Financial review

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Review of financial performance

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

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

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

Alternative Performance Measures ("APMs")
We assess our financial performance using a variety of measures including APMs, as explained further on pages 209 to 211. In the headings and tables presented, these measures are indicated with an asterisk: *.

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

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

- **The High Net Worth segment** recorded net inflows of £0.9 billion which were down 18% from the prior year (2021: £1.1 billion), and continued to deliver a robust performance with good flows from the Quilter channel offsetting a slowdown in IFA flows. Gross inflows of £2.3 billion were down on 2021 of £2.7 billion, offset by lower outflows compared to the prior year. This reflects improved persistency at 95% versus 94% in 2021.

Key financial highlights

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

[1]Continuing operations represent Quilter plc, excluding the results of Quilter International. Adjusted profit before tax for Quilter International in 2021 was £50 million. Adjusted diluted EPS from Quilter International in 2021 was 3.0 pence per share.
[2]Alternative Performance Measures ("APMs") are detailed and defined on pages 209 to 211.
[3]Gross flows per adviser is a measure of the value created by our Quilter distribution channel.
[4]Closing headcount as at 31 December.

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

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

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

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

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

Total net fee revenue*

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

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

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

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

Operating expenses*

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

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

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

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

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

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

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

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

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

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

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

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

Taxation

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

The Group's IFRS income tax expense was a credit of £110 million for the year ended 31 December 2022, compared to a charge of £62 million for the prior year. The income tax credit in 2022 is largely due to adverse movements in the market values of unit-linked assets during the year compared to favourable movements in those assets during 2021. The income tax expense or credit can significantly vary year-on-year as a result of market volatility and the impact market movements have on policyholder tax. The recognition of the income received from policyholders to fund the policyholder tax liability (which is included within the Group's IFRS revenue) can vary in timing to the recognition of the corresponding policyholder tax expense, creating volatility to the Group's IFRS profit or loss before tax attributable to equity holders. An adjustment is made to adjusted profit before tax to remove these distortions, as explained further on page 40 and in note 7(b) of the consolidated financial statements.

Optimisation

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

Business Simplification

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

Lighthouse DB pension transfer advice provision

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

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

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

Reconciliation of adjusted profit before tax* to IFRS profit

Adjusted profit before tax represents the Group's IFRS profit, adjusted for specific items that management considers to be outside of the Group's normal operations or one-off in nature, as detailed on page 142 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 after tax.

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

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

[1] 2021 discontinued operations include the results of Quilter International.
[2] In 2021, the discontinued operations profit on business disposals of £90 million resulted from the disposal of Quilter International. The £2 million continuing operations profit on business disposals resulted from the disposal of LighthouseCarrwood Limited. See note 6(a) for details.
[3] IFRS profit after tax.

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

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

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

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

The customer remediation adjustment of £12 million of income in 2022 (2021: expense of £7 million) reflects the impact of the insurance proceeds received, final redress calculations performed compared with the provision estimated, as part of the ongoing skilled person review, and subsequent Group-managed past business review with the current skilled person acting as reviewer. Insurance proceeds in relation to claims in respect of legal liabilities arising in connection with Lighthouse DB to DC pension transfer advice have been received, contributing £12 million to the profit of the Group. These impacts are excluded from adjusted profit on the basis that the advice activities to which the charge and benefit relates was provided prior to the Group's acquisition of the business. Additionally, a provision release of £4 million was recognised in the current period (2021: net increase in provision of £7 million), with further costs recognised of £4 million in relation to the additional population to be reviewed as part of that Group-managed past business review, including associated professional costs. Further details of the provision are provided in note 28.

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

Foreign exchange movements for 2022 were £4 million (2021: £nil) and relate to foreign exchange gains on cash held in South African Rand in preparation for the capital return and Final Dividend payments in May 2022. Cash was converted to South African Rand upon announcement of the details of the capital return and dividend payment providing an economic hedge for the Group. The foreign exchange gain is equally offset by an amount recognised directly to retained earnings. See note 7(b)(viii) to the Group's consolidated financial statements for further detail.

Cash generation*

Cash generation measures the proportion of adjusted profit after tax that is recognised in the form of cash generated from operations. The Group achieved a cash generation rate of 75% of adjusted profit after tax over 2022 (2021: 76%).

Review of financial position

Capital and liquidity

Solvency II

The Group's Solvency II surplus is £820 million at 31 December 2022 (31 December 2021: £1,030 million), representing a Solvency II ratio of 230% (31 December 2021: 275%). The Solvency II information for the year to 31 December 2022 contained in this results disclosure has not been audited.

The Group's Solvency II capital position is stated after allowing for the impact of the foreseeable dividend payment of £45 million (31 December 2021: £62 million).

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

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

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

Composition of qualifying Solvency II capital

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

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

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

The Group SCR is covered by Tier 1 capital, which represents 198% of the Group SCR of £631 million. Tier 1 capital represents 86% of Group Solvency II own funds. Tier 2 capital represents 14% of Group Solvency II own funds and 25% of the Group surplus.

Dividend

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

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

Share buyback programme

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

Capital Return (the "B Share Scheme" and the "Share Consolidation")

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

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

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

Debt issue

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

Holding company cash

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

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

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

Net operational movements
Net operational movements were an outflow of £57 million for the year and include £52 million of corporate and transformation costs. Interest paid of £9 million relates to coupon payments on the Tier 2 bond and non-utilisation fees for the revolving credit facility, with £4 million interest received on money market funds and cash holdings.

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

Mark Satchel
Chief Financial Officer