Financial review

Mark Satchel
Chief Financial Officer

Review of financial performance

Overview

The Group delivered strong growth in 2024, with record adjusted profit before tax of £196 million, an increase of 17% on the prior year (2023: £167 million). This was driven by higher average AuMA supported by strong net inflows and positive markets, together with higher interest rates benefitting investment returns on shareholder cash, and continued delivery of our Simplification programme. The Group's reported closing AuMA was £119.4 billion, a 12% increase on the opening position (2023: £106.7 billion).

In the core business, net inflows of £5.2 billion increased by 525% (2023: £0.8 billion) in 2024. This reflected an improvement in the macro environment and investor sentiment, as well as the effectiveness of building out our distribution capabilities and enhancing our proposition.

Gross flows of £16.0 billion (2023: £11.1 billion), reflects continued strong flows in the Quilter channel and a significant increase in IFA channel flows onto the Platform, due to increased new business levels and improved market share from IFA firms. Productivity, representing Quilter channel gross sales per Quilter Adviser, increased by 14% to £3.2 million (2023: £2.8 million).

Alternative performance measures ("APMs")

We assess our financial performance using a variety of measures including APMs, as explained further on pages 186 to 187. In the headings and tables presented, these measures are indicated with an asterisk: *.

Key financial highlights

Quilter highlights	2024	2023
Assets and flows – core business		
AuMA* (£bn)	**116.3**	103.4
Gross flows* (£bn)	**16.0**	11.1
Net inflows* (£bn)	**5.2**	0.8
Net inflows/opening AuMA*	**5%**	1%
Productivity: Quilter channel gross sales per Quilter Adviser* (£m)[1]	**3.2**	2.8
Asset retention*	**90%**	89%
Assets and flows – reported		
AuMA* (£bn)	**119.4**	106.7
Gross flows* (£bn)	**16.0**	11.2
Net inflows* (£bn)	**4.8**	0.1
Net inflows/opening AuMA*	**4%**	0%
Profit and loss		
IFRS (loss)/profit before tax attributable to shareholder returns (£m)	**(60)**	12
IFRS (loss)/profit after tax (£m)	**(34)**	42
Adjusted profit before tax* (£m)	**196**	167
Operating margin*	**29%**	27%
Revenue margin* (bps)	**44**	47
Return on equity*	**10.0%**	8.5%
Adjusted diluted earnings per share* (pence)	**10.6**	9.4
Recommended total dividend per share (pence)	**5.9**	5.2
Basic earnings per share (pence)	**(2.5)**	3.1
Non-financial		
Total Restricted Financial Planners ("RFPs") in both segments[2]	**1,440**	1,489
Discretionary Investment Managers in High Net Worth segment[2]	**176**	174

[1] Quilter channel gross sales per Quilter Adviser is a measure of the value created by our Quilter distribution channel.
[2] Closing headcount as at 31 December.

Financial review *continued*

In the **Affluent** segment, we experienced strong contributions from both the Quilter and IFA channels:

- Quilter channel: Gross flows of £4.1 billion were 14% higher than the prior year (2023: £3.6 billion), whilst net inflows of £2.3 billion were 43% ahead (2023: £1.6 billion). As part of our continued strategic objective of aligning our Advice business, back book transfers of c.£800 million of assets under advice by Quilter Financial Planning were transferred onto our Platform from external platforms. Net inflows as a percentage of opening AuMA for the Quilter channel were 13% (2023: 10%).

- IFA channel: Gross flows of £8.8 billion onto the Quilter Platform increased by 68% (2023: £5.3 billion), demonstrating our continued strategic initiatives in building out our distribution and improving our market share of new business. The Platform continues to maintain the leading share of gross flows against our retail advised platform peers, based on the latest Fundscape data (Q4 2024). Net inflows were £3.0 billion (2023: £0.2 billion net outflow) representing a significant improvement on the prior year, as we continued to win flows from competitor platforms. Net inflows as a percentage of opening AuMA for the IFA channel onto the Platform were 5% (2023: nil).

- Funds via third-party platforms reported net outflows of £400 million, compared to £316 million in the previous year.

Asset retention of 89% for the Affluent segment remains stable compared to the prior year (2023: 89%).

Within the **High Net Worth** segment, gross flows of £3.1 billion were 42% higher than the prior year (2023: £2.2 billion), whilst net inflows of £0.6 billion were also up (2023: £0.1 billion net outflow). Whilst both the Quilter channel, and the IFA and direct channel, recorded net inflows for the year, the latter experienced a loss of a large value low margin account during the first half of the year. Asset retention of 91% for the High Net Worth segment remained in line with the previous year (2023: 91%).

The Group's core business AuMA of £116.3 billion is 12% ahead of the opening position (2023: £103.4 billion) reflecting positive market movements of £7.7 billion and net inflows of £5.2 billion. The Affluent segment AuMA increased by 14% to £88.5 billion (2023: £77.5 billion) of which £29.5 billion is managed by Quilter, versus the opening position of £25.5 billion. The High Net Worth segment AuM was £29.5 billion, up 9% from the opening position of £27.0 billion, with all assets managed by Quilter.

In total, £58.5 billion, representing 50% of core business AuMA, is managed by Quilter across the Group (2023: £52.2 billion, 50%).

The Group's revenue margin of 44 bps was 3 bps lower than the prior year (2023: 47 bps).

In the Affluent segment, the administered revenue margin was 25 bps, 2 bps lower than the prior year (2023: 27 bps). This is primarily the result of reduced Platform administration fees charged to clients in the second half of 2023 and all of 2024 following the Platform repricing undertaken during 2023, and the impact from our tiered pricing structure. The managed revenue margin decreased by 5 bps to 36 bps (2023: 41 bps) following the reprice of the Cirilium Active range in 2023 and the introduction of AuM scale discounts. Within our Managed Solutions, as previously guided, the proportion of total client assets invested in the Cirilium Active range, our highest revenue bps contributor, remained in net outflow during the year. Within our MPS range, WealthSelect remains one of the largest MPS offerings in the industry and continues to grow with AuMA of £18.4 billion at the end of 2024 (2023: £13.7 billion), reflecting the shift towards managed portfolios on platforms.

The revenue margin in the High Net Worth segment decreased by 1 bp to 70 bps (2023: 71 bps).

Adjusted profit before tax increased by 17% to £196 million (2023: £167 million). Net management fees of £502 million increased 5% (2023: £477 million) primarily due to an increase in reported average AuMA year-on-year of 11% to £113.2 billion (2023: £102.1 billion) partially offset by the planned reductions in net management fee margins that were implemented during 2023 and asset mix shifts.

Interest revenue generated from client funds included within net management fees were £31 million (2023: £23 million) reflecting the increased interest rates year-on-year and the changes made to the Platform charging structures in 2023. Other revenue of £97 million, which mainly comprises our share of income from providing advice, was up 13% on prior year (2023: £86 million) reflecting higher average levels of assets under advice. Investment revenue, predominantly interest income generated on shareholder cash and capital resources, of £71 million increased by £9 million (2023: £62 million) due to higher average interest rates in 2024 compared to the prior year.

Operating expenses of £474 million increased by 3% on the prior year (2023: £458 million) as a result of inflationary increases and planned business investment, partially offset by Simplification cost savings. The Group operating margin improved by 2 percentage points to 29% (2023: 27%).

The Group's IFRS loss after tax was £34 million compared to a £42 million IFRS profit after tax for 2023. This reflects the variances in policyholder tax outcomes due to market gains in the year, the customer remediation exercise provision and the cost of the Skilled Person Review. This is partially offset by an improvement in the adjusted profit result.

Adjusted diluted earnings per share increased 13% to 10.6 pence (2023: 9.4 pence).

Total net revenue*

Total net revenue 2024 (£m)	Affluent	High Net Worth	Head Office	Quilter plc
Net management fee*[1]	**304**	**198**	**–**	**502**
Other revenue*	**84**	**21**	**(8)**	**97**
Investment revenue*	**36**	**7**	**28**	**71**
Total net revenue*	**424**	**226**	**20**	**670**

Total net revenue 2023 (£m)	Affluent	High Net Worth	Head Office	Quilter plc
Net management fee*[1]	292	185	–	477
Other revenue*	70	20	(4)	86
Investment revenue*	31	6	25	62
Total net revenue*	393	211	21	625

[1] Net management fee includes the interest earned on client holdings in Quilter Cheviot and Quilter Investment Platform.

Total net revenue for the Affluent segment was £424 million, an increase of 8% from the prior year (2023: £393 million). Net management fees were £304 million, £12 million ahead of the prior year (2023: £292 million). Within net management fees, £19 million (2023: £10 million) relates to interest sharing arrangements on cash balances held on the Platform. This was offset by changes to the mix of assets and planned changes to the margins generated in 2023, predominantly the Cirilium Active reprice and the new Platform pricing policy.

Other revenue within the Affluent segment, mainly consisting of our share of income from providing advice within Quilter Financial Planning, was £84 million, 20% more than the prior year (2023: £70 million). This includes higher recurring charges from higher average levels of assets under advice. Investment revenue of £36 million (2023: £31 million) represents interest earned on shareholder capital held to meet the regulatory capital requirements of the business.

Total net revenue of £226 million in the High Net Worth segment was 7% higher in the year (2023: £211 million). Net management fees were £13 million ahead of the prior year at £198 million (2023: £185 million) largely due to higher average AuM, partially offset by changes to fee structures introduced in 2023. Net management fees include interest margin earned on client cash balances of £12 million (2023: £13 million). Investment revenue, representing revenue earned on regulatory capital to support the business, of £7 million was £1 million higher (2023: £6 million) due to higher average interest rates. Other revenue of £21 million, predominantly reflecting revenue generated in Quilter Cheviot Financial Planning, was marginally higher than the prior year (2023: £20 million).

Operating expenses*

Operating expenses increased by 3% to £474 million (2023: £458 million). This increase reflects our planned investment in the business and inflationary increases, whilst focusing on our continued sustainable cost savings through Simplification activities.

Operating expenses (£m)	2024		2023	
	Operating expenses	As a percentage of revenues	Operating expenses	As a percentage of revenues
Support staff costs	**110**		115	
Operations	**20**		21	
Technology	**31**		32	
Property	**28**		30	
Other base costs[1]	**33**		29	
Sub-total base costs	**222**	**33%**	227	36%
Revenue-generating staff base costs	**101**	**15%**	96	15%
Variable staff compensation	**82**	**12%**	74	12%
Other variable costs[2]	**51**	**8%**	45	7%
Sub-total variable costs	**234**	**35%**	215	34%
Regulatory/Insurance costs	**18**	**3%**	16	3%
Operating expenses*	**474**	**71%**	458	73%

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

We announced at our 2023 half-year results, a further £50 million of annualised run rate savings from Phase Two of the Simplification programme with this anticipated to be delivered on a run-rate basis by the end of 2025. At 31 December 2024, the programme had delivered £35 million of these savings, on a run-rate basis, largely through the continued rationalisation of the Group's technology and property estate, IT and operations efficiencies from our investment in Advice technology, and a reduction in support costs as we continue to simplify our governance and internal administration processes. These benefits were partially offset by the impact of inflation on our cost base during the year. As a result, base costs as a percentage of revenues reduced 3 percentage points to 33% (2023: 36%).

Revenue-generating staff base costs increased by 5% to £101 million (2023: £96 million) and remains at a similar proportion of revenues as we continue to invest in our people and proposition across our business segments to drive growth.

Variable staff compensation of £82 million (2023: £74 million) increased by 11%, driven by an increased share price impacting the cost of deferred awards, National Insurance changes and improved business performance. Other variable costs of £51 million (2023: £45 million) were above that of the previous year, mainly driven by the increase in the average AuMA experienced over the year and increased business investment including M&A activity.

Regulatory and insurance costs increased by 13% to £18 million (2023: £16 million) reflecting increased Regulatory fees.

Taxation

The effective tax rate ("ETR") on adjusted profit before tax was 24% (2023: 23%). The Group's ETR is broadly in line with the UK headline corporation tax rate of 25%. The Group's ETR is dependent on a number of factors, including tax rates on profits in jurisdictions outside the UK and the value of non-deductible expenses or non-taxable income.

The Group's IFRS income tax expense was a charge of £69 million for the year ended 31 December 2024, compared to a charge of £46 million for the prior year. The income tax expense or credit can vary significantly year-on-year as a result of market volatility and the impact that this has on policyholder tax. The recognition of the income received from policyholders to fund the policyholder tax liability (which is included within the Group's income) has historically been volatile due to timing differences between the recognition of policy deductions and credits and the corresponding policyholder tax expense, resulting in the need for significant adjustments to the adjusted profit to remove these distortions. The Group has made changes to its unit pricing policy during 2024 relating to policyholder tax charges which will reduce future volatility in these timing differences. These changes are expected to reduce the value of adjustments made to future periods adjusted profit, set out in note 7(b)(vii) in the consolidated financial statements.

Reconciliation of adjusted profit before tax* to IFRS result

Adjusted profit before tax represents the Group's IFRS result, adjusted for specific items that management considers to be outside of the Group's normal operations or one-off in nature, as detailed in note 7(a) in the consolidated financial statements. The exclusion of certain adjusting items may result in adjusted profit before tax being materially higher or lower than the IFRS profit or loss after tax.

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

Reconciliation of adjusted profit before tax to IFRS (loss)/profit after tax (£m)	2024	2023
Affluent	**148**	124
High Net Worth	**48**	41
Head Office	**–**	2
Adjusted profit before tax*	**196**	167
Adjusting items:		
Impact of acquisition and disposal-related accounting	**(40)**	(39)
Business transformation costs	**(26)**	(28)
Skilled Person Review	**(10)**	–
Customer remediation exercise	**(76)**	–
Other customer remediation	**3**	(6)
Exchange rate movement (ZAR/GBP)	**1**	(2)
Policyholder tax adjustments	**(90)**	(62)
Other adjusting items	**–**	1
Finance costs	**(18)**	(19)
Total adjusting items before tax	**(256)**	(155)
(Loss)/profit before tax attributable to shareholder returns	**(60)**	12
Tax attributable to policyholder returns	**95**	76
Income tax expense	**(69)**	(46)
IFRS (loss)/profit after tax	**(34)**	42

The impact of acquisition and disposal-related accounting costs of £40 million (2023: £39 million) includes amortisation of acquired intangible assets and acquired adviser schemes.

Business transformation costs of £26 million were incurred in 2024 (2023: £28 million). During 2024, the Group spent £24 million on delivering Simplification initiatives (2023: £25 million). The implementation costs to deliver the remaining £15 million of annualised run-rate savings for the programme are estimated to be £40 million. Investment in business costs of £2 million (2023: £1 million) were incurred as the Group continues to enable and support advisers and clients and improve productivity through better use of technology.

Skilled Person Review costs of £10 million (2023: £nil) include the estimated external cost and direct cost of internal resources to support and perform the Skilled Person Review of historical data and practices across the Quilter Financial Planning network of Appointed Representative firms. This cost is excluded from adjusted profit as management considers it to be outside of the Group's normal operations and one-off in nature.

Customer remediation exercise costs of £76 million (2023: £nil) include the estimated redress payable to customers, comprising a refund of ongoing advice charges and interest payable for customers impacted, and administrative costs, which represents the costs to perform a potential customer remediation exercise across the Quilter Financial Planning network of Appointed Representative firms (see note 30 of the consolidated financial statements). This cost is excluded from adjusted profit as management considers it to be outside of the Group's normal operations and one-off in nature.

Financial review *continued*

For 2023, the other customer remediation expense of £6 million reflected £4 million of legal, consulting and other costs and a £2 million provision increase related to non-British Steel Pension Scheme redress payments. This was the result of the Group-managed past business review of defined benefit to defined contribution ("DB to DC") pension transfer advice suitability by an independent expert. For 2024, the provision for redress decreased by £3 million as a result of the redress calculations performed for customers being lower than forecast in 2023 due to the changes in assumptions used to perform the calculations and market movements of the pension scheme values during 2024. Further details of the provision are provided in note 30 in the consolidated financial statements.

In 2024, income of £1 million was recognised (2023: £2 million expense) due to foreign exchange movements on cash held in South African Rand in preparation for payments of dividends to shareholders. Cash was converted to South African Rand upon announcement of the dividend payments to provide an economic hedge for the Group. The foreign exchange movements are fully offset by an equal amount taken directly to retained earnings.

Policyholder tax adjustments to adjusted profit were a credit of £90 million for 2024 (2023: £62 million credit). Adjustments to policyholder tax are made to remove distortions arising from market volatility that can, in turn, lead to volatility in the policyholder tax adjustments between years. The recognition of the income received from policyholders to fund the policyholder tax liability (which is included within the Group's income) can vary in timing to the recognition of the corresponding tax expense, creating volatility in the Group's IFRS profit or loss before tax. During 2024, the Group made changes to its unit pricing policy relating to policyholder tax charges which will reduce the value of these timing differences in future years. These changes, together with current year market movements, have resulted in the unwind of most of the opening timing difference.

Review of financial position

Capital and liquidity

Solvency II

The Group's solvency surplus is £851 million at 31 December 2024 (31 December 2023: £972 million), representing a solvency ratio of 219% (31 December 2023: 271%). The solvency information for the year to 31 December 2024 has been prepared based on the PRA rules and policy material that replaced Solvency II assimilated law on 31 December 2024 ("UK Solvency II"). Comparative figures for regulatory capital for 2023 are presented on a Solvency II basis. The solvency information for the year to 31 December 2024 contained in this results disclosure has not been audited.

The Group's solvency capital position is stated after allowing for the impact of the foreseeable dividend payment of £57 million (31 December 2023: £50 million).

Group Solvency II capital (£m)	At 31 December 2024[1]	At 31 December 2023[2]
Own funds	**1,566**	1,540
Solvency capital requirement ("SCR")	**715**	568
Solvency II surplus	**851**	972
Solvency II coverage ratio	**219%**	271%

[1] Filing of annual regulatory reporting forms due by 27 May 2025.
[2] As reported in the Group Solvency and Financial Condition Report for the year ended 31 December 2023.

The Group solvency surplus decreased by £121 million from the 31 December 2023 position primarily due to the customer remediation exercise provision and costs relating to acquisitions, business transformation and financing, partly offset by the net profit recognised in the year.

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

Group own funds (£m)	At 31 December 2024	At 31 December 2023
Tier 1[1]	**1,366**	1,336
Tier 2[2]	**200**	204
Total Group Solvency II own funds	**1,566**	1,540

[1] All Tier 1 capital is unrestricted for tiering purposes.
[2] Comprises a UK Solvency II compliant subordinated debt security in the form of a Tier 2 bond, which was issued at £200 million in January 2023.

The Group SCR is covered by Tier 1 capital, which represents 191% of the Group SCR of £715 million. Tier 2 capital represents 23% of the Group solvency surplus.

Final Dividend

The Quilter Board recommended a Final Dividend of 4.2 pence per share at a total cost of £57 million. Subject to shareholder approval at the 2025 Annual General Meeting, the recommended Final Dividend will be paid on Tuesday 27 May 2025 to shareholders on the UK and South African share registers on Friday 11 April 2025 (the "Record Date"). For shareholders on our South African share register, a Final Dividend of 99.18040 South African cents per share will be paid, using an exchange rate of 23.61438.

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

Holding company cash (£m)	2024	2023
Opening cash at holding companies at 1 January	**349**	392
Share repurchase and Odd-lot Offer	–	(14)
Single Strategy business sale – price adjustment provision	–	(4)
Debt issuance costs	–	(2)
Dividends paid	**(73)**	(65)
Net capital movements	**(73)**	(85)
Head Office costs and Business transformation funding	**(34)**	(43)
Net interest received	**18**	13
Finance costs	**(17)**	(18)
Net operational movements	**(33)**	(48)
Cash remittances from subsidiaries	**325**	176
Capital contributions, loan repayments and investments	**(102)**	(86)
Other net movements	**(4)**	–
Internal capital and strategic investments	**219**	90
Closing cash at holding companies at the end of the year	**462**	349

Net capital movements
Net capital movements in 2024, totalled an outflow of £73 million (2023: £85 million) relating to dividend payments to shareholders in the year.

Net operational movements
Net operational movements were an outflow of £33 million in 2024 (2023: £48 million). This includes £34 million (2023: £43 million) of corporate and business transformation costs, finance costs of £17 million (2023: £18 million) relating to coupon payments on the Tier 2 bond and non-utilisation fees for the revolving credit facility, and £18 million (2023: £13 million) of net interest income on money market funds, intragroup loans and cash holdings.

Internal capital and strategic investments
The net inflow of £219 million (2023: £90 million) is principally due to £325 million (2023: £176 million) of cash remittances from the trading businesses, which includes a remittance of £80 million as a result of a change in the Solvency II calculation methodology in 2023. This is partially offset by £102 million (2023: £86 million) of capital contributions to support business operational activities and further investment in the underlying business, including strategic acquisitions.

Mark Satchel
Chief Financial Officer