocation, including the level and nature of demand for Ordinary Shares in the Offer and the objective of encouraging an orderly and liquid after-market in the Ordinary Shares.

#### 16. Selling restrictions

The distribution of this document and the offer of Ordinary Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any restrictions, including those set out in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Ordinary Shares, or possession or distribution of this document or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, the Ordinary Shares may not be offered or sold, directly or indirectly, and neither this document nor any other offering material or advertisement in connection with the Ordinary Shares may be distributed or published in or from any country or jurisdiction except in circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this document comes should inform themselves about and observe any restrictions on the distribution of this document and the offer of Ordinary Shares contained in this document. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This document does not constitute an offer to subscribe for or purchase any of the Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer of solicitation in such jurisdiction.

## 16.1 **EEA**

In relation to each Relevant Member State no Ordinary Shares have been offered or will be offered pursuant to the Offer to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Ordinary Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that offers of Ordinary Shares may be made to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they are implemented in that Relevant Member State:

- (a) to any legal entity which is a qualified investor as defined under the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than Qualified Investors) subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Ordinary Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State and each person who initially acquires any Ordinary Shares or to whom any offer is made will be deemed to have represented, acknowledged and agreed with the Banks, the Selling Shareholder and the Company that it is a qualified investor within the meaning of the law of the Relevant Member State implementing Article 2(1) of the Prospectus Directive or any measure implementing the Prospectus Directive in any Relevant Member State.

For the purposes of this provision, the expression an “offer to the public” in relation to any Ordinary Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Ordinary Shares to be offered so as to enable an investor to decide to subscribe for or purchase any Ordinary Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State.

In the case of any Ordinary Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Ordinary Shares acquired by it in the Offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any Ordinary Shares to the public other than their offer or resale in a Relevant Member State to Qualified Investors or in circumstances in which the prior consent of the Joint Global Coordinators has been obtained to each such proposed offer or resale. The Company, the Selling Shareholder, the Banks and their affiliates, and others will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements. Notwithstanding the above, a person who is not a qualified investor and who has notified the Banks of such fact in writing may, with the prior consent of the Joint Global Coordinators, be permitted to acquire Ordinary Shares in the Offer.

## 16.2 **United States of America**

The Ordinary Shares have not been and will not be registered under the US Securities Act or under any applicable securities laws or regulations of any state of the United States and, subject to certain exceptions, may not be offered or sold within the United States except to persons reasonably believed to be QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. The Ordinary Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S.

In addition, until 40 days after the commencement of the Offer of the Ordinary Shares, an offer or sale of Ordinary Shares within the United States by any dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the US Securities Act.

The Underwriting Agreement provides that the Underwriters may directly or through their respective US broker-dealer affiliates arrange for the offer and resale of Ordinary Shares within the United States only to QIBs in reliance on Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the US Securities Act.

Each acquirer of Ordinary Shares within the United States, by accepting delivery of this document, will be deemed to have represented, agreed and acknowledged that it has received a copy of this document and such other information as it deems necessary to make an investment decision and that:

- (a) it is (i) a QIB within the meaning of Rule 144A, (ii) acquiring the Ordinary Shares for its own account or for the account of one or more QIBs with respect to whom it has the authority to make, and does make, the representations and warranties set forth herein, (iii) acquiring the Ordinary Shares for investment purposes, and not with a view to further distribution of such Ordinary Shares, and (iv) aware, and each beneficial

owner of the Ordinary Shares has been advised, that the sale of the Ordinary Shares to it is being made in reliance on Rule 144A or in reliance on another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act;

- (b) it understands that the Ordinary Shares are being offered and sold in the United States only in a transaction not involving any public offering within the meaning of the US Securities Act and that the Ordinary Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, pledged or otherwise transferred except (i) to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act, (ii) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, (iii) pursuant to an exemption from registration under the US Securities Act provided by Rule 144 thereunder (if available) or (iv) pursuant to an effective registration statement under the US Securities Act, in each case in accordance with any applicable securities laws of any state of the United States. It further (A) understands that the Ordinary Shares may not be deposited into any unrestricted depositary receipt facility in respect of the Ordinary Shares established or maintained by a depositary bank, (B) acknowledges that the Ordinary Shares (whether in physical certificated form or in uncertificated form held in CREST) are "restricted securities" within the meaning of Rule 144(a)(3) under the US Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 for resales of the Ordinary Shares and (C) understands that the Company may not recognise any offer, sale, resale, pledge or other transfer of the Ordinary Shares made other than in compliance with the abovementioned restrictions;
- (c) it understands that the Ordinary Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

**THE ORDINARY SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "US SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON THAT THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE US SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE US SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE US SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE US SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE US SECURITIES ACT FOR REALES OF THE ORDINARY SHARES. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE ORDINARY SHARES REPRESENTED HEREBY MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE ORDINARY SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK. EACH HOLDER, BY ITS ACCEPTANCE OF ORDINARY SHARES, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS;** and

- (d) it represents that if, in the future, it offers, resells, pledges or otherwise transfers such Ordinary Shares while they remain "restricted securities" within the meaning of Rule 144, it shall notify such subsequent transferee of the restrictions set out above.

The Company, the Banks and their affiliates and others will rely on the truth and accuracy of the foregoing acknowledgements, representations and agreements.

### 16.3 **Australia**

This document (i) does not constitute a prospectus or a product disclosure statement under the Corporations Act 2001 of the Commonwealth of Australia ("**Corporations Act**"); (ii) does not purport to include the information required of a prospectus under Part 6D.2 of the Corporations Act or a product disclosure statement under Part 7.9 of the Corporations Act; (iii) has not been, nor will it be, lodged as a disclosure document with the Australian Securities and Investments Commission ("**ASIC**"), the Australian Securities Exchange operated by ASX Limited or any other regulatory body or agency in Australia and (iv) may not be provided in Australia other than to select investors ("**Exempt Investors**") who are able to demonstrate that they (A) fall within one or more of the categories of investors under section 708 of the Corporations Act to whom an offer may be made without disclosure under Part 6D.2 of the Corporations Act and (B) are "wholesale clients" for the purpose of section 761G of the Corporations Act.

The Ordinary Shares may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for, or buy, the Ordinary Shares may be issued, and no draft or definitive offering memorandum, advertisement or other offering material relating to any Ordinary Shares may be distributed, received or published in Australia, except where disclosure to investors is not required under Chapters 6D and 7 of the Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the Ordinary Shares, each subscriber or purchaser of Ordinary Shares represents and warrants to the Company, the Selling Shareholder, the Banks and their affiliates that such subscriber or purchaser is an Exempt Investor.

As any offer of Ordinary Shares under this document, any supplement or the accompanying prospectus or other document will be made without disclosure in Australia under Parts 6D.2 and 7.9 of the Corporations Act, the offer of those Ordinary Shares for resale in Australia within 12 months may, under the Corporations Act, require disclosure to investors if none of the exemptions in the Corporations Act applies to that resale. By applying for the Ordinary Shares each subscriber or purchaser of Ordinary Shares undertakes to the Company, the Selling Shareholder, the Banks that such subscriber or purchaser will not, for a period of 12 months from the date of issue or purchase of the Ordinary Shares, offer, transfer, assign or otherwise alienate those Ordinary Shares to investors in Australia except in circumstances where disclosure to investors is not required under the Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

#### 16.4 **Canada**

The offer and sale of the Ordinary Shares in Canada will only be made in the Relevant Provinces or to residents thereof and not in, or to the residents of, any other Province or Territory of Canada. Such offers and sales will be made only pursuant to a Canadian Offering Memorandum consisting of this prospectus accompanied by a Canadian supplement.

The Offer Shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Offer Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering circular (including any amendment thereto) contain a misrepresentation, provided that the remedies of rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal adviser.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this Offering.

#### 16.5 **Japan**

The Ordinary Shares have not been and will not be registered under the Financial Instruments and Exchange Law, as amended ("**FIEL**"). This document is not an offer of securities for sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or entity organised under the laws of Japan) or to others for reoffer or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements under FIEL and otherwise in compliance with such law and any other applicable laws, regulations and ministerial guidelines of Japan.

#### 16.6 **DIFC**

This offering circular relates to an Exempt Offer in accordance with the Offered Securities Rules of the DFSA. This offering circular is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this offering circular nor taken steps to verify the information set forth herein and has no responsibility for the offering circular. The Offer Shares to which this offering circular relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Offer Shares offered should conduct their own due diligence on the Offer Shares. If you do not understand the contents of this offering circular you should consult an authorised financial adviser.

## 16.7 **Switzerland**

The Offer Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("**SIX**") or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Offer Shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, the Issuer, the Offer Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of Offer Shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA ("**FINMA**"), and the offer of Offer Shares has not been and will not be authorised under the Swiss Federal Act on Collective Investment Schemes ("**CISA**"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Offer Shares.

## 16.8 **South Africa**

In South Africa, the Offer will only be made by way of private placement to, and be capable of acceptance by, (i) persons falling within the exemptions set out in section 96(1)(a) and/or (ii) selected persons, acting as principal, acquiring Ordinary Shares for a contemplated total acquisition cost of R1,000,000 or more, as envisaged in section 96(1)(b), of the South African Companies Act, 2008 ("**South African Companies Act**") and to whom the Offer will specifically be addressed ("**South African Qualifying Investors**") and this Prospectus is only being made available to such South African Qualifying Investors. The Offer and the Prospectus do not constitute an offer for the sale of or subscription for, or the solicitation of an offer to buy and to subscribe for, Ordinary Shares to the public as defined in the South African Companies Act and will not be made or distributed, as applicable, to any person in South Africa in any manner which could be construed as an offer to the public in terms of the South African Companies Act. Should any person who is not a South African Qualifying Investor receive this Prospectus, they should not and will not be entitled to acquire any Offer Shares or otherwise act thereon. This Prospectus does not, nor is it intended to, constitute a prospectus prepared and registered under the South African Companies Act or an advertisement in terms of Section 98 of the South African Companies Act. Accordingly, the Prospectus does not comply with the substance and form requirements for prospectuses or advertisements set out in the South African Companies Act and the South African Companies Regulations of 2011 and has not been approved by, and/or registered with, the South African Companies and Intellectual Property Commission, or any other South African authority. The JSE Limited has approved the document.

The information contained in this Prospectus constitutes factual information as contemplated in section 1(3)(a) of the FAIS Act and should not be construed as an express or implied recommendation, guidance or proposal that any particular transaction in respect of the Offer Shares is appropriate to the particular investment objectives, financial situations or needs of a prospective investor, and nothing in this Prospectus should be construed as constituting the canvassing for, or marketing or advertising of, financial services in South Africa.

---

## PART XVI

### MANAGED SEPARATION

---

#### 1. Introduction

In March 2016, the board of Old Mutual plc announced that the long-term interests of Old Mutual plc shareholders and other stakeholders would be best served by separating the four businesses then owned by the Old Mutual plc group from each other so that they could operate as fully independent businesses. This was described as a “Managed Separation”.

In June 2016, Old Mutual plc announced that it intended to execute the Managed Separation by means of one or more transactions, which would deliver two separate entities, listed on both the London Stock Exchange and the Johannesburg Stock Exchange, into the hands of Old Mutual plc shareholders. One entity, Quilter, would consist principally of Old Mutual plc’s UK wealth management operations and would be domiciled and have its primary listing in the UK. The other entity would consist principally of the Old Mutual plc group’s emerging markets operations through the creation of a new South African holding company, Old Mutual Limited. Old Mutual Limited would be domiciled and have its primary listing in South Africa and, following a reorganisation of the Old Mutual plc group, Old Mutual plc would delist and become a wholly-owned subsidiary of Old Mutual Limited.

The background to and reasons for the Managed Separation, and the progress that has been made toward full Managed Separation have been described in a circular that has been published by Old Mutual plc on the same date as this document (the “**Old Mutual plc Circular**”). In summary, the board of directors of Old Mutual plc determined that the Old Mutual plc group had four strong businesses, each of which had good prospects and was capable of operating independently of the Old Mutual plc group, but also that there was a lack of strategic logic for holding the businesses together, nor any material synergies between them. Instead, the Old Mutual plc group’s structure was restricting the prospects of the four businesses and preventing Old Mutual plc shareholders from benefitting from the full value of the underlying businesses because:

- it prevented the Old Mutual plc shareholders from directly accessing and being aligned to the underlying businesses, thus contributing towards a conglomerate discount;
- it inhibited the efficient funding of future growth plans for the individual businesses, restricting them from realising their full potential;
- it imposed additional complexity and constraints on the business, due to the evolving regulatory environment in Europe and South Africa; and
- it added incremental cost, due to head office costs, which exceeded the limited tangible synergies between the four businesses.

#### 2. Proposed finalisation of the Managed Separation

##### 2.1 *Overview of proposals to finalise the Managed Separation*

Old Mutual plc has now proposed that the Managed Separation be finalised in three principal steps, as follows:

- The first step, which is the only step that is relevant to the Company, involves the distribution of 86.6% of the total issued Ordinary Shares (representing 90.0% of the Ordinary Shares held by Old Mutual plc immediately prior to such distribution) to the Old Mutual plc shareholders, followed by the expected divestment of up to 9.6% of the total issued Ordinary Shares (representing 10.0% of the Ordinary Shares held by Old Mutual plc immediately prior to the distribution to Old Mutual plc shareholders) pursuant to the Offer, the Over-allotment Option and the NED Share Purchase. The remaining 3.8% of the total issued share capital of the Company will be held by the JSOP Trustee, on behalf of certain management and staff of the Company after such distribution. The Quilter Separation will be facilitated by a court sanctioned process known as a scheme of arrangement.
- The second step, which takes place on the day after the first and is not relevant to the Company, involves the listing of Old Mutual Limited in order to establish the domicile and primary listing venue of the group in South Africa. Immediately prior to the listing, Old Mutual Limited, which is a South African domiciled and regulated entity, will become the holding company of Old Mutual plc. Old Mutual plc will become a subsidiary of Old Mutual Limited, alongside the operating businesses.



- The third step, also not relevant to the Company, is the proposed unbundling of a portion of the Old Mutual Limited Group's interest in Nedbank Group Limited ("**Nedbank**") to Old Mutual Limited shareholders approximately six months after the implementation of the first two steps, whereby the Old Mutual Limited Group intends, subject to certain conditions (set out in the Old Mutual plc Circular), to distribute 32% of the total issued share capital of Nedbank (and will, in any event, distribute at least 30% of that total issued share capital) to the Old Mutual Limited shareholders on the Old Mutual Limited share register at the record time set for the unbundling of the Old Mutual Limited Group's interest in Nedbank, whilst retaining a minority stake of 19.9% of the total issued share capital of Nedbank.

The board of Old Mutual plc will only implement or procure implementation of the steps as outlined above if the requisite approvals, including approval by Old Mutual plc shareholders and the UK court approved scheme of arrangement process, are obtained for all steps and, at the relevant time, the board of Old Mutual plc considers that it continues to be in the best interests of the OM plc shareholders that Managed Separation be implemented. Further details on the Old Mutual plc shareholder approval process are set out in the Old Mutual plc Circular.

## 2.2 **Listings**

Quilter is incorporated in England and Wales and application will be made for it to be admitted to the premium listing segment of the UK Official List and admitted to trading on the LSE's main market and for it to have a secondary inward listing on the main board of the JSE. Inward listed shares on the JSE traded and settled in Rand are classified as domestic for South African exchange control purposes. South African investors will therefore be able to acquire and hold Offer Shares on the JSE without affecting their foreign portfolio investment allowances or foreign exposure limits.

Old Mutual Limited is incorporated in South Africa and application will be made for it to have a primary listing on the main board of the JSE and for it to be admitted to the standard listing segment of the UK Official List and to trading on the London Stock Exchange's main market for listed securities. Old Mutual Limited will also apply for secondary listings on the Namibian Stock Exchange, the Zimbabwe Stock Exchange and the Malawi Stock Exchange.

Nedbank is incorporated in South Africa and has a primary listing on the main board of the Johannesburg Stock Exchange and a secondary listing on the Namibian Stock Exchange.

## 2.3 **The Offer**

The directors of the Selling Shareholder believe that the Offer, which is expected to be carried out on the same day as the Quilter Separation, will support the development of an active and liquid market in the Ordinary Shares on the LSE and JSE and broaden the investor base of Quilter by allowing new investors to participate in the listing of Quilter. The net proceeds of the Offer will be received by Old Mutual plc and therefore retained by the Old Mutual Limited Group, which will further strengthen Old Mutual Limited's consolidated capital position.

In certain circumstances, the Selling Shareholder may proceed with the Quilter Separation but choose not to proceed with the Offer or choose to proceed with an Offer of only some of the Offer Shares. If Old Mutual plc chooses not to proceed with the Offer or chooses to proceed with an Offer of only some of the Offer Shares, Old Mutual plc (which will ultimately become a subsidiary of Old Mutual Limited) will retain up to 9.6% of the Ordinary Shares in issue at 8:00 a.m. on the date of Admission, representing up to 10.0% of Old Mutual plc's interests in Ordinary Shares immediately prior to the effective time of the scheme of arrangement to effect the Quilter Separation, and may seek to sell those retained Ordinary Shares as soon as reasonably practicable after the Quilter Separation having regard to market conditions.

## 2.4 **Effect of proposals to finalise the Managed Separation**

Provided Old Mutual plc shareholders do not dispose of their Old Mutual plc shares prior to the record time set for the second scheme of arrangement, Old Mutual plc shareholders will, once the proposals to finalise the Managed Separation are implemented following receipt of Old Mutual plc shareholder approval and court sanction, receive:

- for every three Old Mutual plc shares they hold:
  - one Ordinary Share; and
  - three ordinary shares in Old Mutual Limited,

and they will no longer hold any shares in Old Mutual plc.

Old Mutual plc shareholders who sell or otherwise transfer their Old Mutual plc shares prior to the record time set for the first scheme of arrangement and demerger (expected to be 6:30 p.m. on 22 June 2018) will not receive any Ordinary Shares or Old Mutual Limited shares.

If the number of Old Mutual plc shares owned by an Old Mutual plc shareholder is not divisible by three, an entitlement to a fraction of an Ordinary Share will arise. Where such individual fractional entitlements to Ordinary Shares arise on the Quilter Separation, they will be dealt with as described in the Old Mutual plc Circular.

Eligible Old Mutual plc shareholders who receive 1,500 or fewer Old Mutual Limited shares and 500 or fewer Ordinary Shares as a result of the proposals to finalise the Managed Separation are being offered a free share sale arrangement through which they can dispose of all (but not part only) of their Ordinary Shares and/or their Old Mutual Limited shares without incurring dealing commission costs. Further details are set out in the Old Mutual plc Circular.

### 3. **Expected timetable of principal events**

Announcement and publication of the Old Mutual plc Circular	Friday, 20 April 2018
Shareholder vote and approval of the Quilter Separation	10:30 a.m. on Friday, 25 May 2018
Sanction of the first scheme to implement the Quilter Separation	Wednesday, 20 June 2018
Admission to listing on the premium listing segment of the Official List of the FCA	8:00 a.m. (London) on Monday, 25 June 2018
Admission to the London Stock Exchange and commencement of unconditional dealings on the London Stock Exchange	8:00 a.m. (London) on Monday, 25 June 2018
Admission to the JSE and commencement of unconditional dealings on the JSE	9:00 a.m. (South Africa) on Monday, 25 June 2018
For other key times and dates relating to the Offer, see <i>Part IV – “Expected Timetable of Principal Events”</i> of this Prospectus.	

---

## PART XVII

### ADDITIONAL INFORMATION

---

#### 1. Responsibility

The Company and the Directors, whose names and principal functions are set out in *Part VIII – “Directors, Senior Management and Corporate Governance”*, accept responsibility for the information contained in this Prospectus. To the best knowledge of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. Incorporation

- 2.1 The Company was incorporated as a private company limited by shares in England and Wales, under the Companies Act 1985, on 19 October 2007 with registered number 06404270. On 8 July 2010, the Company name changed from Skandia UK Holdings Limited to Old Mutual Wealth Management Limited. On 27 March 2018, the Company re-registered as a public company under the Companies Act 2006 and again changed its name to Quilter plc.
- 2.2 The Company's registered office and principal place of business is Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ.
- 2.3 The Company is not registered as an external company in South Africa.
- 2.4 The principal legislation under which the Company operates and under which the Ordinary Shares have been and will be created is the Companies Act 1985 and Companies Act 2006 and the regulations made thereunder.
- 2.5 The business of the Company, and its principal activity, is to act as the ultimate holding company of the Group.

#### 3. Share capital

- 3.1 Immediately prior to the publication of this Prospectus, the share capital of the Company was as follows:

	Number	Amount
Ordinary shares of £1.00 each	130,000,258	£130,000,258.00

- 3.2 The Company was incorporated on 19 October 2007 as a private limited company limited by shares with an authorised share capital of £1,000.00 divided into 1,000 ordinary shares of £1.00 each. The issued share capital at the time of incorporation of company was £1.00 which was issued to the initial subscriber to the Company's memorandum.
- 3.3 Except as disclosed in paragraph 3.4 below, neither the Company nor its Major Subsidiaries nor other subsidiary have undertaken share issues or offers during the period covered by the historical financial information set out in this Prospectus, and no consolidations or sub-divisions in respect of the Company's share capital have occurred during that period.
- 3.4 The following changes have occurred in the share capital of the Company since its incorporation:
- (a) on 30 January 2008, the Company allotted and issued an aggregate of 99 ordinary shares of £1.00 each;
  - (b) on 25 March 2011, the Company allotted and issued an aggregate of 130,000,000 ordinary shares of £1.00 each;
  - (c) on 25 February 2015, the Company allotted and issued an aggregate of 117 ordinary shares of £1.00 each;
  - (d) on 25 February 2015, the Company allotted and issued an aggregate of 39 ordinary shares of £1.00 each;
  - (e) on 3 May 2017, the Company allotted and issued an aggregate of 200,000,000 ordinary shares of £1.00 each;
  - (f) on 27 November 2017, the issued share capital of the Company was reduced from £330,000,256.00 to £130,000,256.00 by cancelling and extinguishing 200,000,000 of the issued ordinary shares of £1.00 each;
  - (g) on 17 January 2018, the Company allotted and issued 1 ordinary share of £1.00; and
  - (h) on 31 January 2018, the Company allotted and issued 1 ordinary share of £1.00.

- 3.5 By resolutions of the Company, passed on 20 March 2018:
- (a) it was resolved that the Company be re-registered as a public limited company in accordance with the provisions of section 90 of the Companies Act 2006 and that the name of the Company be changed to "Quilter plc"; and
  - (b) interim articles of association of the Company (the "**Interim Articles**") were adopted.
- 3.6 Prior to Admission, the Company intends to undertake a reorganisation of its share capital (the "**Share Capital Reorganisation**") to enable the implementation of the Managed Separation and to ensure that existing shareholders of Old Mutual plc receive one Ordinary Share for every three ordinary shares they hold in Old Mutual plc, as described in paragraph 2 of *Part XVI – "Managed Separation"*. The Share Capital Reorganisation will consist of the following steps:
- (a) each of the Company's existing 130,000,258 ordinary shares of £1.00 each will be sub-divided into 100 ordinary shares of £0.01 each, following which the Company's share capital will consist of 13,000,025,800 ordinary shares of £0.01 each, with an aggregate nominal value of £130,000,258.00;
  - (b) the Company will allot 315,731,886 bonus ordinary shares of £0.01 each to the existing shareholders of the Company (with any fractional entitlements arising to be aggregated and allotted to Old Mutual plc), following which the Company's share capital will consist of 13,315,757,686 ordinary shares of £0.01 each, with an aggregate nominal value of £133,157,576.86; and
  - (c) the Company's 13,315,757,686 ordinary shares of £0.01 each will be consolidated into Ordinary Shares of £0.07 each (with any fractional entitlements arising to be aggregated and allotted to Old Mutual plc), following which the Company's share capital will consist of 1,902,251,098 Ordinary Shares of £0.07 each, with an aggregate nominal value of £133,157,576.86.
- 3.7 Prior to the Share Capital Reorganisation becoming effective, the Company intends to seek shareholder approval for resolutions of the Company that, in connection with the Share Capital Reorganisation, the Directors be:
- (a) authorised (in their sole discretion) to:
    - (i) to capitalise any part of the amount for the time being standing to the credit of the Company's merger reserve account at the time of such capitalisation;
    - (ii) to appropriate up to such sum for the holders of ordinary shares on the register of the Company at such time;
    - (iii) to apply such sum on the behalf of such holders of ordinary shares in paying up in full, at such premium or no premium to be determined by the Directors, such number of bonus ordinary shares ranking *pari passu* with the existing issued ordinary shares of the Company as the Directors shall determine;
    - (iv) to allot and distribute such bonus shares to holders *pro rata*, provided that no holder of ordinary shares is entitled to a fraction of a bonus ordinary share;
    - (v) to make such provision as the Directors think fit in respect of any such fractions, including without limitation aggregating and allotting shares representing such fractions to any one holder of ordinary shares; and
    - (vi) to take all such other steps as they may deem necessary or desirable to implement such capitalisation;
  - (b) generally and unconditionally authorised, in accordance with Section 551 of the Companies Act 2006, to exercise all powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company in connection with the allotments referred to in:
    - (i) paragraph 3.6(b) above, such authority being limited to the allotment of up to an aggregate nominal amount (within the meaning of section 551(3) and (6) of the Companies Act 2006) of £3,157,318.86; and
    - (ii) paragraph 3.6(c) above (relating to the aggregation and allotment to Old Mutual plc of certain fractional entitlements arising in respect of that step of the Share Capital Reorganisation), such authority being limited to the allotment of up to an aggregate nominal amount (within the meaning of section 551(3) and (6) of the Companies Act 2006) of £50.00; and
  - (c) given power to allot equity securities as defined in Section 560 of the Companies Act 2006 (including, without limitation, to grant rights to subscribe for, or to convert any securities into, ordinary shares in the Company, and to sell any shares of the Company held by the Company as treasury shares) for cash pursuant to the resolutions described in paragraph 3.7(b) above as if Section 561 of the Companies Act 2006 did not apply to the allotment.

- 3.8 If, prior to the Share Capital Reorganisation becoming effective, the number of the Company's or Old Mutual plc's issued shares increases or decreases:
- (a) the number of bonus shares to be allotted as described at paragraph 3.6(b) above;
  - (b) the details of the share capital sub-division and consolidation described at paragraphs 3.6(a) and (c) above; and
  - (c) the details of the shareholder resolutions for which the Company intends to seek shareholder approval described at paragraph 3.7 above,

will be adjusted accordingly to ensure that the correct number of Ordinary Shares of £0.07 exist at Admission. In such circumstances, the shareholder resolutions for which the Company intends to seek shareholder approval described at paragraph 3.9 below will also be adjusted to reflect the number of Ordinary Shares of £0.07 that will exist at Admission.

- 3.9 Prior to Admission, the Company intends to seek shareholder approval for the following resolutions of the Company, in each case to be subject to and conditional upon Admission becoming effective:

- (a) that the Articles are to be adopted as the new articles of association of the Company in substitution for, and to the exclusion of, the Interim Articles;
- (b) that the Directors are to be generally and unconditionally authorised, in accordance with Section 551 of the Companies Act 2006, to exercise all powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company, such authority being limited to:
  - (i) the allotment of up to an aggregate nominal amount (within the meaning of Section 551(3) and (6) of the Companies Act 2006) of £44,385,858.96 (such amount to be reduced by any allotments of shares or grants of shares or grants of rights to subscribe for, or to convert any security into, shares in the Company made pursuant to the resolution described in paragraph 3.9(b)(ii) below in excess of £44,385,858.96); and
  - (ii) the allotment of up to an aggregate nominal amount (within the meaning of Section 551(3) and (6) of the Companies Act 2006) of £88,771,717.91 (such amount to be reduced by any allotments of shares or grants of shares or grants of rights to subscribe for, or to convert any security into, shares in the Company made pursuant to the resolution described in paragraph 3.9(b)(i) above) in connection with an offer by way of a rights issue in favour of existing holders of ordinary shares of the Company in proportion (as near as may be practicable) to their existing holdings (and to other holders of other equity securities if required by the rights of those securities or, if the directors consider it necessary, as permitted by the rights of those securities),

such authorities to expire at the conclusion of the annual general meeting of the Company to be held in 2019 or, if earlier, at the close of business on 30 June 2019;

- (c) that the Directors be given power to allot equity securities as defined in Section 560 of the Companies Act 2006 (including, without limitation, to grant rights to subscribe for, or to convert any securities into, ordinary shares in the Company, and to sell any shares of the Company held by the Company as treasury shares) for cash pursuant to the resolution described in paragraph 3.9(b) above as if Section 561 of the Companies Act 2006 did not apply to the allotment, such power being limited to:
  - (i) the allotment of equity securities in connection with an offer or issue of equity securities (but in the case of the authority granted under the resolution described in paragraph 3.9(b)(ii) above, by way of a rights issue only) to or in favour of:
    - (A) holdings of Ordinary Shares in proportion (as nearly as may be practicable) to their existing holdings; and
    - (B) holders of other equity securities if this is required by the rights of those securities or, if the Directors consider it necessary, as permitted by the rights of those securities;

and so that the directors may make such exclusions or other arrangements as they consider expedient in relation to treasury shares, fractional entitlements, record dates, shares represented by depository receipts, legal or practical problems under the laws in any territory or the requirements of any relevant regulatory body or stock exchange or any other matter; and

- (ii) the allotment of equity securities pursuant to the authority granted under the resolution described at paragraph 3.9(b)(i) above and/or by virtue of Section 560(3) of the Companies Act 2006 (in each case otherwise than pursuant to the resolution described at paragraph 3.9(c)(i) above) up to a maximum nominal amount of £6,657,878.85,

such power to expire at the conclusion of the annual general meeting of the Company to be held in 2019 or, if earlier, at the close of business on 30 June 2019;

- (d) that the Company be generally and unconditionally authorised to make market purchases within the meaning of Section 693 of the Companies Act 2006 of Ordinary Shares on such terms and in such manner as the directors of the Company may determine, such authority being limited:
- (i) to a maximum number of 190,225,109 Ordinary Shares;
  - (ii) by the condition that the maximum price which may be paid for any Ordinary Share purchased under this authority (exclusive of expenses payable by the Company in connection with the purchase) may not be more than the higher of:
    - (A) an amount equal to 105% of the average of the middle market prices shown in the quotations for the Ordinary Shares in the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that Ordinary Share is purchased; and
    - (B) an amount equal to the higher of the price of the last independent trade of an Ordinary Share and the highest current independent bid for an Ordinary Share on the trading venue where the purchase is carried out; and
  - (iii) by the condition that the minimum price which may be paid shall be £0.07 pence per Ordinary Share (being the nominal value of that Ordinary Share, exclusive of expenses payable by the Company in connection with the purchase),

such authority to expire at the conclusion of the annual general meeting of the Company to be held in 2019 or, if earlier, at the close of business on 30 June 2019; and

- (e) that, in accordance with Section 366 of the Companies Act 2006, the Company and all companies that are subsidiaries of the Company at any time during the period for which this resolution has effect be authorised to:
- (i) make political donations to political parties or independent election candidates;
  - (ii) make political donations to political organisations other than political parties; and
  - (iii) incur political expenditure,

provided that the aggregate amount of any such donations and expenditure shall not exceed £50,000 during the period beginning with the date of the passing of this resolution and ending on 31 December 2019 or, if sooner, the conclusion of the annual general meeting of the Company to be held in 2019.

For the purpose of this resolution the terms "political donations", "political parties", "independent election candidates", "political organisations" and "political expenditure" have the meanings set out in Sections 363 to 365 of the Companies Act 2006.

Except as disclosed in this Prospectus, there is no contract or arrangement, nor has any been proposed, whereby an option or preferential right of any kind has been or will be given to any person to subscribe for any shares in the Company or its subsidiaries.

#### 4. Memorandum and Articles of Association

The Articles, which are to be adopted with effect from Admission on 25 June 2018, include provisions to the following effect:

##### 4.1 **Objects**

The objects of the Company, in accordance with Section 31(1) of the Companies Act 2006, are unrestricted.

##### 4.2 **Limited liability**

The liability of the members is limited to the amount, if any, unpaid on the shares in the Company respectively held by them.

##### 4.3 **Rights attaching to shares**

###### 4.3.1 **Voting rights of members**

Subject to the Articles and to any special rights or restrictions as to voting for the time being attached to any shares (as to which there are none at present) the provisions of the Companies Act 2006 shall apply in relation to voting rights. On a show of hands, every member or authorised corporate representative present has one vote and every proxy present has one vote except if the proxy has been duly appointed by more than one member and has been instructed by (or exercises his discretion given by) one or more of those members to vote for the resolution and has been instructed by (or exercises his discretion given by) one or more other of those members to vote against it, in which case a proxy has one vote for and one vote against the resolution. On a poll, every member present in person or by proxy has one vote

for every share of which he is a holder. In the case of joint holders, the vote of the person whose name stands first in the register of members and who tenders a vote is accepted to the exclusion of any votes tendered by any other joint holders.

#### 4.3.2 **Dividends**

Subject to the rights attached to any shares issued on any special terms and conditions (as to which there are none at present), dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls should be treated for these purposes as paid up on the share.

#### 4.3.3 **Return of Capital**

If the Company is in liquidation, the liquidator may, with the sanction of a special resolution of the Company and any other authority required by any applicable statutory provision (A) divide among the members *in specie* the whole or any part of the assets of the Company; or (B) vest the whole or any part of the assets in trustees on such trusts for the benefit of members as the liquidator shall think fit, but no member shall be compelled to accept any assets upon which there is any liability.

#### 4.3.4 **Capitalisation of reserves**

The Board may, with the authority of an ordinary resolution of the Company: (A) resolve to capitalise any sum standing to the credit of any reserve account of the Company (including the share premium account and capital redemption reserve) or any sum standing to the credit of the profit and loss account not required for the payment of any preferential dividend (whether or not it is available for distribution); and (B) appropriate that sum as capital to the holders of shares in proportion to the nominal amount of the share capital held by them respectively and apply that sum on their behalf in paying up in full any shares or debentures of the Company of a nominal amount equal to that sum and allot the shares or debentures credited as fully paid to those members, or as they may direct, in those proportions or in paying up the whole or part of any amounts which are unpaid in respect of any issued shares in the Company held by them respectively, or otherwise deal with such sum as directed by the resolution provided that the share premium account and the capital redemption reserve, any redenomination reserve and any sum not available for distribution in accordance with the Companies Act 2006, the Uncertificated Securities Regulations 2001, and every other statute, statutory instrument, regulation or order concerning the Company may only be applied in paying up shares to be allotted credited as fully paid up.

#### 4.4 **Issue of Shares**

The Company may from time to time pass an ordinary resolution authorising, in accordance with Section 551 of the Companies Act 2006, the Board to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to the maximum nominal amount specified in the resolution. The authority shall expire on the day specified in the resolution (not being more than five years from the date on which the resolution is passed).

Subject (other than in relation to the sale of treasury shares) to the Board being generally authorised to allot shares and grant rights to subscribe for or to convert any security into shares in the Company in accordance with Section 551 of the Companies Act 2006, the Company may from time to time resolve, by special resolution, that the Board be given power to allot equity securities for cash as if Section 561 of the Companies Act 2006 did not apply to the allotment but that power shall be limited: (A) to the allotment of equity securities in connection with a rights issue; and (B) to the allotment (other than in connection with a rights issue) of equity securities having a nominal amount not exceeding in aggregate the sum specified in the special resolution. The authority shall expire on the day specified in the resolution.

#### 4.5 **Alteration of share capital**

The Company may exercise the powers conferred by the applicable statutory provisions to:

- (a) increase its share capital by allotting new shares;
- (b) reduce its share capital;
- (c) sub-divide or consolidate and divide all or any of its share capital; and
- (d) redenominate all or any of its shares and reduce its share capital in connection with such redenomination.

#### 4.6 **Variation of class rights**

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution of the holders of the shares of that class.

#### 4.7 **Transfer of Ordinary Shares**

Save as described below, the Ordinary Shares will be freely transferable upon Admission.

A member may transfer all or any of his shares in any manner which is permitted by any applicable statutory provision and is from time to time approved by the Board. The Company shall maintain a record of uncertificated shares in accordance with the relevant statutory provisions.

A member may transfer all or any of his certificated shares by an instrument of transfer in any usual form, or in such other form as the Board may approve. The instrument of transfer shall be signed by or on behalf of the transferor and, except in the case of a fully paid share, by or on behalf of the transferee. The Board may, in its absolute discretion, refuse to register any instrument of transfer of any certificated share which is not fully paid up (but not so as to prevent dealings in listed shares from taking place on an open and proper basis) or on which the Company has a lien. The Board may also refuse to register any instrument of transfer of a certificated share unless it is left at the registered office, or such other place as the Board may decide, for registration, accompanied by the certificate for the shares to be transferred and such other evidence (if any) as the Board may reasonably require to prove title of the intending transferor or his right to transfer shares; and it is in respect of only one class of shares. If the Board refuses to register a transfer of a certificated share it shall, as soon as practicable and in any event within two months after the date on which the instrument was lodged, give to the transferee notice of the refusal together with its reasons for refusal. The Board must provide the transferee with such further information about the reasons for the refusal as the transferee may reasonably request. Unless otherwise agreed by the Board in any particular case, the maximum number of persons who may be entered on the register as joint holders of a share is four.

#### 4.8 **Disclosure of interests in Ordinary Shares**

If the holder of, or any person appearing to be interested in, any share has been given a notice requiring any of the information mentioned in Section 793 of the Companies Act 2006 (the "**Section 793 Notice**") and, in respect of that share (a "**Default Share**"), has been in default for a period of 14 days after the Section 793 Notice has been given in supplying to the Company the information required by the Section 793 Notice, the following restrictions shall apply: (A) if the Default Shares in which any one person is interested or appears to the Company to be interested represent less than 0.25% of the issued shares of the class, the holders of the Default Shares shall not be entitled, in respect of those shares, to attend or to vote, either personally or by proxy, at any general meeting of the Company; or (B) if the Default Shares in which any one person is interested or appears to the Company to be interested represent at least 0.25% of the issued shares of the class, the holders of the Default Shares shall not be entitled, in respect of those shares:

- (a) to attend or to vote, either personally or by proxy, at any general meeting of the Company; or
- (b) to receive any dividend or other distribution; or
- (c) to transfer or agree to transfer any of those shares or any rights in them.

#### 4.9 **Forfeiture of shares**

If the whole or any part of any call or installment remains unpaid on any share after the due date for payment, the Board may give a notice to the holder requiring him to pay so much of the call or installment as remains unpaid, together with any accrued interest.

If the requirements of a notice are not complied with, any share in respect of which it was given may (before the payment required by the notice is made) be forfeited by a resolution of the Board. The forfeiture shall include all dividends declared and other moneys payable in respect of the forfeited share and not actually paid before the forfeiture.

Every share which is forfeited or surrendered shall become the property of the Company and (subject to the applicable statutory provisions) may be sold, re-allotted or otherwise disposed of, upon such terms and in such manner as the Board shall decide either to the person who was before the forfeiture the holder of the share or to any other person and whether with or without all or any part of the amount previously paid up on the share being credited as so paid up.

#### 4.10 **Uncertificated shares — general powers**

In relation to any uncertificated share, the Company may utilise the relevant system in which it is held to the fullest extent available from time to time in the exercise of any of its powers or functions under any applicable statutory provision or the Articles or otherwise in effecting any action. Any provision in the Articles in relation to uncertificated shares which is inconsistent with any applicable statutory provision or the exercise of any powers or functions, including actions by means of a relevant system, by the Company shall not apply. The Company may, by notice to the holder of an uncertificated share, require the holder to change the form of that share to certificated form within such period as may be specified in the notice. For the purpose of effecting any action by the Company, the Board may determine that shares held by a person in uncertificated form and in certificated form shall be treated as separate holdings but they shall not be treated as separate classes of shares.



#### 4.11 **Communications by the Company**

Subject to the applicable statutory provisions, a document or information may be sent or supplied by the Company to any member in electronic form to such address as may from time to time be authorised by the member concerned or by making it available on a website and notifying the member concerned (in accordance with the applicable statutory provisions) of the presence of a document or information on the website. A member shall be deemed to have agreed that the Company may send or supply a document or information by means of a website if the applicable statutory provisions have been satisfied.

#### 4.12 **General Meetings**

An annual general meeting shall be held in accordance with the statutory provisions. Other general meetings shall be held whenever the Board thinks fit or on the requisition of the Shareholders in accordance with the Companies Act 2006.

Subject to the applicable statutory provisions, an annual general meeting shall be called by at least 21 clear days' notice and all other general meetings shall be called by not less than 14 clear days' notice or by not less than such minimum notice period as is permitted by the applicable statutory provisions.

The requisite quorum for general meetings of the Company shall be two qualifying persons, representing different members and entitled to vote on the business to be transacted at the meeting. A qualifying person is an individual who is a member of the Company; a corporate representative; or a proxy.

#### 4.13 **Directors**

##### 4.13.1 **Appointment, resignation and termination**

The Directors shall not, unless otherwise determined by an ordinary resolution of the Company, be less than two or more than 20 in number.

A director need not be a member of the Company.

At each annual general meeting every director shall retire from office. A retiring director shall be eligible for re-election, and a director who is re-elected will be treated as continuing in office without a break. A retiring director who is not re-elected shall retain office until the close of the meeting at which he retires. If the Company, at any meeting at which a director retires in accordance with the Articles, does not fill the office vacated by such director, the retiring director, if willing to act, shall be deemed to be re-elected, unless at the meeting a resolution is passed not to fill the vacancy or to elect another person in his place or unless the resolution to re-elect him is put to the meeting and not passed.

##### 4.13.2 **Conflicts of Interest**

If a situation (a "**Relevant Situation**") arises in which a director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company but which does not arise in relation to a transaction or arrangement with the Company, the director must declare the nature and extent of his interest to the other directors and the directors (other than the director, and any other director with a similar interest, who shall not be counted in the quorum at the meeting and shall not vote on the resolution) may (i) if the Relevant Situation arises from the appointment or proposed appointment of a person as a director of the Company, resolve to authorise the appointment of the director and the Relevant Situation on such terms as they may determine and (ii) if the Relevant Situation arises in other circumstances, resolve to authorise the Relevant Situation and the continuing performance by the director of his or her duties on such terms as they may determine. Any terms of such authorisation may be imposed at the time of the authorisation or may be imposed or varied subsequently and may include (without limitation):

- (a) whether the interested directors may vote (or be counted in the quorum at a meeting) in relation to any resolution relating to the Relevant Situation;
- (b) the exclusion of the interested directors from all information and discussion by the Company of the Relevant Situation; and
- (c) without prejudice to the general obligations of confidentiality) the application to the interested directors of a strict duty of confidentiality to the Company for any confidential information of the Company in relation to the Relevant Situation.

Any authorisation of a Relevant Situation may provide that, where the interested director obtains (other than through his position as a director of the Company) information that is confidential to a third party, he will not be obliged to disclose it to the Company or to use it in relation to the Company's affairs in circumstances where to do so would amount to a breach of that confidence.

If a director is in any way, directly or indirectly, interested in a proposed or an existing transaction or arrangement with the Company, he must declare the nature and extent of that interest to the other directors.

Subject to any applicable statutory provisions and to having declared his interest to the other directors, a director may:

- (a) enter into or be interested in any transaction or arrangement with the Company, either with regard to his tenure of any office or position in the management, administration or conduct of the business of the Company, or as vendor, purchaser or otherwise;
- (b) hold and be remunerated in respect of any other office or place of profit with the Company (except that of auditor) in conjunction with his office of director;
- (c) act by himself or his firm in a professional capacity for the Company (except as auditor) and be entitled to remuneration for professional services as if he were not a director;
- (d) be or become a member or director of, or hold any other office or place of profit under, or otherwise be interested in, any holding company or subsidiary undertaking of that holding company or any other company in which the Company may be interested; and
- (e) be or become a director of any other company in which the Company does not have an interest if that cannot reasonably be regarded as likely to give rise to a conflict of interest at the time of his appointment as a director of that other company.

#### 4.13.3 **Remuneration**

The Non-Executive Directors shall be paid such fees not exceeding in aggregate £5 million per annum (or such larger sum as the Company may, by ordinary resolution, determine) as the Board may decide to be divided among them in such proportion and manner as they may agree or, failing agreement, equally. Any fee payable shall be distinct from any remuneration or other amounts payable to a director under other provisions of the Articles and shall accrue from day to day.

The Board may grant special remuneration to any director who performs any special or extra services to or at the request of the Company. Such special remuneration may be paid by way of lump sum, salary, commission, participation in profits or otherwise as the Board may decide in addition to any remuneration payable under or pursuant to any other of the Articles.

A director shall be paid out of the funds of the Company all travelling, hotel and other expenses properly incurred by him in and about the discharge of his duties, including his expenses of travelling to and from board meetings, committee meetings and general meetings. Subject to any guidelines and procedures set out in such director's appointment letter, a director may also be paid out of the funds of the Company all expenses incurred by him in obtaining professional advice in connection with the affairs of the Company or the discharge of his duties as a director.

The Board may exercise all the powers of the Company to:

- (a) pay, provide, arrange or procure the grant of pensions or other retirement benefits, death, disability or sickness benefits, health, accident and other insurances or other such benefits, allowances, gratuities or insurances, including in relation to the termination of employment, to or for the benefit of any person who is or has been at any time a director of the Company or in the employment or service of the Company or of any body corporate which is or was associated with the Company or of the predecessors in business of the Company or any such associated body corporate, or the relatives or dependants of any such person. For that purpose the Board may procure the establishment and maintenance of, or participation in, or contribution to, any pension fund, scheme or arrangement and the payment of any insurance premiums;
- (b) establish, maintain, adopt and enable participation in any profit sharing or incentive scheme including shares, share options or cash or any similar schemes for the benefit of any director or employee of the Company or of any associated body corporate, and to lend money to any such director or employee or to trustees on their behalf to enable any such schemes to be established, maintained or adopted; and
- (c) support and subscribe to any institution or association which may be for the benefit of the Company or of any associated body corporate or any directors or employees of the Company or associated body corporate or their relatives or dependants or connected with any town or place where the Company or an associated body corporate carries on business, and to support and subscribe to any charitable or public object whatsoever.

#### 4.13.4 **Indemnity**

As far as the applicable statutory provisions allow, the Company may:

- (a) indemnify any person who is or was at any time a director, officer or employee of the Company (or of an associated body corporate) against any liability;
- (b) indemnify a director of a company that is a trustee of an occupational pension scheme for employees (or former employees) of the Company (or of an associated body corporate) against liability incurred in connection with the company's activities as trustee of the scheme;

- (c) purchase and maintain insurance against any liability for any individuals referred to in (a) or (b) above; and
- (d) provide any individual referred to in (a) or (b) above with funds (whether by loan or otherwise) to meet expenditure incurred or to be incurred by him in defending any criminal, regulatory or civil proceedings or in connection with an application for relief (or to enable any such director to avoid incurring such expenditure).

#### 4.13.5 **Proceedings of the Board**

A director may at any time, and the secretary may at the request of a director, call a meeting of the Board. The Board may meet for the dispatch of business, adjourn and otherwise regulate its meeting as it thinks fit. This includes at a meeting which consists of a conference between directors some or all of whom are in different places provided that each director may participate in the business of the meeting by any means which allows him both to hear each of the other participating directors (or receive real time communications made by them), and, if he so wishes, to address all of the other participating directors (or communicate in real time with them).

The quorum for board meetings, unless fixed by the Board at any other number, shall be two. A board meeting at which a quorum is present shall be competent to exercise all the powers, authorities and discretions vested in or exercisable by the Board.

The Board may appoint a chairman and one or more deputy chairmen and may at any time revoke such an appointment. The chairman, or failing him any deputy chairman (the longest in office taking precedence) or a senior independent director, shall preside at all board meetings but, if he is not present within five minutes after the time fixed for holding the meeting, the directors present shall choose one of their number to act as chairman for that meeting.

Questions arising at a board meeting shall be determined by a majority of votes and, in the case of equality of votes, the chairman of the meeting shall have a casting vote. A resolution which is signed or approved by all the directors entitled to vote on that resolution shall be valid and effectual as if it had been passed at a board meeting duly called and constituted.

All acts *bona fide* done by a meeting of the Board, of a committee, or by any person acting as a director or committee member, shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of any member of the Board or committee or of the person so acting, or that they or any of them were disqualified or had vacated office or were not entitled to vote, be as valid as if every such person had been duly appointed and qualified to be a director and had continued to be a director or member of the committee and had been entitled to vote.

#### 4.14 **Borrowing power**

There is no requirement on the directors to restrict the borrowing of the Company or any of its subsidiary undertakings.

#### 4.15 **Dividends**

##### 4.15.1 **Declaration of dividends**

The Company may, by ordinary resolution, declare a dividend to be paid to the members, according to their respective rights and interests in the profits, and may fix the time for payment of such dividend, but no dividend shall exceed the amount recommended by the Board.

##### 4.15.2 **Interim dividends**

The Board may pay such interim dividends as appear to the Board to be justified by the financial position of the Company and may also pay any dividend payable at a fixed rate at intervals settled by the Board whenever the financial position of the Company, in the opinion of the Board, justifies its payment. If the Board acts in good faith, none of the directors shall incur any liability to the holders of shares conferring preferred rights for any loss such holders may suffer in consequence of the payment of an interim dividend on any shares having non-preferred or deferred rights.

##### 4.15.3 **Calculation and currency of dividends**

Except insofar as the rights attaching to, or the terms of issue of, any share otherwise provide: (A) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated as paid up on the share; (B) all dividends shall be apportioned and paid *pro rata* according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid; and (C) dividends can be declared or paid in whatever currency the directors decide using an exchange rate selected by the directors for any currency conversions required and the directors can also decide how any costs relating to the choice of currency will be met.

#### 4.15.4 **Dividends not to bear interest**

No dividend or other moneys payable by the Company on or in respect of any share shall bear interest as against the Company unless otherwise provided by the rights attached to the share.

#### 4.15.5 **Calls or debts may be deducted from dividends**

The Board may deduct from any dividend or other moneys payable to any person (either alone or jointly with another) on or in respect of a share all such sums as may be due from him (either alone or jointly with another) to the Company on account of calls or otherwise in relation to shares of the Company.

#### 4.15.6 **Dividends in specie**

With the authority of an ordinary resolution of the Company and on the recommendation of the Board, payment of any dividend may be satisfied wholly or in part by the distribution of specific assets and in particular of paid up shares or debentures of any other company.

#### 4.15.7 **Scrip dividends**

The Board may, with the authority of an ordinary resolution of the Company, offer any holders of shares the right to elect to receive further shares by way of scrip dividend instead of cash in respect of all (or some part) of any dividend specified by the ordinary resolution.

#### 4.15.8 **Unclaimed dividends**

Any dividend unclaimed for a period of 12 years after having been declared shall be forfeited and cease to remain owing by the Company.

### 5. **Directors, Senior Managers and Company Secretary**

- 5.1 The Directors and the Senior Managers and their functions within the Company and brief biographies are set out in *Part VIII – “Directors, Senior Management and Corporate Governance”*.
- 5.2 The business address of the Directors and the Senior Managers is Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ.
- 5.3 The directors of the Major Subsidiaries are set out in *Part VIII – “Directors, Senior Management and Corporate Governance”*.
- 5.4 In addition to their directorships of the Company and other members of the Group, the Directors, the Senior Managers and the Company Secretary hold, or have held, the following directorships or equivalent roles and are or were members of the following partnerships, within the previous five years prior to the date of this Prospectus:

Name	Position	Company/Partnership	Position still held
Glyn Jones	<i>Chairman</i>	Aldermore Bank plc	No
	<i>Chairman</i>	Aldermore Group plc	No
	<i>Chairman</i>	Aspen Insurance Holdings	Yes
	<i>Director</i>	Churchill Insurance Company Limited	No
	<i>Senior Independent Director</i>	Direct Line Insurance Group plc	No
	<i>Director</i>	UK Insurance Limited	No
Paul Feeney	N/A	N/A	N/A
Tim Tookey	<i>Chairman</i>	Alliance Trust Savings Limited	No
	<i>Director</i>	Friends Life Group Limited	No
	<i>Director</i>	Friends Life Holdings plc	No
	<i>Non-Executive Director</i>	Nationwide Building Society	Yes
	<i>Director</i>	Westmoreland Court Management (Beckenham) Limited	Yes
Rosie Harris	<i>Director</i>	Friends Life Secretarial Services Limited	No
	<i>Director</i>	Robert Harris Engineering Limited	Yes
	<i>Non-Executive Director</i>	Tokio Marine Kiln Insurance Ltd	Yes
	<i>Non-Executive Director</i>	Tokio Marine Kiln Syndicates Ltd	Yes
	<i>Director</i>	Tormead Enterprises Limited	Yes
	<i>Director</i>	Tormead Limited	Yes
Moira Kilcoyne	<i>Trustee</i>	Manhattan College	Yes
	<i>Non-Executive Director</i>	Npower	Yes
	<i>Owner</i>	MAK Management Consulting	Yes

<b>Name</b>	<b>Position</b>	<b>Company/Partnership</b>	<b>Position still held</b>
Jon Little	<i>Director</i>	Alpha Strategic Limited	No
	<i>Director</i>	Capital Four Holdings A/S	Yes
	<i>Partner</i>	Goldbridge Capital Partners Management LLP	Yes
	<i>Director</i>	Jupiter Fund Management plc	No
	<i>Director</i>	Longview Partner (UK) Limited	Yes
	<i>Partner</i>	Northill Capital LLP	Yes
	<i>Director</i>	Northill Gloucester Holding Limited	Yes
	<i>Member of Board of Governors</i>	Riverbridge Partners LLC	Yes
	<i>Authorised Representative</i>	Securis Investment Partners LLP	Yes
George Reid	<i>Chairman</i>	Children's Hospice Association	Yes
	<i>Partner</i>	Ernst & Young LLP	No
Cathy Turner	<i>Non-Executive Director</i>	Aldermore Bank plc	Yes
	<i>Non-Executive Director</i>	Aldermore Group plc, part of FirstRand Group	Yes
	<i>Non-Executive Director</i>	Countrywide plc	Yes
	<i>Non-Executive Director</i>	The Gurkha Welfare Trust	Yes
	<i>Non-Executive Director</i>	GWT Trading Limited	Yes
	<i>Partner</i>	Manchester Square Partners LLP	Yes
	<i>Director</i>	Skandia Continental Europe Holdings Luxembourg	No
Martin Baines	<i>Director</i>	European Stockbrokers Limited	No
	<i>LLP Member</i>	Mabec Partners LLP	Yes
Steven Braudo	<i>Director</i>	Capital Alliance Life	No
	<i>Director</i>	Frank Financial Services (Pty) Ltd	No
	<i>Director</i>	Frank Life Ltd	No
	<i>Director</i>	Liberty Active	No
	<i>Director</i>	Liberty Group Limited	No
	<i>Director</i>	Liberty Growth	No
	<i>Director</i>	Liberty Health Holdings (Pty) Ltd	No
	<i>Director</i>	Liberty Holdings Limited	No
	<i>Director</i>	Own Your Life Rewards (Pty) Ltd	No
	<i>Director</i>	Standard Bank Isle of Man	No
	<i>Director</i>	Standard Bank Jersey Limited	No
	<i>Director</i>	Standard Bank Offshore Group Limited	No
	<i>Director</i>	Standard Insurance Limited	No
	<i>Director</i>	Stanlib Asset Management Limited	No
	<i>Director</i>	Stanlib Collective Investments (RF) Limited	No
	<i>Director</i>	Stanlib Limited	No
	<i>Director</i>	Stanlib Multi-Manager Limited	No
	<i>Director</i>	Stanlib Wealth Management Limited	No
Matt Burton	<i>Partner</i>	PwC	No
Paul Hucknall	<i>Chairman</i>	City HR Association Ltd	Yes
	<i>Non-Executive Director</i>	LB Healthcare Trustee	No
	<i>Non-Executive Director</i>	LB Quest Ltd	No
	<i>Non-Executive Director</i>	LB Share Schemes Trustees Ltd	No
	<i>Non-Executive Director</i>	Lloyds Bank Trustee Services Ltd	No
	<i>Non-Executive Director</i>	Woodard Schools, Southern Division, Benefit Fund Trustees Ltd	Yes

<b>Name</b>	<b>Position</b>	<b>Company/Partnership</b>	<b>Position still held</b>
Steven Levin	<i>Director</i>	Circumjacent Limited	Yes
	<i>Director</i>	Propior Limited	Yes
	<i>Director</i>	Vesperdene Investments Limited	Yes
Paul Simpson	N/A	N/A	N/A
Andy Thompson	<i>Director</i>	Acquire Your Business Limited	No
	<i>Director</i>	Zeneith Financial Solutions Limited	Yes
Iain Wright	<i>Director</i>	Institute of Risk Management	Yes
	<i>Director</i>	IRM Trading Limited	Yes
Patrick Gonsalves	N/A	N/A	N/A

Save as set out above, none of the Directors, the Senior Managers or the Company Secretary has any business interests, or performs any activities, outside the Group which are significant with respect to the Group.

- 5.5 In addition to their directorships of the Major Subsidiaries and other members of the Group, the directors of the Major Subsidiaries hold, or have held, the following directorships or equivalent roles and are or were members of the following partnerships, within the previous five years prior to the date of this Prospectus:

<b>Name</b>	<b>Position</b>	<b>Company/Partnership</b>	<b>Position still held</b>
Paul Quirk	N/A	N/A	N/A
Peter Kenny	<i>Director</i>	Platinum All Star Fund Limited	No
	<i>Director</i>	Platinum All Weather Fund Limited	No
	<i>Director</i>	Platinum Capital Advisors AG	No
	<i>Director</i>	Platinum Dynasty Fund Limited	No
	<i>Director</i>	Platinum Funds	No
	<i>Director</i>	Platinum Global Dividend Fund Limited	No
	<i>Director</i>	Platinum Maverick Enhanced Fund Limited	No
	<i>Director</i>	Platinum Nordic Fund Limited	No
	<i>Director</i>	Platinum Property Partners Limited	No
	<i>Director</i>	Platinum Renaissance Futures Fund Limited	No
	<i>Director</i>	Platinum Trading Management Limited	No
Joly Hemuss Sheelagh Malin	<i>Director</i>	Willowbrook Services Limited	No
	<i>Director</i>	L&S Properties Limited	Yes
	<i>Director</i>	Actins Limited	Yes
	<i>Director</i>	Health Insurance Authority	Yes
	<i>Director</i>	Laguna Life DAC	Yes
	<i>Director</i>	Monument Assurance dac	Yes
	<i>Director</i>	Monument Insurance dac	Yes
	<i>Director</i>	Nascent Life Limited	No
	<i>Director</i>	The Societies of Actuaries in Ireland	Yes
	<i>Director</i>	St James's Place International plc	No
	<i>Executive Director</i>	Ambassador Services Limited	Yes
Angus Alexander	<i>Executive Director</i>	Hickson Insurance Limited	Yes
	<i>Executive Director</i>	Odysseus Services Limited	Yes
	<i>Non-Executive Director</i>	Pembroke Insurance Company Limited	Yes
	<i>Executive Director</i>	Pender Mutual Insurance Company Limited	Yes
	<i>Executive Director</i>	Raynham Insurance Company Limited	Yes
		R&Q Insurance Management (Gibraltar) Limited	Yes
	<i>Executive Director</i>	R&Q Insurance Management (IOM) Limited	Yes
	<i>Non-Executive Director</i>	Tynwald Insurance PCC Limited	Yes
Robert Long	N/A	N/A	N/A

<b>Name</b>	<b>Position</b>	<b>Company/Partnership</b>	<b>Position still held</b>
Simon Wood	<i>Director</i>	Chubb Capital Ltd	No
	<i>Director</i>	Chubb Europe Finance Ltd	No
	<i>Director</i>	Chubb Europe Services Ltd	No
	<i>Director</i>	Chubb Insurance Company of Europe SE	No
	<i>Director</i>	Chubb Insurance Investment Holdings Ltd	No
	<i>Director</i>	SVW Finance Limited	Yes
Scott Goodsir	N/A	N/A	N/A

- 5.6 There are no family relationships between any Directors, between any of the Senior Managers or between any Directors and Senior Managers.
- 5.7 As at the date of this Prospectus, none of the Directors or the Senior Managers, or any directors or senior managers of the Major Subsidiaries, has, at any time within the last five years:
- had any prior convictions in relation to fraudulent offences;
  - been declared bankrupt or been the subject of any individual voluntary arrangement;
  - been associated with any bankruptcies, receiverships or liquidations when acting in the capacity of a member of the administrative, management or supervisory body or of a senior manager;
  - been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including designated professional bodies);
  - been disqualified by a court from acting in the management or conduct of the affairs of any issuer;
  - been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any issuer;
  - been a partner or senior manager in a partnership which, while he was a partner or within 12 months of his ceasing to be a partner, was put into compulsory liquidation or administration or which entered into any partnership voluntary arrangement;
  - owned any assets which have been subject to a receivership or been a partner in a partnership subject to a receivership where he was a partner at the time or within the 12 months preceding such event; or
  - been a director or senior manager of a company or a partner of a partnership which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or which entered into any company voluntary arrangement or any composition or arrangement with its creditors or any business rescue plans generally or any class of creditors, at any time during which he was a director or senior manager of that company or partner of that partnership or within 12 months of his ceasing to be a director or senior manager or partner;
  - been found guilty in disciplinary proceedings by an employer or regulatory body, due to dishonest activities;
  - received public criticisms from statutory or regulatory authorities, including professional bodies, and have ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;
  - been barred from entry into a profession or occupation; or
  - been convicted in any jurisdiction of any criminal offence.
- 5.8 In August 2014, Lloyds Banking Group plc and a number of former directors, including Tim Tookey, were named as defendants in a claim filed in the English High Court by a number of claimants who held shares in Lloyds TSB Group plc ("**LTSB**") prior to the acquisition of HBOS plc in 2009, alleging breaches of duties in relation to (i) information provided to shareholders in connection with the acquisition and the recapitalisation of LTSB and (ii) the recommendation of the transaction to shareholders; and seeking compensation for losses incurred during the financial crisis. The High Court trial began on 19 October 2017, and a ruling is expected in 2018.
- 5.9 No Director or any of the Senior Managers nor, so far as the Company is aware, any director of the Company who resigned during the last 18 months has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the business of the Group or any of its subsidiary undertakings and which were affected by the Group or any of its subsidiaries during the current or immediately preceding financial year or during an earlier financial year and which remain in any respect outstanding or unperformed.
- 5.10 There are no outstanding loans or guarantees granted or provided by any member of the Group to or for the benefit of any of the Directors or any of the Senior Managers.

## 6. Directors' and Senior Managers' interests in the Company

- 6.1 As at the date of this Prospectus and as is expected to be the position immediately following Admission, except as disclosed in paragraphs 6.2, 6.3 and 6.4 below, none of the Directors nor the Senior Managers, and none of their respective immediate families, have any interest in the share capital of the Company which:
- (a) is required to be notified to the Company pursuant to Chapter 3 of the Disclosure and Transparency Rules;
  - (b) is an interest of a connected person (within the meaning of Schedule 11B of FSMA) which would be required to be disclosed under paragraph (a) above and the existence of which is known to or could with reasonable diligence be ascertained by that Director or Senior Manager, as at the date of this Prospectus; or
  - (c) would have been required to be disclosed by paragraphs (a) or (b) above if the relevant Senior Manager had been a PDMR of the Company.
- 6.2 Save as described in paragraphs 6.3 and 6.4 below, certain interests of Directors and Senior Managers in the Ordinary Shares are derived from the Company's Unvested Joint-Share Ownership Plan and phantom awards over shares in Old Mutual plc that will convert into Ordinary Shares at Admission but remain subject to the same vesting dates. The number of Ordinary Shares in which they are interested will be determined by the Offer Price (or in the absence of an Offer, at the closing price of the Ordinary Shares on the date of Admission). Therefore, as at the date of this Prospectus, it is not possible to determine the actual interests in Ordinary Shares that those individuals will have immediately before or following Admission. At the time of publication of the Price Range Supplement, currently expected to be on or around 11 June 2018, the expected interests of the Directors and Senior Managers in Ordinary Shares will be disclosed based on an assumed Offer Price at the mid-point of the Price Range.
- 6.3 In addition, certain Non-Executive Directors have agreed, conditional only on there being an Offer and Admission occurring, to acquire Ordinary Shares with a fixed sterling amount from the Selling Shareholder at a price equal to the Offer Price pursuant to the NED Share Purchase Agreement. At the time of publication of the Price Range Supplement, the interests of these Non-Executive Directors will be disclosed based on an assumed Offer Price at the mid-point of the Price Range. Details of the sterling amounts that Non-Executive Directors have committed to spend are as follows:

Non-Executive Director	Amount (£)
Glyn Jones	650,000
Rosie Harris	25,000
Moirra Kilcoyne	50,000
Jon Little	30,000
George Reid	30,000
Cathy Turner	100,000

- 6.4 Certain Executive Directors and Senior Managers hold Old Mutual plc forfeitable share awards that will vest at Admission. These interests in Old Mutual plc shares will be treated in the same way as all other shares in Old Mutual plc in connection with Managed Separation. For every three Old Mutual plc shares held, Old Mutual plc shareholders will receive one Ordinary Share and three ordinary shares in Old Mutual Limited. The table below sets out the expected interests in Ordinary Shares of these individuals based on these Old Mutual plc awards immediately before and immediately following Admission:

Director/Senior Manager	Immediately before Admission <sup>(1) (2)</sup>		Immediately following Admission	
	Number of Ordinary Shares	Percentage of issued Ordinary Share capital	Number of Ordinary Shares	Percentage of issued Ordinary Share capital
Paul Feeney	119,963	0.0	119,963	0.0
Mark Satchel	12,897	0.0	12,897	0.0
Martin Baines <sup>(3)</sup>	435,919	0.0	435,919	0.0
Steven Braudo	76,124	0.0	76,124	0.0
Steven Levin	11,370	0.0	11,370	0.0
Andy Thompson	3,434	0.0	3,434	0.0

(1) The interests in Ordinary Shares as at the date of this Prospectus have been stated on the basis that the Share Capital Reorganisation steps described in paragraph 3.5 of this Part XVII – "Additional Information" and the first two steps of Managed Separation described in Part XVI – "Managed Separation" have been completed in full.

(2) As noted in paragraph 6.2 above, these interests do not constitute the entire interests in Ordinary Shares that Directors and Senior Managers will have immediately before and following Admission.

(3) Certain of Martin Baines forfeitable interests in Old Mutual plc shares will not vest at Admission because they relate to restricted Old Mutual plc shares that were issued as consideration in connection with the acquisition of Quilter Cheviot Limited and are therefore subject to different vesting terms, as described in paragraph 14.7.4 of this Part XVII – "Additional Information".



- 6.5 The aggregate interests of the Directors and Senior Managers in Ordinary Shares will be confirmed at the time of publication of the Price Range Supplement.
- 6.6 Save as set out in this paragraph 6 and to be described in the Price Range Supplement, it is not expected that any Director or Senior Manager will have any interest in the share or loan capital of the Company on Admission and there is no person to whom any capital of any member of the Group is under award or option or agreed unconditionally to be put under award or option.
- 6.7 As at the date of this Prospectus, so far as the Company is aware, no Director or connected person (within the meaning of Schedule 11B of FSMA), or person who resigned as a director of the Company during the 18 months prior to publication of this document, has any interest in the share capital of the Company.

## 7. Significant shareholders' interests in the Company

- 7.1 Insofar as it is known to the Company as at the date of this Prospectus, the following persons will, on Admission, be directly or indirectly interested (within the meaning of the Companies Act 2006) in 3% or more of the Company's issued share capital (being the threshold for notification of interests that will apply to Shareholders as of Admission pursuant to Chapter 5 of the Disclosure and Transparency Rules):

Shareholder	Interests in Ordinary Shares					
	immediately before Admission		Ordinary Shares to be sold in the Offer		Ordinary Shares following Admission <sup>(2)</sup>	
	No.	% of total issued	No.	% of total issued	No.	% of total issued
Old Mutual plc <sup>(2)(3)</sup>	182,513,619	9.6	165,921,472	8.7	16,592,147	0.9
Public Investment Corporation of the Republic of South Africa <sup>(4)</sup>	–	–	–	–	178,530,827	9.4
BlackRock Inc. <sup>(4)</sup>	–	–	–	–	87,224,618	4.6
Coronation Asset Management (Pty) Limited <sup>(4)</sup>	–	–	–	–	66,162,859	3.5

(1) The number of Ordinary Shares to be sold in the Offer is stated on the basis that: (i) the Share Capital Reorganisation steps described in paragraph 3 of this Part XVII – “Additional Information” have been completed in full; and (ii) the Selling Shareholder sells the entirety of its residual holding (following completion of the first step of Managed Separation described in Part XVI – “Managed Separation”) of 9.6% of the Ordinary Shares in issue in the Offer, excluding the Ordinary Shares to be made available by the Selling Shareholder to the Stabilising Manager pursuant to the Stock Lending Agreement to settle over-allotments made in connection with the Offer. The number of Ordinary Shares to be sold in the Offer as stated also takes no account of Ordinary Shares that are expected to be sold pursuant to the NED Share Purchase Agreement. The final number of Ordinary Shares that are to be sold by the Selling Shareholder pursuant to the NED Share Purchase Agreement and the final number of Ordinary Shares to be sold by the Selling Shareholder in the Offer will be determined following publication of the Price Range Supplement, currently expected to be announced on or about 25 June 2018.

(2) The interests in Ordinary Shares of Old Mutual plc immediately before Admission have been stated on the basis that (i) the Share Capital Reorganisation steps described in paragraph 3 of this Part XVII – “Additional Information” have been completed in full, and (ii) the first step of Managed Separation described in Part XVI – “Managed Separation” has been completed in full.

(3) The interests in Ordinary Shares of Old Mutual plc following Admission have been stated on the basis that: (i) the Share Capital Reorganisation steps described in paragraph 3 of this Part XVII – “Additional Information” have been completed in full; (ii) the first step of Managed Separation described in Part XVI – “Managed Separation” has been completed in full; (iii) the Stabilising Manager has borrowed and returned the maximum number of Ordinary Shares to be made available by the Selling Shareholder pursuant to the Stock Lending Agreement; and (iv) there has been no exercise of the Over-allotment Option. The interests in Ordinary Shares of Old Mutual plc immediately following Admission as stated also take no account of Ordinary Shares that are expected to be sold pursuant to the NED Share Purchase Agreement.

(4) The interests in Ordinary Shares are stated on the basis that (i) the Share Capital Reorganisation steps described in paragraph 3 of this Part XVII – “Additional Information” have been completed in full; (ii) the current holdings of shares in Old Mutual plc remain unchanged until the record date for the scheme of arrangement to implement the Quilter Separation; (iii) no fractional entitlements arise in connection with the Quilter Separation; and (iv) the first step of Managed Separation described in Part XVI – “Managed Separation” has been completed in full.

- 7.2 Save as disclosed above, in so far as is known to the Directors, there is no other person who is or will be immediately following Admission, directly or indirectly, interested in 3% or more of the issued share capital of the Company, or of any other person who can, will or could, directly or indirectly, jointly or severally, exercise control over the Company.
- 7.3 The Directors have no knowledge of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.

## 8. Directors' terms of appointment

### 8.1 The following Executive Directors have service agreements with the Company:

#### 8.1.1 **Chief Executive Officer**

Paul Feeney's employment commenced on 9 January 2012. His service agreement (entered in to on 13 March 2018 in anticipation of Admission) contains terms typical for a senior executive. Under his service agreement Paul Feeney is entitled to a base salary of £675,000 per annum. He is also entitled to a pension contribution of 10% of salary per annum and will receive life assurance, income protection, personal accident insurance and private medical insurance. He is also eligible for cover under any director or officer insurance that the Company maintains from time to time.

In addition to normal bank and public holidays, Paul Feeney is entitled to 30 days holiday per annum.

Following Admission, Paul Feeney will be eligible to be considered for a discretionary annual bonus in respect of the 2018 financial year and onwards of up to 200% of base salary and an annual share-based LTIP award under the Quilter Performance Share Plan ("PSP") of up to 200% of base salary per annum, but has no contractual right to receive such awards. 50% of any annual bonus earned will be deferred into a conditional award over Ordinary Shares which will vest in equal installments on the first, second and third anniversaries of the award date, subject to continued employment. Awards under the PSP are granted as nil-cost options which are subject to a three-year vesting period, with the number of Ordinary Shares that vest being dependent on the satisfaction of performance conditions and a risk assessment at the end of the performance period. A post vesting holding period of 2 years will apply under the PSP during which any vested options may not be exercised. All incentive awards will be subject to both malus and claw back provisions as described in paragraphs 10.2.4 and 11.2.7 of this *Part XVII – "Additional Information"*. Paul Feeney will be eligible to participate in the other all employees' share plans established by the Company.

Paul Feeney currently holds a number of unvested awards that would, under their current terms, ordinarily vest after Admission. Admission will impact these awards as follows:

- (a) Unvested deferred annual bonus awards over 516,672 phantom shares of Old Mutual plc will rollover into conditional awards of Ordinary Shares based on an equal value conversion of the award using a five-day average of the pre-Admission Old Mutual plc share price and the Offer Price (or, in the absence of any Offer, the price of the Ordinary Shares at such time (or averaged over such period) on or after Admission as the Remuneration Committee determines). The rolled over awards will continue to their normal vesting dates, subject to the same continued service and forfeiture terms. Malus will apply to these awards up to their vesting date.
- (b) Unvested Joint-Share Ownership Plan awards, which entitle the participant to receive the growth in value of the shares subject to the award in excess of their value at grant, will be valued at Admission based on the market capitalisation of the Company on Admission based on the Offer Price (or, in the absence of an Offer, at the closing price of the Ordinary Shares on the date of Admission) and converted on a net of tax basis to awards of restricted Ordinary Shares for equal value at the Offer Price (or, in the absence of any Offer, the price of the Ordinary Shares at such time (or averaged over such period) on or after Admission as the Remuneration Committee determines). Paul Feeney holds three unvested awards over Ordinary Shares and the number of such Ordinary Shares will be disclosed in the Price Range Supplement based on an assumed Offer Price at the mid-point of the Price Range. The restricted share awards will, following conversion, continue to their normal vesting dates, subject to the same continued service and forfeiture terms, and, at vesting, will be subject to a one-year holding period in respect of 50% of the vested shares. Malus will apply to these awards up to the vesting date and claw back will apply to the Ordinary Shares subject to the holding period.
- (c) Unvested Old Mutual plc forfeitable share awards over 359,891 shares will vest at Admission and be treated in the same way as all other shares in Old Mutual plc in connection with Managed Separation. Paul Feeney will be required to hold a minimum of 50% of the net value after statutory deductions received as a result of vesting in Ordinary Shares.

Under his service agreement, Paul Feeney's employment may be terminated by either party providing written notice to the other of not less than six months. The Company has the ability to make a payment in lieu of notice equal to the base salary and benefits element of Paul Feeney's remuneration for any unexpired portion of the notice period. This will be paid in monthly installments and subject to mitigation. The Company also reserves the right to place Paul Feeney on garden leave during his notice period. The Company is also entitled to dismiss him without notice in certain circumstances such as serious misconduct or following a serious breach of his duties. The service agreement also contains six-month non-competition and twelve-month non-solicitation post-termination restrictive covenants.

The Remuneration Committee has adopted formal shareholding guidelines that require Executive Directors to build and maintain a shareholding in the Company. Paul Feeney will be subject to a shareholding

requirement of 300% of annual base salary and will be expected to meet the requirement within 5 years of Admission. The equivalent net value after statutory deductions of unvested or restricted Ordinary Shares subject to any awards to which time-based vesting or a holding period only applies, will count towards the shareholding requirement.

#### 8.1.2 **Chief Financial Officer**

Tim Tookey's employment commenced on 1 May 2017. His service agreement (entered into on 10 April 2018 in anticipation of Admission) contains terms typical for a senior executive. Under his service agreement Tim Tookey is entitled to a base salary of £600,000 per annum. He is also entitled to a pension contribution of 30% of salary per annum under arrangements entered into at the time of his appointment and will receive life assurance, income protection, personal accident insurance and private medical insurance. His pension contribution will be aligned to the new policy from 2020, in addition to any other arrangements that do not currently align to the new policy (see below). He is also eligible for cover under any director or officer insurance that the Company maintains from time to time.

In addition to normal bank and public holidays, Tim Tookey is entitled to 30 days holiday per annum.

Following Admission, Tim Tookey will be eligible to be considered for a discretionary annual bonus in respect of the 2018 financial year and onwards of up to 200% of base salary. 50% of any annual bonus earned will be deferred into Ordinary Shares which will vest in equal installments on the first, second and third anniversaries of the award date, subject to continued employment. When Tim Tookey commenced employment in 2017 there was no LTIP scheme in operation. Therefore it was agreed that an equity award would be made *in lieu* of any LTIP awards for the financial years 2017, 2018 and 2019. This equity award is over 600% of base salary (200% for each of the financial years 2017, 2018 and 2019) and is subject to meeting certain personal performance objectives and a risk assessment, that align with the specific purpose of drawing on an executive who is experienced in public markets during this critical period. Performance will be assessed at Admission and the resultant number of Ordinary Shares will remain unvested until the third anniversary of the award date with a further two-year holding period applying to 50% of any shares that vest. Tim Tookey is, therefore, not eligible to be considered for a further LTIP award (under the PSP) until the financial year 2020. He has no contractual right to receive an annual bonus or PSP award. All incentive awards will be subject to both malus and clawback provisions as described in paragraphs 10.2.4 and 11.2.7 of this *Part XVII – "Additional Information"*. Tim Tookey will be eligible to participate in the other all-employees' share plans established by the Company.

Tim Tookey currently holds a number of unvested awards that would, under their current terms, ordinarily vest after Admission. Admission will impact these awards as follows:

- (a) An unvested deferred annual bonus award over 131,579 phantom shares of Old Mutual plc will rollover into conditional awards of Ordinary Shares based on an equal value conversion of the award using a five-day average of the pre-Admission Old Mutual plc share price and the Offer Price (or, in the absence of any Offer, the price of the Ordinary Shares at such time (or averaged over such period) on or after Admission as the Remuneration Committee determines). The rolled over awards will continue to their normal vesting dates, subject to the same continued service and forfeiture terms. Malus will apply to these awards up to their vesting date.
- (b) An unvested award over 1,457,018 phantom shares of Old Mutual plc which will rollover into conditional awards of Ordinary Shares based on an equal value conversion of the award using a five-day average of the pre-Admission Old Mutual plc share price and the Offer Price (or, in the absence of any Offer, the price of the Ordinary Shares at such time (or averaged over such period) on or after Admission as the Remuneration Committee determines). The rolled over award will be subject to a performance assessment by the Remuneration Committee at Admission and the adjusted number of Ordinary Shares will then continue to the normal vesting date on the third anniversary of the grant date, subject to continued service and forfeiture terms. Malus will continue to apply to the award up to the vesting date. A two-year holding period will apply to 50% of the Ordinary Shares that vest, during which period claw back applies.

Under his service agreement, Tim Tookey's employment may be terminated by either party providing written notice to the other of not less than six months. The Company has the ability to make a payment *in lieu* of notice equal to the base salary and benefits elements of Tim Tookey's remuneration for any unexpired portion of the notice period. This will be paid in monthly installments and subject to mitigation. The Company also reserves the right to place Tim Tookey on garden leave during his notice period. The Company is also entitled to dismiss him without notice in certain circumstances such as serious misconduct or following a serious breach of his duties. The service agreement also contains six-month non-competition and twelve-month non-solicitation post-termination restrictive covenants.

The Remuneration Committee has adopted formal shareholding guidelines that require Executive Directors to build and maintain a shareholding in the Company. Tim Tookey will be subject to a shareholding requirement of 300% of annual base salary and will be expected to meet the requirement within 5 years

of Admission. The equivalent net value after statutory deductions of unvested or restricted Ordinary Shares subject to any awards to which time-based vesting or a holding period only applies, will count towards the shareholding requirement.

- 8.2 The Chairman of the Group, Glyn Jones, is an Independent Non-Executive Director. Glyn Jones's appointment originally commenced on 1 November 2016. Under his current and prevailing letter of appointment (dated 26 September 2016) he receives a fee of £325,000 per annum, is appointed for an initial term of three years and is required to devote at least two days per week to the business of the Company and its Group. With effect from Admission, his fee will increase to £375,000 per annum.

Either party may terminate the appointment by providing written notice to the other of not less than three months.

- 8.3 Each of the other Non-Executive Directors has agreed terms of appointment (with effect from Admission) with the Company as follows:

The appointment of each of the Non-Executive Directors will be from the appointment date listed in the table below at 8.4 and for the initial term shown and may be terminated at any time by either the Company or the Non-Executive Director giving to the other party not less than three months' prior written notice.

The basic annual fee for each Independent Non-Executive Director will be £65,000. The Senior Independent Director will receive an additional fee of £20,000 per annum. The Chairmen of the Audit, Risk, Remuneration and IT Committees will each receive an additional £25,000 per annum. Any other member of any of the Audit, Risk, Remuneration and IT Committees will receive an additional £10,500 per annum and members of the Nomination Committee will receive an additional £5,500 per annum.

To recognise the additional workload associated with preparation for Admission the Non-Executive Directors received an additional fee. This additional fee was £100,000 per annum for the Chairman, £50,000 per annum for the Committee chairs and £25,000 per annum for the other Non-Executive Directors. The additional fee will cease at Admission.

Each Non-Executive Director is entitled to re-imbursement for reasonable and properly documented expenses incurred in performing their duties and to cover under the directors and officers insurance maintained by the Company from time to time.

The Non-Executive Directors are not entitled to receive any compensation for loss of office and are not entitled to participate in the Company's bonus plans, employees' share plans or pension arrangements.

At Admission each of the Non-Executive Directors may, but is not required to, acquire Ordinary Shares having a value at the Offer Price up to a maximum value of four times their/total annual fees excluding the additional fee, and hold those Ordinary Shares through their tenure as a director.

Each Non-Executive Director (other than the Chairman) is required to devote approximately 36 days per year to the business of the Company and its Group depending on the responsibilities of the Non-Executive Director.

- 8.4 Details of the Directors' appointments and terms of office are as follows:

<b>Executive Director</b>	<b>Commencement Date</b>	<b>Term (Years)</b>	<b>Notice Period by Company</b>
Paul Feeney	1 August 2012	6	6 months
Tim Tookey	9 August 2017	1	6 months
<b>Non-Executive Director</b>	<b>Date of Appointment Letter</b>	<b>Initial Term (Years)</b>	<b>Notice Period by Company</b>
Glyn Jones	1 November 2016	3	3 months
Rosie Harris	3 April 2017	3	3 months
Moirra Kilcoyne	31 December 2016	3	3 months
Jon Little	29 April 2017	3	3 months
George Reid	8 February 2017	3	3 months
Cathy Turner	31 December 2016	3	3 months

- 8.5 The abovementioned service contracts have been made available pursuant to provision B.3.2 of the UK Corporate Governance Code.

## 9. Directors' and Senior Managers' remuneration

- 9.1 Under the terms of their service contracts, letters of appointment and any applicable incentive plans, effective in the year ended 31 December 2017, the aggregate remuneration and benefits to the Directors and the Senior Managers who served during the year ended 31 December 2017, consisting of ten individuals, was £12.9 million.

- 9.2 Under the terms of their service contracts, letters of appointment and applicable incentive plans, effective in the year ended 31 December 2017, the Directors were remunerated as set out below:

Name	Position	Annual salary/fees (£)	Other benefits (£)
Glyn Jones	<i>Independent Non-Executive Chairman</i>	425,000	–
Paul Feeney	<i>Chief Executive Officer</i>	450,000	1,172,578
Tim Tookey <sup>(1)</sup>	<i>Chief Financial Officer</i>	431,525	460,693
Rosie Harris	<i>Independent Non-Executive Director</i>	127,861	–
Moira Kilcoyne	<i>Independent Non-Executive Director</i>	126,038	–
Jon Little	<i>Independent Non-Executive Director</i>	87,910	–
George Reid	<i>Independent Non-Executive Director</i>	142,138	–
Cathy Turner	<i>Independent Non-Executive Director</i>	140,500	–

(1) Earned in the period since becoming full-time on 1 May 2017.

While the 2017 annual incentive outcomes were not determined formulaically, each Executive Director had a target and maximum incentive opportunity for the year. The outcomes relative to their target and maximum were determined by the Remuneration Committee by reference to a combination of the performance of the Company, their own personal performance against a scorecard of objectives for the year and a risk assessment of both the Company and individuals taking independent input from the Chief Risk Officer and Board Risk Committee.

Paul Feeney received an incentive outcome of £1,475,000 which was equivalent to 81.9% of his maximum opportunity for 2017 – reflecting the strong business performance of the Group and delivery of personal objectives during 2017, including the progress made in preparing the business for listing in 2018. 50% of this award was deferred into a phantom share award over Old Mutual plc shares which will rollover into Ordinary Shares at Admission as described in paragraph 8.1.1 of this Part XVII – “Additional Information”. Only the cash element of this award is reflected in the Directors and Senior Managers Remuneration table above.

Tim Tookey received an incentive outcome of £675,000 which was equivalent to 84% of his maximum opportunity for 2017 – reflecting the strong business performance of the Group and delivery of personal objectives during 2017, including the progress made in preparing the business for listing in 2018. 50% of this award was deferred into a phantom share award over Old Mutual plc shares which will rollover into Ordinary Shares at Admission as described in paragraph 8.1.1 of this Part XVII – “Additional Information”. Only the cash element of this award is reflected in the Directors and Senior Managers Remuneration table above. His incentive award was pro-rated for his start date of 1 May 2017.

- 9.3 There is no arrangement under which any Director has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this document.

## 10. Remuneration Policy

### 10.1 Group policy

In anticipation of Admission, the Company undertook a review of the Group’s remuneration policy for senior employees, including the Executive Directors, to ensure that it is appropriate for the listed company environment.

The principal objectives of the policy are to attract, retain and motivate the Executive Directors and senior employees, incorporating incentives that align with and support the Group’s business strategy as it evolves, and aligns executives to the creation of long-term shareholder value.

The Remuneration Committee will oversee the implementation of the Company’s remuneration policy and, in particular, will seek to ensure that the Executive Directors are properly rewarded for the Group’s performance and their individual performance, including behaviour, risk and customer outcomes over the short- and long-term. A significant proportion of potential total remuneration is, therefore, performance-related and will be delivered in Ordinary Shares.

The Company’s remuneration arrangements are fully compliant with all regulatory requirements, in particular the PRA and FCA Remuneration Codes that apply to the Company. Remuneration arrangements will operate in line with the PRA and FCA Remuneration Codes, as amended from time to time.

In accordance with the regulations set out in the Large- and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, at the first annual general meeting of the Company following Admission shareholder approval will be sought for the directors’ remuneration policy, the main features of which are described below (and which may be subject to amendment following Admission to the extent the Remuneration Committee considers appropriate and in the interests of shareholders).

## 10.2 Directors' Remuneration Policy

On Admission, Executive Directors' remuneration will comprise of a base salary, a short-term incentive award, a long-term incentive award and appropriate pension and benefit arrangements.

### 10.2.1 Salary

An Executive Director's salary takes into account the individual's professional experience, individual performance, level of responsibility, the scope and nature of their role and is set with reference to the market. Base salaries will typically be reviewed annually.

### 10.2.2 Short-Term Incentive

The Executive Directors are eligible to receive an annual performance related bonus. The annual bonus is designed to reward the achievement of stretching performance conditions via a balanced scorecard of financial, risk management and customer measures and individual performance objectives. At least 50% of the scorecard will be based on financial measures. It is currently intended that 60% of the scorecard will be based on an IFRS Profit measure, 20% on a framework of risk management, risk appetite and customer measures and the remaining 20% on personal performance objectives (although the Remuneration Committee can vary this weighting to take account of business priorities). The Remuneration Committee will provide appropriate levels of disclosure on a retrospective basis of the targets and criteria used in the annual incentive scorecard, in the Directors' Remuneration Report. Due to commercial sensitivity the targets will not be disclosed prospectively.

The maximum award level will not exceed 200% of base salary for the CEO and CFO. 50% of any bonus earned will be made in the form of conditional awards over Ordinary Shares which vest in equal annual instalments over a three-year period and may, to the extent required by the applicable PRA and FCA Remuneration Codes, be subject to a retention period of at least six months following vesting.

### 10.2.3 Long-Term Incentive

The Executive Directors are eligible to participate in the Performance Share Plan (PSP), the plan used to grant LTIP awards. The maximum value of a PSP award for any Executive Director at grant in any financial year is 200% of base salary. If the Remuneration Committee deems that there are exceptional circumstances, such as the recruitment of a key individual or a significant strategic initiative, the maximum PSP award may be up to 400% of the individual's base salary. Awards granted under the PSP will normally vest after a performance period of three years, subject to the achievement of performance targets determined by the Remuneration Committee for that period. It is currently intended that awards granted in 2018 will be subject to the following performance conditions:

	Threshold <sup>(1)</sup>	Maximum <sup>(1)</sup>
% Outcome (as % of maximum)	25%	100%
EPS CAGR (2017 – 20) <sup>(2)</sup>	6%	10%
Relative TSR Ranking <sup>(3)</sup>	Median	Upper Quartile

(1) Straight-line interpolation between points

(2) AOP-based

(3) Ranking relative to the FTSE 250 excluding Investment Trusts

A summary of the principal terms of the PSP is set out at paragraph 11.2 of this *Part XVII – "Additional Information"*.

### 10.2.4 Malus and clawback

Consistent with best practice, malus and clawback provisions may be operated at the discretion of the Remuneration Committee in respect of both short- and long-term incentives. A summary of the principal circumstances in which malus and clawback may be operated is set out at paragraph 11.2.7 of this *Part XVII – "Additional Information"*.

### 10.2.5 All-employee share plans

The Executive Directors will be entitled to participate in any all-employee share plans operated by the Company, for example the SIP and the Sharesave Plan, on the same terms as other employees. A summary of the principal terms of the SIP and the Sharesave Plan are set out at paragraphs 11.4 and 11.5, respectively, of this *Part XVII – "Additional Information"*.

### 10.2.6 Pension and benefits

The Executive Directors will normally receive a pension contribution of 10% of base salary under the terms of the Old Mutual Wealth Personal Pension Plan. The CFO receives a pension contribution of 30% of base salary under arrangements agreed at the time of his appointment. The Executive Directors will also be entitled to private medical insurance, life assurance, income protection and personal accident

insurance. The normal pension and benefits package available to the Executive Directors is in line with the pension and benefits package offered to other employees.

#### 10.2.7 ***Share ownership guidelines***

The Remuneration Committee has adopted formal shareholding guidelines that require the Executive Directors to build and maintain a shareholding in the Company. The CEO and CFO of the Company will be subject to a shareholding requirement of 300% of base salary and are expected to meet the requirement within 5 years of Admission. The equivalent net value after statutory deductions of unvested shares subject to any awards held by an Executive Director to which time-based vesting or a holding period only applies, will count towards the shareholding requirement.

#### 10.2.8 ***Service Agreements***

The policy is that each Executive Director's service agreement should be of indefinite duration, subject to termination by the Company or the individual on six months' notice. The service agreements of all Executive Directors comply with that policy. A summary of the principal terms of the Executive Directors' service agreements is set out at paragraph 8 of this Part XVII – "Additional Information".

#### 10.2.9 ***Recruitment remuneration policy***

New Executive Director and senior management hires (including those promoted internally) will be offered remuneration packages in line with the Company's remuneration policy in force at the time. In addition to the above elements of remuneration, the Remuneration Committee may, in exceptional circumstances, consider it appropriate to grant an award under a different structure in order to facilitate the buyout of outstanding awards held by an individual on recruitment. Any buyout award would be limited to what the Remuneration Committee considers to be a fair estimate of the value of awards forfeited when leaving the former employer and will be structured, to the extent possible, to take into account other key terms (such as vesting schedules and performance targets) of the awards which are being replaced. For external and internal appointments, the Remuneration Committee may agree that the Company will meet certain relocation expenses as it considers appropriate, in accordance with the Company's relocation policy.

#### 10.2.10 ***Termination policy***

The Remuneration Committee will consider treatment on termination having regard to all of the relevant facts and circumstances available at that time. This policy applies both to any negotiations linked to notice periods on a termination and any treatments that the Remuneration Committee may choose to apply under the discretions available to it under the terms of the annual bonus plan and PSP, which will take account of typical practice regarding, for example, the treatment of "good" and "bad" leavers. A summary of the leaver provisions under the PSP and the Share Reward Plan (under which deferred bonuses will be awarded) is set out at paragraphs 11.2.8 and 11.3, respectively, of this Part XVII – "Additional Information".

#### 10.2.11 ***Non-Executive directors' Letters of Appointment***

The Chairman and the other Non-Executive Directors are appointed by a letter of appointment for an initial period of three years and are subject to annual re-election. Details of each Non-Executive Directors' appointment with the Company are set out in paragraph 8 of this Part XVII – "Additional Information".

The Chairman's and the other Non-Executive Directors' fees will be set at a level to reflect the amount of time and level of involvement required in order to carry out their duties as members of the Board and its committees, and to attract and retain Non-Executive Directors of the highest calibre with relevant commercial and other experience. The fees paid to the Chairman and the other Non-Executive Directors are determined by the Board. No Board member may participate in the approval of their own fees.

The Chairman and other Non-executive Directors are not eligible to participate in any of the Company's incentive arrangements and do not receive pension contributions.

#### 10.2.12 ***External Appointments***

Subject to prior clearance by the Board, an Executive Director is permitted to hold one external non-executive directorship of a listed company and is entitled to retain any fees paid for doing so.

#### 10.2.13 ***Statement of consideration of employment conditions elsewhere in the Group***

Pay and employment conditions generally in the Group will be taken into account when setting Executive Directors' remuneration. The Remuneration Committee will receive regular updates on overall pay and conditions in the Group, including (but not limited to) changes in base pay and any staff bonus pools in operation. There is also oversight of the all-employee share plans which Executive Directors and all other Group employees can participate in on the same terms and conditions. Reflecting standard practice, the Company will not consult with employees in drawing up the Company's annual remuneration report.

#### 10.2.14 *Statement of consideration of shareholder views*

The 2019 annual general meeting will be the first occasion on which the Company will seek the support of its shareholders for matters relating to the remuneration of Executive Directors. The Remuneration Committee will ensure that it considers all of the feedback which it receives from its shareholders during this process.

### 11. The Quilter Share Plans

The Quilter Share Plans will comprise the Quilter Performance Share Plan (the “PSP”), the Quilter Share Reward Plan (the “SRP”), the Quilter Sharesave Plan (the “Sharesave”) and the Quilter Share Incentive Plan (the “SIP”). Quilter has established an employee benefit trust which is primarily intended to be used in conjunction with the PSP and the SRP.

The common principal terms of each of the Quilter Share Plans are set out below, followed by a summary of the principal terms specific to each plan. Other than as described in this Prospectus, there are no options or preferential rights in respect of the Company’s share capital.

#### 11.1 *Common terms of the Quilter Share Plans*

Where not specified, or unless specified otherwise, the following terms are common to each of the Plans.

##### 11.1.1 *Operation of the Quilter Share Plans*

Shortly after Admission, free share awards will be granted under the SIP. Going forward, grants of awards under the PSP, SRP and the Sharesave will normally only be made within six weeks of the dealing day after the announcement of the Company’s results for any period. The Remuneration Committee may also decide to grant awards in exceptional circumstances. No awards can be made under the Quilter Share Plans after the tenth anniversary of their date of adoption.

The Quilter Share Plans will be administered by the Remuneration Committee.

##### 11.1.2 *Dilution limits*

Awards and options granted under the Quilter Share Plans may be satisfied with new issue Ordinary Shares, treasury Ordinary Shares or Ordinary Shares purchased in the market. In any 10-calendar year period commencing after Admission, not more than 10% of the issued ordinary share capital of the company may be issued or be issuable under the Quilter Share Plans and all other employee share plans adopted by the Company. In addition, over the same period, not more than 5% of the issued ordinary share capital of the Company may be issued or be issuable under the PSP, the SRP and any other discretionary employees’ share plan adopted by the Company. These limits do not include rights to Ordinary Shares which lapse or are surrendered or those granted before Admission. Treasury Ordinary Shares will be treated as new issue shares for the purposes of these limits unless institutional investor guidelines cease to require such shares to be so counted. As the issue of new shares can be expensive for shareholders any issue of new shares to satisfy awards under the Quilter Share Plans will be subject to careful consideration.

##### 11.1.3 *Amendments to the Quilter Share Plans*

The Remuneration Committee may amend the rules of a Quilter Share Plan as it considers appropriate. However, shareholder approval is required to amend to the advantage of participants the provisions relating to: eligibility; individual and plan limits; the basis for determining entitlements to, and terms of Ordinary Shares or cash provided; the power to make adjustments in the event of a variation in the Company’s share capital and the amendment powers. Shareholder approval is not required for minor amendments to benefit the administration of the Quilter Share Plans, to take account of a change in legislation, or which will obtain or maintain favourable tax, exchange control or regulatory treatment for any participating company or any participant.

The Company may adopt further plans based on the Quilter Share Plans or schedules to the Quilter Share Plans to take account of tax, exchange control or securities laws which apply to non-UK employees. Ordinary Shares made available under any further plans or schedules will count towards the limits on the use of Ordinary Shares under the Quilter Share Plans.

##### 11.1.4 *General*

Any Ordinary Shares issued under the Quilter Share Plans will rank equally with shares of the same class in issue on the date of allotment except in respect of rights arising by reference to a record date before the date of allotment.

Benefits under the new Quilter Share Plans are not pensionable and may not be transferred or charged, except that on death an award may be transferred to the participant’s personal representatives.



## 11.2 *The Quilter Performance Share Plan*

### 11.2.1 *Eligibility and individual limits*

Employees, including executive directors, of the Group are eligible to participate in the PSP.

The Remuneration Committee will decide who will be granted awards under the PSP and over how many Ordinary Shares. Awards granted to Executive Directors will be subject to the limits set out in the Company's Directors' Remuneration Policy prevailing at the time of grant.

### 11.2.2 *Types of awards*

Awards under the PSP can take the form of: conditional awards – under which participants receive Ordinary Shares to the extent their awards vests; options – under which participants can acquire Ordinary Shares, to the extent their awards have vested, either at no cost or at a price set when the option is granted; or forfeitable Ordinary Shares – under which participants receive Ordinary Shares on grant which must be given back to the extent the awards lapse. No consideration is payable by a participant on the grant of an award.

Awards may be satisfied with a cash payment of a value equivalent to the vested shares or be granted as cash awards.

### 11.2.3 *Performance condition*

An award will normally be granted on the basis that it will only vest to the extent that a performance condition, set at the time of grant, is satisfied.

The Remuneration Committee may amend a performance condition if an event or events have occurred which causes the Remuneration Committee reasonably to consider that it would be appropriate to amend the performance condition so that it achieves its original purpose and, in the reasonable opinion of the Remuneration Committee, the altered performance condition is not materially less difficult to satisfy than the unaltered performance condition would have been but for the event or events in question.

### 11.2.4 *Dividend equivalents*

Conditional awards and nil-cost options may be granted on the basis that a participant will receive additional Ordinary Shares or a cash payment on or following vesting or, in the case of options, exercise, representing dividends and any other distributions they would have received if they had been the owners of their vested shares during the vesting period. The Remuneration Committee will decide the basis of calculation of any dividend equivalent payment, which may assume reinvestment. The Remuneration Committee may also decide to exclude a special dividend or a distribution from a dividend equivalent payment.

### 11.2.5 *Vesting of awards*

Awards will normally vest, to the extent that any applicable performance condition is met, at the end of a period set when the award is granted (which will normally be three years) or at the end of the period over which the performance condition is tested. An option will normally be exercisable until the tenth anniversary of its grant provided the participant remains an employee or officer of the Group. Ordinary Shares will be delivered to the participant on vesting, or, in the case of an option, exercise.

Vesting of awards (and the exercise of options) may be delayed where a participant is associated with any investigation or similar circumstance at the discretion of the Remuneration Committee.

### 11.2.6 *Holding period*

An award may be granted on the basis that the participant is required to hold a net number of the Ordinary Shares (or Ordinary Shares subject to an option) for a period (normally two years) following vesting.

### 11.2.7 *Malus and clawback*

The Remuneration Committee may reduce (including to nil) the number of Ordinary Shares to be received on the vesting of an award if a participant is associated with any of the following: materially incorrect or misleading financial statements; loss as a result of a failure to observe risk management policies; damage, or potential damage, to the reputation of Quilter; an act which is grounds for summary termination; and any other circumstances similar in nature to the above. The Remuneration Committee may also reduce the size of an award as part of the operation of clawback under any other incentive plan of the Group.

The Remuneration Committee can clawback value received under the PSP from a participant during the period from the vesting (or exercise) of an award up to the fifth anniversary of its grant if the participant is associated with any of the following: materially incorrect or misleading financial statements; loss as a result of a failure to observe risk management policies; and an act which is grounds for summary termination.

### 11.2.8 **Leaving employment**

An award will normally lapse if the participant leaves their employment or office with the Group. However, if a participant leaves because of injury, disability, redundancy, the sale of the company or business in which they work or for any other reason at the discretion of the Remuneration Committee then their award will normally vest at the time it would have vested if the participant had not left employment or office. Alternatively, the Remuneration Committee may decide that an award will vest on a participant leaving. In the case of the death of a participant, their award would normally vest on cessation.

An award which vests on or after a participant leaving employment will be subject to any performance conditions which apply to the award. The number of vested Ordinary Shares will be reduced *pro rata*, normally by reference to the period for which the participant remained employed or in office during the three year period following grant. The Remuneration Committee may waive time pro-rating if it regards it as appropriate to do so.

In the context of any of the good leaver circumstances described above, options will normally be exercisable for 12 months after the later of the date on which the option vests and the date on which the participant left employment or office.

### 11.2.9 **Takeovers and reorganisations**

If there is a change of control of the Company, the Remuneration Committee will decide whether awards will vest or be exchanged for equivalent awards over shares in the acquiring company. Where an award vests in these circumstances, the extent of vesting will depend on the extent to which any performance condition has been satisfied and time pro rating to reflect the reduced period of time between grant and vesting (rounded up to the next whole year), although the Remuneration Committee may waive time pro-rating if it regards it as appropriate to do so.

If there is a special dividend or similar event which, in the opinion of the Remuneration Committee, would materially affect the market price of Ordinary Shares, the Remuneration Committee may decide that the awards will vest or be exercised on the terms it decides.

If there is a demerger of any member of the Group, the Remuneration Committee may decide that awards will be subject to any of the following: adjustment; vesting; amendment so that they continue partly over Ordinary Shares and partly over shares in the demerged company; exchanged for an equivalent award over shares of the demerged company.

If there is a winding-up of the Company, awards would vest on the same basis as described above for a change of control.

### 11.2.10 **Adjustment of awards**

The number of Ordinary Shares subject to an award may be adjusted to reflect any variation in the share capital of the Company or a corporate event which, in the opinion of the Remuneration Committee, would materially affect the market price of Ordinary Shares.

## 11.3 **The Quilter Share Reward Plan**

The SRP is intended to be used for deferred bonus awards and other circumstances where it is not appropriate for the awards to be subject to performance conditions.

The principal terms of the SRP are the same as those of the PSP described above, except for the differences described below.

- (a) *Performance conditions* – the vesting of SRP awards will not be subject to performance conditions although the Remuneration Committee may apply conditions to an award in circumstances where it considers it appropriate to do so.
- (b) *Vesting of awards* – awards will vest at the end of a vesting period decided by the Remuneration Committee on or before the grant of the awards. Awards granted to executive directors will vest in accordance with the Company's Directors' Remuneration Policy.
- (c) *Clawback* – clawback can only apply to awards which have tranching vesting and the Remuneration Committee may only apply clawback during the period up to the earliest of (i) the vesting of the last tranche; and (ii) the fifth anniversary of grant.
- (d) *Holding period* – a post-vesting holding period will not apply to SRP awards.
- (e) *Leaving employment* – an award which vests on or after leaving employment will not be subject to pro-rating.
- (f) *Takeovers and reorganisations* – an award which vests in any of the circumstances described in paragraph 11.2.9 above will not be subject to pro-rating.

#### 11.4 **The Quilter Share Incentive Plan**

The SIP is a UK tax advantaged all-employee share plan. The SIP will be used to make an award of free shares to the value of £2,000 to all eligible UK employees on or shortly following Admission. Similar free share awards will be made to non-UK employees under the SRP.

##### 11.4.1 **Eligibility**

All employees (including executive directors) of the Company and any participating subsidiary may participate in the SIP. The Remuneration Committee may set a qualifying period of continuous employment (which cannot exceed 18 months) for eligibility. When the SIP is operated, all eligible employees must be invited to participate. The Remuneration Committee may also offer participation to any other employees.

##### 11.4.2 **Operation**

Eligible employees may be offered free, partnership and/or matching shares (see below), as the Remuneration Committee decides. The SIP may also offer dividend reinvestment. As mentioned above, it is currently intended to use the SIP for a free share award on or shortly after Admission.

The SIP operates in conjunction with a trust, which will hold Ordinary Shares on behalf of participants.

##### 11.4.3 **Free Shares**

Participants can be given free Ordinary Shares ("**free shares**") with a market value currently limited by the tax legislation to £3,600 in a tax year. The free shares must generally be offered to all eligible employees on similar terms, but the number of free shares can vary by reference to the participant's remuneration, length of service or hours worked. The Remuneration Committee may make the awards of free shares subject to performance targets.

Free shares must generally be held in trust for between three and five years. The Remuneration Committee may require free shares to be forfeited if the participant leaves employment within three years other than as a result of death, retirement, redundancy, injury or disability, or the participant's employing company or business being sold out of the Group.

##### 11.4.4 **Partnership Shares**

Eligible employees may be offered the opportunity to buy Ordinary Shares ("**partnership shares**") by deduction from their pre-tax salary. Under current legislation, they can buy up to £1,800 in each tax year or, if less, 10% of salary.

The SIP trustee may use the deductions from participants' salary to buy partnership shares on their behalf immediately. Alternatively, it may accumulate them for a period of up to one year and then use them to buy partnership shares.

Participants can stop their salary deductions at any time. Participants can also withdraw their partnership shares from the plan at any time, although there are tax advantages if the partnership shares are retained in the SIP.

##### 11.4.5 **Matching Shares**

The Remuneration Committee may award additional free Ordinary Shares ("**matching shares**") on a matching basis to participants who buy partnership shares. Under current legislation, up to a maximum of two matching shares can be offered for each partnership share. Matching shares must be offered on the same basis to each participant purchasing partnership shares on each occasion. Matching shares must generally be held in trust for a holding period of between three and five years. The Remuneration Committee may decide that matching shares will be forfeited on the same basis as free shares or if the corresponding partnership shares are taken out of the SIP within three years of award.

##### 11.4.6 **Dividends**

Cash dividends paid on Ordinary Shares held in the SIP may be reinvested in shares up to certain limits set out in the legislation.

##### 11.4.7 **Corporate events**

As SIP awards consist of Ordinary Shares from grant, these shares will be subject to corporate actions and variations of share capital in the same way as other Ordinary Shares.

##### 11.4.8 **Voting Rights**

The trustees can only vote Ordinary Shares held in the SIP in accordance with participants' instructions.

#### 11.5 **The Quilter Sharesave Plan**

The Sharesave is a UK tax advantaged all employee share plan. It is currently proposed that the Sharesave will be operated for the first time in 2019.

#### 11.5.1 **Eligibility**

All UK employees and full-time directors of the Company and any participating subsidiary may participate in the Sharesave. The Remuneration Committee may set a qualifying period of continuous employment (which cannot exceed five years) for eligibility. When the Sharesave is operated, all eligible employees must be invited to participate. The Remuneration Committee may also offer participation to any other employees.

#### 11.5.2 **Savings contract**

Participants are granted an option over Ordinary Shares and must enter into a regulated savings contract, in connection with the option, to save an amount of up to (currently) £500 per month by deduction from their salary. The Remuneration Committee may set a lower limit. Ordinary Shares can only be acquired with the amount saved (plus any interest or bonus).

#### 11.5.3 **Option price**

The Remuneration Committee will set the option price which must not be less than 80% of the market value of an Ordinary Share on the business day before the date of grant or the average market value over the three preceding business days unless a different approach is agreed with HMRC.

#### 11.5.4 **Exercise of options**

Options can normally only be exercised for six months starting three or five years after the start of the related savings contract. Options may, however, be exercised early in certain circumstances to the extent of the related savings. These include a change of control of the Company or a participant leaving employment because of injury, disability, redundancy, retirement, death or where the company or business for which the participant works leaves the Group. On cessation of employment for other reasons, options will normally lapse.

#### 11.5.5 **Adjustment of options**

The number of Ordinary Shares subject to an option may be adjusted to reflect any variation in the share capital of the Company.

#### 11.5.6 **Non-UK participation**

The Sharesave contains a schedule under which the Company may allow non-UK employees to participate in the Sharesave.

### 11.6 **The Quilter Employee Benefit Trust**

The Company has established the Quilter Employee Benefit Trust (the “EBT”) which may acquire Ordinary Shares and hold them for the benefit of employees and former employees of Group company and their spouses and children. The EBT will be used, with the agreement of the trustee of the EBT, to provide Ordinary Shares to participants in any employee share plan operated by Quilter.

The trustee of the EBT is a professional trustee and may acquire Ordinary Shares by buying them on the market or by subscribing for new issue shares. Any new issue shares subscribed by the trustee will count against the limits on the use of new issue Ordinary Shares under the Quilter Share Plans. It is intended that the EBT will be funded by way of loans and other contributions from the members of the Group.

The trustee will not vote in respect of any Ordinary Shares it holds unless the shares are being held as a nominee for a beneficiary of the EBT when it will vote the shares in accordance with the wishes of the beneficial holder of the shares. The trustee has waived dividends on Ordinary Shares it holds.

In line with best practice, the EBT will not hold Ordinary Shares which represent more than 5% of the Company’s issued share capital.

## 12. Subsidiaries, investments and principal shareholders

### 12.1 Significant Subsidiary Undertakings

The Company is the parent company of the Group. The following table shows details of the Company's significant subsidiaries. The issued share capital of each of these companies is fully paid and each will be included in the consolidated accounts of the Group.

Name <sup>(1)</sup>	Country of incorporation	Date of incorporation	Register office	Percentage of shares held as at 31 December 2017	Principal activity	Regulator	Held	Date on which became a subsidiary
Old Mutual Wealth Limited	England and Wales	22 November 1982	Old Mutual House, Portland Terrace, Southampton, SO14 7EJ	100%	Investment firm	FCA	Indirect	27 Feb 2008
Old Mutual Wealth Life Assurance Limited	England and Wales	19 April 1978	Old Mutual House, Portland Terrace, Southampton, SO14 7EJ	100%	Insurance firm	FCA, PRA and JFSC	Indirect	27 Feb 2008
Old Mutual Wealth Pensions Trustee Limited	England and Wales	9 January 1981	Old Mutual House, Portland Terrace, Southampton, SO14 7EJ	100%	Nominee firm	The Pensions Regulator	Indirect	27 Feb 2008
Old Mutual Wealth Life & Pensions Limited <sup>(2)</sup>	England and Wales	20 February 2001	Old Mutual House, Portland Terrace, Southampton, SO14 7EJ	100%	Insurance firm	FCA, PRA and JFSC	Indirect	27 Feb 2008
Old Mutual International Ireland DAC	Republic of Ireland	14 July 1999	Hambleton House, 19 - 26 Lower Pembroke Street, Dublin 2	100%	Insurance firm	CBI and JFSC	Indirect	13 March 2003
Old Mutual International Trust Company Limited	Isle of Man	2 June 1999	King Edward Bay House, King Edward Road, Onchan, Isle of Man, IM99 1NU	100%	Nominee firm	Isle of Man FSA, Financial Supervision Commission	Indirect	2 June 1999
Old Mutual International Middle East Limited	Dubai International Financial Centre	30 August 2010	7 & 8, Level 2, Gate Village Building 7, Dubai International Financial Centre, Dubai, 482062, United Arab Emirates	100%	Insurance service company	DFSA – Dubai Financial Services Authority	Indirect	30 August 2010
Old Mutual International Business Services Limited	Isle of Man	25 June 2003	King Edward Bay House, King Edward Road, Onchan, Isle of Man, IM99 1NU	100%	Insurance service company	Isle of Man FSA	Indirect	25 June 2003

(1) None of the significant subsidiaries is "listed" as defined in the JSE Listings Requirements.

(2) Defined as a "Major Subsidiary" for the purposes of the JSE Listings Requirements.

Name <sup>(1)</sup>	Country of incorporation	Date of incorporation	Register office	Percentage of shares held as at 31 December 2017	Principal activity	Regulator	Held	Date on which became a subsidiary
Old Mutual International Isle of Man Limited <sup>(2)</sup>	Isle of Man	18 September 1984	King Edward Bay House, King Edward Road, Onchan, Isle of Man, IM99 1NU	100%	Insurance firm	Isle of Man FSA, IFSC, MAS, IA, SFC, Trinidad & Tobago SEC, Office of Insurance Regulation (Florida) and Guernsey Financial Services Commission	Indirect	18 February 2011
AAM Advisory Pte Ltd	Singapore	12 July 1998	138 Market Street, #06-01/02 Capitagreen, Singapore 048946	100%	Advice firm	MAS	Indirect	15 March 2016
Old Mutual Investment Management Limited	England and Wales	4 June 2001	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ	100%	Asset management firm	FCA	Indirect	23 August 2001
Old Mutual Global Investors (Asia Pacific) Limited	Hong Kong	17 December 2001	24th Floor, Henley Building, 5 Queen's Road, Central, Hong Kong	100%	Asset management firm	Hong Kong SFC	Indirect	29 March 2011
Old Mutual Global Investors (UK) Limited	England and Wales	18 July 1994	Millennium Bridge House, 2 Lambeth Hill, London, EC4V 4AJ	100%	Asset management firm	Hong Kong SFC	Indirect	19 February 2013
Old Mutual Global Investors (UK) Limited	England and Wales	18 July 1994	Millennium Bridge House, 2 Lambeth Hill, London, EC4V 4AJ	100%	Asset management firm	FCA and SEC (exempt reporting advisor)	Indirect	6 April 2016
Old Mutual Global Investors (Switzerland) LLC	Switzerland	29 April 2015	Schützengasse 4, 8001 Zürich, Switzerland	100%	Asset management firm (sales office)	Financial Markets Supervisory Authority	Indirect	29 April 2015
Intrinsic Financial Planning Limited	England and Wales	13 July 2005	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH	100%	Advice firm	FCA	Indirect	1 July 2014
Intrinsic Financial Solutions Limited	England and Wales	17 November 2008	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH	100%	Appointed representative firm	FCA	Indirect	17 January 2014
Positive Solutions (Financial Services) Limited	England and Wales	12 November 1996	Riverside House, The Waterfront, Newcastle Upon Tyne, NE1 8NY	100%	Advice firm	FCA	Indirect	1 July 2014
Intrinsic Wealth Limited	England and Wales	31 July 2002	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH	100%	Advice firm	FCA	Indirect	1 July 2014

(1) None of the significant subsidiaries is "listed" as defined in the JSE Listings Requirements.

(2) Defined as a "Major Subsidiary" for the purposes of the JSE Listings Requirements.

Name <sup>(1)</sup>	Country of incorporation	Date of incorporation	Register office	Percentage of shares held as at 31 December 2017	Principal activity	Regulator	Held	Date on which became a subsidiary
Intrinsic Mortgage Planning Limited	England and Wales	30 June 2005	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH	100%	Advice firm	FCA	Indirect	1 July 2014
Blueprint Financial Services Limited	England and Wales	16 April 2003	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH	100%	Authorised representative firm	FCA	Indirect	1 July 2014
Old Mutual Wealth Private Client Advisers Limited (fta IFPG Limited)	England and Wales	3 April 2007	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ	100%	Appointed representative firm	FCA	Indirect	1 July 2014
Intrinsic Independent Financial Solutions Limited	England and Wales	14 December 2007	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH	100%	Appointed representative firm	FCA	Indirect	1 July 2014
Maestro Financial Services Limited	England and Wales	15 November 1984	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ	100%	Advice firm	FCA	Indirect	6 October 2017
Caerus Financial Limited	England and Wales	7 January 2009	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH	100%	Support services to Independent and Restricted Advisers	FCA	Indirect	1 June 2017
Caerus Portfolio Management Limited	England and Wales	16 May 1995	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH	100%	Asset management firm	FCA	Indirect	1 June 2017
Guiller Cheviot Limited	England and Wales	18 June 1985	One Kingsway, London, WC2B 6AN	100%	Asset management firm	FCA, JFSC, CBI, DFSA, FSB South Africa	Indirect	25 February 2015

(1) None of the significant subsidiaries is "listed" as defined in the JSE Listings Requirements.

(2) Defined as a "Major Subsidiary" for the purposes of the JSE Listings Requirements.

## 12.2 *Properties, Investments and Assets*

The following are the principal establishments of the Group:

<b>Name</b>	<b>Location</b>	<b>Tenant</b>	<b>Lease expiry date</b>	<b>Type</b>	<b>Tenure</b>	<b>Area (ft²)</b>
Montgomery House	Belfast	Quilter Cheviot Limited	26 October 2018	Office	Leasehold	2,433
2 – 6 Colmore Row	Birmingham	Old Mutual Wealth Private Client Advisers Limited	30 June 2018	Office	Leasehold	1,500
Snowhill	Birmingham	Quilter Cheviot Limited	28 September 2024	Office	Leasehold	6,468
3 Temple Quay	Bristol	Quilter Cheviot Limited	9 November 2027	Office	Leasehold	5,148
Mutual Park	Cape Town	Global Edge Technologies (PTY) LTD	31 December 2027	Office	Leasehold	13,154
15 Rosehill	Carlisle	Dodd Murray Ltd	19 January 2018	Office	Leasehold	3,000
Metropolitan House	Cheadle Hulme	Maestro Financial Services Ltd	18 September 2018	Office	Leasehold	1,237
International House	Chester	Old Mutual Wealth Private Client Advisers Limited	10 January 2027	Office	Leasehold	5,700
Dubai Airport Free Zone Authority	Dubai	Old Mutual International	17 May 2018	Office	Leasehold	794
Gate Building	Dubai	Quilter Cheviot Limited	30 June 2018	Office	Leasehold	267
Gate Village 7	Dubai	Old Mutual International	31 December 2019	Office	Leasehold	2,493
Hambleden House	Dublin	Quilter Cheviot Limited	31 May 2027	Office	Leasehold	5,425
10 Charlotte Square	Edinburgh	Old Mutual Global Investors (UK) Limited	21 June 2025	Office	Leasehold	1,760
Saltire Court	Edinburgh	Quilter Cheviot Limited	17 July 2022	Office	Leasehold	3,700
Delta House	Glasgow	Quilter Cheviot Limited	23 September 2021	Office	Leasehold	3,793
Henley Building	Hong Kong	Old Mutual International	30 November 2018	Office	Leasehold	5,739
Windward House	Jersey	Quilter Cheviot Limited	30 August 2024	Office	Leasehold	5,076
Provincial House	Leicester	Quilter Cheviot Limited	21 March 2018	Office	Leasehold	4,520
5 St Paul's Square	Liverpool	Quilter Cheviot Limited	29 August 2023	Office	Leasehold	5,201
90 Long Acre	London	Quilter Cheviot Limited	22 June 2019	Office	Leasehold	12,529



<b>Name</b>	<b>Location</b>	<b>Tenant</b>	<b>Lease expiry date</b>	<b>Type</b>	<b>Tenure</b>	<b>Area (ft²)</b>
Kingsway	London	Quilter Cheviot Limited	17 July 2028	Office	Leasehold	27,000
Millennium Bridge House	London	Commsale 2000 Ltd	29 September 2020	Office	Leasehold	103,000
The Pinnacle	Manchester	Quilter Cheviot Limited	15 April 2020	Office	Leasehold	2,640
Trident Business Park	Manchester	Caerus Holdings Limited	28 February 2026	Office	Leasehold	5,300
Office Number 415	Milan	Old Mutual Global Investors (UK) Limited	31 August 2018	Office	Leasehold	1,000
Riverside House	Newcastle Upon Tyne	Intrinsic Financial Services Limited	5 February 2024	Office	Leasehold	16,000
Newton Abbot	Newton	DQS Financial Management Limited	23 October 2019	Office	Leasehold	1,446
King Edward Bay House	Onchan	Old Mutual International	17 December 2026	Office	Leasehold	56,624
Salisbury Office Park	Salisbury	Quilter Cheviot Limited	12 October 2020	Office	Leasehold	2,761
138 Market Street	Singapore	AAM Advisory PTE LTD	4 May 2020	Office	Leasehold	9,313
Collyer Quay	Singapore	Old Mutual International	30 September 2019	Office	Leasehold	2,551
Old Mutual House	Southampton	Skandia Life Business Services Limited <sup>(2)</sup>	29 September 2032	Office	Leasehold	110,000
Old Mutual Point	Southampton	Old Mutual Wealth Business Services Limited	31 December 2029	Office	Leasehold	67,000
Wiltshire Court	Swindon	Intrinsic Financial Services Limited	23 July 2025	Office	Leasehold	17,000
Zurich	Zurich	Old Mutual Global Investors	1 June 2018	Office	Leasehold	1,088

### 13. **Statutory auditor**

By resolution of the Directors dated 12 March 2018, KPMG, whose registered address is at 15 Canada Square, Canary Wharf, London E14 5GL, United Kingdom, was appointed as the statutory auditor to the Company. The financial information contained in this Prospectus does not constitute full statutory accounts as referred to in Section 434(3) of the Companies Act 2006. Full audited accounts have been delivered to the Registrar of Companies for the Company.

KPMG is registered to perform audit work by the Institute of Chartered Accountants in England and Wales.

### 14. **Material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or another member of the Group: (a) within the two years immediately preceding the date of this document which are, or may be, material to the Company or any member of the Group, and (b) at any time and contain provisions under which the Company or any member of the Group has an obligation or entitlement which is, or may be, material to the Company or any member of the Group as at the date of this document.

#### 14.1 **Underwriting Agreement**

On 20 April 2018, the Company, the Selling Shareholder, the Directors and the Banks entered into the Underwriting Agreement. Pursuant to the Underwriting Agreement:

- (a) the Selling Shareholder has agreed, subject to certain conditions, to sell or procure the sale of the Offer Shares in the Offer at the Offer Price;
- (b) the Underwriters have severally agreed, subject to certain conditions, to procure purchasers for or, failing which, themselves to purchase the Offer Shares (in such proportions as are set out in the Underwriting Agreement) pursuant to the Offer;
- (c) subject to the conditions set out in the Underwriting Agreement having been satisfied or waived and the Underwriting Agreement not having been terminated in accordance with its terms prior to Admission, the Selling Shareholder has agreed that the Underwriters may deduct from the proceeds of the Offer payable to the Selling Shareholder a commission of 2% of the product of the Offer Price and the number of Offer Shares sold pursuant to the Offer (including following any exercise of the Over-allotment Option);
- (d) in addition, the Selling Shareholder may, in its sole discretion, pay the Underwriters (or any of them) an additional commission of up to 1% of the product of the Offer Price and the number of Offer Shares sold pursuant to the Offer (including following any exercise of the Over-allotment Option);
- (e) the obligations of the Underwriters to procure purchasers for or, failing which, themselves to purchase Offer Shares pursuant to the Offer on the terms of the Underwriting Agreement are subject to certain conditions that are customary for an agreement of this nature. These conditions include, among other things, the absence of any breach of representation or warranty under the Underwriting Agreement, delivery of customary documents, and Admission occurring on or before 8:00 a.m. (London) on 25 June 2018 (or such later time and/or date as the Joint Global Coordinators, the Company and the Selling Shareholder may agree). In addition, the Joint Global Coordinators have the right to terminate the Underwriting Agreement, exercisable in certain circumstances that are customary for an agreement of this nature, prior to Admission;
- (f) the Stabilising Manager has been granted the Over-allotment Option by the Selling Shareholder, pursuant to which it may purchase or procure purchasers for up to 10% of the total number of Offer Shares at the Offer Price for the purposes of covering short positions arising from over-allocations, if any, in connection with the Offer and/or from sales of Ordinary Shares, if any, effected during the stabilisation period. Except as required by law or regulation, neither the Stabilising Manager nor any of its agents intends to disclose the extent of any over-allotments and/or stabilisation transactions conducted in relation to the Offer. The Over-allotment Option may be exercised, in whole or in part, at any time during the period from the commencement of conditional dealings in Ordinary Shares on the London Stock Exchange to the thirtieth calendar day thereafter. Settlement of any purchase of Over-allotment Shares will take place shortly after determination of the number of Over-allotment Shares to be purchased by the Stabilising Manager (or, if acquired at Admission, at Admission). If any Over-allotment Shares are acquired pursuant to the Over-allotment Option, the Stabilising Manager will be committed to pay to the Selling Shareholder, or procure that payment is made to it, of an amount equal to the Offer Price multiplied by the number of Over-allotment Shares purchased from the Selling Shareholder, less commissions and expenses;
- (g) the Selling Shareholder has agreed to pay any stamp duty and/or stamp duty reserve tax arising on the sale of the Offer Shares sold pursuant to the Offer;
- (h) to the extent permitted by law, each of the Company and the Selling Shareholder has agreed to pay certain costs, charges, fees and expenses of the Offer (together with any related VAT);
- (i) each of the Company, the Selling Shareholder and the Directors has given certain representations, warranties and undertakings, subject to certain limits (except in the case of the Company), to the Banks;
- (j) the Company has given an indemnity to the Banks on customary terms that are typical for an agreement of this nature;
- (k) the Company is subject to certain lock-up arrangements stipulating that, subject to customary exemptions (which are more fully described in *Part XV – “Details of the Offer – 13. Lock-up arrangements and exceptions”*), during a period of 180 days from the date of Admission, it will not, without the prior written consent of the Joint Global Coordinators (on behalf of themselves and the other Banks), directly or indirectly, offer, issue, lend, mortgage, assign, charge, pledge, sell or contract to sell or issue or sell any option in respect of any Ordinary Shares (or any interest therein or in respect thereof) or any other securities exchangeable for or convertible into, or substantially similar to, Ordinary Shares or enter into any transaction with the same economic effect as, or agree to do, any of the foregoing;
- (l) each of the Directors has entered into certain lock-up arrangements pursuant to which he or she has agreed that, subject to customary exemptions (which are more fully described in *Part XV – “Details of the Offer – 13. Lock-up arrangements and exceptions”*), during a period of 365 days from the date of Admission, he or she

- will not, without the prior written consent of the Joint Global Coordinators (on behalf of themselves and the other Banks), directly or indirectly, offer, issue, lend, mortgage, assign, charge, pledge, sell or contract to sell or issue or sell any option in respect of any Ordinary Shares (or any interest therein or in respect thereof) or any other securities exchangeable for or convertible into, or substantially similar to, Ordinary Shares or enter into any transaction with the same economic effect as, or agree to do, any of the foregoing; and
- (m) the Company has appointed the UK Sponsors and the JSE Sponsor to act as the sponsors for the purposes of the Company's applications for Admission.

The following are the relevant details of the Underwriters:

**J.P. Morgan Securities plc**

Registration number: 02711006  
Registered office: 25 Bank Street, Canary Wharf, London E14 5JP

**Goldman Sachs International**

Registration number: 02263951  
Registered office: Peterborough Court, 133 Fleet Street, London EC4A 2BB

**Merrill Lynch International**

Registration number: 02312079  
Registered office: 2 King Edward Street, London EC1A 1HQ

**Merrill Lynch South Africa (Pty) Limited**

Registration number: 1995/001805/07  
Registered office: The Place, 1 Sandton Drive, Sandhurst, Johannesburg 2196, South Africa

**Avior Capital Markets (Pty) Limited**

Registration number: 2007/01723607  
Registered office: 11th Floor, South Tower, 140 West Street, Sandton, 2196, South Africa

**BNP PARIBAS**

Registration number: 662 042 449 RCS Paris  
Registered office: 16, boulevard des Italiens, 75009 Paris, France

#### 14.2 **Old Mutual plc Separation Agreement**

*Overview of the Old Mutual plc Separation Agreement*

On 12 April 2018, Old Mutual plc and the Company entered into a separation agreement to set out the principal steps necessary to effect the Quilter Separation and other provisions to govern certain aspects of the Company's relationship with Old Mutual plc after the Quilter Separation (the "**Old Mutual plc Separation Agreement**").

*Managed Separation steps*

Subject only to their fiduciary duties, each party has agreed to use all reasonable endeavours to the extent within its power and control to ensure that the Share Capital Reorganisation, the first scheme of arrangement, the Offer and all other necessary steps in connection with the Quilter Separation and Admission become effective as contemplated by, and in accordance with, the steps plan agreed between Old Mutual plc and the Company and the timetable set out in the Old Mutual plc Circular.

*Non-solicitation*

The parties have agreed that they shall not, for a period of two years from the date of the Quilter Separation, solicit or endeavour to entice away, employ or offer to employ, without the prior written consent of the other, any key employee of the other's group.

*"Old Mutual" Name and Brand*

Old Mutual plc has agreed that its group shall not, for the period from Quilter Separation until 31 March 2020: (i) carry on business in the UK using a name or brand containing the term "Old Mutual"; or (ii) permit any person outside of its group to use a name or brand containing the term "Old Mutual" in connection with any business in the UK, in each case that competes with the businesses of the Group; provided that (a) the restriction in (i) shall not apply to any member of the group which at the date of the agreement carried on such a business in the UK using such a name or brand nor shall it apply to the listing of Old Mutual Limited to the standard segment of the UK Official List and to trading on the London Stock Exchange's main market for listed securities; and (b) this provision will cease to have effect following Admission.

#### *Allocation of liabilities and wrong pockets*

Subject to any allocation of liabilities provisions contained in the other agreements relating to the Managed Separation, following the Quilter Separation: (i) any liability that arises in a company in the Old Mutual plc group owing to a third party shall remain with that company unless such liability principally relates to a business within the Quilter Perimeter (as defined below) in which case such liability shall be novated to, or the relevant company shall be indemnified by, a company in the Group; and (ii) any liability that arises in a company in the Group owing to a third party shall remain with that company unless such liability principally relates to a business which is not within the Quilter Perimeter in which case such liability shall be novated to, or the relevant company shall be indemnified by, Old Mutual plc or one of its subsidiaries. For the purposes of this provision, “**Quilter Perimeter**” means, broadly, the businesses carried on prior to the Quilter Separation other than those transferred to the Group as part of the implementation of Managed Separation. As part of this allocation of liabilities, the Company has also agreed to indemnify Old Mutual plc in relation to certain tax matters relating to the sale of OMPLC Brands AB.

Following the Quilter Separation, if any property, asset or right relating principally to the business of either the Old Mutual plc group or the Group is found to be owned or held by the other in error, Old Mutual plc or the Company, as applicable, shall procure that the relevant property, asset or right be transferred to the other as soon as reasonably practicable.

#### *Other matters*

The Old Mutual plc Separation Agreement also includes provisions relating to: (i) the sharing of information to permit each of Old Mutual plc and the Company to comply with its financial or tax reporting obligations; and (ii) the administration of the Old Mutual plc share plans in which Group employees participate.

### **14.3 OML Separation Agreement**

#### *Overview of the OML Separation Agreement*

On 12 April 2018, the Company and Old Mutual Limited entered into a separation agreement to set out provisions that will govern certain aspects of the Company’s relationship with Old Mutual Limited after the Quilter Separation (the “**OML Separation Agreement**”).

#### *Non-solicitation*

The Company and Old Mutual Limited have agreed that they shall not, for a period of two years from the date of Admission, solicit or endeavour to entice away, employ or offer to employ, without the prior written consent of the other, any key employee of the other’s group.

#### *“Old Mutual” Name and Brand*

Old Mutual Limited has agreed that its group shall not, for the period from Quilter Separation until 31 March 2020: (i) carry on business in the UK using a name or brand containing the term “Old Mutual”; or (ii) permit any person outside of its group to use a name or brand containing the term “Old Mutual” in connection with any business in the UK, in each case that competes with the businesses of the Group; provided that the restriction in (i) shall not apply to any member of the group which at the date of the agreement carried on such a business in the UK using such a name or brand nor shall it apply to the listing of Old Mutual Limited to the standard segment of the UK Official List and to trading on the London Stock Exchange’s main market for listed securities.

#### *Chargeable payments*

If either the Group or the Old Mutual Limited group were, within five years after the Quilter Separation, broadly to transfer value to its members with a main purpose of tax avoidance or otherwise not for genuine commercial reasons, adverse tax consequences could arise, in particular for shareholders and for the Group. Under the OML Separation Agreement therefore, the Company and Old Mutual Limited both covenant not to carry out any such transaction within that period.

#### *Other matters*

The OML Separation Agreement also includes provisions relating to the sharing of information to permit each of the Company and Old Mutual Limited to comply with its financial or tax reporting obligations.

### **14.4 Tax Matters Agreement**

#### *Overview of Tax Matters Agreement*

The tax matters agreement between the Company and Old Mutual plc (the “**Tax Matters Agreement**”) sets out the general principle that each will be responsible for taxes imposed on its subsidiaries and business for any period, with each party indemnifying the other where that would otherwise not be the case. Similarly, each of the Group and the Old Mutual Limited group will generally be entitled to benefit from any tax refunds relating to

its subsidiaries and business. This agreement also provides for cooperation between the parties in relation to the exchange of information, preparation and submission of tax returns and computations and communications with tax authorities on tax matters affecting both the Group and the Old Mutual Limited group.

#### *Tax reliefs*

The Tax Matters Agreement also sets out arrangements relating to the allocation of and payment for certain tax reliefs between the Group and the Old Mutual Limited group in respect of periods up to the period in which the Quilter Separation takes place.

#### *Transfer pricing*

The Tax Matters Agreement provides for adjustments and/or compensating payments where transfer pricing or similar tax rules result in an increased tax liability for one of the Group or the Old Mutual Limited group (as the case may be) for a transaction or arrangement it has undertaken with the other party.

#### *Chargeable payments*

If either the Group or the Old Mutual Limited group were, within five years after the Quilter Separation, broadly to transfer value to its members with a main purpose of tax avoidance or otherwise not for genuine commercial reasons, adverse tax consequences could arise, in particular for Old Mutual plc shareholders and for the Group. Under the Tax Matters Agreement therefore, the Company and Old Mutual plc both covenant not to carry out any such transaction within that period.

### **14.5 Transitional Trade Mark Licence Agreement**

Following the Quilter Separation, the Group will require a licence to continue to use certain “Old Mutual” trade marks (“**Marks**”) for a transitional period.

Old Mutual plc and OMLACSA (together, the “**Licensors**”) have entered into an agreement to grant a non-exclusive licence to the Company to use the Marks for a transitional period of 24 months following the date on which the Quilter Separation occurs. The Company is permitted to sub-license the Marks to its subsidiaries.

The Company and its sub-licensees are permitted to use the Marks in relation to the conduct of the Old Mutual Wealth group’s businesses as at the date of the Quilter Separation. Use is also restricted to use in specified territories, and in the manner in which the Marks were used by the Company and its subsidiaries in the period 24 months immediately prior to the date of the Quilter Separation.

The Licensors may terminate the licence early for material breach (which remains un-remedied for 30 days following notice), insolvency, where the Company challenges a Licensor’s ownership, validity or enforceability of the Marks or where there is a change of control of the Company to a competitor.

If the Company or any group member who is a sub-licensee sells any assets, they will be permitted to assign the licence rights that relate to such assets to the purchaser (unless the purchaser is a competitor, in which case the licence will terminate in relation to those assets). In all other cases, the Licensors’ prior consent to assignment will be required. The Licensors’ are entitled to assign their rights in the Marks to any third party (subject to transferring their rights and obligations under the licence to the assignee).

### **14.6 Material disposals**

#### **14.6.1 OMGI Transaction**

##### **(a) OMGI Sale and Purchase Agreement**

On 18 December 2017, the Company and Bidco (a special purpose vehicle ultimately owned by funds managed by TA Associates and certain members of OMGIUK’s management) entered into the OMGI SPA (as subsequently amended on 11 April 2018), pursuant to which the Company agreed, subject to certain conditions, to sell all of the shares in OMGI to Bidco for cash consideration calculated in accordance with the terms of the OMGI SPA, based on a locked box as at 31 December 2017 with customary “no-leakage” provisions.

The sale of OMGI is subject to certain conditions precedent, including in relation to a re-organisation pursuant to which all the shares in OMIML and the Multi-Asset Business will be separated and retained by the Group. Therefore, while the OMGI SPA relates to a sale of all of the shares in OMGI, given the separation and retention by the Group of the Multi-Asset Business (and OMIML which will operate the Multi-Asset Business in the future), the commercial effect of such a sale is the disposal by the Group of the Single Strategy Business and the retention of the Multi-Asset Business.

The consideration payable under the OMGI SPA is subject to a number of adjustments and the expected total consideration payable to the Company is approximately £600 million, comprising cash consideration of approximately £570 million payable on completion, with approximately £30 million anticipated to be paid thereafter, primarily in 2019 to 2021 as surplus capital of

the Single Strategy Business associated with the separation from the Group is released. These values are subject to a number of potential price adjustments, depending on the net asset value of the business and other factors at the disposal date. The deferred consideration is not subject to performance conditions. At completion, economic ownership of the Single Strategy Business will pass to Bidco effective from 1 January 2018 with all profits and performance fees generated up until 31 December 2017 for the account of the Company. Proceeds from a completed transaction will be used to repay the New Term Loan in full and for general corporate purposes.

The sale of OMGI is subject to certain conditions precedent, including in relation to mandatory regulatory change of controller approvals and, as referenced above, a re-organisation pursuant to which all the shares in OMIML and the Multi-Asset Business will be separated and retained by the Group (see also the Multi-Asset Separation BTA summary below). This includes the reorganisation of the management of certain funds and the transfer of certain assets that form part of the Multi-Asset Business into new funds separate from the Single Strategy Business. The OMGI SPA may be terminated if the conditions precedent are not satisfied (or waived, if permitted) by 18 December 2018 with the latest date on which completion can occur being 31 January 2019. The parties currently expect the sale to complete in the second half of 2018.

The OMGI SPA contains typical title, capacity and seller solvency warranties, as well certain limited commercial warranties. There are also customary pre-completion undertakings relating to the conduct of the Single Strategy Business and the steps required to be taken prior completion. The OMGI SPA contains covenants given by both parties relating to the non-solicitation of employees for a period of two years after completion and also contains certain non-compete covenants given by both parties for the same period. The OMGI SPA also includes an anti-embarrassment provision pursuant to which the Company is entitled to a payment should Bidco agree to sell the Single Strategy Business or the shares of certain companies operating it to a third party before 31 December 2019. There are also certain ancillary arrangements relating to (amongst other things) investment management fees and capacity limits and the distribution of funds managed by the Single Strategy Business.

The Company's liability for breach of any of the terms of the OMGI SPA is limited to 25% of the consideration, except liability for breaches of key provisions which, along with all other claims, is limited to the amount of the consideration.

The Company will have to make certain payments to Bidco if the management fee revenue of OMGI from assets under management derived from certain distribution channels is below given amounts in calendar years 2020 and 2022. The maximum payment by the Company is £15 million in respect of each relevant year.

OMIML will continue to act as authorised corporate director or alternative investment fund manager of certain "single strategy" funds until a new authorised investment fund manager currently being established by OMGI and Bidco takes over this role, which may be after completion. During this time, investment management of all the relevant funds will continue to be fully delegated to OMGIUK, as is currently the case. OMIML benefits from certain indemnities given by OMGIUK in respect of certain liabilities incurred relating to OMIML carrying out this role from 1 January 2018 until transition to the new manager. This indemnity contains a number of carve-outs and exclusions.

On completion of the OMGI SPA other agreements will be entered into, including in relation to (i) transitional service arrangements from the Group to OMGIUK (see "*—(c) OMGI Transitional Services Agreements*" below); (ii) transitional service arrangements from OMGIUK to the Group (see "*—(c) OMGI Transitional Services Agreements*" below); and (iii) arrangements relating to intellectual property (including the use by the Single Strategy Business of certain trade marks including the name "Old Mutual") and domain names until the earlier of 12 months after completion of the OMGI SPA and 24 months after Admission.

(b) Multi-Asset Separation Business Transfer Agreement

On 18 December 2017, OMIML (a current subsidiary of OMGI which, as noted above, will be transferred to the Company before completion of the OMGI SPA) and OMGIUK (a subsidiary of OMGI) entered into a business transfer agreement (the "**Multi-Asset Separation BTA**") pursuant to which the Multi-Asset Business will be separated and retained by the Group, subject to the satisfaction of certain regulatory conditions.

Pursuant to the Multi-Asset Separation BTA (i) certain assets used in the Multi-Asset Business (such as computers and certain IP rights) will be transferred to OMIML for book value, (ii) certain employment arrangements will take effect, including the transfer of a number of employees from OMGIUK to OMIML, (iii) OMIML will terminate its existing delegation of the investment management of certain multi-asset funds to OMGIUK and assume the investment management itself, (iv) investment management of certain funds where investment management has currently been delegated by OMIML to OMGIUK, and OMGIUK has then sub-delegated to a third party manager will be reorganised so that OMIML delegates directly to the relevant third party managers; (v) the investment management of certain multi-asset funds in Ireland will be sub-delegated by OMGIUK to OMIML and in due course, these funds will be merged into multi-asset funds managed directly by OMIML

and (v) certain distribution arrangements (as well as the arrangements relating to rebates) relating to the Multi-Asset Business will be separated and transitioned to OMIML.

The Multi-Asset Separation BTA contains an indemnity given by OMIML to OMGIUK and each member of OMGIUK's group in respect of certain liabilities incurred relating to the operation of the Multi-Asset Business from 1 January 2018 up to completion under the Multi-Asset Separation BTA. This indemnity contains a number of carve-outs and exclusions.

(c) OMGI Transitional Services Agreements

On completion of the sale of OMGI, the following two transitional services agreements will be put in place:

- the OMGI Reverse TSA: a transitional services agreement under which OMGIUK provides certain IT, operational and other services to OMIML in order to assist OMIML in continuing the Multi-Asset Business following completion of the OMGI Transaction; and
- the OMGI TSA: a transitional services agreement under which Old Mutual Wealth Business Services Limited ("**OMWBS**") provides certain IT, human resources, finance and facilities management services to OMGI in order to assist OMGI in continuing to operate the Single Strategy Business following completion of the OMGI Transaction.

The services provided under the OMGI Reverse TSA and the OMGI TSA shall each have a specified service term and maximum extension period, with a long-stop date of 36 months.

The OMGI Reverse TSA has fixed fees for the services primarily related to the supply of staff, which can be adjusted up or down by either party if actual costs incurred by OMGI for the relevant service (which are reported) have more than a 5% variance from the fixed fee. IT services are charged on a separate fee model based on actual variable costs (e.g. use volumes), with an estimate paid in advance and a monthly true-up.

In the OMGI TSA, fees for each service group are fixed and specified in a fee appendix. The full monthly fee is payable if any part of the service is provided for any part of the month.

(d) OMGI Intra-Group Services Agreement

On completion of the Multi-Asset Separation BTA, an intra-group services agreement (the "**OMGI IGSA**") will be entered into between OMIML and OMGIUK under which OMGIUK provides certain IT, operational and other services to OMIML until completion of the sale of OMGI under the OMGI SPA. At such point, the OMGI IGSA will be replaced by the OMGI Reverse TSA described in "*—(c) OMGI Transitional Services Agreements*" above.

The OMGI IGSA is on similar terms to the OMGI Reverse TSA, with some differences including a broader scope of services, reflecting that OMGI remains within the Group at that time and separation work will be on-going, which will also be refined in the period between signing of the Multi-Asset Separation BTA and the commencement of the OMGI IGSA.

#### 14.6.2 **OMW Italy Sale and Purchase Agreement**

On 5 August 2016, Old Mutual Wealth Holdings Limited entered into a sale and purchase agreement, as amended by amendment agreements dated 20 December 2016 and 28 December 2016, with Ergo Previdenza S.p.A. ("**Ergo**"), a member of the Flavia insurance group, pursuant to which Old Mutual Wealth Holdings Limited agreed to sell all of the shares (the "**OMW Italy Shares**") in Old Mutual Wealth Italy S.p.A. ("**OMW Italy**") to Ergo. Ergo agreed to pay up-front cash consideration for the OMW Italy Shares of €266 million, subject to certain pre- and post-completion adjustments. The transaction completed on 9 January 2017, following receipt of the required regulatory approvals.

Old Mutual Wealth Holdings Limited gave customary warranties to Ergo in connection with the transaction. The liability of Old Mutual Wealth Holdings Limited for breach of warranty is subject to customary limitations, including *de minimis* thresholds and liability caps. The liability of Old Mutual Wealth Holdings Limited for breach of the warranties will expire on 31 July 2018, other than in respect of the title, capacity and taxation warranties, liability for which will expire after the expiration of the applicable statutory limitation period.

Old Mutual Wealth Holdings Limited agreed to be bound by certain restrictive covenants relating to non-solicitation of senior executives of OMW Italy that run until 9 July 2018.

### 14.7 **Material acquisitions**

#### 14.7.1 **Skandia UK Sale and Purchase Agreement**

On 30 January 2018 the Company entered into a share sale agreement (the "**Skandia UK SPA**") with Old Mutual plc, pursuant to which the Company acquired the entire issued share capital of Skandia UK. The Company issued one ordinary £1 share in its share capital as consideration for the acquisition of Skandia UK and its six subsidiary undertakings. Completion was on 31 January 2018. There were no conditions precedent in the Skandia UK SPA.

Old Mutual plc provided title and capacity warranties and limited warranties on the financial position of Skandia UK. There are no limitations on liability included in the Skandia UK SPA. The Company provided capacity warranties.

Old Mutual plc agreed to accept the novation of, or indemnify the Company against, any liability that arises in any of Skandia UK and its subsidiaries ("**Skandia UK Group**") which principally relates to a business or businesses which are not within the Group and are not owed to another company within the Skandia UK Group. The Company agreed to accept the novation of, or indemnify Old Mutual plc against, any liability which arises in the Old Mutual plc group which (i) consists of a guarantee or indemnity granted by a company in the Old Mutual plc group in respect of a security, indemnity or similar liability of Skandia UK Group company and (ii) relates to a business or businesses of the Group. The Company agreed to indemnify Old Mutual plc and its group in relation to any losses it (or a relevant group member) incurs arising in relation to a guarantee given by OMGUK in relation to a sale agreement entered into by Skandia Retail Europe Holding GmbH (a subsidiary of Skandia UK) and Heidelberger Leben Holding AG dated 26 March 2014.

The Company and Old Mutual plc agreed that upon completion of the Skandia UK SPA there would be no indebtedness owing by a company in the Skandia UK Group to the Old Mutual plc group. Old Mutual plc agreed that if any such indebtedness were discovered after completion of the Skandia UK SPA it will use its best endeavours to procure that the relevant member of its group waive that indebtedness.

#### 14.7.2 **GET Sale and Purchase Agreement**

On 30 November 2017 the Company entered into a share sale and purchase agreement (the "**GET SPA**") with OMGUK, pursuant to which the Company acquired the entire issued share capital of Global Edge Technologies Proprietary Limited ("**GET**"). The Company paid £800,000 in cash for the acquisition. Signing and completion under the GET SPA was simultaneous.

OMGUK provided title and capacity warranties under the GET SPA and there are no limitations on liability included in the GET SPA. The Company also provided capacity warranties under the GET SPA.

OMGUK agreed to accept the novation of, or indemnify the Company against, any liability that arises in GET which principally relates to a business or businesses which are not part of the Company's business. The Company granted a reciprocal indemnity whereby it will accept the novation of, or indemnify OMGUK, against any liability which arises in OMGUK's group which consists of a security, indemnity or similar liability of GET and relates to a business or businesses of the Company.

OMGUK also provided an undertaking under the GET SPA to procure that a member of its group, Old Mutual Zimbabwe Limited ("**OMZIL**"), will use its reasonable endeavours to procure approval from the Reserve Bank of Zimbabwe for the sale of GET's shareholding in a Zimbabwe entity called MCZ (Private) Limited ("**MCZ**"). GET entered into an agreement dated 30 November 2017 to sell all the shares it holds in MCZ to OMZIL, and the sale completed on 28 February 2018.

On 30 November 2017, OMLACSA entered into an agreement with GET, pursuant to which OMLACSA will continue to provide certain operational services to GET under a transitional services agreement for a limited period (the "**GET TSA**"). The GET TSA is intended to provide for transitional arrangements to facilitate an orderly separation of OMLACSA and GET as part of the broader Managed Separation. The services provided under the GET TSA include certain IT, HR, finance, compliance and security functions. OMLACSA and GET have also entered into a third party real estate lease.

#### 14.7.3 **Commsale Acquisition**

##### (a) **Commsale Sale and Purchase Agreement**

On 29 September 2017 the Company entered into a share sale and purchase agreement (the "**Commsale SPA**") with Old Mutual plc, pursuant to which the Company acquired the entire issued share capital of Commsale 2000 Limited ("**Commsale**"). The Company paid £287,159 in consideration (subject to post-closing adjustment) to be left outstanding on intra-group loan account. Signing and completion under the SPA was simultaneous.

Old Mutual plc provided title and capacity warranties under the SPA, but there are no limitations on liability included in the Commsale SPA.

Under the Commsale SPA, if the Company identifies any matter which has or would be likely to have a material adverse effect on the financial condition, prospects or business of Commsale, which was not provided for in the completion balance sheet of Commsale under the Commsale SPA, then the Company may deliver a notice to Old Mutual plc at least 20 business days before the Quilter Separation identifying the nature and scope of such matter and an estimate of the financial effect of such matter on Commsale. When the Company and Old Mutual plc reach agreement on the financial effect of such matter, the consideration paid for the acquisition of Commsale will be adjusted and a corresponding credit or debit to the intra-group loan account between the parties shall be made.



(b) **Commsale Deed of Release of Tenant's Guarantor and Substitute Guarantee and Indemnity**

As part of the acquisition of Commsale under the Commsale SPA, the Company entered into two deeds of release of tenant's guarantor and substitute guarantee and indemnity (the "**Commsale Guarantees**") dated 29 September 2017 relating to the leases to the office premises at Millennium Bridge House ("**MBH Leases**") under which Commsale is the tenant. The parties to the Commsale Guarantees were MBH LP, Commsale, Old Mutual plc and the Company.

Under each Commsale Guarantee, the Company agreed to release Old Mutual plc from all covenants, indemnities and other obligations it had under or in respect of the MBH Leases. Further, under each Commsale Guarantee, the Company agreed to guarantee that Commsale would comply with its obligations under the relevant MBH Lease and agreed to indemnify, as a principal obligor, the landlord, MBH LP, against any loss it suffers as a result of Commsale not complying with any of its obligations.

14.7.4 **Quilter Cheviot Sale and Purchase Agreement**

On 17 October 2014, Old Mutual Wealth Holdings Limited, Old Mutual plc, the Company and OMGUK entered into a share sale and purchase agreement, as amended by a deed of amendment dated 16 February 2015 (the "**QC SPA**") with: (i) certain funds advised by Bridgepoint Advisers Limited, (ii) Commonwealth of Pennsylvania, The Public Schools Employees' Retirement Scheme, (iii) Hermes GPE PEC 2011-2013 LP and (iv) certain management shareholders (the "**QC Management Sellers**"), among others (the "**QC Sellers**"), pursuant to which Old Mutual Wealth Holdings Limited agreed to purchase the entire issued share capital of Penrose Topco Limited (the "**Penrose Shares**"), at the time the ultimate parent company of Quilter Cheviot Holdings Limited. The transaction completed on 25 February 2015, following receipt of the required regulatory approvals.

Old Mutual Wealth Holdings Limited agreed to pay consideration for the Penrose Shares of £585 million, subject to certain adjustments between signing and completion (the "**QC Consideration**"). The QC Consideration included consideration payable to certain management QC Management Sellers, a portion of which was ultimately satisfied by the issuance of restricted ordinary shares of 11 3/7 pence each in Old Mutual plc (the "**Old Mutual plc Restricted Shares**"). Vesting of the Old Mutual plc Restricted Shares is subject to various business performance and service conditions. The business performance conditions attaching to the Old Mutual plc Restricted Shares were satisfied on 17 April 2016, following which each of the Old Mutual plc Restricted Shares conditionally vested. Subject to satisfaction of the applicable service conditions by the relevant QC Management Sellers, the Old Mutual plc Restricted Shares were due to vest unconditionally in two tranches, on 25 February 2018 and 25 February 2019. Accordingly, on 25 February 2018, 9,318,254 Old Mutual plc Restricted Shares unconditionally vested and were transferred to the relevant QC Management Sellers. The remaining tranche is due to vest on 25 February 2019, provided the applicable service conditions are satisfied.

Each of the QC Sellers gave title and capacity warranties to Old Mutual Wealth Holdings Limited, which are subject to customary financial and time limitations. In addition, certain QC Management Sellers gave various business warranties to Old Mutual Wealth Holdings, which are also subject to customary limitations on liability, such as de minimis thresholds and liability caps. Claims made under the business warranties must also be made within a certain period of time to avoid being time-barred, with the relevant periods for most claims, other than those relating to taxation, having already expired.

14.7.5 **Intrinsic Sale and Purchase Agreement**

On 27 February 2014, Skandia Life Assurance (Holdings) Limited (later renamed Old Mutual Wealth Holdings Limited) entered into a share sale and purchase agreement with: (i) Sanlam Netherlands Holdings B.V., (ii) Friends Life Limited, (iii) FLP Investments LLP, (iv) Aegon UK Plc and (v) certain management shareholders (the "**Intrinsic Management Sellers**"), among others (the "**Intrinsic Sellers**"), pursuant to which Skandia Life Assurance (Holdings) Limited agreed to purchase the entire issued share capital of Intrinsic Financial Services Limited (the "**Intrinsic Shares**"). The transaction completed on 1 July 2014, following receipt of the required regulatory approvals.

Skandia Life Assurance (Holdings) Limited agreed to pay cash consideration for the Intrinsic Shares of £54.5 million, subject to post-completion adjustment (the "**Intrinsic Consideration**"). The Intrinsic Consideration included £46.5 million of up-front cash consideration and a maximum of £9 million of deferred cash consideration, of which deferred consideration of £5.1 million was ultimately paid.

Certain Intrinsic Management Sellers gave various business warranties, taxation covenants and specific indemnities to Skandia Life Assurance (Holdings) Limited, liability for which expired on 1 July 2017.

## 14.8 **Financing Agreements**

### 14.8.1 **Tier 2 Bond**

#### (a) Trust Deed

A trust deed (the “**Trust Deed**”) dated 28 February 2018 constituting the £200,000,000 4.478% Fixed Rate Reset Subordinated Notes due 2028 issued by the Company (the “**Tier 2 Notes**”) was entered into between the Company as issuer and Citicorp Trustee Company Limited as trustee. The Tier 2 Notes, which are intended to qualify as Tier 2 capital of the Company on a consolidated basis with effect from the date from which the Company has a consolidated capital requirement, constitute direct, unsecured and subordinated obligations of the Company.

#### (b) Purchase and Re-sale Agreement

A purchase and re-sale agreement dated 28 February 2018, as supplemented by a supplemental purchase and re-sale agreement dated 17 April 2018 relating to the Tier 2 Notes was entered into among the Company as issuer and J.P. Morgan Securities plc as purchaser of the Notes (the “**Purchaser**”), pursuant to which the Purchaser acquired the Tier 2 Notes from the Company for 100% of the principal amount thereof, and the Company provided certain indemnities to the Purchaser.

### 14.8.2 **New Facilities Agreement**

On 23 February 2018, the Company entered into a £425 million facilities agreement (the “**New Facilities Agreement**”) with Bank of America Merrill Lynch International Limited; BNP Paribas Fortis, London Branch; Citigroup Global Markets Limited; HSBC Bank plc and National Westminster Bank plc as mandated lead arrangers, with National Westminster Bank plc as facility agent, which will provide for a £300 million term loan facility (the “**New Term Loan**”) and a £125 million revolving credit facility (the “**New Revolving Facility**”, together with the New Term Loan, the “**New Facilities**”).

#### (a) Purpose, fees and currency

The funds under the New Facilities will be available for general corporate purposes. A commitment fee applies to the New Revolving Facility at a rate of 35% of the then applicable margin payable on the unused and uncanceled amount of the New Revolving Facility payable from the date of the agreement. An arrangement fee, which is in line with customary terms for such facilities, will be paid in respect of the New Facilities Agreement and certain customary fees will also be payable to the facility agent. The New Facilities will be drawn in pounds sterling.

#### (b) Maturity and voluntary prepayment

The New Term Loan matures three years from the date of the agreement. The initial maturity of the New Revolving Facility is three years from the date of the agreement, which can be extended at the request of the Company, at the discretion of the lenders, on the first anniversary of the date of the agreement and on the second anniversary of the date of the agreement by up to an aggregate of two years. Any amounts still outstanding at that time will then be due and payable. Subject to certain conditions, all or part of the utilisations under the New Facilities Agreement may be voluntarily prepaid and all or part of the available commitment may be cancelled. Other than in respect of revolving facilities, any amount prepaid may not be redrawn but the relevant lenders do not have the right to decline any voluntary prepayments.

#### (c) Mandatory prepayment

In addition to voluntary prepayment, prepayment will be required in full or part under certain circumstances including (i) on the occurrence of an illegality event (that is, if it becomes unlawful in any applicable jurisdiction for a lender to perform its obligations under the New Facilities Agreement) and (ii) if (A) prior to Admission, Old Mutual plc ceases to control the Company or (B) any person or group of persons acting in concert gains control of the Company, each lender may cancel its commitments under the New Facilities Agreement and require repayment of all of such commitments or participations in each utilisation under the New Facilities Agreement.

Prepayment of the New Term Loan will also be required if the disposal of the Single Strategy Business of the Company to TA Associates, as announced in a press release by the Company dated 19 December 2017, occurs. An amount equal to the net disposal proceeds must be applied towards repaying and reducing the commitments under the New Term Loan.

The New Facilities Agreement contains a limited number of customary representations and warranties and customary affirmative and restrictive covenants. The representations and warranties are made by the Company and in the case of the representations and warranties relating to material litigation, sanctions and anti-corruption refer to other members of the Group. In the majority of cases the covenants are applicable to the Company and in a few cases the covenants only apply to the subsidiaries of the Company. The restrictive covenants are limitations on creation of security, disposal of assets, incurrence of financial indebtedness by Subsidiaries of the Company and sanctions, and each of these covenants contains a significant number of permitted exceptions and agreed thresholds.

The New Facilities Agreement includes a financial covenant requiring the Company to maintaining a ratio of (i) the aggregate of the total borrowings of the Company less cash and cash equivalents held by the Company to (ii) the aggregate of consolidated equity shareholders' funds and hybrid capital, each as disclosed in the balance sheet of the Company, on the last day of the financial year or financial half year of the Company, of less than or equal to 0.5:1.0.

(d) **Events of Default**

The New Facilities Agreement contains certain customary events of default (subject in certain cases to agreed grace periods, thresholds and other qualifications), including breach of the financial covenants described above and a cross-default to debt of the Company (or a subsidiary of the Company whose total assets represent 15% or more of the consolidated total assets of the Company and all of its subsidiaries and certain other operating subsidiaries of the Company) in excess of the greater of (i) £10,000,000 and (ii) 0.50% of the aggregate of the amount paid up or credited as paid up on the share capital of the Company and the total of the capital and revenue reserves of the Company and its subsidiaries.

The occurrence of an event of default which is continuing would allow the lenders of the New Facilities to, amongst other things, upon written notice to the Company, accelerate all or part of the outstanding loans, cancel the commitments, declare all or part of the loans payable on demand or exercise its other rights under the New Facilities Agreement and other finance documents.

**15. Litigation**

On 3 March 2016, the FCA issued a report detailing the findings of its industry-wide Thematic Review into the treatment of long-standing customers invested in closed-book products sold by the life insurance sector, with a focus on four areas or "outcomes": strategy and governance, communications, fund performance and charges (in particular exit charges and paid-up charges). At the same time, the FCA announced that its enforcement division was initiating investigations into six firms in connection with the findings of the Thematic Review (although an investigation into one of those firms was subsequently discontinued on 7 September 2017).

OMWLA, a subsidiary of the Group which will be rebranded, and is referred to elsewhere in this Prospectus, as Quilter Life Assurance, is one of the firms under investigation by the FCA. The Investigation covers the four outcomes/ areas of focus identified in the Thematic Review and, in particular: (i) OMWLA's behaviour in respect of the disclosure of exit charges and paid up charges after December 2008 (Outcomes 2 and 4 in the Thematic Review); and (ii) whether OMWLA contravened regulatory requirements across a number of other areas assessed in the Thematic Review. In relation to point (ii), these other areas are aspects of OMWLA's strategy and governance in relation to its closed-book customers (Outcome 1 in the Thematic Review) and aspects of fund performance, again in relation to OMWLA's closed-book customers (Outcome 3 in the Thematic Review). OMWLA is working with the FCA and is cooperating with its Investigation. To date, the FCA has issued, and OMWLA has given responses in respect of, a number of information requirements. There can be no assurance at this stage as to the outcome of the matter.

Other than as mentioned here, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Group is aware) during the 12 months preceding the date of this Prospectus which may have, or have had, a significant effect on the Company's or the Group's financial position or profitability.

**16. Related party transactions**

Save as disclosed in this Prospectus, no members of the Group entered into related party transactions during the year ended 31 December 2017 or during the period from 31 December 2017 to the date of this Prospectus.

**17. Working capital**

In the opinion of the Company, taking into account the facilities available to the Group, the working capital available to the Group is sufficient for the Group's present requirements, that is for at least the next 12 months following the date of this Prospectus.

**18. No significant change**

Save as disclosed on page 290 in Note 45 – "Events after the reporting date" of Section B – "The Group's Historical Financial Information" in Part XII – "Historical Financial Information" of this Prospectus, there has been no significant change in the financial or trading position of the Group since 31 December 2017, the date to which the historical financial information in Part XII – "Historical Financial Information" was prepared.

## 19. Consents

KPMG (a member of the Institute of Chartered Accountants in England and Wales) has given and has not withdrawn its written consent to the inclusion in this Prospectus of its Accountant's Reports set out in Section A and Section C of *Part XII – "Historical Financial Information"* and Section B of *Part XIII – "Unaudited Pro Forma Financial Information"*, in the form and context in which they appear and has authorised the contents of those parts of the Prospectus which comprise its reports for the purpose of Rule 5.5.3R(2)(f) of the Prospectus Rules. A written consent under the Prospectus Rules is different from a consent filed with the SEC under Section 7 of the Securities Act. As the Ordinary Shares have not been and will not be registered under the Securities Act, KPMG has not filed and will not file a consent under Section 7 of the Securities Act.

Each of the Joint Global Coordinators, Joint Bookrunners, Lead Manager, UK Sponsors, JSE Sponsor, the Reporting Accountants and Auditors, Registrars and Receiving Agent/Bank, the legal advisers as to US and English law, the legal advisers as to South African law and the South African Transfer Secretaries whose names are included in this Prospectus have consented in writing to act in the capacities stated and to their names appearing in this Prospectus, and have not withdrawn such consent prior to the publication of this Prospectus.

## 20. General

The Company has not incurred any preliminary expenses (within the meaning of the JSE Listings Requirements) over the last three financial years.

The fees and expenses to be borne by the Company in connection with Admission including the FCA and JSE fees, professional fees and expenses and the costs of printing and distribution of documents are estimated to amount to approximately £28.0 million (including VAT). In addition the Selling Shareholder has agreed to pay their expenses in connection with the sale of Ordinary Shares including underwriting commissions related to the Offer.

The table below sets out the total estimated fees and expenses to be borne by the Company in connection with Admission:

	(£ millions)
US, English and South African Legal Advisers to the Company – Allen & Overy LLP	3.7
Auditors and Reporting Accountants – KPMG LLP	1.5
Private Reporting – Ernst & Young LLP	9.0
FCA and JSE listing and document inspection fees	0.8
Project management & other one-off resource costs	5.5
Other expenses <sup>(1)</sup>	7.5
<b>Total estimated expenses and fees</b>	<b>28.0</b>

(1) Other expenses include board advisory, insurance, marketing, other legal, rating and registrar fees and expenses.

Other than as set out above, no consideration has been paid within the three years preceding this Prospectus or is payable to any person (including commission so paid or payable to any sub-underwriter that is the holding company, promoter, Director or officer of the Company) for subscribing or agreeing to apply to subscribe, or agreeing to procure subscriptions for any of the Ordinary Shares. No commissions, discounts, brokerage or other special terms were granted during the three years preceding the date of this Prospectus in connection with the issue of any securities, stock or debentures in the capital of the Company.

Should the Underwriting Agreement be concluded, the Selling Shareholder will pay to the Underwriters the commission and will reimburse certain related expenses incurred. Save as set out in this paragraph, no amount has been paid or proposed to be paid in the preceding three years to any promoter, or to any partnership, syndicate or other association of which that promoter is or was a member, nor has any cash or security been paid nor proposed, nor any other benefit given nor proposed to any such promoter, partnership, syndicate or other association in the aforementioned three-year period.

No Director or promoter of the Company has any material beneficial interest, either direct or indirect, in (i) the promotion or formation of the Company; (ii) any property material to the Company proposed to be acquired by the Company out of any proceeds of the Offer; or (iii) any property material to the Company acquired or proposed to be acquired by the Company in the preceding three years. No Director or promoter of the Company has been a member of a partnership, syndicate or other association of persons that had such an interest nor has any cash or securities been paid or any other benefit given to any promoter in the aforementioned three-year period.

Merrill Lynch South Africa has been appointed as the JSE Sponsor for the purposes of the listing on the JSE and BofA Merrill Lynch as a UK Joint Sponsor, Joint Global Coordinator and Joint Bookrunner to the Company. Merrill Lynch South Africa is an affiliate company to BofA Merrill Lynch and both are subsidiary companies of Bank of America Corporation. In its capacity as the JSE Sponsor, Merrill Lynch South Africa has confirmed to the JSE and to the Company that, based on its internal procedures that are in place, it is satisfied that no conflict exist as a result of the various roles. Furthermore, there is no matter that would impair Merrill Lynch South Africa's independence and objectivity in its professional dealings in relation to the listing of the Company or that would impact on its ability to act within the Code of Conduct as set out in the JSE Listings Requirements.

The Group's business is not managed by any third party.

Neither the Company nor its Material Subsidiaries are liable for payment of royalties or items of a similar nature.

Save as described in Note 41 of the historical financial information set out in *Part XII – "Historical Financial Information"*, the Company has no other material lease payments.

The financial information contained in this document does not amount to statutory accounts within the meaning of Section 434(3) of the Companies Act 2006.

## **21. Mandatory bids and compulsory acquisition rules relating to Ordinary Shares**

Other than as provided by the City Code on Takeovers and Mergers (the "**City Code**") and Chapter 28 of the Companies Act, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules relating to the Company.

### **21.1 Rule 9 of the City Code**

21.1.1 The City Code applies to the Company.

21.1.2 Rule 9.1 of the City Code states that, except with the consent of the Takeover Panel, when:

- (a) any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which persons acting in concert with him are interested) carry 30% or more of the voting rights of a company; or
- (b) any person, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30% of the voting rights of a company, but does not hold shares carrying more than 50% of such voting rights, and such person, or any persons acting in concert with him, acquires an interest in any other shares which increases the percentage of the shares carrying voting rights in which he is interested,

such person shall extend offers, on the basis set out in Rules 9.3, 9.4 and 9.5 of the City Code, to the holders of any class of equity share capital whether voting or non-voting and also to the holders of any other class of transferable securities carrying voting rights. Offers for different classes of equity share capital must be comparable and the Takeover Panel should be consulted in advance in such cases.

21.1.3 "Interests in shares" is defined broadly in the City Code. A person who has long economic exposure, whether absolute or conditional, to changes in the price of shares will be treated as interested in those shares. A person who only has a short position in shares will not be treated as interested in those shares.

21.1.4 "Voting rights" for these purposes means all the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting. Persons acting in concert (and concert parties) comprise persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of a company or to frustrate the successful outcome of an offer for a company. Certain categories of people are deemed under the City Code to be acting in concert with each other unless the contrary is established.

### **21.2 Authority of the Company to redeem or purchase its own shares**

21.2.1 When a company redeems or purchases its own voting shares, under Rule 37 of the City Code any resulting increase in the percentage of shares carrying voting rights in which a person or group of persons acting in concert is interested will be treated as an acquisition for the purpose of Rule 9 of the City Code. Rule 37 of the City Code provides that, subject to prior consultation, the Takeover Panel will normally waive any resulting obligation to make a general offer if there is a vote of independent shareholders and a procedure along the lines of that set out in Appendix 1 to the City Code is followed. Appendix 1 to the City Code sets out the procedure which should be followed in obtaining that consent of independent shareholders. Under Note 1 on Rule 37 of the City Code, a person who comes to exceed the limits in Rule 9.1 in consequence of a company's purchase of its own shares will not normally incur an obligation to make a mandatory offer unless that person is a director, or the relationship of the person with any one or more of the Directors is such that the person is, or is presumed to be, concert parties with any of the Directors. However, there is no presumption that all the Directors (or any two or more directors) are concert parties solely by reason of a proposed purchase by a company of its own shares, or the decision to seek shareholders' authority for any such purchase.

21.2.2 Under Note 2 on Rule 37 of the City Code, the exception in Note 1 on Rule 37 described above will not apply, and an obligation to make a mandatory offer may therefore be imposed, if a person (or any relevant member of a group of persons acting in concert) has acquired an interest in shares at a time when they had reason to believe that such a purchase of their own shares by the company would take place. Note 2 will not normally be relevant unless the relevant person knows that a purchase for which requisite shareholder authority exists is being, or is likely to be, implemented (whether in whole or in part).

- 21.2.3 The Takeover Panel must be consulted in advance in any case where Rule 9 of the City Code might be relevant. This will include any case where a person or group of persons acting in concert is interested in shares carrying 30% or more but do not hold shares carrying more than 50% of the voting rights of a company, or may become interested in 30% or more on full implementation of the proposed purchase by the company of its own shares. In addition, the Takeover Panel should always be consulted if the aggregate interests in shares of the directors and any other persons acting in concert, or presumed to be acting in concert, with any of the directors amount to 30% or more, or may be increased to 30% or more on full implementation of the proposed purchase by the company of its own shares.
- 21.2.4 Subject to certain limits, the Company has authority to purchase Ordinary Shares under the terms of the shareholder resolution summarised in paragraph 3.6 of this *Part XVII – “Additional Information”* (the **“Buyback Authority”**). The maximum aggregate number of Ordinary Shares authorised to be purchased under the Buyback Authority is 10% of the Company’s issued share capital immediately following Admission. The Buyback Authority is due to expire at the conclusion of the annual general meeting of the Company to be held in 2019, but so that the Company may, before the expiry of the Buyback Authority, enter into a contract to purchase Ordinary Shares which will or may be executed wholly or partly after the expiry of such Buyback Authority.

### 21.3 **Squeeze-out rules**

- 21.3.1 Under the Companies Act 2006, if a “takeover offer” (as defined in Section 974 of the Companies Act 2006) is made by an offeror to acquire all of the shares in the Company not already owned by it and the offeror were to acquire, or unconditionally contract to acquire, not less than 90% in value of the shares to which such offer relates, the offeror could then compulsorily acquire the remaining shares. The offeror would do so by sending a notice to the outstanding members informing them that it will compulsorily acquire their shares and, six weeks later, it would deliver a transfer of the outstanding shares in its favour to the Company which would execute the transfers on behalf of the relevant members, and pay the consideration for the outstanding shares to the Company which would hold the consideration on trust for the relevant members. The consideration offered to the members whose shares are compulsorily acquired under this procedure must, in general, be the same as the consideration that was available under the original offer unless a member can show that the offer value is unfair.

### 21.4 **Sell-out**

- 21.4.1 The Companies Act 2006 also gives minority members a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the shares in the Company and, at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90% in value of the shares and not less than 90% of the voting rights carried by the shares in the Company, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares. The offeror would be required to give any member notice of his or her right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority members to be bought out, but that period cannot end less than three months after the end of the acceptance period or, if later, three months from the date on which notice is served on members notifying them of their sell-out rights. If a member exercises his or her rights, the offeror is entitled and bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

## 22. **Documents available for inspection**

Copies of the following documents will be available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months following Admission at the offices of Allen & Overy LLP at One Bishops Square, London E1 6AD, UK, at the Company’s registered office at Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ and at the offices of Merrill Lynch South Africa (Pty) Ltd, The Place, 1 Sandton Drive, Sandton, 2196 South Africa:

- (a) the Articles and the articles of association of the Major Subsidiaries;
- (b) the historical financial information of Quilter plc in respect of the three financial years ended and as at 31 December 2015, 2016 and 2017, together with the related Accountant’s Report from KPMG, which are set out in *Part XII – “Historical Financial Information”*;
- (c) the historical financial information of Quilter Cheviot Limited in respect of the financial years ended and as at 31 December 2014 and 2015, together with the related Accountant’s Report from KPMG, which are set out in *Part XII – “Historical Financial Information”*;
- (d) the unaudited *pro forma* financial information, together with the related Accountant’s Reports from KPMG, which is set out in *Part XIII – “Unaudited Pro Forma Financial Information”*;
- (e) the consent letters referred to in “Consents” in paragraph 19 above; and
- (f) this Prospectus.

Dated 20 April 2018

---

## PART XVIII

### DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

---

The following definitions apply throughout this document unless the context requires otherwise:

<b>"2010 PD Amending Directive"</b>	Directive 2010/73/EU
<b>"Admission"</b>	the admission of the Ordinary Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities and the Main Board of the JSE
<b>"advised customers"</b>	customers who received financial advice from the Group's network of RFPs, IFAs or Mortgage & Protection Advisers
<b>"affluent"</b>	customers with £100,000 to £5 million of investable assets
<b>"AIF"</b>	Alternative Investment Fund
<b>"AIFM"</b>	Alternative Investment Fund Manager
<b>"AIFMD"</b>	the Alternative Investment Fund Managers Directive (Directive 2011/61/EU), as amended, and any implementing legislation
<b>"AR firm"</b>	appointed representative firm
<b>"Articles"</b>	the articles of association of the Company to be adopted upon Admission
<b>"ASIC"</b>	Australian Securities and Investments Commission
<b>"AuA"</b>	assets under administration, which, unless stated otherwise, reflects gross AuA before intra-group eliminations
<b>"AuM"</b>	assets under management, which, unless stated otherwise, reflects gross AuM before intra-group eliminations
<b>"AuMA"</b>	assets under management and under administration
<b>"Authorised Dealers"</b>	the South African banks have appointed to act as authorised dealers in foreign exchange in terms of the Excon Rules
<b>"Authorised Dealer Manual"</b>	the Currencies and Exchanges Manual for Authorised Dealers published by FinSurv from time to time
<b>"Avior Capital Markets"</b>	Avior Capital Markets Proprietary Ltd
<b>"Banks"</b>	the Joint Global Coordinators, the UK Sponsors and the JSE Sponsor
<b>"Bidco"</b>	Mintaka Bidco Limited, a special purpose vehicle ultimately owned by funds managed by TA Associates and certain members of OMGIUK's management)
<b>"BIPRU"</b>	the Prudential sourcebook for Banks, Building Societies and Investment Firms
<b>"BNP PARIBAS"</b>	BNP PARIBAS
<b>"Board"</b>	the board of directors of the Company
<b>"BofA Merrill Lynch"</b>	Merrill Lynch International
<b>"Brexit"</b>	the exit of the United Kingdom from the European Union, officially announced on 29 March 2017
<b>"Buyback Authority"</b>	the Company's authority, subject to certain limits, to purchase Ordinary Shares under the terms of the shareholder resolution summarised in paragraph 3.6 of <i>Part XVII – Additional Information</i>
<b>"Caerus"</b>	Caerus Capital Group
<b>"CAGR"</b>	compound annual growth rate
<b>"CASS"</b>	the Client Assets Sourcebook
<b>"CBI"</b>	Central Bank of Ireland
<b>"CCP"</b>	central counterparty
<b>"CF30 Advisers"</b>	advisers who are approved by the FCA to carry out a customer function and may provide investment advice

<b>"CI Final Salary Scheme"</b>	the Quilter Cheviot Channel Islands Retirement Benefits Scheme
<b>"CIA"</b>	Collective Investment Accounts
<b>"CIB"</b>	Collective Investment Bonds
<b>"CISA"</b>	the Swiss Federal Act on Collective Investment Schemes
<b>"City Code"</b>	the UK City Code on Take-overs and Mergers
<b>"COBS"</b>	the Conduct of Business Sourcebook
<b>"Company"</b>	Quilter plc
<b>"Commsale"</b>	Commsale 2000 Limited
<b>"Commsale Guarantees"</b>	the deeds of release of tenant's guarantor and substitute guarantee and indemnity, as described in <i>Part XVII – "Additional Information—14. Material contracts—14.6 Material acquisitions—14.6.3 Commsale Acquisition—(b) Commsale Deed of Release of Tenant's Guarantor and Substitute Guarantee and Indemnity"</i>
<b>"Commsale SPA"</b>	the share sale and purchase agreement pursuant to which the Company acquired the entire issued share capital of Commsale, as described in <i>Part XVII – "Additional Information—14. Material contracts—14.6 Material acquisitions—14.6.3 Commsale Acquisition—(a) Commsale Sale and Purchase Agreement"</i>
<b>"Corporations Act"</b>	the Corporations Act 2001 of the Commonwealth of Australia
<b>"CRA"</b>	Collective Retirement Accounts
<b>"CRD III"</b>	the Capital Requirements Directive III (Directive 2010/76/EU)
<b>"CRD IV"</b>	the Capital Requirements Directive IV (Directive 2013/36/EU) and the Capital Requirements Regulation (Regulation 575/2013/EU), as amended, and any implementing legislation
<b>"CSDP"</b>	a Central Securities Depository Participant in South Africa appointed by a shareholder for purposes of, and in regard to, dematerialisation, and to hold and administer securities or an interest in securities on behalf of a shareholder
<b>"D2C"</b>	direct-to-consumer
<b>"DB"</b>	defined benefit
<b>"DC"</b>	defined contribution
<b>"DFM"</b>	discretionary fund management
<b>"DFSA"</b>	Dubai Financial Services Authority
<b>"DIFC"</b>	Dubai International Financial Centre
<b>"Directors"</b>	the directors of the Company whose names appear on page 66 of the Prospectus
<b>"Disclosure and Transparency Rules"</b>	the disclosure guidance and transparency rules made by the FCA pursuant to Section 73A of the FSMA (as amended)
<b>"discontinued operations"</b>	the Group businesses which have been (or are planned to be) divested, including the Single Strategy Business, Old Mutual Wealth Italy S.p.A (up to the date of its sale completed on 9 January 2017) and Skandia Life S.A. (Skandia Luxembourg and Skandia France) (up to the date of its sale completed on 2 February 2015)
<b>"DPA"</b>	1998 Data Protection Act
<b>"DPS"</b>	Discretionary Portfolio Service
<b>"ECLs"</b>	expected credit losses
<b>"EIOPA"</b>	the European Insurance and Occupations Pensions Authority
<b>"EMIR"</b>	European Market Infrastructure Regulation (Regulation 648/2012)
<b>"Ergo"</b>	Ergo Previdenza S.p.A.
<b>"ERM"</b>	enterprise-wide risk management
<b>"ESCA"</b>	Emirates Securities and Commodities Authority
<b>"ETFs"</b>	exchange-traded funds
<b>"Exchange Control Regulations"</b>	the Exchange Control Regulations of South Africa issued under the Currency and Exchanges Act, 1933



<b>"Excon Rules"</b>	the Exchange Control Regulations, Authorised Dealer Manual and any circulars and directives issued by FinSurv from time to time
<b>"Executive Directors"</b>	the executive directors of the Company
<b>"FAIS Act"</b>	the South African Financial Advisory and Intermediary Services Act, 2002
<b>"FAS"</b>	the Financial Adviser School
<b>"FATCA"</b>	the Foreign Account Tax Compliance Act
<b>"FCA"</b>	the UK Financial Conduct Authority
<b>"FICOD"</b>	the Financial Conglomerates Directive
<b>"FIEL"</b>	the Financial Instruments and Exchange Law, as amended
<b>"FINMA"</b>	the Swiss Financial Market Supervisory Authority FINMA
<b>"FinSurv"</b>	the Financial Surveillance Department of the South African Reserve Bank
<b>"FNZ"</b>	FNZ Ltd
<b>"FOS"</b>	the Financial Ombudsman Service
<b>"FPC"</b>	the Financial Policy Committee
<b>"FS Act"</b>	the Financial Services Act 2012
<b>"FSA"</b>	the UK Financial Services Authority, the predecessor of the FCA and the PRA
<b>"FSCS"</b>	the UK Financial Services Compensation Scheme
<b>"FSMA"</b>	the Financial Services and Markets Act 2000, as amended
<b>"FTT"</b>	financial transaction tax
<b>"FVOCI"</b>	fair value through other comprehensive income
<b>"FVTPL"</b>	fair value through profit or loss
<b>"GDPR"</b>	General Data Protection Regulation
<b>"GENPRU"</b>	the FCA General Prudential Sourcebook
<b>"GET"</b>	Global Edge Technologies Proprietary Limited
<b>"GET SPA"</b>	the share sale and purchase agreement pursuant to which the Company acquired the entire issued share capital of GET, as described in <i>Part XVII – "Additional Information – 14. Material contracts – 14.6 Material acquisitions – 14.6.2 GET Sale and Purchase Agreement"</i>
<b>"GIAs"</b>	general investment accounts
<b>"Goldman Sachs"</b>	Goldman Sachs International
<b>"Group" or "Quilter"</b>	the Company and each of its consolidated subsidiaries and subsidiary undertakings, provided that, in this Prospectus, all key performance indicators relating to the Group (including, without limitation, numbers of customers, IFAs, RFPs and/or employees, NCCF, AuM, AuA, AuMA and other operating metrics) are stated excluding the Single Strategy Business and other discontinued operations
<b>"Henderson"</b>	Henderson Global Investors
<b>"high net worth"</b>	customers with over £5 million of investable assets
<b>"HMRC"</b>	Her Majesty's Revenue and Customs
<b>"Hong Kong SFC"</b>	Securities & Futures Commission of Hong Kong
<b>"ICAAP"</b>	the Internal Capital Adequacy Assessment Process
<b>"ICG"</b>	the Individual Capital Guidance
<b>"ICO"</b>	the Information Commissioner's Office
<b>"ICOBs"</b>	the Insurance Conduct of Business Sourcebook
<b>"IDD"</b>	the Insurance Distribution Directive
<b>"IFAs"</b>	Independent Financial Advisers, meaning advisers who provide advice on an independent basis, based on a comprehensive analysis of the whole market and free from any restrictions

<b>"IFPRU"</b>	the Prudential sourcebook for Investment Firms
<b>"IFRS"</b>	the International Financial Reporting Standards as adopted by the European Union
<b>"Integrated NCCF"</b>	NCCF that appear in more than one part of the Group's businesses
<b>"Interim Articles"</b>	the interim articles of association of the Company
<b>"Intrinsic"</b>	Intrinsic Financial Services Limited
<b>"Intrinsic Consideration"</b>	cash consideration for the Intrinsic Shares of £54.5 million, subject to post-completion adjustment
<b>"Intrinsic Management Sellers"</b>	certain management shareholders of Intrinsic Financial Services Limited
<b>"Intrinsic Sellers"</b>	(i) Sanlam Netherlands Holdings B.V., (ii) Friends Life Limited, (iii) FLP Investments LLP, (iv) Aegon UK Plc and (v) certain management shareholders, among others
<b>"Intrinsic Shares"</b>	the entire issued share capital of Intrinsic Financial Services Limited
<b>"Investigation"</b>	the FCA's investigation into OMWLA, as discussed in <i>Part XVII – "Additional Information – 15. Litigation"</i>
<b>"IPO"</b>	initial public offering
<b>"IPRU-INV"</b>	the Interim Prudential sourcebook for Investment Businesses
<b>"IRS"</b>	the US Internal Revenue Service
<b>"ISA"</b>	Individual Savings Accounts
<b>"Isle of Man FSA"</b>	the Isle of Man Financial Services Authority
<b>"JFSC"</b>	Jersey Financial Services Commission
<b>"Joint Bookrunners"</b>	BofA Merrill Lynch, Goldman Sachs International, J.P. Morgan Cazenove and BNP PARIBAS
<b>"Joint Global Coordinators"</b>	BofA Merrill Lynch, Goldman Sachs International and J.P. Morgan Cazenove
<b>"J.P. Morgan Cazenove"</b>	J.P. Morgan Securities plc (which conducts its UK investment banking activities under the marketing name J.P. Morgan Cazenove)
<b>"JSE"</b>	the JSE Limited, a company incorporated under the laws of South Africa with registration number: 2005/022939/06, licensed as an exchange under the South African Financial Markets Act, 2012
<b>"JSE Sponsor"</b>	Merrill Lynch South Africa Proprietary Limited
<b>"JSE Listings Requirements"</b>	the listings requirements of the JSE, as amended from time to time
<b>"JSOP Trustee"</b>	Nedgroup Trust Limited, incorporated and registered in Guernsey with registration number 10624 and its registered office address at PO Box 192, Fairbairn House, Rohais, St Peter Port, Guernsey, GY1 3LT.
<b>"KID"</b>	key information document
<b>"Lead Manager"</b>	Avior Capital Markets
<b>"Licensors"</b>	Old Mutual plc and OMLACSA, under the Transitional Trade Mark Licence Agreement, as described in <i>Part XVII – "Additional Information – 14. Material contracts – 14.4 Transitional Trade Mark Licence Agreement"</i>
<b>"Listing Rules"</b>	the listing rules of the FCA made under section 74(4) of the FSMA
<b>"London Stock Exchange" or "LSE"</b>	London Stock Exchange plc
<b>"LTSB"</b>	Lloyds TSB Group plc
<b>"Major Subsidiaries"</b>	for purposes of the JSE Listings Requirements, Old Mutual International Isle of Man and Old Mutual Wealth Life & Pensions Limited
<b>"Managed Separation"</b>	the managed separation of the four largely independent businesses within the Old Mutual Group as it existed as at 11 March 2016
<b>"MAR"</b>	the Market Abuse Regulation (Regulation 496/2014/EU)
<b>"Marks"</b>	certain "Old Mutual" trade marks, which the Group will continue to use for a transitional period following the Quilter Separation
<b>"mass affluent"</b>	customers with £100,000 to £250,000 of investable assets
<b>"MBH Leases"</b>	the leases to the office premises at Millennium Bridge House

<b>"MCOB"</b>	the Mortgages and Home Finance: Conduct of Business Sourcebook
<b>"MCZ"</b>	MCZ (Private) Limited
<b>"Member States"</b>	member states of the EEA
<b>"Merrill Lynch South Africa"</b>	Merrill Lynch South Africa Proprietary Limited
<b>"MFHC"</b>	mixed financial holding company
<b>"MiFID"</b>	Markets in Financial Instruments Directive (Directive 2004/39/EC)
<b>"MiFID II"</b>	Markets in Financial Instruments Directive II (Directive 2014/65/EU) and the Markets in Financial Instruments Regulation (Regulation 600/2014), as amended, and any implementing legislation
<b>"MLD4"</b>	the Fourth Money Laundering Directive (Directive 2015/849/EU), as amended, and any implementing legislation
<b>"Mortgage &amp; Protection Advisers"</b>	specialist financial advisers, both restricted and independent, which provide advice on mortgages and protection solutions
<b>"MPS"</b>	Managed Portfolio Service
<b>"Multi-Asset Business"</b>	the Group's "multi-asset" asset management business, which will be retained by the Group when the Single Strategy Business is sold as described in <i>Part XVII – "Additional Information—14. Material contracts—14.5 Material disposals—14.5.1 OMGI Transaction"</i>
<b>"Multi-Asset Separation BTA"</b>	the business transfer agreement pursuant to which the Multi-Asset Business will be separated and retained by the Group, subject to the satisfaction of certain regulatory conditions, as described in <i>Part XVII – "Additional Information—14. Material contracts—14.5 Material disposals—14.5.1 OMGI Transaction—(b) Multi-Asset Separation Business Transfer Agreement"</i>
<b>"NCCF"</b>	net client cash flow, as described in <i>Part II – "Presentation of Financial and Other Information—3. Non-IFRS Financial Information"</i>
<b>"NED Share Purchase"</b>	the purchase of the NED Shares by certain of the Non-Executive Directors and certain non-executive directors of the Selling Shareholder pursuant to the NED Share Purchase Agreement
<b>"NED Share Purchase Agreement"</b>	a share purchase agreement dated 19 April 2018 pursuant to which certain of the Non-Executive Directors and certain non-executive directors of the Selling Shareholder have conditionally agreed to purchase the NED Shares on the date of Admission from the Selling Shareholder at the Offer Price
<b>"NED Shares"</b>	£1,423,000 of Ordinary Shares in aggregate by value
<b>"Nedbank"</b>	Nedbank Group Limited
<b>"New Facilities"</b>	the New Term Loan and the New Revolving Facility, together
<b>"New Facilities Agreement"</b>	the £425 million facilities agreement with Bank of America Merrill Lynch International Limited; BNP Paribas Fortis, London Branch; Citigroup Global Markets Limited; HSBC Bank plc and National Westminster Bank plc as mandated lead arrangers, with National Westminster Bank plc as facility agent, as described in <i>Part XVII – "Additional Information—14. Material Contracts—14.7 Financing Arrangements—14.7.2 New Facilities Agreement"</i>
<b>"New Revolving Facility"</b>	the £125 million revolving credit facility, which the Group entered into on 23 February 2018, as described in <i>Part XVII – "Additional Information—14. Material Contracts—14.7 Financing Arrangements—14.7.2 New Facilities Agreement"</i>
<b>"New Term Loan"</b>	the £300 million senior unsecured term loan with an opening interest rate of 45 basis points above LIBOR subject to a margin ratchet linked to the Company's credit rating, which the Group entered into on 23 February 2018 and fully drew down on 28 February 2018, as described in <i>Part XVII – "Additional Information—14. Material Contracts—14.7 Financing Arrangements—14.7.2 New Facilities Agreement"</i>
<b>"Non-Executive Directors"</b>	the non-executive Directors of the Company
<b>"Non-IFRS Financial Measures"</b>	certain financial measures that are not defined or recognised under IFRS, including operating profit from continuing operations, normalised operating profit from continuing operations, normalised net management fee, normalised other revenue and normalised expenses

<b>"non-US Holder"</b>	a beneficial owner of Ordinary Shares that is neither a US Holder nor a partnership
<b>"Offer"</b>	the proposed offer to certain investors of Ordinary Shares
<b>"Offer Price"</b>	the final offer price in respect of the Offer, in pounds sterling and its equivalent value in South African Rand, which will be determined following publication of the Price Range Supplement and is expected to be published on or about 25 June 2018
<b>"Offer Shares"</b>	the Ordinary Shares to be sold by the Selling Shareholder pursuant to the Offer as described in <i>Part XV – "Details of the Offer"</i> (excluding, for the avoidance of doubt, the Over-allotment Shares and the NED Shares)
<b>"Old Mutual Limited Group"</b>	Old Mutual Limited and its subsidiaries and subsidiary undertakings from time to time
<b>"Old Mutual plc Circular"</b>	the circular that has been published by Old Mutual plc on the same date as this Prospectus
<b>"Old Mutual plc Restricted Shares"</b>	the restricted ordinary shares of 11 3/7 pence each in Old Mutual plc
<b>"OMGI"</b>	Old Mutual Global Investors Holdings Limited
<b>"OMGI IGSA"</b>	the intra-group services agreement entered into between OMIML and OMGIUK, as described in <i>Part XVII – "Additional Information—14. Material contracts—14.5 Material disposals—14.5.1 OMGI Transaction—(d) OMGI Intra-Group Services Agreement"</i>
<b>"OMGI SPA"</b>	the sale and purchase agreement pursuant to which the Company agreed, subject to certain conditions being satisfied or waived, to sell the entire issued share capital of OMGI to Bidco, as described in <i>Part XVII – "Additional Information—14. Material contracts—14.5 Material disposals—14.5.1 OMGI Transaction—(a) OMGI Sale and Purchase Agreement"</i>
<b>"OMGI Reverse TSA"</b>	the reverse transitional service agreement under which OMGIUK provides certain services to OMIML, as described in <i>Part XVII – "Additional Information—14. Material contracts—14.5 Material disposals—14.5.1 OMGI Transaction—(c) OMGI Transitional Services Agreements"</i>
<b>"OMGI Transaction"</b>	the disposal of OMGI
<b>"OMGI TSA"</b>	the transitional service agreement under which OMWBS provides certain services to OMGI, as described in <i>Part XVII – "Additional Information—14. Material contracts—14.5 Material disposals—14.5.1 OMGI Transaction—(c) OMGI Transitional Services Agreements"</i>
<b>"OMGIUK"</b>	Old Mutual Global Investors (UK) Limited
<b>"OMGUK"</b>	Old Mutual Group (UK) Limited
<b>"OMIML"</b>	Old Mutual Investment Management Limited
<b>"OMLACSA"</b>	Old Mutual Life Assurance Company (South Africa) Limited
<b>"OMW Italy"</b>	Old Mutual Wealth Italy S.p.A.
<b>"OMW Italy Shares"</b>	all of the shares in Old Mutual Wealth Italy S.p.A.
<b>"OMWBS"</b>	Old Mutual Wealth Business Services Limited
<b>"OMWLA"</b>	Old Mutual Wealth Life Assurance Limited
<b>"OMZIL"</b>	Old Mutual Zimbabwe Limited
<b>"Order"</b>	Financial Services and Markets Act 2000 (Financial Promotion) Order 2005
<b>"Ordinary Shares"</b>	the ordinary shares of £0.07 each in the Company that will exist following the Share Capital Reorganisation and having the rights set out in the Articles
<b>"ORSA"</b>	the Own Risk and Solvency Assessment
<b>"OTC"</b>	over-the-counter
<b>"Panama Papers"</b>	the leak of papers from a Panamanian law firm in early 2016
<b>"Paradise Papers"</b>	the leak of papers from a law firm in Bermuda and other offshore territories in late 2017
<b>"Participating Member States"</b>	Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia

<b>"PCA"</b>	Quilter Private Client Advisers, currently branded as "Old Mutual Wealth Private Client Advisers"
<b>"Penrose Shares"</b>	the entire issued share capital of Penrose Topco Limited
<b>"Pension Freedom"</b>	the UK pensions reforms, which took effect from April 2015 under the Pension Schemes Act 2015
<b>"persistency"</b>	assets retained at year end as a percentage of opening AuM
<b>"PFIC"</b>	passive foreign investment company for US federal income tax purposes
<b>"PRA"</b>	the Prudential Regulation Authority
<b>"premium charging basis"</b>	AuA are charged based on the original investment, rather than based on the current market value
<b>"Price Range Supplement"</b>	the supplementary prospectus proposed to be published on or around 11 June 2018 setting out the indicative Price Range, the minimum and maximum number of Ordinary Shares to be sold in the Offer and any other outstanding information
<b>"PRIIPs"</b>	Packaged Retail and Insurance-Based Investment Products
<b>"PRIIPs Regulation"</b>	the Packaged Retail and Insurance-Based Investment Products Regulation (Regulation 1286/2014), as amended, and any implementing legislation
<b>"Principles"</b>	the FCA's Principles for Business
<b>"Prospectus"</b>	this prospectus approved by the FCA and published on 20 April 2018 as a prospectus prepared in accordance with the Prospectus Rules made under section 73A of the FSMA
<b>"Prospectus Directive"</b>	Directive 2003/71/EC and amendments thereto, including Directive 2010/73/EU and any implementing measure
<b>"Prospectus Directive Regulation"</b>	the Prospectus Directive Regulation EC 809/2004
<b>"Purchaser"</b>	J.P. Morgan Securities plc as purchaser of the Tier 2 Notes, as described in <i>Part XVII – "Additional Information—14. Material Contracts—14.7 Financing Arrangements—14.7.1 Tier 2 Bond—(b) Purchase Agreement"</i>
<b>"Q1 Results Supplement"</b>	the supplement containing a trading update for the first quarter of 2018, which the Company expects to publish on or about 30 April 2018
<b>"QC Consideration"</b>	consideration for the Penrose Shares of £585 million, subject to certain adjustments between signing and completion
<b>"QC Management Sellers"</b>	certain management shareholders of Quilter Cheviot Holdings Limited
<b>"QC Sellers"</b>	(i) certain funds advised by Bridgepoint Advisers Limited, (ii) Commonwealth of Pennsylvania, The Public Schools Employees' Retirement Scheme, (iii) Hermes GPE PEC 2011-2013 LP and (iv) certain management shareholders, among others
<b>"QC SPA"</b>	the share sale and purchase agreement, as amended by a deed of amendment dated 16 February 2015, entered into by Old Mutual Wealth Holdings Limited, Old Mutual plc, the Company and OMGUK, as described in <i>Part XVII – "Additional Information—14. Material contracts—14.6 Material acquisitions—14.6.4 Quilter Cheviot Sale and Purchase Agreement"</i>
<b>"qualified institutional buyers" or "QIBs"</b>	has the meaning given by Rule 144A
<b>"Qualified Investors"</b>	persons who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive
<b>"Quilter Cheviot"</b>	the Group's discretionary wealth management business
<b>"Quilter Financial Planning"</b>	the Group's advice network, which offers three advice models (PCA, Financial Advisers (including both RFPs and IFAs) and Mortgage & Protection Advisers) and which is currently branded as "Intrinsic"
<b>"Quilter International"</b>	the Group's international business, which is currently branded as "Old Mutual International"
<b>"Quilter Investors"</b>	the Group's multi-asset management business, which is currently branded as part of "Old Mutual Global Investors"

<b>"Quilter Life Assurance"</b>	the Group's book of legacy life insurance, insurance bonds and pension business, as well as the Group's open protection book of business, which is currently branded as "OMWLA"
<b>"Quilter Separation"</b>	the Company's separation from Old Mutual plc
<b>"Quilter UK Tax Strategy"</b>	the Group's UK tax strategy, which will be published on the company website post-Quilter Separation and in line with regulatory requirements
<b>"Quilter Wealth Solutions"</b>	the Group's UK platform, which is currently branded as "UK Platform" and predominantly consists of the Old Mutual Wealth Life & Pensions Limited and Old Mutual Wealth Limited legal entities
<b>"R" or "Rand" or "ZAR"</b>	South African Rand, the lawful currency of South Africa
<b>"RDR"</b>	the Retail Distribution Review
<b>"Regulation S"</b>	Regulation S under the US Securities Act
<b>"Relevant Member State"</b>	Member States that have implemented the Prospectus Directive
<b>"relevant persons"</b>	Qualified Investors (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Order and Qualified Investors falling within Article 49(2)(a) to (d) of the Order, and (ii) to whom it may otherwise lawfully be communicated
<b>"Relevant Provinces"</b>	Alberta, British Columbia, Quebec and Ontario
<b>"Revenue Code"</b>	the US Internal Revenue Code of 1986, as amended
<b>"RFPs"</b>	Restricted Financial Planners, meaning advisers who advise on a defined range of products and investment solutions, including investment solutions offered by the Group and by third parties that have been pre-researched by the Group
<b>"Roadmap"</b>	the Isle of Man FSA Roadmap
<b>"Rule 144A"</b>	Rule 144A under the US Securities Act
<b>"SARB"</b>	South African Reserve Bank
<b>"SDRT"</b>	stamp duty reserve tax
<b>"Section 793 Notice"</b>	a notice requiring any of the information mentioned in section 793 of the Companies Act 2006
<b>"Selling Shareholder"</b>	Old Mutual plc
<b>"Senior Managers"</b>	the senior management of the Group
<b>"SENS"</b>	the Stock Exchange News Service of the JSE
<b>"Separation Agreements"</b>	the agreements the Group has entered into with Old Mutual plc in anticipation of, and in connection with, the Quilter Separation, including the Separation Agreement and the Tax Matters Agreement
<b>"Sesame"</b>	Sesame Bankhall
<b>"SFTR"</b>	the Securities Financing Transactions Regulation
<b>"Share Capital Reorganisation"</b>	the reorganisation of the Company's share capital described in <i>Part XVII – "Additional Information—3. Share Capital"</i>
<b>"Single Strategy Business"</b>	the "single strategy" asset management business to be sold by the Group pursuant to the sale and purchase agreement described in <i>Part XVII – "Additional Information—14. Material contracts—14.5 Material disposals—14.5.1 OMGI Transaction"</i>
<b>"SIPP"</b>	Self-Invested Personal Pension
<b>"SIX"</b>	the SIX Swiss Exchange
<b>"Skandia UK"</b>	Skandia UK Limited
<b>"Skandia UK Group"</b>	Skandia UK and its subsidiaries
<b>"Skandia UK SPA"</b>	the share sale and purchase agreement pursuant to which the Company acquired the entire issued share capital of Skandia UK and its six subsidiary undertakings, as described in <i>Part XVII – "Additional Information—14. Material contracts—14.6 Material acquisitions—14.6.1 Skandia UK Sale and Purchase Agreement"</i>
<b>"SMCR"</b>	the Senior Managers and Certification Regime

<b>"Solvency I"</b>	the Solvency I Directive, as amended, and any implementing legislation
<b>"Solvency II"</b>	the Solvency II Directive (Directive 2009/138/EC), as amended, and any implementing legislation
<b>"South African Companies Act"</b>	the South African Companies Act, 2008
<b>"South African Qualifying Investors"</b>	persons falling within the exemptions set out in Section 96(1)(a) or Section 96(1)(b) of the South African Companies Act
<b>"South African Transfer Secretaries"</b>	Link Market Services
<b>"Stabilising Manager"</b>	BofA Merrill Lynch and/or Merrill Lynch South Africa, as the context requires
<b>"Stock Lending Agreement"</b>	the stock lending agreement entered into by BofA Merrill Lynch and/or Merrill Lynch South Africa, as the context requires, as Stabilising Manager, and the Selling Shareholder in connection with settlement and stabilisation, as described in <i>Part XV – "Details of the Offer—12. Stock Lending Arrangements"</i>
<b>"Strate"</b>	Strate Proprietary Limited (Registration number 1998/022242/07), a private company incorporated in accordance with the laws of South Africa and the electronic clearing and settlement system used by the JSE to settle trades
<b>"STT"</b>	Securities Transfer Tax levied in terms of the South African Securities Transfer Tax Act, 2007
<b>"SYSC"</b>	Senior Management, Systems and Controls
<b>"Thematic Review"</b>	the FCA's industry-wide thematic review on the treatment of long-standing customers invested in closed-book products sold by the life insurance sector
<b>"Tier 2 Bond"</b>	the £200 million subordinated debt security in the form of a 10-year Tier 2 Bond with a one-time issuer call option after five years to J.P. Morgan Securities plc, paying a semi-annual coupon of 4.478%
<b>"Tier 2 Bond Purchaser"</b>	J.P. Morgan Securities plc
<b>"Tier 2 Notes"</b>	the £200,000,000 4.478% Fixed Rate Reset Subordinated Notes due 2028 issued by the Company, as described in <i>Part XVII – "Additional Information—14. Material Contracts—14.7 Financing Arrangements—14.7.1 Tier 2 Bond"</i>
<b>"Trust Deed"</b>	the trust deed dated 28 February 2018 constituting the Tier 2 Notes issued by the Company, as described in <i>Part XVII – "Additional Information—14. Material Contracts—14.7 Financing Arrangements—14.7.1 Tier 2 Bond—(a) Trust Deed"</i>
<b>"UCITS"</b>	Undertakings for Collective Investment in Transferable Securities
<b>"UCITS Directive"</b>	the Undertakings for Collective Investment in Transferable Securities Directive (Directive 2009/65/EC), as amended, and any implementing legislation
<b>"UK"</b>	the United Kingdom of Great Britain and Northern Ireland
<b>"UK Corporate Governance Code"</b>	the UK Corporate Governance Code published in September 2014 by the Financial Reporting Council
<b>"UK Final Salary Scheme"</b>	the Quilter Cheviot Retirement Benefits Scheme
<b>"UK Platform Transformation Programme"</b>	the Quilter Wealth Solutions IT transformation, as described in <i>Part VI – "Business Description—5. Business Overview—5.2 Wealth Platforms—5.2.1 Quilter Wealth Solutions—(d) Operations"</i>
<b>"UK Sponsors"</b>	BofA Merrill Lynch and J.P. Morgan Cazenove
<b>"UKLA"</b>	the United Kingdom Listing Authority
<b>"Underwriters"</b>	BofA Merrill Lynch, Goldman Sachs International, J.P. Morgan Cazenove, Merrill Lynch South Africa, Avior Capital Markets and BNP PARIBAS
<b>"Underwriting Agreement"</b>	the underwriting and sponsors' agreement entered into between the Company, the Directors, the Selling Shareholder, the UK Sponsors, the JSE Sponsor and the Underwriters described in <i>Part XVII – "Additional Information—14. Material Contracts—14.1 Underwriting Agreement"</i>
<b>"US"</b>	the United States of America, its territories and possessions, any State of the United States of America and the District of Columbia
<b>"US Exchange Act"</b>	US Securities Exchange Act of 1934, as amended

**"US Holder"**

a beneficial owner of the Ordinary Shares that is for US federal income tax purposes (i) a citizen or individual resident of the United States, (ii) a corporation or other business entity treated as a corporation created or organised under the laws of the United States or its political subdivisions, (iii) a trust subject to the control of one or more US persons and the primary supervision of a US court or that has validly elected to be treated as a domestic trust for US federal income tax purposes and (iv) an estate the income of which is subject to US federal income tax without regard to its source

**"US Securities Act"**

US Securities Act of 1933, as amended

**"whole of market"**

the whole market, free from any restrictions