ST. JAMES'S PLACE

ANNUAL REPORT AND ACCOUNTS 2019

We are St. James's Place

We are a leading FTSE 100 wealth management group that puts long-term relationships and advice that clients trust at the heart of everything we do, giving peace of mind in an uncertain world.

What we do
We plan, grow and protect the financial futures of businesses and individuals across the UK by providing an end-to-end wealth management proposition. We offer clients access to our full range of wealth management products and services exclusively through face-to-face advice delivered by the Partnership, our 4,271-strong workforce of advisers. Client investments are managed using our distinctive Plan, Design, Review approach, which focuses on tailoring investments to match clients' financial goals and draws on the skills of the best investment managers from around the globe.

Clients
733,000

Client retention rate
97%

Employees who feel proud to work at St. James's Place
94%

Total St. James's Place advisers
4,271
Up 8%, supported by 5,637 Partnership support staff, and 2,634 employees

Adviser retention
93%

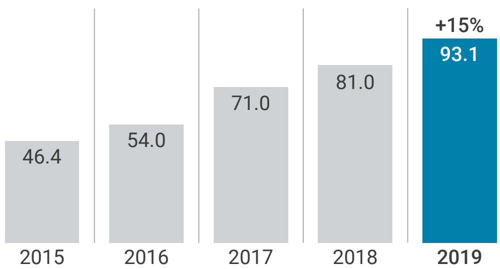
Employee engagement in community programmes
96%

ST. JAMES'S PLACE
CHARITABLE FOUNDATION

Total amount raised since 1992
£93.1m
(2018: £81.0 million)

£93.1m is the total amount raised for good causes through the St. James's Place Charitable Foundation since 1992

See page 68 for further information



Percentage of profit before tax used to support our communities and good causes
4%

Contents

2019 Performance Highlights

St. James's Place (SJP) remained resilient in 2019, continuing to report substantial gross and net inflows in challenging market conditions.

Underlying cash result

£273.1m

(Down 12% from £309.0 million in 2018)

Gross inflows

£15.1bn

(Down 4% from £15.7 billion in 2018)

Net inflows

£9.0bn

(Down 13% from £10.3 billion in 2018)

Dividends per share

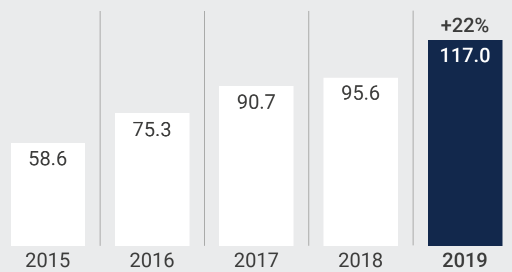
49.71p

(Up 3% from 48.22 pence in 2018)

Funds under management

£117.0bn

(Up 22% from £95.6 billion in 2018)



IFRS profit after tax

£146.6m

(Down 16% from £173.5 million in 2018)

European embedded value (EEV) operating profit

£952.0m

(Down 5% from £1,002.0 million in 2018)

The Underlying cash result and EEV operating profit are alternative performance measures (APMs). The Glossary of Alternative Performance Measures on pages 216 to 218 defines these APMs and explains why they are useful. The Underlying cash result is reconciled to International Financial Reporting Standards (IFRS) on pages 47 and 48.

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Strategic Report

"Our vision is to create a vibrant place to work where difference is recognised as a strength and where talented people can flourish and achieve their highest potential."

VICKI FOSTER, Head of Inclusion and Diversity

Our vision for a people business

St. James's Place is a leading wealth manager whose success is built on establishing long lasting, highly personal relationships. We believe that being the best place to have a career is reliant upon creating a truly inclusive and diverse environment where broad perspectives are embraced and people can be themselves.

Our vision is to create a vibrant place to work where difference is recognised as a strength and where talented people can flourish and achieve their highest potential. We know that talent is not dictated by race, ethnicity, gender or gender identity, disability, sexual orientation, age, religion, social class or background.

We understand that diverse teams and inclusive environments provide the foundations for creativity, innovation and business growth. That's why we will aim to attract, retain and develop the best people from all walks of life and from all backgrounds. Our focus is on building a community with equal opportunities where everyone has clarity of purpose and feels valued.

See pages 22 to 23 and 29 to 31 for further information


• PURPOSE
• TALENT
• INNOVATION
• CREATIVITY
• GROWTH
• EQUAL OPPORTUNITIES

Chief Executive's Report

"I am pleased to report a solid set of results, once again demonstrating the resilience of the St. James's Place business."

ANDREW CROFT, Chief Executive

Funds under management

£117.0bn

(2018: £95.6bn)

Gross inflows

£15.1bn

(2018: £15.7bn)

Net inflows

£9.0bn

(2018: £10.3bn)

Introduction

Last year was challenging for the UK wealth management sector with investor sentiment being impacted by the uncertain macro-economic indicators, the US/China trade dispute, and the domestic political environment. Therefore, I am pleased to report a solid set of results, once again demonstrating the resilience of the St. James's Place business.

Gross new inflows for the period, at £15.1 billion, were some 4% lower than 2018, while strong retention of client funds contributed to net inflows of £9.0 billion, equivalent to some 9% of opening funds under management. These positive net flows, together with the impact of positive investment markets, resulted in closing funds under management of a record £117.0 billion, up 22% since the beginning of the year.

Business performance and dividend

Over time, increasing funds under management will generate increased returns, but in the short term our profit has been impacted by the more modest gross flows relative to the planned higher cost of our investment in the business to underpin future growth. The Underlying cash result for the year at £273.1 million (2018: £309.0 million) was therefore lower than the same period last year.

The fundamentals underlying the business remain strong, so the Board remains confident in our prospects, supported by a growing Cash result that will benefit from the contribution of client investments attracted in previous years. Given the progression of funds under management and our confidence for the future, the Board proposes a final dividend of 31.22 pence per share (2018: 29.73 pence per share) making for a full year dividend of 49.71 pence per share (2018: 48.22 pence per share), growth of 3%. This will provide for a pay-out ratio of 97% against the Underlying cash result, higher than our stated medium-term aim of an 80% pay-out ratio.

The final dividend, subject to approval of shareholders at our AGM, will be paid on 22 May 2020 to shareholders on the register at the close of business on 17 April 2020. A Dividend Reinvestment Plan continues to be available for shareholders.

Clients

The continued success of St. James's Place is built on establishing and maintaining long lasting, highly personal relationships with our clients through the St. James's Place Partnership. Our aim is to put positive client outcomes at the heart of everything we do, with our advisers helping their clients to fulfil their ambitions and aspirations through sound financial planning advice, together with our distinctive investment management approach, backed by a FTSE 100 company.

From the 39,000 responses we received from last year's Wealth Account Survey, 89% of those clients who responded tell us that they were either satisfied or very satisfied with their overall relationship with St. James's Place. Encouragingly, more than 93% said they would recommend St. James's Place to others, with 54% suggesting that they had already done so. Furthermore, when asked to describe our proposition in terms of value for money, 96% of the clients who responded, said 'reasonable', 'good' or 'excellent'. These results underpin the strong retention of client investments noted earlier.

We are naturally very pleased with these responses, but we are not complacent and have already responded to the feedback with further improvements to our service and proposition. In the past year we have broadened access to the Flagstone cash management service, which provides a simple and secure solution for clients wishing to hold cash savings, and added new propositions related to lifetime care plans to help clients ensure care fees can be met if a need were to arise in the future.

We now have more than 733,000 clients, an increase of some 51,000 during the year, and I would like to take this opportunity to thank all of these individuals for entrusting us with their long-term investments and financial planning needs.

Full year dividend

49.71 pence per share

(2018: 48.22 pence per share)

Awards

I am pleased to report that St. James's Place has once again received numerous awards. Two highlights were being voted the Wealth Management Company of the Year in the 2019 City of London Awards and Best Wealth Manager in the 2019 Share Awards. Both awards are voted by members of the public and I would like to thank our clients who voted for us.

The St. James's Place Partnership

After another year of strong recruitment, the St. James's Place Partnership now numbers 4,271, growth of 8%. We continue to attract experienced high-quality advisers to the Partnership whilst at the same time 172 individuals graduated from our Academy and Next Generation Academy. We continue to invest in the Academies and there are currently 458 people in the programme who are not included in the Partnership numbers but who will graduate over the coming years.

This sustained growth in the Partnership provides us with confidence in our ability to both service existing clients well and attract new clients to St. James's Place. However, the increasing scale of the Partnership requires us to continue to invest in the supporting infrastructure. Consequently, during the year we opened a new office in Cardiff, and we consolidated the Academy, our previous City office, and a number of corporate functions into a new office in Lombard Street in the City. Both offices have very good environmental credentials.

We also continue to invest in the professional development of our advisers and take pride in the fact that last year one in four of all new qualified Chartered Financial Planners were St. James's Place advisers. We now have more than 900 advisers with Chartered status across the Partnership.

The Partnership is a key differentiator for St. James's Place and we will continue to ensure we provide support for our advisers so that they can, in turn, provide an excellent service to clients.

We are a sound investment

We are a leading wealth management group focused on delivering value for all stakeholders.

1.

We are strong: We are a financially strong, FTSE 100 Group driving growth underpinned by a resilient balance sheet.

2.

We are distinctive: We are a vertically integrated wealth management business, offering clients an end-to-end wealth management proposition.

3.

We are growing: We have a clear strategy to enable us to capitalise on the long-term market opportunity in advice-led UK wealth management and drive growth in funds under management.

4.

We are investing: We continue to invest in our capacity and infrastructure so we are well placed to support our clients and advisers, and capitalise on the market opportunity ahead.

5.

We are responsible: We are a business built on trust. That means we invest and behave in a responsible manner with a focus on 'doing the right thing' for all our stakeholders.

Chief Executive's Report continued

Investment markets

2019 saw a strong performance across major investment markets with a reversal of the falls experienced in the final quarter of 2018; the FTSE 100 was up some 12%, the S&P 500 up 29% and the MSCI World up 20% over the year as a whole. Against this backdrop our clients have benefited from very good returns with all our portfolios delivering strong growth.

In early June we took the decision to move the investment management of our segregated mandate from Woodford Investment Management (WIM) to a combination of RWC and Columbia Threadneedle. This was possible as the core tenet of our investment proposition is to appoint managers to specifically manage our own funds through a sub-advisory mandate, rather than by investing into third-party funds. Our segregated mandate with WIM limited the investments to liquid stocks and did not allow investments in unquoted stocks, and consequently our clients continued to have full access to their investments.

We also continue to make good progress on our Responsible Investing approach and build on our integration of Environmental, Social and Governance (ESG) factors into our fund managers' investment decision making. It is therefore pleasing that we were awarded an A+ rating in the latest United Nations Principles for Responsible Investment annual assessment. Further, we continue to influence positive change elsewhere with some 90% of our investment managers now signatories to the United Nations Principals for Responsible Investment (UNPRI), up from 70% this time last year.

We recognise that climate change poses a risk to our business and to client outcomes. Therefore, in 2019 we became a supporter of the Taskforce for Climate-related Disclosures (TCFD) and have committed to implementing the TCFD framework across our business.

Investment for growth

We continue our investment in our business in Asia and Rowan Dartington (RD) with good progress made during 2019.

Asia reported gross inflows for the year of £252 million, some 7% lower than the corresponding period in 2018 having been impacted by investor concerns over heightened market volatility, the US/China trade rhetoric and the demonstrations in Hong Kong. However, boosted by the recovery in stock markets, St. James's Place funds under management increased to £934 million, growth of 49% during the year. It has been a good year for growth in the SJP Asia Partnership with a net increase of 34 Partners and advisers taking the total to 167, a 26% increase since the start of the year. In addition, there is a strong pipeline of individuals who have applied to join our Asia business, boding well for future recruitment.

RD reported gross inflows of £514 million for the year, marginally lower than last year by 1%, whilst total funds under management increased by 24% to £2.81 billion. After a period of investment, the number of Investment Executives remained stable at 54 during the period and is expected to remain so in the short term as we continue to focus on increasing the quantum of funds managed by each executive.

St. James's Place Asia funds under management

£934m

(2018: £625m)

Rowan Dartington funds under management

£2.8bn

(2018: £2.3bn)

Back-office infrastructure

2019 has been a significant period for our multi-year back-office infrastructure project as we successfully completed the smooth migration of all our core UK business to the new Bluedoor platform. We also completed all the remaining internal system changes required during the second half of the year and are now in the process of decommissioning the legacy system.

All our core UK business is now processed on a modern IT platform which provides us with the scalability to accommodate our growing business needs and greater operational resilience, as well as enabling us to offer an improved service to clients going forwards.

This was a significant milestone for the business and the whole project team, both internal and external, have done a terrific job on what has been a complex multi-year project with little disruption.

The St. James's Place Charitable Foundation and community engagement

Embedded in our culture is a desire to achieve a positive social impact with the Charitable Foundation being the beating heart. Our whole community is committed to supporting the Charitable Foundation from fund raising events with over 80% of Partners and employees giving monthly to the Charitable Foundation from their pay or earnings.

I am delighted to say that in 2019 we raised £12.1 million which includes the Company matching every pound raised. Since 1992, we have now raised £93.1 million, enabling the Charitable Foundation to distribute this amount to a wide variety of charitable causes. We are very proud that according to the Association of Charitable Foundations the St. James's Place Charitable Foundation (the Charitable Foundation) is now the sixth largest Corporate Foundation measured by giving.

Amount raised by our community for the St. James's Place Charitable Foundation in 2019

£12.1m

(2018: £10.0 million)

Percentage of Partners and employees who donate to the St. James's Place Charitable Foundation monthly through their pay or earning

Over 80%

"The continued growth and resilience of the business does not occur by chance but rather the hard work and dedication of our Partners, their staff, our management teams and all our employees and administration support teams."

Alongside the Charitable Foundation, we also continue to enhance our corporate footprint in areas such as diversity, inclusion, volunteering, responsible investing, sustainability and the environment. An area of focus is on providing Financial Education in schools and in 2019 we worked face-to-face with 9,600 young people through over 300 volunteers giving around 1,800 hours. We have also recently extended the programme to provide Workplace Financial Education. Further details on the Charitable Foundation and our community engagement are set out in Our Social Value Report on pages 24 to 37.

New Non-executive Directors

I am delighted to welcome Rosemary Hilary, Dame Helena Morrissey, Emma Griffin and (from 1 June 2020) Lesley-Ann Nash to the Board as new Non-executive Directors. All bring extensive experience and a fresh insight, and I look forward to working with them.

Our community

The continued growth and resilience of the business does not occur by chance but rather the hard work and dedication of our Partners, their staff, our management teams and all our employees and administration support teams. In 2019 the Board has worked to make explicit the culture and values that underpin our success: refer to page 78 for details. On behalf of the Board and shareholders I would like to once again thank the entire St. James's Place community for their continued hard work, dedication and commitment to all aspects of our business.

Outlook

Looking ahead, the fundamental financial planning requirements of individuals remain considerable whilst, at the same time, the availability of high-quality professional financial advice continues to be limited. The strength, depth and quality of the growing Partnership, together with the investments we are making in the business and our distinctive investment proposition, affords us real competitive advantage.

The Parliamentary majority following the December 2019 General Election provides for greater political stability, which has translated into improved investor sentiment. This has consequently resulted in an increase in activity across the business with new investments seeing a return to good growth in the early part of 2020. Uncertainties remain for the UK and there are market concerns as a result of coronavirus, but we are encouraged by this start to the year which, together with the strength and scale of our business today, gives us confidence that we are well placed to continue to grow.

ANDREW CROFT
Chief Executive
26 February 2020

Market Overview

The UK wealth market

Rising affluent wealth

Total UK retail wealth is large and growing, with third-party data suggesting that retail liquid assets alone account for some £3.2 trillion (as at the end of 2019), of which around 70% is controlled by those individuals with £50,000 to £5 million of liquid assets (source: GlobalData).

This is in addition to wealth in the form of personal pension assets and insurance wrapped savings, which are estimated to be a further £1.2 trillion. The Office for National Statistics (ONS) suggests that 51% of total UK personal wealth is concentrated in the hands of savers between the ages of 45 and 64, with an additional 36% controlled by those aged 65 and above. This illustrates the extent of asset decumulation ahead and the potential scale of intergenerational wealth transfer to come.

Increasing demand for financial advice

We estimate that there are c.11.5 million individuals in our target market in the UK, and only around half are currently seeking some form of financial advice. Although there has been a proliferation of low-touch, tech-focused propositions in recent years, demand for personal, face-to-face advice has continued to grow as individuals with neither the time, inclination or ability to manage their financial affairs seek help in managing their financial affairs. We expect the demand for face-to-face advice to continue going forward.

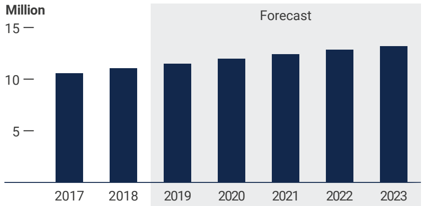
Factors driving this continued demand for advice include:

- the decline of defined benefit pension schemes;
- the flexibilities and complexities afforded to individuals via 'pensions freedoms';
- the scale and projected growth of the UK savings gap;
- the complexity of personal taxation; and
- the desire to transfer wealth across generations.

While demand for advice continues to increase, the population of financial advisers across the UK is forecast to decline markedly in the years ahead as a significant number of experienced advisers approach retirement. As a result, the 'advice gap' looks set to widen.

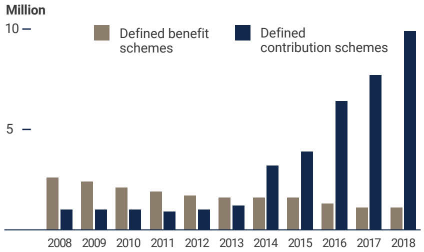
Against this backdrop, St. James's Place is established as the leading advice-led wealth management business in the UK with 4,271 advisers at the end of 2019. It is also a business with a proven track record of attracting and retaining experienced financial advisers, as well as those looking to establish new careers via our Academy programmes.

UK individuals with between £50,000 and £5m of investable wealth



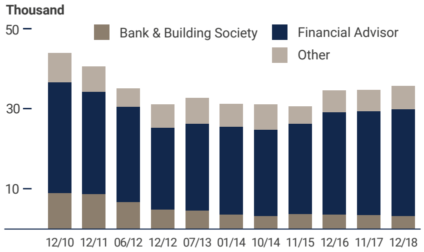
Source: GlobalData

Active membership of private sector occupational pension schemes by structure



Source: ONS

Number of retail investment advisers

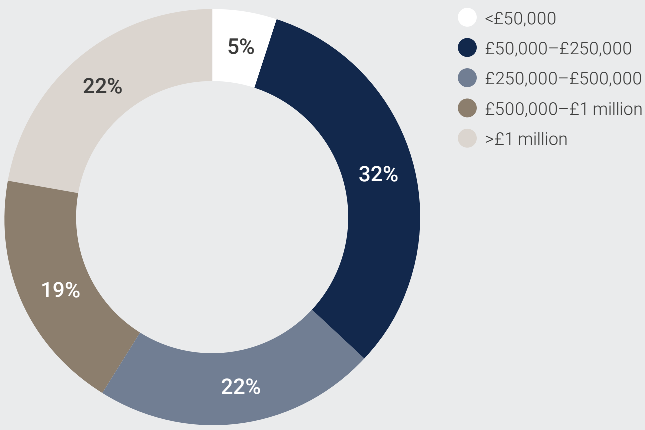


Source: FCA

Our core market

St. James's Place's core target market is UK individuals with between £50,000 and £5 million in investable assets. There were estimated to be 11.5 million such individuals at the end of 2019, and this number is projected to grow to 13.2 million by 2023. The liquid assets of this group are projected to increase from £2.27 trillion to £2.52 trillion in this time. While there are no typical St. James's Place clients, what all of them share is a desire for trusted, face-to-face financial advice (source: GlobalData).

Client FUM by value
31 December 2019



Market trends

The UK wealth management market is constantly evolving, providing both opportunities and challenges to market participants. Below are five key trends that are shaping the UK wealth management landscape of tomorrow:

1. CHANGING DEMOGRAPHICS

An ageing UK population means that lifetime income, investment and pension savings may have to last much longer than in the past. Meanwhile, the decline of defined benefit pension schemes in favour of defined contribution schemes is placing greater responsibility on individuals to provide for their retirement savings. At the other end of the scale, young adults entering the workforce are likely to have lower levels of investment saving compared with prior generations – due in part to elevated housing costs and their contributions to auto-enrolment schemes. Intergenerational wealth transfer will therefore become increasingly important in the years ahead.

2. PERSONAL FINANCE COMPLEXITY

The environment for managing one's own personal financial affairs is becoming ever more complex and uncertain. At a macro level, slowing global growth, low inflation, low interest rates, international trade wars and protectionism have contributed to investment decision making becoming ever more complex. Similarly, at a micro level, the increasing burden placed on individuals for retirement funding, a complicated personal taxation regime, and changes to the pensions landscape in recent years have served to heighten the challenges individuals face when considering their finances.

3. DECLINE IN THE POPULATION OF FINANCIAL ADVISERS

Although FCA-approved investment adviser numbers have recovered from a low of c.30,600 advisers reported in November 2015, this upward trend is not expected to continue. Instead, a number of commentators suggest that investment adviser numbers will decline over the medium term as advisers either retire or sell their businesses in the face of a range of external pressures including regulation, economic volatility and cyber crime. Amidst a growing need for advice, firms with a strong record of adviser recruitment and retention will be well placed to thrive, as will those able to attract and develop individuals to become advisers.

4. TECHNOLOGY AND INNOVATION

Across the industry, the deployment of technology to deliver operational and administrative efficiency and scalability, to cater for clients' preferred communication channels and to improve their experience, continues apace. Client expectations are rising, based on the user experience they receive from leading online businesses. This experience is based not only on ease of interaction, but also the tailoring of content to the individual. Industry initiatives such as Open Banking offer the opportunity for providers to make strides in this area in the coming years but establishing client trust remains a clear barrier for pure technology-driven investment services.

5. GREATER FOCUS ON RESPONSIBLE INVESTING (RI) AND SOCIAL VALUE

Beyond the aims of preserving and/or growing capital, or generating income, the prominence of RI is increasing consumer demand for more sophisticated ethical, environmental, social and governance approaches from investment managers. This trend is now mainstream, with the Investment Association (IA) reporting that 26% of total UK assets under management are now subject to a RI approach. This growing consumer awareness highlights not only the need for wealth managers to be RI focused, but also the need for wealth managers themselves to be regarded as companies that create and foster broad, social value.

Opportunities for St. James's Place

The UK wealth management landscape is evolving so we must focus on adapting and enhancing our business to better serve our clients and advisers in the years ahead. This means that we will need to continue to innovate, whether through the use of technology or in how we develop our proposition for advisers and clients of St. James's Place, so that we are even better at forging strong and enduring relationships. We must also capitalise on our scale and market position to promote positive societal change, both through our influence as a custodian of client investments and through the broader work of the Partnership and the entire St. James's Place community, to create real social value.

Find out more in Our Social Value Report on pages 24 to 37.

Our Business Model

What makes us different

We are a vertically integrated wealth management business, offering holistic wealth management and financial planning services, delivered exclusively through the St. James's Place Partnership.

Clients

We place our clients at the centre of everything we do. This is core to our culture.

733,000
Clients

The Partnership

We promote our trusted face-to-face approach to financial advice exclusively through the St. James's Place Partnership, with whom we enjoy a close and symbiotic relationship.

4,271
Advisers

St. James's Place

We offer clients a comprehensive suite of wealth management products and services, and a distinct investment management approach. We provide the Partnership with the tools and support for them to build their businesses and develop long-term client relationships.

£117.0 billion
Funds under management

Social value

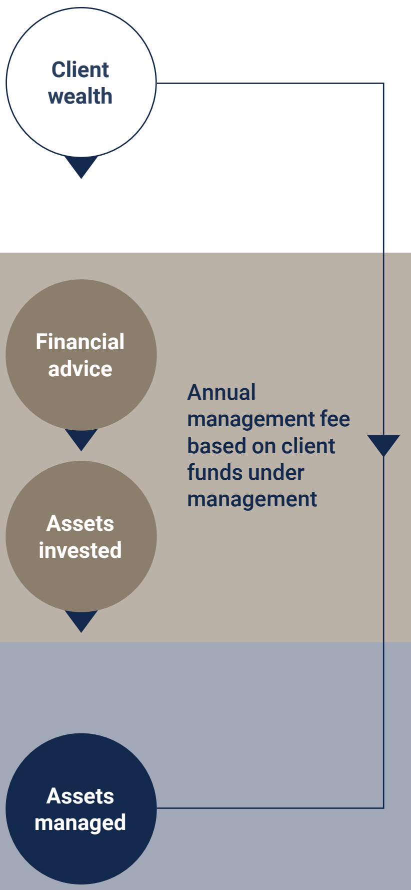
Through working as a responsible business, we strive to positively change lives and build better futures.

We understand that these futures are inextricably linked to the world around us.

- Responsible investment
- Environmental sustainability and supply chain
- Inclusion and diversity
- Employee wellbeing

We generate

We operate a fee-based income model where we receive fees based on the level of client funds under management.



- Financial education and employability
- Strategic charity partners and volunteering
- The St. James's Place Charitable Foundation

We enhance

WE ATTRACT
We offer a comprehensive investment, product and service proposition that is exclusive to the St. James's Place Partnership and clients, and a support proposition that allows Partner businesses to thrive.

WE RETAIN
We forge close, trusted relationships with our advisers and make their relationships with clients our priority. We evolve and adapt our Investment Management Approach to reinforce client outcomes and improve the adviser and client experience.

WE IMPROVE
We engage with stakeholders to better understand the strength of our proposition as well as areas for improvement. We develop our back-office infrastructure and embrace technology. We provide Partner-specific support to underpin business ambitions.

WE INVEST
We sow the seeds for long-term growth through targeted investment. We continue to expand our Academy initiatives, develop our technology, and invest in St. James's Place Asia and Rowan Dartington.

WE IMPACT
In becoming a responsible business, we take a long-term view of how we can positively change the lives of our clients and wider society. This is through growing our investments, considering our environmental impact and expanding our community engagement.

We deliver

2019 growth in advisers

8%

2018: +8%

Find out more on page 16.

2019 percentage of employees who feel proud to work at St. James's Place

94%

2018: 88%

Find out more on page 22.

2019 dividend growth

3%

2018: +12.5%

Find out more on page 4.

Amount raised for good causes through the St. James's Place Charitable Foundation since inception

£93.1m

Find out more on pages 37 and 68.

Individual charities supported by the charitable foundation during 2019

1,109

Find out more on page 68.

Our Strategy

Our key business aim

Our key aim is to attract, retain and grow client funds under management (FUM) through offering a high-quality service to the Partnership and clients. We therefore pursue a simple growth and support strategy, underpinned by a series of clear and focused strategic objectives.

How we achieve this

We have clearly defined growth and support strategies that enable us not only to attract new client investments to St. James's Place, but also ensure we sustain high client satisfaction and resulting retention of client assets for the benefit of all stakeholders.

Our key aim is to grow funds under management

£15.1bn

Gross inflows in 2019

Our growth strategy

Our growth strategy for delivering increasing gross inflows involves:

- Growing the size of the Partnership;
- Improving adviser efficiency; and
- Broadening our client proposition.

96%

2019 retention rate of FUM

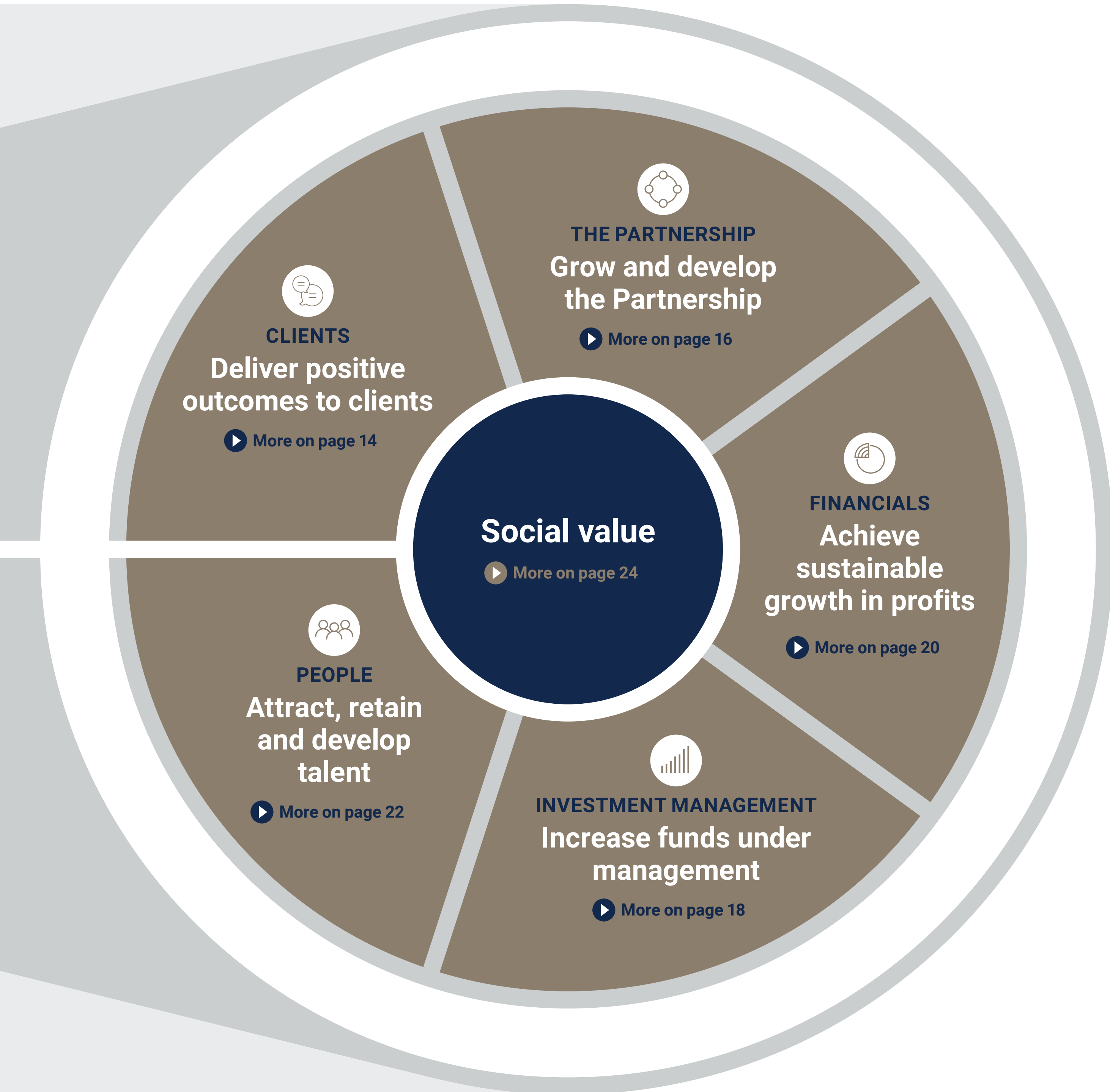
Our support strategy

Our support strategy for delivering sustained retention of FUM involves:

- Delivering high quality service to advisers and clients;
- Driving consistently good investment performance; and
- Ensuring we remain a robust and resilient business that clients trust.

Our strategic objectives

We focus our long-term strategic objectives around five core areas, all subject to a consistent and rigorous approach to risk and governance, and our desire to be a responsible business.



Clients

We are delivering positive outcomes to clients.

Our approach

Putting clients at the heart of everything we do is core to our culture and enables us to work together to run a genuinely client-focused business. We strive to foster long-term relationships anchored in trust and mutual respect, where advice is tailored to our clients' individual circumstances.

Clients of St. James's Place have access to a wealth of financial solutions, including the provision of funds and investment portfolios, and expert advice around retirement planning, intergenerational wealth transfer, estate planning and protection.

To complement our own range of solutions, clients also have access to carefully selected external providers for other services such as protection, general insurance or mortgages.

Clients benefit from the security of investing with a business of St. James's Place's scale. We have the capacity to perform in-depth due diligence on fund managers, third parties, and alternative investment providers as part of our Investment Management Approach (IMA) and we undertake rigorous quality assurance on the advice delivered by the Partnership. This gives us the confidence to guarantee the suitability of advice delivered by the Partnership, thereby providing clients with additional peace of mind.

The value of our proposition

We want to help our clients achieve financial wellbeing and live the life they want. We firmly believe that the provision of trusted, long-term face-to-face advice can help to deliver this, and industry studies show that people who take advice are financially better off over the longer term.[1]

Our advisers work closely with their clients to understand all aspects of their financial and personal goals, including an assessment of their current financial position, their family situation, and various aspects around their attitude to risk. Drawing on this insight and analysis, our advisers will then develop a financial plan tailored to meet the client's short-, medium- and long-term goals. This will be designed to utilize the value of their tax allowances and will be underpinned by appropriate products and investment strategies, as well as whatever other financial, insurance and banking options might be required to support the client to achieve their goals.

Importantly, our advisers remain in close contact with clients over the long term, helping to guide them on their financial journey and provide appropriate advice and intervention in order to better ensure clients remain on track to achieve their goals. Advisers are also there to provide ongoing advice as well as support around milestones and unexpected events that may occur throughout a client's life.

The combination of long-term financial advice, a long-term investment approach, and the comfort of having a personal relationship with a trusted adviser, is one that helps drive positive client outcomes and create tangible value for all St. James's Place stakeholders.

Costs and charges

We provide an integrated wealth management service for clients and believe that the costs and charges we disclose are fair, clear and transparent. Importantly, we commission independent experts to benchmark our costs and charges against comparable offerings across the UK wealth management industry, and these find that St. James's Place is towards the lower end of the range when comparing total costs for the provision of holistic financial planning and wealth management.

Risk management

To ensure we consistently deliver positive client outcomes we work hard to identify, and appropriately mitigate, the risks that our client proposition fails to meet the needs, objectives and expectations of our clients, and that we fail to provide quality, suitable advice or service to clients. Examples of our risk management activities in these areas are as follows:

1. *Providing a wealth management solution that clients value.* We strive to continually evolve and enhance our client proposition. A key input to this is our monitoring of direct client feedback, both formal and ad-hoc, in order to ensure we understand client sentiment and changing client needs. Other inputs include engaging with the Partnership to gather their views on the evolution of the client proposition, and examining the broader market landscape to study developments that may have relevance for our clients.
2. *Delivering quality advice.* We place great emphasis on ensuring the Partnership is suitably qualified and experienced to understand how their clients' needs and objectives can be met. We maintain a robust advice framework, which is regularly reviewed to ensure it continually promotes positive client outcomes. Additionally, we invest heavily into our business assurance function which verifies the suitability of advice given, and we have our business assurance processes independently assessed on an annual basis.

Our charges explained

- We charge for initial advice and for ongoing advice delivered by a St. James's Place adviser. Up to 4.5% of an initial investment is charged for initial advice and 0.5% per annum is charged for ongoing advice, irrespective of which product is recommended.
- In addition, we levy initial product charges and ongoing charges for the product (known as annual product management charges) and for managing the investment funds selected:
  - For investment and pension business the initial product charge is 1.5%, whereas for ISA/unit trust business it is 0.5%;
  - Ongoing charges vary depending on the funds invested in; and
  - The annual product management charge is waived for the first six years for investment and pensions business. It is charged from the first year of investment for ISA/unit trust business.
- If a client chooses to encash an investment or pension product in the first six years, there will be an early withdrawal charge of 1% of the value of that investment.

Further details of our standard charges for investment, pensions and ISA/unit trust business are set out on our website at **www.sjp.co.uk/charges**.

1 What it's worth: revisiting the value of financial advice. International Longevity Centre UK, 2019 **ilcuk.org.uk/wp-content/uploads/2019/11/ILC-What-its-worth-Revisiting-the-value-of-financial-advice.pdf**

Social value

Supporting our vulnerable clients

Recognising a growing need to better help vulnerable clients achieve positive client outcomes, St. James's Place has partnered with the Chartered Insurance Institute to launch a new Inclusive Financial Planning qualification. This is aimed at increasing an employee or adviser's understanding and sensitivity to a wide range of vulnerable client issues, supporting holistic and inclusive financial planning, and enhancing client outcomes.

The qualification focuses on consumer vulnerability and corporate responsibility strategies, looking specifically at:

- analysing the issues and needs that may affect the provision of financial advice for vulnerable clients;
- evaluating the appropriate financial planning advice for vulnerable clients, including that relating to investments, pensions and protection;
- establishing relevant supervision and oversight to enable advisers to deliver fair outcomes to all clients; and
- developing an appropriate business strategy that includes partnering arrangements with charities and other groups in order to better support vulnerable clients.

The development of this innovative qualification, which comprises three separate assessments and recommended study time of 150 hours, demonstrates our commitment to put clients, and their individual needs, at the heart of everything we do.

Objective: Deliver positive outcomes to an increasing population of clients

Key metrics	Progress during 2019	Our performance 2019	2018	2017
Client numbers (thousands)	Our business model is based on managing client wealth and so the number of clients is a key measure of the health of the business. As well as reflecting past performance, it also indicates future opportunity, as our experience suggests that over 90% of new business comes from existing clients or their referrals. As a result, increased client numbers during 2019 is a strong positive indicator for the future.	**733.0**	682.0	633.0
Client retention (percentage)	Our business is long-term and client retention feeds directly into the financial results. However, it is also an indication that minimum standards have been met. We are therefore delighted that retention was again above 95%, continuing the trend of recent years.	**97.0**	96.4	96.3
Client advocacy (percentage that would recommend SJP to someone else)	Our reputation is vitally important to our business model and this is best expressed through the experience of our clients. Our Wealth Account survey provides an excellent insight into client experience. Responses to the question 'would you recommend St. James's Place to anyone else?', have been very positive over time, with the most recent survey indicating that 93% of clients would recommend SJP.	**N/A[1]**	93.0	N/A[1]

1 Client advocacy data is unavailable for 2019 and 2017, as Wealth Account surveys of our complete client population are undertaken biennially. The next survey will be conducted in relation to the 2020 Wealth Account.

The Partnership

We are growing and developing the Partnership.

Our approach

We choose to promote our services exclusively through the Partnership, a group comprising 4,271 professional, highly qualified financial advisers. This reflects the confidence we have in our advisers' ability to build and maintain long-term working relationships with their clients. Our advisers look after clients by offering broad and skilled advice covering financial and tax planning as well as investment. They also act as financial life coaches, particularly for milestones such as retirement and inheritance planning and in volatile financial markets. Available when needed to provide support through unexpected events, they can trigger action to help clients achieve their goals and ambitions.

St. James's Place works hard to support these client-adviser relationships.

Our focus for 2020

- Continue to attract high-quality, experienced advisers to join the Partnership.
- Expand our Academy programme to 15 annual intakes and graduate 200 advisers (including Next Generation advisers).
- Improve adviser retention, particularly new joiners to the Partnership.
- Expand our regional hubs, bringing together specialist support from our head office in Cirencester and our field management team to deliver enhanced support for Partner practices.
- Support our Partners to develop responsible businesses and engage with society.

How we engage

Our communication and engagement approach with the Partnership has two dimensions: information that is delivered directly to them via our electronic weekly bulletin, special bulletins on key topics, and our intranet site; and face-to-face engagement activity led by St. James's Place management. The latter can range from individual meetings to regional conferences and our Annual Company Meeting. We also host regular Partner Consultation Meetings where we seek the views of the Partnership on key topics.

The value of our proposition to the Partnership

The Partnership represents an increasingly diverse group of financial advisers spread across 2,564 separate Partner practices ranging from small, sole proprietor businesses to some of the UK's largest financial advice firms. Importantly, we give Partner practices the freedom to organise their businesses in a way that suits them, but we provide support to them in areas such as advice and technical guidance, marketing and client literature, professional development, investment and product solutions, business processing, risk, and technology.

Our support for Partner practices also includes a strong business assurance function to make sure that the advice our advisers give is suitable, up to date and appropriate for the client's needs. In addition, Partner practices benefit from our distinctive Investment Management Approach and their association with a strong and recognised brand that guarantees the suitability of the advice they give when recommending any of the wealth management products and services provided by companies in the Group.

Growing the Partnership

Increasing the number of advisers within the St. James's Place Partnership is core to our growth plans and we have three principal routes to achieving this. We have:

- a dedicated central recruitment team that seeks to identify experienced financial advisers across the UK with the right skills, experience and cultural fit to complement the Partnership;
- attracted applications from individuals referred from Partner practices that are seeking to grow their own businesses; and;
- our Academy and Next Generation Academy programmes where we provide an opportunity for second-careerists or younger potential advisers, respectively, to develop as wealth professionals and join the Partnership with us. Currently we have four UK centres for our Academies: in Edinburgh, London, Manchester and Solihull.

In 2019 we welcomed a net 317 new advisers to St. James's Place, representing growth of 8% in the Partnership. 145 of these were as a result of experienced adviser recruitment, while 172 in total graduated from our St. James's Place Academy and Next Generation Academy programmes during the year. In addition, 56 Partner support staff became fully diploma-qualified having passed through our Paraplanning Academy.

In line with our expectations, we enrolled 254 new students into our Academy and Next Generation Academy in 2019, helping to underpin our ability to attract and service clients of St. James's Place in the years ahead.

Risk management

Attracting, and then retaining, high-quality advisers is key to our Partnership growth ambitions, and so we closely monitor and mitigate risks to adviser recruitment and retention. Two such risks and the way they are managed are as follows:

1. *Our Partner proposition is compromised or devalued.* We place great emphasis on engaging with the Partnership in order to continually develop our Partner proposition to make it ever more attractive for prospective and existing Partner practices.
2. *A lack of supply of experienced, qualified advisers who could join SJP.* Having foreseen the contraction of the UK financial adviser market and so the pool of experienced advisers able to join the Partnership, our Academy and Next Generation Academy programmes were established to provide a source of organic, 'home-grown' advisers.

Developing the Partnership

Reflecting our shared objectives, we commit to providing ongoing support so that advisers and Partner practices can grow and develop over time. At its simplest, this can include providing online, workplace, or classroom-based professional development and coaching opportunities to ensure our advisers remain appropriately qualified, technically able and equipped to deliver a first-class service. We also encourage and provide support for advisers who choose to pursue further qualifications, with more than 21% of our advisers having already progressed to Chartered status, the 'gold standard' qualification for professional financial advisers in the UK.

Social value

Our promise to financially educate children

We pride ourselves in supporting clients to feel confident in their financial future. Our belief in the value of face-to-face advice, combined with our desire to educate, has driven our financial education programme. For over a decade our employees have provided free, unbranded face-to-face financial education to primary school, year 9 and sixth form students. In 2019 we extended this to incorporate the natural expertise of our Partnership, enabling them to support local secondary schools by delivering one-hour modules accredited by the Money Advice Service.

In 2019 we reached 9,672 students through the combined endeavours of 110 advisers and 215 employees. Further information is provided on page 37.

Objective: Continue to grow and develop the Partnership

Key metrics	Progress during 2019	Our performance 2019	2018	2017
Adviser numbers	Without our advisers, we would have no clients. We are therefore pleased to have delivered growth in line with our long-term aspirations, supported by Academy graduates and recruitment in Asia. Adviser numbers grew from 3,954 in 2018 to 4,271 in 2019.	**4,271**	3,954	3,661
Adviser retention (percentage)	Adviser retention reflects advisers' continuing satisfaction with our proposition. We are therefore pleased to note that retention has remained at a high level of 92.5%.	**92.5**	93.4	92.4
Gross inflows per adviser (£'Million)	Gross inflows per adviser is a measure of their success as businesspeople, but also feeds into success for the Group. In 2019 gross inflows per adviser decreased from £4.0 million to £3.5 million, reflecting the challenging market conditions which continued in 2019.	**3.5**	4.0	4.0

Investment Management

We are continuing to evolve our Investment Management Approach (IMA).

Our approach

At St. James's Place we aim to deliver a distinctive investment proposition that aligns to and supports the high-quality, tailored advice provided by our Partnership. The result provides our clients with the best opportunity to meet their long-term financial goals, whilst recognising our responsibility to leave a lasting and positive impact on the world we live in.

Our approach provides us with the freedom and flexibility to access the skills of the best investment managers around the globe. We do not employ in-house investment managers. Instead, our Investment Committee carefully selects and contracts with a number of external managers to manage our range of funds on behalf of our clients. In doing so, we are able to provide our clients with unique access to fund management expertise that is often only available to large institutional investors or overseas retail investors.

We draw on the expertise of a large and diverse team of dedicated investment professionals within St. James's Place, including Rowan Dartington, our specialist discretionary fund manager, and these capabilities are further supported by specialist investment consultancy firms – including Stamford Associates and Redington – each contracted for their expertise in particular investment markets.

Our client investment proposition

Our client investment proposition focuses on establishing financial goals and mapping these into a personal financial and investment journey that evolves as circumstances change, through the framework of Plan, Design, Review:

Plan

Our advisers start with a clear focus on their clients' goals, building a financial roadmap to meet short- and long-term objectives.

Design

Advisers then design a tailored portfolio, taking into account risk, timeframe and preferences, drawing on our broad range of investment solutions to match individual client needs. Our approach to portfolio construction, overseen by our Portfolio Committee, ensures that clients hold the right blend of investments to meet their identified objectives. Our range of investment funds draws on the skills of the best investment managers around the globe, in a process overseen by our Investment Committee.

Review

Once plans have been implemented, advisers regularly review them with clients to ensure they remain on track to meet their goals and that the roadmap remains fit for purpose, allowing for any changes in circumstance. This helps to ensure that clients maintain a long-term investment mindset and are not swayed by short-term market events.

Research, analysis and monitoring

The data below illustrates the breadth of research, analysis and monitoring conducted during 2019 by the various functions that support the Investment Management Approach, which includes the Investment Committee, the teams at Stamford Associates, Redington and the dedicated investment professionals at our offices in Cirencester and London.

	2019	2018
Fund manager monitoring meetings conducted in the UK and overseas	**627**	492
Investment Committee meetings held during the year	**22**	21
Investment professionals working exclusively on behalf of St. James's Place clients	**63**	59
Years of industry experience of Investment Committee members	**250+**	240+

Our focus for 2020

- Target all of our fund managers becoming signatories to the UNPRI so that 100% of our assets are managed in accordance with UNPRI.
- Develop carbon footprint reporting across all of our funds.
- Deliver new decumulation investment solutions that will better support clients who want to convert pension savings into an income in retirement.
- Support technology developments to aid the client investment journey.

How we engage

The role of the Investment Committee is to 'manage the fund managers' on behalf of our clients. Having selected the best managers, the Committee monitors our fund managers to ensure they continue to meet our expectations, especially on risk, performance and their approach to responsible investing.

We interact with our managers primarily through a programme of regular, scheduled engagement meetings with key investment personnel. These meetings, which are conducted across the world, involve our Investment Committee, the St. James's Place analyst teams and our external consultants.

Risk management

Managing risks associated with investment performance is a key area of focus for us.

1. *Managing investment managers:* Through our IMA we continuously monitor and challenge our fund managers to ensure that their behaviours and investment choices correspond with our expectations of their mandates, including risk, performance and approach to responsible investing. Where these factors fall below our expectations, we undertake a further detailed review of fund manager strategies, and will replace managers where necessary.
2. *Distinct investment mandates:* Our segregated, sub-advisory investment mandates enable us to better safeguard client outcomes. Clients invest in St. James's Place funds that have distinct investment mandates compared to seemingly similar offerings available via retail fund platforms, differing for example in such areas as liquidity and single-stock exposure.

Developing our IMA

During 2019, we placed renewed emphasis on strengthening the infrastructure and governance of the investment team to support the evolution of our investment approach, while also developing investment propositions to further enhance the future client experience.

We have also built on the already well-established foundations of our approach to responsible investing (RI), which is an area of growing interest among clients and broader society. We have established a dedicated responsible investing team that, Social value

Responsible investing

RI is widely understood as the integration of environmental, social and governance (ESG) factors into investment processes. These factors cover a wide spectrum of issues that traditionally have not been part of financial analysis yet may now have financial relevance. Today it is estimated that around a quarter of all professionally managed assets around the world take such factors into account within the investment process in an explicit and systematic manner.

At St. James's Place, our IMA takes ESG factors into account throughout the lifecycle of our clients' investments. We factor ESG into our pre-investment process by assessing an investment manager's approach to ESG, as well as building it into our post-investment assessment by reviewing an investment manager's on-going monitoring and engagement process.

Over the last five years, we have seen a marked improvement in the ESG processes of our chosen range of investment managers. In 2014, based on our proprietary assessment process, 33% of our investment managers were rated 'good' or 'excellent', but this figure has risen to 70% in 2019. This, in part, reflects an evolving landscape, but also the impact of our on-going engagement with investment managers in promoting robust practices.

combined with a top-down Board-level commitment to progressing RI, has worked to embed ESG factors into our manager selection and monitoring and portfolio construction processes. As a result of our engagement, more than four-fifths of our investment managers are now signatories to the United Nations Principles of Responsible Investment, with several managers becoming signatories during 2019.

Client communication has been another area of focus as we strive to deliver our investment messages through more engaging and relevant content and delivery channels. We have utilised new technology to create flexible and simple investment content that instils confidence and trust in our investment proposition.

Objective: Increase FUM

Key metrics	Progress during 2019	Our performance		
		2019	2018	2017
Gross inflows (£'Billion)	Gross inflows are the gross new investment and pension business (principally single premium) received during the year. We aim to grow gross inflows by 15% per annum over the long term. In 2019, gross inflows fell by 4%. This reflected the challenging market conditions.	**15.1**	15.7	14.6
Net inflows (£'Billion)	Retention of funds is a result of satisfied clients and is essential if FUM is to continue to grow. Net inflows reduced by 13% in the year, largely due to higher stock markets in 2019 compared to 2018, meaning outflows were at a higher value.	**9.0**	10.3	9.5
FUM (£'Billion)	The profitability measures of the Group are ultimately driven by the income we earn from FUM, which has exhibited compound annual growth of 19% over the last ten years.	**117.0**	95.6	90.7

Financials

We are driving profitable growth.

Our approach

Our financial business model is straightforward. We generate revenue by attracting clients through the value of our proposition, who trust us with their investments and then stay with us. This grows our funds under management (FUM), on which we receive:

- advice charges for the provision of valuable, face-to-face advice; and
- product charges for our manufactured investment, pension and ISA/unit trust products.

Further information on our charges can be found in the Clients section on page 14.[1] A breakdown of our fee and commission income, our primary source of revenue under International Financial Reporting Standards (IFRS), is set out in Note 4 on page 153.

Most of the initial and ongoing advice charges received are offset by corresponding remuneration for Partners, and so an increase in these revenue streams will correspond with an increase in the associated expense and vice versa. This means that advice charges are not a major driver of the Group's profitability.

Neither are initial product charges, which are levied when a client first invests into one of our products. Under IFRS initial product charges are spread over the expected life of the investment through deferred income (DIR – see page 46 for further detail), and the contribution to the IFRS result from spreading these historic charges can be seen in Note 4 as amortisation of DIR. Initial product charges contribute immediately to our Cash result through margin arising on new business.

The primary source of the Group's profit is the income we receive from annual product management charges on FUM. As a result, growth in FUM is a strong positive indicator of future growth in profits. However, most of our investment and pension products are structured so that annual product management charges are not taken for the first six years after the business is written, so the ongoing benefit of these gross inflows into FUM for a given year will not be seen until six years later. This means that the Group always has six years' worth of FUM in the 'gestation' period. FUM subject to annual product management charges is known as 'mature' FUM. More information about our fees on FUM can be found in Section 1 of the Financial Review on page 43.

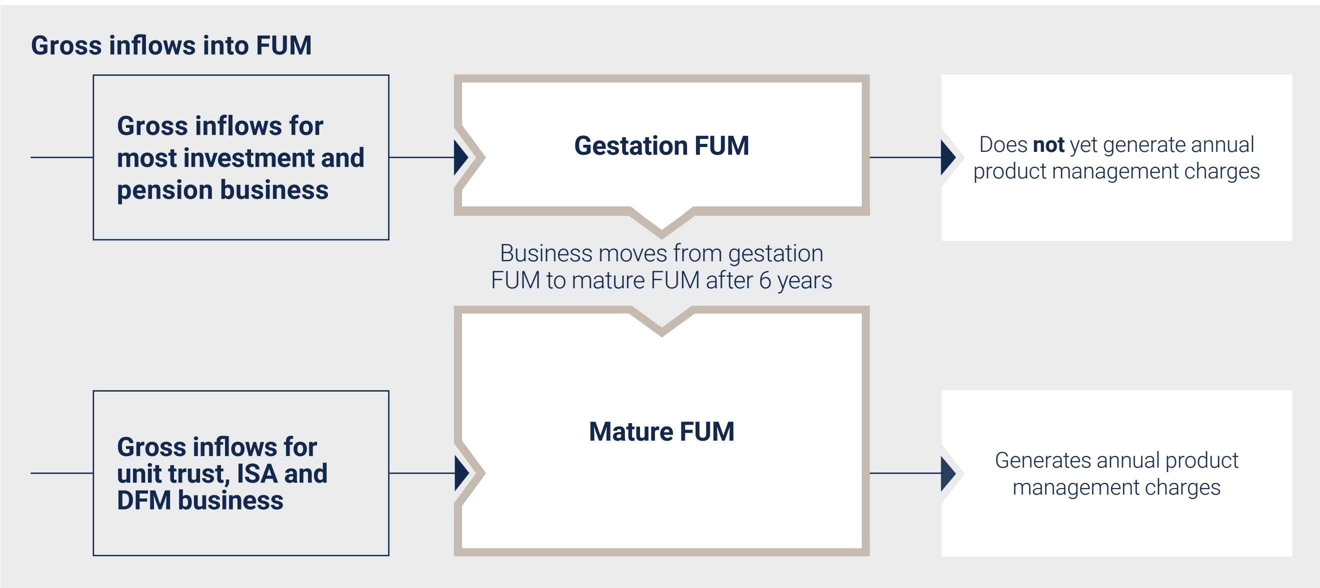
Our income is used to meet overheads, the ongoing product expenses and to invest in the business. Overhead expenditure is carefully managed with clear growth targets set for the core costs of running the Group's infrastructure, which are known as 'establishment expenses'. Other ongoing expenses, including payments to Partners, increase with business levels and are generally aligned with product charges.

The Group invests in order to:

- continue building adviser capacity and attracting new funds;
- enhance the Group's future capability to grow over the long term through the Academy, our discretionary fund management proposition, and St. James's Place Asia; and
- develop administration systems and processes that will accommodate growth, contribute to future improvements in Partner and client experience, and reduce the cost of business processing. Our most significant investment in this area is our new Bluedoor administration platform. Final migrations during 2019 mean we now administer all of our core UK business on Bluedoor.

Performance measurement

Whilst our financial business model is straightforward, the impact of having a life insurance company at the heart of the Group results in accounting complexity under our IFRS statutory reporting framework. For this reason, we continue, in our Financial Review on pages 42 to 59, to supplement IFRS information with the disclosure of alternative performance measures (APMs). Our key APMs are the Cash result and European Embedded Value (EEV). A full Glossary of APMs is provided on pages 216 to 218, in which we define each APM, explain its use and, if applicable, explain how the measure can be reconciled to the IFRS Financial Statements.



1 Charges are also levied for managing the investment funds selected and are designed to match the associated expense, hence do not impact upon the profitability of the Group.

Financial position

Our IFRS Statement of Financial Position, presented on page 140, contains policyholder interests in unit-linked liabilities and the underlying assets that are held to match them. To understand the true assets and liabilities that the shareholder can benefit from, these policyholder balances, along with non-cash 'accounting' balances such as DIR and deferred acquisition costs (DAC), are removed in the Solvency II Net Assets balance sheet.

This balance sheet is straightforward and demonstrates that the Group has liquid assets of £1,429.8 million (31 December 2018: £1,550.9 million), of which £1,131.8 million (31 December 2018: £1,297.0 million) is invested in AAA-rated money market funds. This deep liquidity represents 46% of total assets on the Solvency II Net Assets balance sheet (31 December 2018: 60%). The Group's core borrowing increased marginally to £287.1 million (31 December 2018: £278.6 million), although the balance sheet borrowings total also reflects non-recourse securitisation loan notes of £116.6 million (31 December 2018: £70.0 million) which are backed by a ring-fenced portfolio of business loans to Partners. The holders of these loan notes have no recourse to the Group's other assets.

Further information on why we believe the Solvency II Net Assets Balance sheet is helpful to users of the Financial Statements is set out on page 45. Further detail about liquidity and borrowings, including securitisation, are provided on pages 53 and 54 respectively.

Cash generation and usage

The Group's primary source of net cash generation is annual product management charges on FUM. As noted on the previous page in relation to profit generation, most of our investment and pension business experiences a six-year gestation period where there is no cash generated after initial charges. This means that the amount of cash generated will increase year-on-year as FUM in the gestation period becomes mature and subject to annual product management charges, as well as increasing due to new business.

Cash is used to make both short- and long-term investments in the business and to pay the Group dividend.

Solvency

Our business model and risk appetite results in the Group holding assets to fully match the encashment value of our clients' investments. This means that movements in equity markets, currency markets, interest rates, mortality, morbidity and longevity have very little impact on our ability to meet liabilities. This, combined with a prudent approach to investing shareholder funds and surplus assets in highly rated liquid assets, means that we have a resilient solvency position capable of meeting liabilities even in adverse market conditions. Further information is provided on page 58.

Risk management

The key risks to our financial business model are:

1. *Failing to grow FUM and hence income:* our strategy is designed to ensure we can continue to grow FUM, for example by ensuring we deliver a valuable proposition to clients, increasing the number of advisers in the Partnership and making them more productive. Our distinctive IMA and face-to-face advice approach help us to retain and continue to grow FUM even during market uncertainty.
2. *Not appropriately managing our expense base:* we develop and track spend against detailed budgets to manage our expenses efficiently whilst continuing to invest where appropriate to support future growth in the business – for example, our investment in Bluedoor.
3. *A changing regulatory environment:* to manage regulatory risk we have an open relationship with our regulators, and liaise closely with them on existing and emerging regulatory issues.

Objective: Achieve sustainable growth in IFRS profit before shareholder tax, the Underlying cash result and EEV operating profit before tax[1]

Key metrics	Progress during 2019	Our performance		
		2019	2018	2017
EEV operating profit before tax (£'Million)	The European Embedded Value (EEV) reporting basis assesses the full value of the emergence of shareholder cash returns over the long term. New business (gross inflows) is the most significant underlying driver of EEV operating profit. The reduction in new business was partially offset by strong retention, overall resulting in a 5% decrease in EEV operating profit before tax year-on-year.	**952.0**	1,002.0	918.5
Underlying cash result (£'Million)	Underlying cash profit reflects the regular emergence of cash from the business operations whilst also reflecting the impact of the strategic investments we are making. Underling cash profit reduced 12% reflecting the challenging market conditions and continuing investment.	**273.1**	309.0	281.2
Dividends (Pence per share)	Growth in profit measures, particularly cash, means the Company is able to increase the level of dividend. We are pleased to confirm an increase of 3% in dividend in the year.	**49.71**	48.22	42.86

IFRS profit before shareholder tax reflects the challenging external environment during 2019, and continuing investment in the business. Similarly to the Underlying cash result, this led to a 12% reduction in IFRS profit before shareholder tax, from £211.9 million in 2018 to £187.1 million in 2019 (2017: £186.1 million).

1 Each of these measures reflect the underlying performance of the business. IFRS profit before tax, and profit after tax, are not covered by the objective: information about why these do not reflect the underlying performance of the business is set out on page 45.

People

We are attracting, retaining and developing talent.

Our employees

Our ability to attract, develop and retain talent is essential to ensuring we can meet both our existing and future business needs. At 31 December 2019 we had 2,634 employees throughout the Group, working in collaboration with our outsourced providers, 4,271 advisers in the Partnership and their 5,637 support staff all working to deliver exceptional service to our 733,000 clients. We believe our culture at SJP, brought to life by our employees and our Partnership community, is a key competitive advantage. We are committed to making SJP a destination employer and a company where our people feel they are able to build a long and rewarding career full of challenge and opportunity, where diversity is celebrated and where our people feel motivated and supported to give their very best.

Our Partnership

We recognise that the value of effective team-working across all of our communities will contribute to the delivery of excellent client outcomes. To this end we have extended some elements of our corporate development approach into the Partnership. This includes the roll out of a team building approach using an integrated psychometric tool to individual Partners, and also in some cases into their practice teams. Using the same approach across all of our communities helps build an inclusive culture both within teams and across the whole organisation, helping us work together effectively.

Our focus for 2020

- Increase focus on the delivery of our Inclusion and Diversity (I&D) objectives.
- Support a high-performance culture through further investment into our management development programmes and equipping our employees with better tools.
- Introduce a talent management approach, supporting and encouraging greater internal mobility.
- Further develop our reward proposition.
- Create and implement a holistic wellbeing strategy.

How we engage

We are moving to a more continuous listening approach with our employees, utilising a variety of physical and digital engagement channels to focus on the areas that matter most to our people. This has led to some significant changes to our policies that encourage greater work/life balance, including changes to flexible working and significant enhancements to how our staff can take time away from work to support their families. Ensuring the employee voice is heard at the Board, we also introduced changes in 2018 with the creation of a Workforce Engagement Committee.

Our culture and values

St. James's Place is a relationship-focused business and the recognition that people are our most important asset is key to our culture and a fundamental element of our success. Members of our community tend to share core values that are highly compatible with the values that are central to the business and established at the outset – expertise, integrity and discretion. They are passionate about our business and believe in hard work and dedication. Being an inclusive and diverse employer is not just the right thing to do, it is a strategic priority for us. We understand that our people should reflect the society that we serve and how important it is for us to recruit, develop and retain talent from all walks of life. They treat each other with mutual respect, openness and fairness and are driven by a desire to 'do the right thing' by all our stakeholders.

Our people strategy

1. Attract and select the right talent with skills and capabilities needed now and in the future, for the right place at the right time
2. Create a learning culture by providing employees with access to an inspiring range of opportunities to develop their careers
3. Continue to develop a high performance culture and commitment to service excellence
4. Sustain a highly engaged, effective and motivated workforce where our people feel exceptionally valued
5. Fit for purpose structures in place, fulfilling roles with clarity of purpose and the technology solutions which support all stages of the employee life cycle

Risk management

Our people and culture form a key competitive advantage for the business. As such, it is critical that we identify and manage people risk to ensure we attract and retain the right people. We respond to people risk by:

1. *Reward and recognition:* Offering comprehensive total reward packages and carefully guiding the career progression for our employees, which means we maintain a low level of turnover.
2. *Managing key person risks:* We avoid key person dependencies to ensure we retain knowledge within the business and structure workflow. By maintaining low staff turnover, we are able to better leverage retained intellectual property to help deliver outstanding service for our Partnership and clients alike.
3. *Inclusion and diversity:* Ensuring an inclusive and diverse business, actively undertaking initiatives to support and promote women and minority groups in senior careers. We have zero tolerance for discrimination in the workplace.
4. *Equal pay:* Working hard to narrow our gender pay gap, as we expect employees to receive equal pay for roles of a similar level, irrespective of gender or diversity.

Developing our people

Recent regulatory changes, including the Senior Managers and Certification Regime, have provided us with an opportunity to reaffirm many of the values of St. James's Place and codify our continued commitment to doing the right thing by our stakeholders. We feel that the opportunity to articulate the responsibilities and accountabilities of our senior managers with greater clarity will be a benefit to all.

Social value

Workforce engagement

During 2019 we increased engagement with employees identifying eight key topics, for example the experience of working at SJP, to gain employees feedback on. We created, or improved where already existing, three primary channels to obtain employees' views and feedback:

- **Directors' lunches –** an established way for all of our Directors to obtain feedback directly from Cirencester employees on areas of importance to them. In 2019 we also held Directors lunches with our Field Management Team and Rowan Dartington. Feedback from employees included the work of the St. James's Place Charitable Foundation, and reward and recognition;
- **Employee surveys –** we undertook short surveys of a subset of employees on specific topics, for example the SJP recruitment and onboarding process and approach to flexible working. These surveys also gave a measure of employee sentiment, identifying trends from the biennial survey of all employees, and are a key input to periodic Board reporting on employee engagement; and
- **Focus groups –** employees volunteered to be part of small focus groups to explore a topic in detail, with our first groups discussing flexible working. A group of employees now meets regularly to ensure we strive to meet the flexible working needs of employees where we can.

We report themes and sentiment that are important to our employees both to the Board and to areas of the business responsible for existing policies and practices, for example the People and Development Division, to inform their decision making around these policies and practices. An example during 2019 was the recent advancements we have made to our Time Off for Parents Policy, enhancing the time off that can be taken for both men and women to 26 weeks full pay, which were significantly influenced by feedback from employees.

Supporting our staff with their wellbeing has continued to be a major focus for us with continued investment in mental wellbeing initiatives. We have doubled the number of Mental Health First Aiders, providing greater national coverage. These key individuals can signpost to employees a range of support from specialist counselling and access to our own company doctor, to services made available via an Employee Assistance Programme. As a business that prides itself on providing quality advice to our clients, we recognise that our employees' financial wellbeing is also key, and this year we have launched a series of financial education programmes for the benefit of employees and their families.

We appreciate the responsibilities our people have to others outside of work so we have increased the amount of paid leave for staff who volunteer for the armed forces, police and fire services, as well as those closer to home with increased paid parental leave of up to 26 weeks full pay available for new mothers and fathers.

Objective: Attract, retain and develop talent

Key metrics

94%

of our employees feel proud to work for St. James's Place

(2018: 88%)

79%

of our employees say that working at St. James's Place makes them want to do the best they can.

(2018: 85%)

83%

of our employees would recommend St. James's Place as a great place to work

(2018: 83%)

Taken from pulse surveys issued during 2019.

Our Social Value Report

"Our purpose to give peace of mind in an uncertain world is underpinned by our culture of doing the right thing. Everyone in our business can be part of the contribution we make to society and they can all make a difference by doing the right thing in everything we do. Ultimately, we aim to grow in a sustainable way, taking a long-term view, which ensures we are a force for good for our people, clients, stakeholders and the wider world."

ANDREW CROFT, Chief Executive

Our approach

Our contribution to society is reflected in all areas of our business. We ensure our clients and their families have peace of mind for their future, we support our Partners to develop and grow sustainable and responsible businesses, we support our 2,643 employees in a thriving sustainable business, we pro-actively engage and support our local communities around the UK, and we consider the global impact of our funds under management, investing responsibly and sustainably.

Governance

The Board is collectively responsible for establishing the purpose, values and strategy of the Group and satisfying itself that these and its culture are aligned. This includes how to embed social value across the business, for which the Board is supported by the Executive Board and a number of sub-committees highlighted below:

Responsibility	Managing Committee	Executive Board member	Remit
Culture, company and social value mission and employee wellbeing	EXECUTIVE BOARD	Andrew Croft	To ensure the strength and maintenance of the unique social value culture throughout our community, and to lead and manage our employees.
Social value and sustainability strategy and oversight	SOCIAL VALUE STEERING GROUP	Andrew Croft	To set the Group's social value strategy and approach, supported by the social value working group which oversees the management and integration of social value operationally in the business.
Responsible investment	INVESTMENT COMMITTEE	Robert Gardner (David Lamb until 28 February 2019)	
The St. James's Place Charitable Foundation[1]	CHARITABLE FOUNDATION TRUSTEES		To manage the St. James's Place Charitable Foundation, including overseeing grant-making and compliance with the charity's objectives.

1 The St. James's Place Charitable Foundation is an independent charity, managed by its Trustees.

Non-Financial Information Statement

This section of the Annual Report constitutes the St. James's Place Non-Financial Information Statement, produced to comply with sections 414CA and 414CB of The Companies Act. The following table sets out where, within our Annual Report, we provide further detail on the matters required to be disclosed under the sections above. In particular, it covers the impact we have on the environment, our employees, social matters, human rights, anti-corruption and anti-bribery matters, policies pursued and the outcome of those policies, and principal risks that may arise from the Company's operations and how we manage those risks, to the extent necessary for an understanding of the Company's development, performance and position and the impact of its activity.

Reporting requirement	Section(s) and page(s)
Anti-corruption and anti-bribery	Our Social Value Report (page 29)
Business model	Our Business Model (pages 10 and 11)
Employees	People (pages 22 and 23), Our Social Value Report (pages 29 to 31), Section 172(1) Statement (page 66), Workforce engagement (page 81)
Environmental matters	Investment Management (page 18), Our Social Value Report (pages 32 to 35), Section 172(1) Statement (page 66)
Non-financial key performance indicators	Clients (page 14), The Partnership (page 16), Investment Management (page 18), People (page 22), Our Social Value Report (page 27)
Principal risks	Principal risks (pages 62 and 63), Strategic Report (pages 14 to 23)
Respect for human rights	Our Social Value Report (page 29)
Social matters	Our Social Value Report (page 24 to 37)

Social value at SJP

- **The Partnership**
  Providing financial advice
- **Clients**
  Educating and supporting clients
- **Investments**
  Responsible investing
- **Employees**
  I&D and wellbeing
- **Community engagement**
  Financial education, volunteering, strategic charity partnerships and the Charitable Foundation
- **Suppliers**
  Building relationships
- **Environment**
  Environmental management

Our 2020 vision

Whilst we reflect on our achievements over the past year, it is also important to look to the next chapter. In 2020 our aspirations include:

- continuing to embed responsible investing into our Investment Management Approach (see also Investment Management on page 18);
- supporting Partners to become responsible businesses and engage with society (see also The Partnership on page 16);
- delivering financial education nationwide through our Partnership and employee volunteering programme; and
- leveraging the St. James's Place Charitable Foundation to connect skills, volunteering and business support to strategic grant making.

What's inside

Our Social Value Report continued

Materiality study summary

Acting responsibly is key to our stakeholders: our shareholders, our clients, the Partnership, our employees, our suppliers and our communities. During 2019, we undertook a dedicated independent materiality study with Corporate Citizenship, an independent sustainability management consultancy, to further understand our stakeholders' views and where their priorities lie.

Through the materiality study we engaged with our stakeholders to ensure that we manage and report on the issues that matter the most to them. To understand the external priorities, we engaged with our fund managers, the charities we support and our suppliers. To understand the internal landscape, we engaged with representatives from a range of functions and roles including the Board and our Strategy, Marketing, HR and Public Policy departments.

The materiality study informs our social value strategy and decision making at an operational level. Culture, ethics and people were found to be the most important priority areas for both internal and external stakeholders, closely followed by customer service and sustained and sustainable returns.

Our lasting impact

United Nations Sustainable Development Goals (UNSDGs)

After aligning our strategic programmes to the Sustainable Development Goals in 2018, we have further worked to integrate them into our long-term social value approach.

Sustainable Development Goal		Our promise	Our results
4 QUALITY EDUCATION	**Goal 4.4** By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills for employment, decent jobs and entrepreneurship.	To support schools in delivering financial education and provide programmes to meet all needs.	In 2019 we delivered face-to-face financial education to 9,672 children in over 237 sessions in over 80 schools. This was delivered by 325 employees and advisers over more than 1,800 hours.
8 DECENT WORK AND ECONOMIC GROWTH	**Goal 8.5** By 2030, achieve full and productive employment and decent work for all women and men, including for young people and pensions with disabilities, and equal pay for work of equal value.	To invest in our employees through training and development. To work with schools and charities to support employability, positive work experience and increase aspirations.	We have further developed our Internships, Apprenticeships and Graduate Programmes and created new key development initiatives. 308 employees supported 4,716 people before they embarked on their careers, with office-based mentoring, work experience and paid internships.
10 REDUCED INEQUALITIES	**Goal 10.2** By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic status.	To raise funds through the St. James's Place Charitable Foundation to support those in need.	Since the Charitable Foundation's inception, £93.1 million has been raised for over 3,600 of charities, directly supporting 1.3 million people.
13 CLIMATE ACTION	**Goal 13.2** Integrate climate change measures into national policies, strategies and planning.	To control and reduce our environmental impact and promote sustainable business practices.	We are carbon neutral. All emissions are in line with the Greenhouse Gas Protocol and are rated as 'Grade B Management' by the Carbon Disclosure Project.

Our engagement

Proud to be members of

FTSE4Good

BUSINESS IN THE COMMUNITY

LBG CORPORATE CITIZENSHIP

We are a Living Wage Employer

Employee engagement

We are not only proud but delighted to yet again have 96.1% of our employees engaged with our community programmes in 2019. We believe that everyone can make a difference.

Employees give their time and money to fundraise and distribute grants through the Charitable Foundation, and to support our volunteering, including skills-based volunteering, programmes. All of our employees are entitled to two days volunteering per year within working hours. We actively encourage everyone to use these two days, and employees can also request additional days within reason.

96.1%

Employee involvement

2018: 97.5%

Percentage of Group employees involved in supporting our communities and good causes

Volunteering

Giving time and skills is a core part of our culture. This year, our volunteering hours reached 14,333, meaning the total value of time our employees gave during work equated to £0.9 million.

We value doing the right thing, so we encourage employees to volunteer in working hours to support the Charitable Foundation, our corporate responsibility activities, or to give their skills directly to a charity or community organisation of their choice. We also encourage and recognise employees who volunteer in their own time, with 143 £300 grants given to the charities supported in this way.

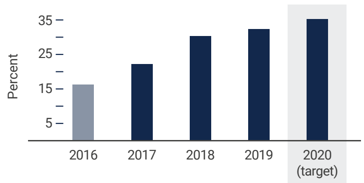
14,333

Volunteer hours

2018: 17,330

The total number of hours our employees gave during working hours in support of our community engagement activities

Percentage of employees volunteering for one day or more a year 2016-2019 plus 2020 target



5.3 / 4.5 hours

the average number of hours given during working hours / outside of working hours

Cirencester foodbank

One of the charities we have supported this year is the Cirencester Foodbank.

Find out more on page 28.

125

Food bank volunteers, donating 1,098 hours

"This partnership has gone much further than volunteering days. Their support has included Easter Egg, summer holiday and Christmas food collections, 'Save Your Acorns' books and card games to give to our young families to help them understand how to budget and save, as well as Christmas cards to sell to raise money. We're looking forward to developing our relationship further in 2020. Thank you."

CIRENCESTER FOODBANK

Community investment

We support our people to give time and skills and back this up with substantial giving and community investment.

4.4%

Invested

2018: 3.3%

Percentage of profit before tax invested in supporting our communities and good causes

£8.3m

Total invested in communities

2018: £7.1m

Our Social Value Report continued

Our volunteering: close to home and further afield

Community engagement

In 2018 we launched the 'Great Place to Work' initiative within our Investment Management division, which focused on employee wellbeing and development. During 2019 the division aimed to complete 1,000 hours of community engagement in the year, which they achieved within ten months. Their journey was mapped against the 1,000 hours walking distance to Gunjur, in The Gambia, which is the destination of our international community programme.

Whilst individuals have supported numerous causes, the official partner of this initiative was Cirencester Foodbank. This year the division looked to deepen their relationship with the Foodbank through skills volunteering, by donating Save Your Acorns books and games which provide families with financial education, creating Christmas card designs to sell and providing the charity with data-visualisation and human resources support.

Global sustainability

In partnership with The Marlborough Brandt Group (MBG), which has operated in Gunjur, The Gambia, for 38 years, over 90 employees and advisers from St. James's Place lived and worked in Gunjur to support plastic reduction projects in this coastal community. Our volunteers, led by local builders, worked with local people and stayed with families in the village. To ensure the trips were fully accessible, they were undertaken during work time and funded by the Group, with volunteers encouraged to raise money for the Charitable Foundation.

This year's team worked with WasteAid on a Department for International Development funded community waste management programme to build a new workshop to turn waste plastic into floor and roof tiles. In conjunction with this project we are working alongside MBG, Disability Africa, United Purpose, and a local non-governmental organisation called TARUD. These deliver long-term holistic programmes in Gunjur, including micro-finance, employability and a disability centre, which mirror the work we undertake in the UK.

Our employees are at the heart of everything we do

Leadership and people development

We are committed to making SJP the place to build a great career, and our focus on developing our talent is central to that. We believe that our leaders need to be held to account. They must possess a sense of humility, and inspire their people to work together; to collaborate and innovate, promoting curiosity and growth. In 2019 we introduced four new programmes, underpinned by a new leadership capability framework, that develop our leaders to embrace these values. Each programme is aligned to specific attributes that enable the leader to hone the best version of themselves. All programmes follow similar principles, providing a diverse talent pipeline with the opportunity to develop their leadership capability and enhance their internal networks. These talent programmes complement our growing Early Career apprenticeship, undergraduate intern and graduate schemes.

During 2019 we have empowered our people to take greater ownership and responsibility over their career development by partnering with LinkedIn Learning, which provides thousands of development resources via an online platform. Mentoring remains a key feature of our development programmes with a new platform launched this year allowing our people to connect with each other in a more dynamic way. All of these development interventions are underpinned by our performance management system, where our people have structured career conversations about their performance and development.

Human rights

We are committed to managing our business in an ethical manner and recognise that responsible management is important to all of our stakeholders – shareholders, clients, Partners, employees, suppliers and the communities in which we operate. We will not tolerate or condone abuse of human rights (including modern slavery) in any part of our business, and we are committed to minimising the risk of slavery or human trafficking in any part of our supply chain.

All employees receive a copy of our Code of Ethics and our equal opportunities policy, which make clear that we oppose all forms of unfair discrimination or victimisation. Our bullying and harassment policy sets out our approach in relation to allegations of harassment and/or bullying.

Harassment, in general terms, is defined as unwanted conduct affecting the dignity of people in the workplace. It may be related to age, sex, race, disability, religion, nationality or any personal characteristics of the individual and may be persistent or an isolated incident.

Anti-bribery and corruption

St. James's Place has a zero-tolerance approach to bribery and corruption. The Board has responsibility for oversight of the Group's anti-bribery and corruption policy and procedures and annually carries out a review of their adequacy. Employees and Partners are provided with training with regards to money laundering, financial crime, fraud, bribery and corruption via online training programmes, the completion of which is compulsory. The anti-bribery and corruption policy, which contains additional information, is available on our website, **www.sjp.co.uk**.

Why this is important

Our people are our greatest asset and a core reason for our continued success, which is reflected in our identification of people risk as one of our principal risks (see page 63). With their continued commitment and expertise, it is our people who will shape our culture, deliver our proposition, achieve operational excellence, and who will create social value. We are committed to our high-performance culture and we do this by supporting our people to build great careers at SJP by investing in their development. We believe that a diverse and inclusive culture is important to the success of our business as having a diverse community of people from a wide variety of backgrounds, and with a range of experiences, skills and approaches, will help us better understand and meet the needs of clients and advisers, making our business stronger and driving continued growth and innovation.

Inclusion and diversity (I&D)

Achieving true gender equality within the business is a strategic priority for us and we are making progress in this area. Female representation on the Board has increased to 40% as at 26 February 2020 (25% as at 31 December 2019) and in December 2019 we appointed Elizabeth Kelly to our Executive Board. We recognise how important diversity is in driving creativity, innovation and sound decision making, but achieving diversity without fostering an inclusive environment means we cannot harness these benefits.

Our I&D network is a thriving community of enthusiastic and energetic employees committed to driving change. They help us to raise awareness, educate and inform. During 2019 the group has grown significantly both in size and impact. They have organised events including key note talks and panel discussions for International Women's Day, workshops on ally-ship and role models during Pride week, and our first Black, Asian and Minority Ethnic (BAME) round table event.

The breadth of topics covered reflects the growing need to surface conversations on subjects which can have a material impact on our wellbeing and performance at work. From webinars on inclusive meeting behaviours and menopause to our mental health awareness programme, our goal is to foster an inclusive environment across the business.

Governance

In May 2019 we appointed a Head of Inclusion and Diversity, responsible for the development and delivery of the Group's I&D strategy. Our strategic I&D goals are aligned to our corporate objectives and focus on attracting, retaining and developing talent across the business. As such, we aim to:

1. Attract a wide range of talented people, with broad perspectives, diverse backgrounds and different characteristics;
2. Create an inclusive environment and engaged workforce which is led by a leadership team who demonstrate inclusive behaviours instinctively; and
3. Strengthen our talent pipeline by identifying, developing and nurturing talent, irrespective of race, ethnicity, gender, gender identity, disability, sexual orientation, age, religion, social class or background.

Our I&D steering group includes our CEO and is chaired by our Managing Director. The group oversees the I&D strategy and regularly reports progress to the Board and Executive Board.

Our Social Value Report continued

Our employees are at the heart of everything we do continued

Mentoring our talent

Over the last year, I had the pleasure of participating in the 30% Club cross-company mentoring scheme. The 30% Club, founded by St. James's Place's new Non-executive Director, Dame Helena Morrissey, is a campaign promoting greater gender diversity within businesses.

From the launch event, which brought together hundreds of passionate individuals, I was allocated a really engaged mentor and felt inspired. Exchanging with someone from a different company and industry allowed me to be very open, and I received impartial, unbiased advice. Our discussions also provided new perspectives and ideas. Alongside the mentoring, Women Ahead organised a series of masterclasses designed to develop skills for the workplace and for life, as well as providing networking opportunities.

My experience was extremely positive and exceeded my expectations, helping me to develop as a professional and an individual. St. James's Place offered support throughout by giving me the confidence to adopt new approaches and grow in my role, and in December 2019 I was promoted to Head of Alternative Investments. I will continue to use the development strategies learnt on the scheme as I take on this new challenge.

One year on, I am feeling motivated, truly engaged and keen to make a difference.

LESLIE UZAN, Head of Alternative Investments

Public commitments

Measuring our progress to become a more inclusive and diverse business is fundamental. We have made public commitments to:

- Increase the number of women on the Board to at least 33% by 2020;
- Increase the number of black, Asian and minority ethnicities across our business to at least 10% by 2023; and
- Increase the number of women in senior roles in our business to at least 30% by 2023.

Although we are delighted to report our progress with increasing female representation on the Board to 40%, we know we have much more to do in other areas.

We have worked hard to move towards our Women in Finance Charter commitment of at least 30% women in senior roles by 2023. In 2019 we reported a 3.6% increase on 2018 to 22% which signals good progress and indicates we are on track. To help us accelerate progress, mentoring and sponsorship of our female talent remains a key area of focus for us. In October 2019 we joined other businesses taking part in the 30% Club mentoring scheme again. In conjunction with our internal mentoring programme, this enables talented women from across our business gain access to senior leaders from industry and sector firms, which provides valuable development opportunities.

We are focused on creating an inclusive work environment where everyone has the opportunity to achieve their highest potential. Disability, both visible and invisible, is firmly on our agenda and in July 2019 we became signatories of the Valuable 500, demonstrating our commitment to driving change in this area. We give full and fair consideration to all applicants, having regard to an individuals' aptitudes and abilities. When needed, we will consider modifications to the working environment so employees with disabilities can take up opportunities or enhance their role, and we aim to assist employees who become ill or disabled, for example, by arranging appropriate support and training.

As at 31 December 2019 we employed 2,634 people across the world, including 2,365 in the UK (31 December 2018: 2,484 people across the world, including 2,263 in the UK) and the breakdown of our workforce by gender was:

	Female		Male	
	2019	2018	**2019**	2018
Board Directors	**2**	1	**7**	7
Managers and decision-makers[1]	**60**	42	**213**	181
Total employees	**1,315**	1,255	**1,319**	1,229

1 During 2019 we have revised the definition of 'managers and decision-makers' to align it to the definition of 'senior roles' used for our Women in Finance Charter commitment, and so the comparatives for 31 December 2018 have been restated. We have made this commitment for our main employing entity in the UK and not for the wider Group, hence there are differences between progress reported against the commitment and the table above which covers the Group.

Employee wellbeing

Supporting our people at times of need is an important part of our culture and an area where we continue to invest. We are proud of the range of support services and benefits available to our employees and their families, including private medical cover, permanent health insurance, critical illness and life cover. In addition, more specialist support is available through our Employee Assistance Programme.

During 2019 we have further improved the support we offer our people by:

- increasing the number of counselling sessions staff can access;
- launching a second opinion referral service for medical issues;
- extending the counselling and workplace health services provided by our company doctor;
- providing training to managers and staff on the importance of physical and mental health and mindfulness; and
- doubling the number of mental health first aiders across the Group, who share ideas and best practice on how to support our people and signpost the support that we offer.

Underpinning all of this is our belief in a healthy, supportive working culture, where everyone is comfortable to discuss problems they face.

Employee engagement

Our engagement results show that our people are highly engaged. They give discretionary effort, not because they feel they have to but because they want to. We do not take this for granted as we recognise it is our people who deliver excellent service to Partners and clients and create sustained competitive advantage. That is why in 2019 we have broadened our approach to engaging with our people.

We established a Workforce Engagement Committee in spring 2019, which on behalf of the Board defines the agenda of topics and issues that we discuss with, and seek feedback from, our employees on, and facilitates a more effective two-way dialogue. We use focused Directors lunch meetings, focus groups and pulse surveys to solicit views on a range of topics including flexible working, reward and recognition and the employee experience.

We have improved our use of social media in communicating messages, and now produce a monthly online magazine, People Matters, which provides video and written content on issues that our people need and want to know about.

We ensure our people are aware of the financial and economic factors affecting the Group through communications issued to all staff announcing quarterly results, biannual management meetings providing an overview of business performance and our Annual Company Meeting. In addition, People Matters has featured an article on European Embedded Value (EEV), helping staff to understand more about the performance basis which feeds into the annual bonus calculations.

The right to collective bargaining has not been exercised by any of the Group's employees, however were they to do so the Group would look to comply with due process. For further detail refer to the Relations with Stakeholders section of the Corporate Governance Report on pages 80 and 81.

91%

New joiners who rated the recruitment and onboarding experience as 'excellent' or 'good'.

Reward and benefits

Reward is a critical element of our employment proposition for attracting and retaining talent, and an important tool which drives the delivery of business objectives. We provide market competitive rewards and benefits that are regularly benchmarked and reviewed. We are a Living Wage employer for all our employees in the UK and equivalent initiatives overseas, where relevant. Our incentive schemes, in which all our employees participate, recognise and reward contribution to the growth of the business. They have stretching targets which help drive performance, with clear checks and balances in place to ensure that business goals are achieved in line with our values and do not encourage inappropriate behaviour or risk taking.

We provide meaningful protection and wellbeing benefits, including generous pension arrangements, which we regularly review and improve. In 2019, aligned to our inclusion and diversity objectives, the Company enhanced the amount of paid leave which can be taken for new parents, for both men and women, to 26 weeks full pay. We continue to add new benefits to our flexible benefits scheme, launched last year, providing our staff with the ability to tailor their benefits package to suit their needs.

We also believe it is important that our staff build a sense of ownership and share in the success of the business. We encourage employee equity participation through our SAYE and SIP schemes, which are so popular that over 80% of employees participate.

Our Social Value Report continued

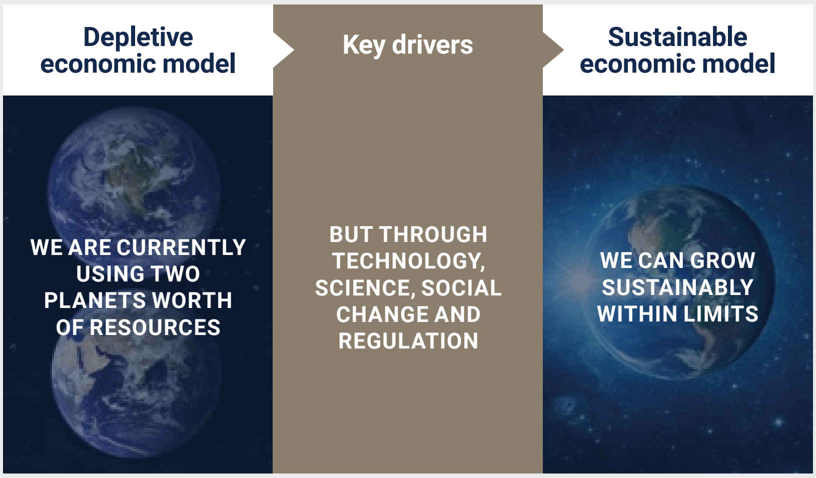
Investing responsibly

"We see money as a force for good. For us, promoting financial well-being in a world worth living is at the heart of what it means to be a responsible investor."

ROBERT GARDNER, Director: Investment Management

Our approach

Doing the right thing means being a responsible investor. Current levels of economic activity are using up approximately 1.75 planets' worth of resources (source: Global Footprint Network, 2019), a situation that is not sustainable. Adopting responsible investing (RI) principles and practices that consider broader sustainability themes and specific environmental, social and corporate governance (ESG) factors within the investment process can help to speed up the transition from a depletive economic model to one that is operating within ecological limits. At St. James's Place, we continue to evolve our investment proposition to promote good client outcomes and understand how sustainability themes and ESG factors impact client wealth, now and in the future.



Our achievements

Over the past five years we have seen continuous development in our approach to responsible investing. This covers our internal governance and resources, ESG integration processes, adoption of minimum RI standards across all of our investment offerings, our commitment to industry best practice through initiatives such as the United Nations Principles for Responsible Investment (UNPRI), and reporting on our progress. These deep roots have provided us with a solid base for both our 2019 activity and the future:

DEEPER RI INTEGRATION:
Deepened integration of RI principles into every aspect of our investment approach: from our 'Select, Monitor and Change' processes overseen by the Investment Committee, to our 'Plan, Design, Review' framework that provides the focus for our client investment proposition. We are pleased with the progress made to date. According to our proprietary assessment process, in 2014, 33% of the investment managers were rated 'good' or 'excellent', with this figure rising to 70% in our 2019 exercise.

EDUCATION AND INDUSTRY PARTICIPATION:
Greater levels of engagement with our stakeholders: from clients, the Partnership and employees, to shareholders, policy makers and the wider industry. Through our programme of education, communication and industry participation, we have been actively involved in many industry groups, conferences and professional networks.

ENHANCED GOVERNANCE:
Enhanced governance structure underpinning all areas of our investment approach, with Executive Board-level sponsorship, that has a broader and deeper reach throughout our business and is supported by additional resources.

SUCCESSFUL ENGAGEMENT:
Building on our commitment to the UNPRI, we aim to work with investment managers that are also signatories to the UNPRI. This has been a key theme of our engagement programme with investment managers throughout the year and we are on track for all of the investment managers we work with to be UNPRI signatories by the end of 2020.

CLIMATE CHANGE:
In recognition of the urgency with which we need to address the risks posed by climate change, we are proud to support the Taskforce for Climate-related Financial Disclosures (TCFD) and have committed to implementing the TCFD framework across our business.

Building relationships with our suppliers

"Abbey are committed to working alongside St. James's Place to bring about a more positive and responsible environmental change. We share a common vision with regard to our sustainability and environmental policies and through our collaborative endeavours during 2019 we recycled 9,036kg of furniture and packaging for St. James's Place, resulting in a saving of 8.074kg/CO_2."

STEVE LAYER, Director: Abbey Business Interiors

Our approach

At St. James's Place, we believe in treating all of our stakeholders fairly and having a sustainable, focused and long-term mindset. Our suppliers are key to our business, and we ensure that we manage our supply chain in an ethical and responsible manner.

We recognise the benefits of building long-term relationships with our suppliers, and so many of them have been associated with the Group for a number of years. This allows us to cultivate strong, mutually beneficial relationships.

Many of our suppliers share our desire to make a positive and lasting difference to those less fortunate than ourselves, and we are delighted that many have provided support for the Charitable Foundation over the years through both donations and actively participating in fundraising events.

The environmental impact of our suppliers

During 2019 we have looked to reduce our environmental impact through our suppliers and bring social enterprise procurement into our supply chain. We have maintained our purchasing of electricity from renewable sources and welcomed a new sustainable fleet provider.

Our process

We have developed procurement processes which ensure we meet regulatory obligations and create and promote internal awareness of how our suppliers should be managed. Our procurement policy requires due diligence to be conducted on all new suppliers. This is through a risk-based approach which considers legal and business requirements. Ongoing due diligence is required annually for our critical and key suppliers.

Evidence of our commitment

- Since 2014, we have been a member of the Real Living Wage Foundation. We also encourage our suppliers to adopt the same approach or, where applicable, an overseas equivalent (**www.livingwage.org.uk**).
- We are signatories of the Prompt Payment Code, which is encouraged by the Department for Business, Energy and Industrial Strategy (BEIS) and demonstrates our commitment to good payment practices between ourselves and our suppliers.

Our focus for the future

We will continue to increase the depth and breadth of knowledge of our suppliers, enabling a deeper understanding of the potential risks and ensuring they are appropriately managed. In 2020, we plan to further develop our code of conduct and formalise our procurement process which will help provide more transparent data on suppliers. This should in turn provide a holistic insight into our wider supply chain performance and risks.

Our Social Value Report continued

Managing our environmental impact

"Climate change is a global problem, which requires global solutions, in which the whole financial sector has a central role to play."

MARK CARNEY, Governor of the Bank of England, 2019

Our approach

Whilst our business operations have little effect on the environment, we recognise that we can still have a central role to play in promoting sustainability:

- Firstly, through increased responsible investment, see pages 19 and 32;
- Secondly, through decreasing our direct emissions (scope 1 and 2), see page 35; and
- Thirdly, through the rest of our non-investment supply chain, see page 33.

Oversight of our strategic approach to sustainability is through our Environmental Reporting Committee, with ultimate responsibility resting with our Chief Executive, Andrew Croft. The Social Value Committee also regularly reviews environmental performance.

Our impact

During 2019 we have maintained our approach of purchasing electricity from renewable sources, but we have also gone further in offsetting our residual carbon footprint, so that we are proud to be a carbon neutral company. In recognition of our approach we are also pleased to have maintained our Carbon Disclosure Project Grade B.

We have also worked with our suppliers to:

- welcome a new sustainable fleet provider and provide more electric car charging points;
- remove plastic from marketing collateral;
- raise awareness of and reduce our printing usage;
- introduce online payslips and recycling for our stationery supplies;
- replace hand towels with dryers which use renewable electricity; and
- save 66,576kg of carbon dioxide equivalent from landfill through furniture recycling.

In 2019, we donated £27,600 to the Woodland Trust as a result of clients moving to electronic correspondence. In total, we now have 48,000 clients who are paperless.

Environmental data

We collect and report our environmental data from October to September. The tables on the following page summarise our targets and progress, expressed in terms of both absolute and normalised carbon dioxide equivalent (CO_2e) emissions for our core business activities in recent years. Core business activities are defined as those within 'operational control'. Our emissions are calculated in line with the Greenhouse Gas Protocol using the 2019 emissions factors provided by the Department for Education, Food and Rural Affairs (DEFRA). The emissions were calculated by our external sustainability partner, EcoAct.

TCFD

"The urgency to transition to a low carbon economy is real. If we cannot reverse this trend, the impacts will be catastrophic. We must all play our part to bring about a smooth transition."

ROBERT GARDNER, Director: Investment Management and Executive Board sponsor of TCFD

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

We recognise that climate change poses a risk to our business and to client outcomes. Therefore, in 2019 we became a supporter of the Taskforce for Climate-related Financial Disclosures (TCFD) and have committed to implementing the TCFD framework across our business.

Whilst we have always assessed the climate risks and opportunities for our business, the TCFD ensures we continue to implement an appropriate governance structure, strategy, risk management and targets and metrics. It also ensures that we continue to bring together various departments, including Risk, Investment and social value, to make the necessary changes.

1. Targets

Absolute emissions targets

ID	Scope	Description	% of emissions in scope	% decrease from base year	Base year	Base year emissions	Target year
Abs1	1 and 2 *(Market based)*	Gas, owned vehicles and electricity	100%	50%	2016	2,809	2020

2. Progress

Absolute emissions progress

ID	Scope	Actual emissions in year (tonnes CO_2e)	% Variance from target	Comment
Abs1	1 and 2 *(Market based)*	865	-38%	In 2016, we set an ambitious target to reduce our Scope 1 and 2 emissions by 50% by 2020 based on our 2016 emissions. In 2019, we purchased 100% renewable electricity for our UK operations, exceeding our target. We will continue to purchase renewable electricity in the UK, reflecting best practice and driving demand in the renewable energy market. During 2019, we also moved into a number of energy efficient properties, most significantly our Lombard Street property which has a Building Research Establishment Environmental Assessment Method (BREEAM) rating of 'excellent', improving our energy efficiency.

3. 2025 targets

We are committed to doing our part to cap global warming to two degrees Celsius by 2050, and are now aiming to set science-based targets. On the journey to limiting global warming to 2 degrees by 2050 we have set the following interim targets for 2025:

Scope	Description	% decrease from base year	Base year	Target year	Comment
1	Gas and owned vehicles	50%	2018	2025	We are committed to reducing our use of fossil fuels. We will reduce our Scope 1 emissions by investigating biomass solutions to replace gas boilers and increasing the number of electric vehicles within our Company car fleet.
2 *(Market based)*	Electricity	100%	2018	2025	We already procure 100% renewable electricity for our UK operations. By 2025, we will procure 100% renewable electricity for our global operations.
3	Business travel, waste, hotel stays, electricity transmission and distribution	50%	2018	2025	We are committed to reducing our carbon impact from business travel and conferences by working smarter, reducing emissions by 50% by 2025.

4. Gross emissions

The table below illustrates the changes in our absolute emissions over the past three years. During this time, we have taken steps to improve our data quality and calculation methodology. This has enabled us to gain a more accurate understanding of our environmental impact and take appropriate mitigating actions.

		Gross emissions (tonnes CO_2e)		
Scope	Activity	2017	2018	**2019**
1	Gas and owned vehicles	876	835	**725**
2 *(Market based)*	Electricity	130	167	**140**
3	Business travel, waste, hotel stays, electricity transmission and distribution	8,875	8,830	**5,752**
3	Property trust and WTT	15,101	13,019	**10,763**
Total		24,982	22,851	**17,380**

Normalised emissions

Scope	Normalised emissions in prior year (tonnes CO_2e per '000 sq ft)	Normalised emissions in year (tonnes CO_2e per '000 sq ft)	Comment
1	2.04	1.51	Our Scope 1 intensity has decreased, driven by a reduction in the amount of fuel used in our car fleet coupled with an increase in floor space, which decreases emission intensity as floor space is the denominator in the intensity calculation.
2 *(Market based)*	0.41	0.29	Our Scope 2 (market based) intensity has decreased due to reduced emissions from our Asia offices. Our UK operations continue to use 100% renewable electricity.
3	21.59	12.01	Scope 3 intensity has significantly reduced due to a substantially lower conference-related emissions.

Our Social Value Report continued

Supporting our communities

"Our approach to community engagement asks: 'Are we changing lives? Are we having a long-term impact?' For us it is not about how many people we reach or how many people know about it, but rather considering the depth of change and peace of mind we can create for those we support."

ANDREW CROFT, Chief Executive

Strategic partnership with The Duke of Edinburgh's Award (DofE)

Since making smaller grants in 2016 and 2017, St. James's Place and DofE have entered into a £2 million five-year strategic partnership. DofE works with nearly 69,000 young people from disadvantaged backgrounds, who are part of the 460,000 young people striving for their awards.

Many of our core values are shared by DofE. We both look to support young people from all backgrounds to raise their aspirations and opportunities, creating better futures by preparing them for employment and financial security. We both work through a multitude of local experts who are located across the UK, giving incredible reach to our impact.

Our long-term partnership approach means we support the DofE with core funding for their strategic work, which will enable more disadvantaged young people to develop by undertaking their award. Once again, we were title sponsors of the DofE Adventure which raised £115,000 for the charity. In 2019, 33 St. James's Place apprentices undertook their own Gold awards as part of our apprenticeship programme, supported by DofE champions network in the business.

Engagement with the community

We engage with our community through a variety of means, including meeting local government, NGOs and local charities. As an example, senior management based in our head office in Cirencester regularly attend meetings with Cotswold District Council, Cirencester Town Council and Cirencester Community Development Trust to understand the social needs of the local community and ensure we are providing adequate support when and where required. We also engage with local schools through our financial education programme, and various community organisations through our volunteering and grant initiatives.

We were title sponsors of the DofE Adventure which raised

£115,000

Financial education

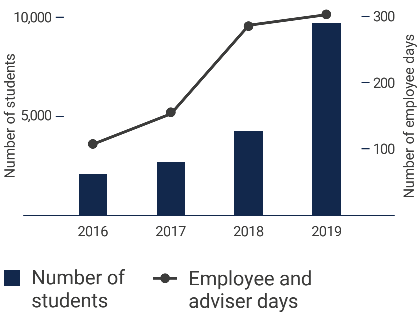
We are one of the leading providers for face-to-face financial education in schools in the UK. We understand the importance of financially educating children and it has remained a core focus of our long-term approach. The Money and Pensions Service UK Strategy for Financial Wellbeing has set a target to reach 2 million more children and young people a year by 2030, up 42% from 4.8 million in 2019. We aim to be a significant part of this national strategy. This year we increased our resources and revised our materials, so we can offer a mixture of full day, half day, flexible modular programmes and one-hour courses which are accredited by The Money Advice Service. We have also launched a scheme enabling our Partners to become accredited and provide financial education in their local schools, which will further extend our impact.

In total, this year we reached 9,672 children face-to-face through 215 employees and 110 advisers in 82 different schools.

We recognise that our people cannot support every school. We therefore offer grants to charities including Young Enterprise, DofE, The Money Charity, National Numeracy and Career Ready to work in the schools we do not already support.

In our 2018 Annual Report, we committed to reaching 3,200 children through face-to-face employee-led financial education: we actually reached 3,309. We also reached an additional 6,363 students through adviser-led financial education.

Financial education 2016–2019

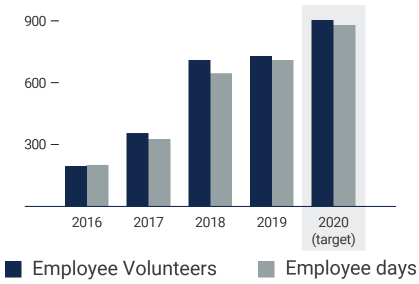


Team challenges and community engagement

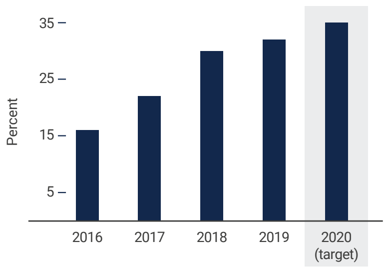
Team challenges within our local community support a variety of charities and community organisations. They are usually activities that are non-skilled and therefore we do not set specific targets; instead we look to set up challenges that meet a genuine need of the community, from ecology to heritage and preschools to food banks.

This year will also be the fourth year of our holistic charity programme where we work with a wide range of charities in Cirencester to tackle both economic and cultural poverty. We have five-year relationships with these charities to provide unrestricted funding and business expertise to help them grow sustainably and plan for the long term. The unrestricted funding allows the charities to use the money where it is needed most, whether this be for projects, overheads, staff costs or equipment.

Team challenges 2016–2019 plus 2020 target



Percentage of employees volunteering for one day or more a year 2016-2019 plus 2020 target



The St. James's Place Charitable Foundation

Giving is a strong part of our culture with 81% of our employees donating to the Charitable Foundation each month. We are proud to match, pound for pound, donations to the Charitable Foundation and, as a result, in 2019 the Group gave £5.7 million.

The Charitable Foundation has been a key strategic part of our social value approach from its launch in 1992. Since then it has been supporting those in need, making a positive and lasting difference to the lives of children and young people who are disadvantaged economically, socially or through disability, people affected by cancer or poor mental health, and the hospice movement. The Charitable Foundation specialises in funding and developing small grass-roots charities. Further information is provided on pages 68 to 71.

In 2019, the Charitable Foundation commissioned research on the impact of their 2017 grants. The research evidenced the effectiveness of their ambition to reach out to those most in need and change their lives. In 2017 the Charitable Foundation gave grants to 931 different organisations, two thirds of which have a turnover of less than £1 million, in all reaching nearly 475,000 direct beneficiaries and over 1.5 million indirect beneficiaries. Importantly, 41% of direct beneficiaries reported some substantive improvement in their lives with another 34% reporting a transformative improvement. For every 100 people supported, 75 developed a positive change in behaviour or attitude and another 45 developed new skills; overall, 97 reported a positive impact on their quality of life.

Chief Financial Officer's Report

CRAIG GENTLE, Chief Financial Officer

"2019 was a challenging year but nevertheless one of resilient new business performance."

IFRS profit after tax

£146.6m

(2018: £173.5m)

Underlying cash result

£273.1m

(2018: £309.0m)

EEV operating profit

£952.0m

(2018: £1,002.0m)

As already stated in the Chief Executive's Report, 2019 was a challenging year but nevertheless one of resilient new business performance as the Partnership attracted gross inflows of £15.1 billion (2018: £15.7 billion) and net inflows of £9.0 billion (2018: £10.3 billion). The level of political uncertainty throughout most of the year particularly impacted the pace of discretionary investment flows as some clients took a more cautious approach to investing new funds. Discretionary investment aside, we saw continued net inflows throughout the year as clients sought to consolidate investments through St. James's Place and utilise the value of their tax allowances. As we have seen in similar periods historically, client retention remained strong as our advisers worked hard to provide reassurance and sound counsel in an uncertain environment.

Coupled with the impact of positive investment market returns, this new business performance resulted in funds under management closing at a record £117.0 billion (31 December 2018: £95.6 billion), up some 22% over the year and boding well for the development of our financial results in the years ahead.

Our financial business model remains straightforward. We attract and then retain funds under management (FUM) on which we receive advice and product charges. Ongoing product charges are the principal source of income for the Group, out of which we meet the overheads of the business and invest in growing the scale and capability of the Partnership, our client propositions, and our core Group infrastructure. Further information about our financial business model can be found on pages 20 and 21.

Our financial results are presented in more detail on pages 45 to 57 of the Financial Review, but we provide below a summary of financial performance on a statutory IFRS basis, as well as our chosen alternative performance measures (APMs). We also summarise key developments from a balance sheet perspective and provide shareholders with an overview of capital, solvency and liquidity.

Financial results

IFRS

IFRS profit after tax was £146.6 million in 2019 (2018: £173.5 million), with the result lower year-on-year largely due to the challenging external environment which resulted in lower gross inflows of approximately 4% which in turn reduced income arising from new business.

To address the challenge of policyholder tax being included in the IFRS results we focus on IFRS profit before shareholder tax as our pre-tax measure. On this basis the result was £187.1 million in 2019 (2018: £211.9 million), reflecting the same underlying business drivers.

The IFRS results also include the impact of non-cash accounting adjustments such as equity-settled share-based payment expenses, deferred income and deferred expenses, so we continue to supplement our statutory reporting with the presentation of our financial performance using two APMs: the Cash result and the European Embedded Value (EEV) result. Taking each in turn:

Cash result

The Cash result, and the Underlying cash result contained within it, are based on IFRS but adjusted to exclude certain non-cash items, so therefore represent useful guides to the level of cash profit generated by the business. All items in the Cash result, and in the commentary below, are presented net of tax.

During the year, the **net income from funds under management** was £424.9 million (2018: £388.1 million), representing a margin of 0.63% (2018: 0.65%) on average 'mature' FUM, in line with prior guidance. It is only 'mature' FUM that contributes to this net income figure and this 'mature' stock of FUM at any given time substantially comprises all unit trust and ISA business, as well as life and pensions business written more than six years ago.

The development of 'mature' FUM year-on-year is dependent on four principal factors:

1. new unit trust and ISA flows;
2. the amount of life and pensions FUM that moves from 'gestation' into 'mature' FUM;
3. the retention of FUM; and
4. investment returns on FUM.

Growth in 'gestation' FUM has been more rapid than growth in 'mature' FUM in recent years, mainly due to the strength of new pensions business following pensions freedom. While this therefore constrains growth in net income from funds under management today, it bodes well for the future as 'gestation' FUM matures and begins making a positive contribution. At 31 December 2019, the balance of 'gestation' FUM stood at £40.2 billion (31 December 2018: £33.5 billion). Once this current stock of gestation FUM has all matured, it will (assuming no market movements or withdrawals) contribute in excess of £350 million to **net income from funds under management** and hence to the Underlying cash result.

St. James's Place also generates a **margin arising from new business** where initial product charges exceed new business-related expenses. The 9% reduction in margin arising from new business in 2019 largely reflects the 4% decline in gross flows over the period, as well as the timing effect associated with an element of new business costs being linked to prior year production levels. This impact will unwind as new business volumes grow.

2019 was another year of considerable investment into the business as we sought to lay the foundations for long-term growth in the business. However, it was also a year where, given the nature of the external environment around us, we took an even more disciplined approach to expense management, deferring or delaying expenditure where possible and where long-term growth would not be compromised.

Establishment expenses in 2019 were £186.2 million (2018: £170.6 million), up 9% over the year and some £4 million below the guidance that we published last year. The 9% increase however reflects growth in the Partnership and client base during the year.

Our contribution to the FSCS levy also increased during the year to £22.3 million, up from £12.8 million in 2018, reflecting both an increased rate of levy and also a full 12 month charging period compared to 9 months in 2018.

Reflecting its critical role in providing a source of future organic growth in our adviser population, we made further investment into building our Academy in order to accommodate additional capacity with greater geographic reach. We have also further invested in developing our presence in Asia, as well as in discretionary fund management via Rowan Dartington both in the UK and overseas.

The **Underlying cash result**, which is a key metric that provides a good indicator of underlying performance and the impact of our investment programmes, was £273.1 million (2018: £309.0 million), some 12% lower.

Recognised below the Underlying cash result, our **back-office infrastructure** activity has been a critical multi-year project. In 2019 we successfully completed the smooth migration of all our core UK business to the new Bluedoor platform. Costs in 2019 were £38.8 million post-tax (2018: £35.8 million) reflecting the significant migration activity we undertook. We would anticipate up to £10 million of decommissioning expense in 2020 but then, as we have previously stated, this cost will cease.

The **Cash result** in 2019 was therefore £229.4 million (2018: £268.7 million).

EEV

The EEV performance disclosure provides a useful measure of the longer-term impact of results and developments during the year. It ascribes a value on the long-term economic benefit of attracting additional FUM, takes account of the ongoing costs of doing so, reflects long term benefits and costs of improved or deteriorating retention, and it takes account of current and projected market conditions. Although the EEV statement includes no valuation for the Group's ability to gather and maintain additional future FUM, it does serve as an indication of the value of the business written thus far.

The **EEV operating profit** is sensitive to new business written within the year and the 4% reduction in gross flows year-on-year is the main factor behind a reduced EEV operating profit of £952.0 million (2018: £1,002.0 million). Whilst new business levels were slightly lower in 2019, our retention experience remained very strong at 96%.

A significant positive in the 2019 EEV profit before tax is the positive **investment return variance** of £768.6 million. This positive return reflects improved market values across our funds under management, and follows the £460.9 million charge disclosed in last year's statement as markets weakened sharply in the final quarter of 2018.

Key financial position developments

The shareholder, or Solvency II Net Assets Balance Sheet, is one that is derived from the statutory IFRS Statement of Financial Position and a reconciliation between the two can be found on page 52 of the Financial Review. There are several areas that are worthy of note.

Movements in business loans to Partners

Ensuring good client outcomes and experience is at the heart of what we strive to do. Providing business loans to Partners continues to play an important part in achieving this, with most loans supporting Partner business succession planning and execution. This principally involves providing capital support for growing Partner businesses to take on those businesses of retiring or contracting Partners.

Total business loans to Partners reported on the Statement of Financial Position has been somewhat distorted by the execution of successful securitisation during the course of the past two years. To facilitate the securitisation, some lending that was provided directly to Partners from third-party lenders, and so was outside of the Group Statement of Financial Position, was bought onto it. This inflated the size of the business loan to Partners balance.

Following this a portfolio of business loans to Partners were ring-fenced from the other assets of the Group and used as security in the issue of non-recourse securitisation loan notes. Since inception of the securitisation, additional lending to Partners has also been funded in this way. The following table demonstrates the split of business loans to Partners between those which are directly funded by the Group, and those which have been securitised and so are funded by the issue of securitisation loan notes.

	31 December 2019	31 December 2018
	£'Million	£'Million
Total business loans to Partners	**476.5**	394.5
Split by funding type:		
Business loans to Partners directly funded by the Group	**316.0**	295.5
Securitised business loans to Partners	**160.5**	99.0

Chief Financial Officer's Report continued

The impairment experience on the overall portfolio of business loans to Partners remains very low and this reflects the financial strength of the borrowing businesses together with the Group's approach to credit decisions and the structural strength of the Group's security over the loans. Further information is set out in Note 12 to the Financial Statements.

Movements in borrowings

St. James's Place continues to pursue a strategy of diversifying and broadening its access to debt finance. We have done this successfully over time, including the creation and execution of the securitisation vehicle referred to on the previous page in the past two years. For accounting purposes we are obliged to disclose on our Statement of Financial Position the value of loan notes relating to the securitisation, which has had the effect of inflating the reported level of borrowings. However, these are secured only on the securitised portfolio of business loans to Partners, and hence are non-recourse to the Group's other assets.

	31 December 2019	31 December 2018
	£'Million	£'Million
Total borrowings	**403.7**	348.6
Split by borrowing type:		
Senior unsecured corporate borrowings	**287.1**	278.6
Senior tranche of non-recourse securitisation loan notes	**116.6**	70.0

After adjusting for this non-recourse debt, borrowings have increased broadly in line with the scale of the business over time and we remain comfortable not only with our level of borrowings, but also the headroom we have within our range of facilities.

Movement in operational readiness prepayment asset

The investment into our back-office infrastructure project has been a complex, multi-year programme. In addition to expensing our internal project costs through the IFRS Statement of Comprehensive Income and Cash result as incurred, we have been capitalising Bluedoor development costs as a prepayment asset on the Statement of Financial Position. The asset, which stood at £299.2 million at 31 December 2019 (31 December 2018: £236.4 million) has been amortising through the IFRS Statement of Comprehensive Income and the Cash result since 2017 and will continue to do so over the remaining life of the contract, which at 31 December 2019 is nine years at the earliest. The movement schedule below demonstrates how the operational readiness prepayment has built up over the past two years.

	31 December 2019	31 December 2018
	£'Million	£'Million
Cost		
At 1 January	**268.3**	183.0
Additions during the year	**91.8**	85.3
At 31 December	**360.1**	268.3
Accumulated amortisation		
At 1 January	**(31.9)**	(12.4)
Amortisation during the year	**(29.0)**	(19.5)
At 31 December	**(60.9)**	(31.9)
Net book value	**299.2**	236.4

The amortisation expense is recognised within third-party administration expenses in the IFRS result, and within the net annual management fee and margin arising from new business lines of the Cash result. It is offset by the lower tariff charges on Bluedoor compared to the previous system. The amortisation charge will remain constant year-on-year following the final operational readiness spend planned for 2020, however the tariff saving benefits will grow as the business grows, benefiting both the IFRS and Cash results.

Solvency, capital and liquidity

We continue to manage the balance sheet prudently to ensure the Group's solvency is safely maintained. This is important not only for the safeguarding of our clients' assets, but also to ensure we can maintain returns to shareholders.

Given the simplicity of our business model, our approach to managing solvency remains to hold assets to match client unit-linked liabilities plus a management solvency buffer (MSB). At 31 December 2019 we held surplus assets over the MSB of £580.6 million (2018: £617.0 million). We also ensure that our approach meets with the requirements of the Solvency II regime where we have an approach, agreed with the Prudential Regulatory Authority (PRA) since 2017, for our largest insurance company, the UK Life company, that targets capital equal to 110% of the standard formula requirement. This is a prudent and sustainable policy given the risk profile of our business which is largely operational.

At 31 December 2018 the solvency ratio for our Life businesses was 117%, which included the positive effect of the equity dampener depressing the market risk capital component. Management chose not to release this volatile additional amount of free assets, which course of action has been justified through its unwind over the year. At 31 December 2019 the equity dampener was (0.1)% (31 December 2018: (6.3)%), hence the solvency ratio for our Life business was 112%. Taking into account entities in the rest of the Group, the Group solvency ratio at 31 December 2019 was 132% (2018: 143%), with the 2018 Group result also reflecting the positive equity dampener effect noted above. It is worth noting that continuing growth of the UK life company within the Group will gradually dilute the Group solvency ratio. However, because we manage capital requirements of regulated entities on a solo basis, there will be no change in the underlying solvency risk of the Group.

Given the importance we place on investing to underpin the future growth and sustainability of our business, it is necessary that we manage and balance Group resources accordingly. Historically these were boosted by the exceptional release of excess solvency capital from our UK Life company as a result of the adoption of Solvency II during 2016, which also provided an opportunity to remove market risk in the business by better matching assets and liabilities. More recently the development of our corporate debt facilities, as well as the securitisation and those facilities put in place to provide finance from third parties direct to Partners, signal good progress in maintaining a sustainable path for investment into the business whilst facilitating future Partner lending activity in support of positive client service and outcomes.

As noted on the previous page, there has been steady but modest growth in lending to Partners in recent years, but by contrast considerable cash resource has been deployed in our back-office infrastructure project. This programme will shortly be coming to end, and whilst the successful completion of the Bluedoor migration in no way marks an end to our investment in technology given our ambition to continually enhance the way in which we enhance our Partner and client propositions, it does mark the end of a planned but significant demand on cash resources that were held at the outset.

The Group has £1,429.8 million of liquid assets (31 December 2018: £1,550.9 million) largely comprising investments in AAA-rated money market funds and cash balances, as demonstrated in the table below. This represents a considerable stock of liquidity and excludes the additional headroom that we have in our borrowing facilities.

	31 December 2019 £'Million	31 December 2018 £'Million
Fixed interest securities	**5.2**	5.4
Investment in Collective Investment Schemes (AAA-rated money market funds)	**1,131.8**	1,297.0
Cash and cash equivalents	**292.8**	248.5
Total liquid assets	**1,429.8**	1,550.9

Dividend and concluding remarks

As noted on previous pages, 2019 was not an easy year, with domestic political uncertainty compounded by global economic uncertainty. We were not immune and our Cash result for the year tells a story of lower discretionary flows providing less funding for investment in future growth. However, our business remains in great shape and, post the UK election, 2020 is feeling different. Activity levels are currently higher and we are seeing a pick-up in investor confidence which is driving higher activity levels in our business. This more positive outlook, coupled with the material flow of cash to come from our stock of gestation FUM over the medium term, has given the Board the confidence to recommend a 5% increase in the final dividend to 31.22 pence per share (2018: 29.73 pence per share), giving a full year dividend of 49.71 pence per share (2018: 48.22 pence per share), growth of 3%. This will provide for a pay-out ratio of 97% against the Underlying cash result, which is higher than our stated medium term aim of an 80% pay-out ratio.

CRAIG GENTLE
Chief Financial Officer
26 February 2020

Summary financial information

	Page reference	Year ended 31 December 2019	Year ended 31 December 2018
FUM-based metrics			
Gross inflows (£'Billion)	43	**15.1**	15.7
Net inflows (£'Billion)	43	**9.0**	10.3
Total FUM (£'Billion)	43	**117.0**	95.6
Total FUM in gestation (£'Billion)	44	**40.2**	33.5
IFRS-based metrics			
IFRS profit after tax (£'Million)	45	**146.6**	173.5
IFRS profit before shareholder tax (£'Million)	45	**187.1**	211.9
Underlying profit before shareholder tax (£'Million)	46	**218.9**	278.6
IFRS basic earnings per share (EPS) (Pence)		**27.6**	33.0
IFRS diluted EPS (Pence)		**27.5**	32.4
IFRS net asset value per share (Pence)		**177.1**	192.5
Dividend per share (Pence)		**49.71**	48.22
Cash result-based metrics			
Operating cash result (£'Million)	48	**310.7**	342.8
Underlying cash result (£'Million)	48	**273.1**	309.0
Cash result (£'Million)	48	**229.4**	268.7
Underlying cash result basic EPS (Pence)		**51.4**	58.7
Underlying cash result diluted EPS (Pence)		**51.1**	57.8
EEV-based metrics			
EEV operating profit before tax (£'Million)	55	**952.0**	1,002.0
EEV operating profit after tax basic EPS (Pence)		**148.8**	158.0
EEV operating profit after tax diluted EPS (Pence)		**148.0**	155.4
EEV net asset value per share (Pence)		**1,320.1**	1,109.0
Solvency-based metrics			
Solvency II net assets (£'Million)	58	**1,056.8**	1,108.0
Management solvency buffer (£'Million)	59	**476.2**	491.0
Solvency II free assets (£'Million)	59	**999.0**	1,060.1
Solvency ratio (Percentage)	59	**132%**	143%

The Cash result should not be confused with the IFRS Consolidated Statement of Cash Flows which is prepared in accordance with IAS 7.

Financial Review

This financial review provides analysis of the Group's financial position and performance.
The Review is split into the following sections:

SECTION 1: FUNDS UNDER MANAGEMENT (FUM)

1.1 FUM analysis

1.2 Gestation

As set out on pages 20 and below, FUM is a key driver of ongoing profitability on all measures, and so information on growth in FUM is provided in Section 1.

Find out more on pages 43 and 44.

SECTION 2: PERFORMANCE MEASUREMENT

2.1 International Financial Reporting Standards (IFRS)

2.2 Cash result

2.3 European Embedded Value (EEV)

Section 2 analyses the performance of the business using three different bases: IFRS, the Cash result, and EEV.

Find out more on pages 45 to 57.

SECTION 3: SOLVENCY

Section 3 addresses Solvency, which is an important area given the multiple regulated activities carried out within the Group.

Find out more on pages 58 and 59.

Our financial business model

Our financial business model is straightforward. We generate revenue by attracting clients through the value of our proposition, who trust us with their investments and then stay with us. This grows our funds under management (FUM), on which we receive:

- advice charges for the provision of valuable, face-to-face advice; and
- product charges for our manufactured investment, pension and ISA/unit trust products.

Further information on our charges can be found in the Clients section on page 14. A breakdown of our fee and commission income, our primary source of revenue under International Financial Reporting Standards (IFRS), is set out in Note 4 on page 153.

Most of the initial and ongoing advice charges received are offset by corresponding remuneration for Partners, and so an increase in these revenue streams will correspond with an increase in the associated expense and vice versa. This means that advice charges are not a major driver of the Group's profitability.

Neither are initial product charges, which are levied when a client first invests into one of our products. Under IFRS initial product charges are spread over the expected life of the investment through deferred income (DIR – see page 46 for further detail), and the contribution to the IFRS result from spreading these historic charges can be seen in Note 4 as amortisation of DIR. Initial product charges contribute immediately to our Cash result through margin arising on new business.

The primary source of the Group's profit is the income we receive from annual product management charges on FUM. As a result, growth in FUM is a strong positive indicator of future growth in profits. However, most of our investment and pension products are structured so that annual product management charges are not taken for the first six years after the business is written, so the ongoing benefit of these gross inflows into FUM for a given year will not be seen until six years later. This means that the Group always has six years' worth of FUM in the 'gestation' period. FUM subject to annual product management charges is known 'mature' FUM. This is illustrated in the diagram on page 20. More information about our fees on FUM can be found in Section 1 of this Financial Review.

Our income is used to meet overheads, the ongoing product expenses and to invest in the business. Overhead expenditure is carefully managed with clear targets set for growth in the core costs of running the Group's infrastructure, which are known as 'establishment expenses'. Other ongoing expenses, including payments to Partners, increase with business levels and are aligned with product charges. The Group is investing to support long-term growth through St. James's Place Asia, Rowan Dartington, our back-office infrastructure programme, and other strategic initiatives.

Section 1: Funds under management

1.1 FUM analysis

Our financial business model is to attract and retain FUM on which we receive an annual management fee. As a result, the level of income we receive is ultimately dependent on the value of our FUM, and so its growth is a clear driver of future growth in profits. The key drivers for FUM are:

- our ability to attract new funds in the form of gross inflows;
- our ability to retain FUM by keeping unplanned withdrawals at a low level; and
- net investment returns.

The following table shows how FUM evolved during 2019 and 2018:

	2019				2018
	Investment	Pension	UT/ISA and DFM	Total	Total
	£'Billion	£'Billion	£'Billion	£'Billion	£'Billion
Opening FUM	27.62	40.72	27.21	95.55	90.75
Gross inflows	2.28	8.66	4.16	15.10	15.70
Net investment return	2.96	5.99	3.50	12.45	(5.48)
Regular income withdrawals and maturities	(0.56)	(1.31)	(0.02)	(1.89)	(1.63)
Surrenders and part surrenders	(1.08)	(1.22)	(1.92)	(4.22)	(3.79)
Closing FUM	31.22	52.84	32.93	116.99	95.55
Net inflows	0.64	6.13	2.22	8.99	10.28
Implied surrender rate as a percentage of average FUM	3.7%	2.6%	6.5%	4.0%	4.1%

Rowan Dartington Group and SJP Asia FUM was £3.74 billion at 31 December 2019 (31 December 2018: £2.90 billion), gross inflows were £0.77 billion for the year (2018: £0.79 billion) and outflows were £0.19 billion (2018: £0.12 billion).

The following table shows the significant in net Inflows over the past six years, which combined with strong retention has resulted in consistent growth in FUM. FUM has more than doubled over a five-year period:

	FUM as at 1 January	Net inflows	Investment return	Other movements[1]	FUM as at 31 December
Year	£'Billion	£'Billion	£'Billion	£'Billion	£'Billion
2019	95.6	9.0	12.4	–	117.0
2018	90.7	10.3	(5.4)	–	95.6
2017	75.3	9.5	6.2	(0.3)	90.7
2016	58.6	6.8	8.7	1.2	75.3
2015	52.0	5.8	0.8	–	58.6
2014	44.3	5.1	2.6	–	52.0

1 Other movements in 2017 related to the matching strategy disinvestment, and in 2016 related to the acquisition of the Rowan Dartington Group.

The table below provides a geographical and investment type analysis of FUM at 31 December:

	31 December 2019		31 December 2018[1]	
	£'Billion	Percentage of total	£'Billion	Percentage of total
North American Equities	25.1	21%	19.9	21%
Fixed Income Securities	20.9	18%	16.9	18%
UK Equities	20.2	17%	17.6	18%
European Equities	13.8	12%	10.0	10%
Asia and Pacific Equities	13.6	12%	10.1	11%
Alternative Investments	9.5	8%	7.5	8%
Cash	7.5	6%	6.7	7%
Property	2.9	3%	3.0	3%
Other	3.5	3%	3.9	4%
Total	117.0	100%	95.6	100%

1 The geographical and investment type analysis of FUM for 31 December 2018 has been restated to better reflect the nature of the underlying investment holdings.

Financial Review continued

1.2 Gestation

As explained in our financial business model on page 20, due to our product structure, at any given time there is a significant amount of FUM that has not yet started to contribute to the Cash result.

When we attract new FUM there is a margin arising on new business that emerges at the point of investment, which is a surplus of income over and above the initial costs incurred at the outset. Within our Cash result presentation, this is recognised as it arises, but it is deferred under IFRS.

Once the margin arising on new business has been recognised the pattern of future emergence of cash from annual product management charges differs by product. Broadly, annual product management charges from unit trust and ISA business begin contributing positively to the Cash result from day one, whilst investment and pensions business enter a six-year gestation period during which no net income from FUM is included in the Cash result. Once this business has reached its six-year maturity point, it starts contributing positively to the Cash result, and will continue to do so in each year that it remains with the Group.

The following table shows an analysis of FUM, after initial charges, split between mature FUM that is contributing net income to the Cash result and FUM in gestation which is not yet contributing, as at the year-end for the past five years:

Position as at	Mature FUM contributing to the Cash result £'Billion	Gestation FUM that will contribute to the Cash result in the future £'Billion	Total FUM £'Billion
31 December 2019	76.8	40.2	117.0
31 December 2018	62.1	33.5	95.6
31 December 2017	60.1	30.6	90.7
31 December 2016	50.2	25.1	75.3
31 December 2015	39.4	19.2	58.6

The proportion of new business that moves into gestation has increased over the past five years as follows:

Year	Proportion of gross inflows into gestation
2019	60.1%
2018	59.4%
2017	56.5%
2016	53.8%
2015	53.5%

The increasing proportion of gross inflows moving into gestation FUM is attributable to the strength of pensions inflows in recent years, in part reflecting the positive impact to our business from pensions freedom. The long-term nature of this type of investment results in a long post-gestation period of Cash result emergence.

The following table gives an indication, for illustrative purposes, of the way in which the reduction in fees in the gestation period element of the Cash result could unwind, and so how the gestation balance of £40.2 billion at 31 December 2019 may start to contribute to the Cash result over the next six years and beyond. For simplicity it assumes that FUM values remain unchanged, that there are no surrenders, and that business is written at the start of the year. Actual emergence in the Cash result will reflect the varying business mix of the relevant cohort and business experience:

Year	Gestation FUM future contribution to the Cash result £'Million
2020	36.1
2021	81.3
2022	134.5
2023	202.1
2024	282.2
2025 onwards	356.3

Section 2: Performance measurement

In line with statutory reporting requirements we report profits assessed on an IFRS basis. The presence of a significant life insurance company within the Group means that, although we are a wealth management Group in substance with a simple business model, we apply IFRS accounting requirements for insurance companies. These requirements lead to Financial Statements which are more complex than those of a typical wealth manager and so our IFRS results may not provide the clearest presentation for users who are trying to understand our wealth management business. Key examples of this include the following:

- Our IFRS Statement of Comprehensive Income includes policyholder tax balances which we are required to recognise as part of our corporation tax arrangements. This means that our Group IFRS profit before tax includes amounts charged to clients to meet policyholder tax expenses, which are unrelated to the underlying performance of our business; and
- Our policy is to fully match our liabilities to clients, and so policyholder liabilities increase or decrease to match increases or decreases experienced on the assets held to cover them. This means that shareholders are not exposed to any gains or losses on the £113.5 billion of policyholder assets and liabilities recognised on our IFRS Statement of Financial Position, which represented over 96% of our IFRS total assets and liabilities at 31 December 2019.

To address this, we developed APMs with the objective of stripping out the policyholder element to present solely shareholder impacting balances, as well as removing items such as deferred acquisition costs and deferred income to reflect Solvency II recognition requirements and to better match the way in which cash emerges from the business. We therefore present our financial performance and position under three different bases, using a range of APMs to supplement our IFRS reporting. The three different bases, which are consistent with those presented last year, are:

- International Financial Reporting Standards (IFRS);
- Cash result; and
- European Embedded Value (EEV).

APMs are not defined by the relevant financial reporting framework (which for the Group is IFRS), but we use them to provide greater insight to the financial performance, financial position and cash flows of the Group and the way it is managed. A complete Glossary of Alternative Performance Measures is set out on pages 216 to 218, in which we define each APM used in our Financial Review, explain why it is used and, if applicable, explain how the measure can be reconciled to the IFRS Financial Statements.

2.1 International Financial Reporting Standards (IFRS)

IFRS profit after tax was £146.6 million in 2019 (2018: £173.5 million), with the result lower year-on-year principally due to two factors: first, a more challenging new business environment resulted in a lower margin arising from new business; second, a planned increase in investment expense as we continued to put in place the foundations to underpin future growth in the business. Together, these resulted in a degree of operational deleverage.

To address the challenge of policyholder tax being included in the IFRS results we focus on the following two APMs, based on IFRS, as our pre-tax metrics:

- Profit before shareholder tax; and
- Underlying profit.

Further information on these IFRS-based measures is set out below, on pages 45 and 46.

Profit before shareholder tax

This is a profit measure based on IFRS which removes the impact of policyholder tax. The policyholder tax expense or credit is matched by an equivalent deduction or credit from the relevant funds, which is recorded within fee and commission income in the IFRS Statement of Comprehensive Income. Policyholder tax does not therefore impact the Group's overall profit after tax. As a result, profit before shareholder tax, but after policyholder tax, is a useful metric.

The following table demonstrates the way in which profit before shareholder tax is presented in the IFRS Consolidated Statement of Comprehensive Income on page 138:

	Year ended 31 December 2019 £'Million	Year ended 31 December 2018 £'Million
IFRS profit/(loss) before tax	**708.9**	(84.6)
Policyholder tax	**(521.8)**	296.5
IFRS profit before shareholder tax	**187.1**	211.9
Shareholder tax	**(40.5)**	(38.4)
IFRS profit after tax	**146.6**	173.5

Financial Review continued

2.1 International Financial Reporting Standards (IFRS) continued

Profit before shareholder tax has decreased by 12% year-on-year. As with the reduction in profit after tax, this reflects the more challenging new business environment and an increase in expenses.

Shareholder tax reflects the tax charge attributable to shareholders and is closely related to the performance of the business. However, it can vary year-on-year due to several factors: further detail is set out in Note 7 Income and deferred taxes.

Underlying profit

This is profit before shareholder tax (as calculated on the previous page) adjusted to remove the impact of accounting for deferred acquisition costs (DAC), deferred income (DIR) and the purchased value of in-force business (PVIF).

IFRS requires certain up-front expenses incurred and income received to be deferred. The deferred amounts are initially recognised on the Statement of Financial Position as a DAC asset and DIR liability, which are subsequently amortised to the Statement of Comprehensive Income over a future period. Substantially all of the Group's deferred expenses are amortised over a 14-year period, and substantially all deferred income is amortised over a six-year period.

The impact of accounting for DAC, DIR and PVIF in the IFRS result is that there is a significant accounting timing difference between the emergence of accounting profits and actual cash flows. For this reason, underlying profit is considered to be a helpful metric. The following table demonstrates the way in which IFRS profit reconciles to Underlying profit:

	Year ended 31 December 2019 £'Million	Year ended 31 December 2018 £'Million
IFRS profit before shareholder tax	**187.1**	211.9
Remove the impact of movements in DAC/DIR/PVIF	**31.8**	66.7
Underlying profit before shareholder tax	**218.9**	278.6

The impact of movements in DAC, DIR and PVIF on IFRS profit before shareholder tax is further analysed as follows. Due to policyholder tax on DIR, the amortisation of DIR during the year and DIR on new business for the year set out below cannot be agreed to the figures provided in Note 8, which is presented before both policyholder and shareholder tax:

	Year ended 31 December 2019 £'Million	Year ended 31 December 2018 £'Million
Amortisation of DAC	**(96.6)**	(98.2)
DAC on new business for the year	**28.1**	33.7
Net impact of DAC	**(68.5)**	(64.5)
Amortisation of DIR	**179.6**	149.9
DIR on new business for the year	**(139.7)**	(148.9)
Net impact of DIR	**39.9**	1.0
Amortisation of PVIF	**(3.2)**	(3.2)
Movement in year	**(31.8)**	(66.7)

Net impact of DAC

The scale of the £68.5 million negative overall impact of DAC on the IFRS result (2018: negative £64.5 million) is largely due to changes arising from the 2013 Retail Distribution Review (RDR). After this change, the level of expenses that qualified for deferral reduced significantly, but the large balance accrued previously is still being amortised. As deferred expenses are amortised over a 14-year period there is a significant transition period, which could last for another five to six years, over which the amortisation of pre-RDR expenses previously deferred will significantly outweigh new post-RDR expenses deferred despite significant business growth, resulting in a net negative impact on IFRS profits.

Net impact of DIR

Income deferred during 2019 is 6% lower than income deferred during 2018, driven by the reduction in new business year-on-year. Conversely, income released from the deferred income liability has increased, primarily as a result of the increase in new business in prior year compared to 2017. Together, these effects mean that DIR has had a positive £39.9 million impact on the IFRS result in 2019 (2018: positive £1.0 million).

2.2 Cash result

The Cash result is used by the Board to assess and monitor the level of cash profit (net of tax) generated by the business. It is based on IFRS with adjustments made to exclude policyholder balances and certain non-cash items, such as DAC, DIR, deferred tax and non-cash-settled share option costs. Further details, including the full definition of the Cash result, can be found in the Glossary of Alternative Performance Measures on pages 216 to 218. Although the Cash result should not be confused with the IAS 7 Consolidated Statement of Cash Flows, it provides a helpful supplementary view of the way in which cash is generated and emerges within the Group.

The Cash result reconciles to Underlying profit, as presented in Section 2.1, as follows:

	Year ended 31 December 2019		Year ended 31 December 2018	
	Before shareholder tax	After tax	Before shareholder tax	After tax
	£'Million	£'Million	£'Million	£'Million
Underlying profit	**218.9**	**172.8**	278.6	227.9
Non-cash-settled share-based payments	**28.7**	**28.7**	33.4	33.4
Impact of deferred tax	**–**	**10.4**	–	31.8
Other	**22.8**	**17.5**	(24.8)	(24.4)
Cash result	**270.4**	**229.4**	287.2	268.7

The decrease in **non-cash-settled share-based payments** reflects the reduction in expense for adviser share schemes.

The most significant **impact of deferred tax** in 2019 and 2018 relates to the utilisation of capital losses in the Cash result. This has already been recognised under IFRS, and hence Underlying profit, through the establishment of deferred tax assets. More information can be found in Note 7 on pages 156 to 158.

Other represents both the change in tax charge discounting and the difference between IFRS 16 lease expense and lease payments made. The former represents a timing difference between the tax liability due to HMRC and tax deductions charged to clients. The size of the difference will increase as markets grow and decrease as markets fall. This timing difference is adjusted out of the Cash result, which therefore does not reflect the negative effect arising in the IFRS result as a consequence of market increases during the year (2018: positive effect as a consequence of market falls).

The following table shows an analysis of the Cash result using three different measures:

- **Operating cash result**
  This measure represents the regular emergence of cash from day-to-day business operations;
- **Underlying cash result**
  This measure includes the cost of a number of strategic investments which are being incurred and expensed in the year, but which are expected to create long-term value; and
- **Cash result**
  This measure includes the short-term costs associated with the back-office infrastructure project together with other items of a one-off nature.

Financial Review continued

2.2 Cash result continued

Consolidated cash result (presented post-tax)

		Year ended 31 December 2019			Year ended 31 December 2018
		In-force	New business	Total	Total
	Note	£'Million	£'Million	£'Million	£'Million
Operational					
Net annual management fee	1	**718.0**	**63.2**	**781.2**	694.6
Reduction in fees in gestation period	1	**(356.3)**	**–**	**(356.3)**	(306.5)
Net income from FUM	1	**361.7**	**63.2**	**424.9**	388.1
Margin arising from new business	2	**–**	**127.5**	**127.5**	140.8
Establishment expenses	3	**(18.6)**	**(167.6)**	**(186.2)**	(170.6)
Operational development expenses	3	**–**	**(22.3)**	**(22.3)**	(20.1)
Regulatory fees and FSCS levy	3	**(3.1)**	**(28.1)**	**(31.2)**	(20.9)
Academy	3	**–**	**(10.9)**	**(10.9)**	(8.4)
Shareholder interest[1]	5	**12.9**	**–**	**12.9**	7.4
Tax relief from capital losses	6	**10.3**	**–**	**10.3**	29.7
Miscellaneous[1]	7	**(14.3)**	**–**	**(14.3)**	(3.2)
Operating cash result		**348.9**	**(38.2)**	**310.7**	342.8
Asia	8	**–**	**(19.9)**	**(19.9)**	(16.7)
DFM	8	**–**	**(9.8)**	**(9.8)**	(10.1)
Strategic development costs	3	**–**	**(7.9)**	**(7.9)**	(7.0)
Underlying cash result		**348.9**	**(75.8)**	**273.1**	309.0
Back-office infrastructure development costs	3			**(38.8)**	(35.8)
Variance	9			**(4.9)**	(4.5)
Cash result				**229.4**	268.7

1 Funding-related expenses, including interest on borrowings and securitisation costs, of £6.7 million in the year to 31 December 2018 have been reclassified from Miscellaneous to Shareholder interest to better reflect the nature of the expense.

Notes to the Cash result

1. Net income from FUM

The **net annual management fee** is the net manufacturing margin that the Group retains from FUM after payment of the associated costs, for example, investment advisory fees and Partner remuneration. Each product has standard fees, but they vary between products. Overall post-tax margin on FUM reflects business mix but also the different tax treatment, particularly Life tax on onshore investment business.

As noted on page 20 however, our investment and pension business product structure means that these products do not generate net Cash result (after the margin arising from new business) during the first six years, (the gestation period). This is reflected in the **reduction in fees** in **gestation period** line. Further information is provided on page 44.

Net income from FUM reflects Cash result income from FUM that has reached maturity and, consistent with our 2019 half-year reporting, this line is the focus of our explanatory analysis. As with net annual management fees, the average rate can vary between time periods with business mix and tax. For 2019, our net income is 0.63% (post-tax) of FUM (2018: 0.65%). In 2020, we expect this margin on FUM to remain in the range of 0.63% – 0.65%.

Net income from Asia and DFM FUM is not included in this line, instead this is included in the net Cash result presented separately for Asia and DFM.

2. Margin arising from new business

This is the net positive Cash result impact of new business in the year, reflecting gross inflows and production related expenses. The driver for this income line is gross inflows and the result is expected to move broadly in line with the pattern of gross inflows attracted, subject to the timing effect associated with an element of new business costs being linked to prior year production levels.

3. Overhead expenses and development expenses

Expenses are treated in two different ways in the Cash result depending on their type:

i. Overhead expenses, such as **establishment expenses**, and development expenses which relates to the Group's core business such as **back-office infrastructure costs**, are presented in separate lines on the face of the Cash result.

ii. Expenses which vary with business volumes, such as payments to Partners and third-party administration expenses, and expenses which relate to investment in specific areas of the business such as DFM are netted from the relevant income lines rather than presented separately.

The table below provides a breakdown of the Group's overhead and development expenses as presented in separate lines in the Cash result:

	Year ended 31 December 2019			Year ended 31 December 2018		
	Before tax	**Tax rate**	**After tax**	Before tax	Tax rate	After tax
	£'Million	**Percentage**	**£'Million**	£'Million	Percentage	£'Million
Overhead expenses						
Establishment expenses	**229.9**	**19.0%**	**186.2**	210.6	19.0%	170.6
Regulatory fees and FSCS levy	**38.5**	**19.0%**	**31.2**	25.7	19.0%	20.9
Academy	**13.4**	**19.0%**	**10.9**	10.4	19.0%	8.4
Total overhead expenses	**281.8**		**228.3**	246.7		199.9
Development expenses						
Operational development costs	**27.5**	**19.0%**	**22.3**	24.8	19.0%	20.1
Strategic development costs	**9.8**	**19.0%**	**7.9**	8.8	19.0%	7.0
Back-office infrastructure costs	**47.9**	**19.0%**	**38.8**	44.1	19.0%	35.8
Total development expenses	**85.2**		**69.0**	77.7		62.9
Total expenses presented separately on the face of the Cash result	**367.0**		**297.3**	324.4		262.8

Overhead expenses

Overhead expenses represent the cost of running the Group.

Establishment costs have increased by 9% year-on-year as additional expenses are incurred to support the growth in the Partnership.

The costs of operating in a regulated sector include **regulatory fees** and the **Financial Services Compensation Scheme (FSCS) levy**. On a post-tax basis, these are as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
	£'Million	£'Million
FSCS levy	**22.3**	12.8
Regulatory fees	**8.9**	8.1
FSCS levy and regulatory fees	**31.2**	20.9

Our position as a market-leading provider of advice means we make a very substantial contribution to supporting the FSCS, thereby providing protection for clients of other businesses in the sector that fail. Over the last few years the levy has been at an elevated level, which was further exacerbated this year by the supplementary levy announced in December 2019. Whilst we remain hopeful that it will return to a more normalised level in future, we are expecting an increase of at least 15% in 2020 based on the indicative levy information announced for the 2020/21 funding year.

For the 2019/20 funding year the FSCS levy covers a 12-month period, compared to nine months for the 2018/19 funding year. As a result, the post-tax levy expense of £22.3 million recognised in the year to 31 December 2019 reflects the levy for a 12-month period, whereas the £12.8 million post-tax levy expense recognised in the year to 31 December 2018 was in respect of a nine-month period.

Financial Review continued

2.2 Cash result continued

Academy expenses represent the cost of running our Academy and Next Generation Academy. They have increased in 2019 as a result of expansion of the programme both geographically and in terms of the number of individuals recruited into the programme.

Development expenses
Operational development costs have increased in 2019 due to further investment, particularly in our investment management approach, technology infrastructure and cyber security.

Strategic development costs continue to increase as result of investment in the business, particularly from the creation of regional hubs to better support our Partner practices and from our acquisition projects.

Costs associated with our Bluedoor **back-office infrastructure** programme have increased in 2019 due to increased levels of activity leading up to the final successful migration of business, and to complete internal system changes to facilitate the decommissioning of the legacy system. We expect to spend up to £10 million in 2020 completing the final decommissioning work, after which point this cost will cease.

4. Reconciliation to IFRS expenses

In order to reconcile the overhead and development expenses presented on separate lines in the Cash result to the total IFRS expenses set out in the Statement of Comprehensive Income on page 138, the expenses which vary with business volumes and those which relate to investment in specific areas of the business, both of which are included in the Cash result but are netted against the relevant income lines and so cannot be seen explicitly, and certain IFRS expenses which by definition are not included in the Cash result need to be added in:

	Year ended 31 December 2019	Year ended 31 December 2018
	£'Million	£'Million
Total expenses presented separately on the face of the Cash result before tax	**367.0**	324.4
Expenses which vary with business volumes		
Other performance related costs	**120.4**	137.2
Payments to Partners	**814.7**	781.9
Investment expenses	**89.8**	106.1
Third-party administration	**110.6**	100.4
Other	**48.2**	44.6
Expenses relating to investment in specific areas of the business		
Asia expenses	**23.4**	21.3
DFM expenses	**26.7**	24.5
Total expenses included in the Cash result	**1,600.8**	1,540.4
Expenses which are not included in the Cash result		
Amortisation of DAC and PVIF, net of additions	**71.7**	67.7
Non-cash-settled share-based payments expenses	**28.7**	33.4
Other	**6.6**	–
Total IFRS Group expenses before tax	**1,707.8**	1,641.5

Expenses which vary with business volumes
Other performance related costs, for both Partners and employees, vary with the level of new business and the operating profit performance of the business. **Payments to Partners**, **investment expenses** and **third-party administration** costs are met through charges to clients, and so any variation in them from changes in the volumes of new business or the level of the stock markets does not impact Group profitability.

Each of these items are recognised within the net annual management fee or margin arising from new business lines of the Cash result, depending on the nature of the expense.

Other expenses include interest expense and bank charges, operating costs of acquired independent financial advisers (IFAs) and donations to the St. James's Place Charitable Foundation. They are recognised across various lines in the Cash result, including shareholder interest and miscellaneous.

Expenses relating to investment in specific areas of the business
Asia expenses and **DFM expenses** have both increased during the year as investment is required to support their growth. Such investment will continue going forwards.

Asia and DFM expenses are presented net of the income they generate in the Asia and DFM lines of the Cash result.

Expenses which are not included in the Cash result
DAC amortisation, net of additions, PVIF amortisation and non-cash-settled share-based payment expenses are the primary expenses which are recognised under IFRS but are excluded from the Cash result.

5. Shareholder interest
This is the income accruing on the investments and cash held for regulatory purposes together with the interest received on the surplus capital held by the Group. It is presented net of funding-related expenses, including interest paid on borrowings and securitisation costs.

6. Tax relief from capital losses
In recent years, a deferred tax asset has been established in IFRS for historic capital losses which are regarded as being capable of utilisation over the medium term. The tax asset is ignored for Cash result purposes as it is not fungible, but instead the cash benefit realised when losses are utilised is shown in the tax relief from capital losses line. Utilisation during the year of £10.3 million tax value (2018: £29.7 million) was in line with previous guidance that gave the expected rate of utilisation as c.£10 – £12 million per year. Going forwards we expect the rate of utilisation to slow to c.£8 – £10 million per year due to the extension of the existing loss restriction rules to cover capital losses, which is expected to have effect from 1 April 2020.

7. Miscellaneous
This category represents the cash flow of the business not covered in any of the other categories. It includes ongoing administration expenses and associated policy charges, utilisation of the deferred tax asset in respect of prior years' unrelieved expenses (due to structural timing differences in the life company tax computation) and movements in the fair value of renewal income assets.

8. Asia and DFM
These lines represent the net income from Asia and DFM FUM, including the Asia and DFM expenses set out in note 4 on the previous page. Both of these business areas continue to grow: combined, Asia and DFM FUM has increased 29% year-on-year, from £2.90 billion at 31 December 2018 to £3.74 billion at 31 December 2019. Significant investment is required to support this growth hence their contribution to the Cash result is currently a net expense. However, as set out in our financial business model on page 20, growth in FUM is a strong positive indicator of future profits.

9. Variance
This reflects a number of small non-recurring items incurred during the year.

Financial Review continued

2.2 Cash result continued

Solvency II Net Assets Balance Sheet

The Cash result is derived from the IFRS Consolidated Statement of Financial Position in a two-stage process:

Stage 1: Solvency II Net Assets Balance Sheet

Firstly, the IFRS Consolidated Statement of Financial Position is adjusted for a number of material balances that reflect policyholder interests in unit-linked liabilities together with the underlying assets that are held to match them. Secondly, it is adjusted for a number of non-cash 'accounting' balances such as DIR, DAC and associated deferred tax. The result of these adjustments is the Solvency II Net Assets Balance Sheet and the following table shows the way in which it has been calculated for 2019.

31 December 2019	Note	IFRS Balance Sheet £'Million	Adjustment 1 £'Million	Adjustment 2 £'Million	Solvency II Net Assets Balance Sheet £'Million	Solvency II Net Assets Balance Sheet: 2018 £'Million
Assets						
Goodwill		15.6	–	(15.6)	–	–
Deferred acquisition costs		490.0	–	(490.0)	–	–
Purchased value of in-force business		20.8	–	(20.8)	–	–
Computer software		8.9	–	(8.9)	–	–
Property and equipment	1	166.3	–	–	166.3	28.5
Deferred tax assets	2	131.1	–	(32.6)	98.5	111.6
Reinsurance assets		88.6	–	(88.6)	–	–
Other receivables	3	2,127.1	(733.1)	(2.1)	1,391.9	890.1
Income tax assets		–	–	–	–	9.7
Investment property		1,750.9	(1,750.9)	–	–	–
Equities		72,694.2	(72,694.2)	–	–	–
Fixed income securities	4	26,275.6	(26,270.4)	–	5.2	5.4
Investment in Collective Investment Schemes	4	5,166.4	(4,034.6)	–	1,131.8	1,297.0
Derivative financial instruments		1,342.9	(1,342.9)	–	–	–
Cash and cash equivalents	4	7,013.6	(6,720.8)	–	292.8	248.5
Total assets		117,292.0	(113,546.9)	(658.6)	3,086.5	2,590.8
Liabilities						
Borrowings	5	403.7	–	–	403.7	348.6
Deferred tax liabilities	2	493.7	–	(57.5)	436.2	154.5
Insurance contract liabilities		556.6	(464.2)	(92.4)	–	–
Deferred income		614.7	–	(614.7)	–	–
Other provisions	6	40.6	–	–	40.6	22.7
Other payables	1, 3	1,782.7	(745.4)	(3.6)	1,033.7	956.9
Investment contract benefits		83,558.5	(83,558.5)	–	–	–
Derivative financial instruments		948.8	(948.8)	–	–	–
Net asset value attributable to unit holders		27,830.0	(27,830.0)	–	–	–
Income tax liabilities	7	115.4	–	–	115.4	–
Preference shares		0.1	–	–	0.1	0.1
Total liabilities		116,344.8	(113,546.9)	(768.2)	2,029.7	1,482.8
Net assets		947.2	–	109.6	1,056.8	1,108.0

Adjustment 1 strips out the policyholder interest in unit-linked assets and liabilities, to present solely shareholder impacting balances. For further information refer to Note 11 Investments, investment property and cash and cash equivalents to the IFRS Financial Statements.

Adjustment 2 removes items such as DAC, DIR, PVIF and their associated deferred tax balances from the IFRS Statement of Financial Position to bring it in line with Solvency II recognition requirements.

Notes to the Solvency II Net Assets Balance Sheet

1. Property and equipment, and other payables

On 1 January 2019, the Group adopted IFRS 16 Leases. This new accounting standard fundamentally changes the accounting for lessees, that is an entity which leases an asset from its owner, as it requires the recognition of almost all leases on the Statement of Financial Position. The right to use the leased item is recognised as an asset, and the obligation to pay lease rentals is recognised as a liability.

As a result, the property and equipment line has increased significantly year-on-year: At 31 December 2019 it includes £126.6 million of leased assets (31 December 2018: nil). Lease liabilities of £118.6 million are recognised within the other payables line (31 December 2018: nil). The initial recognition of lease liabilities is a driver behind the increase in other payables on the Solvency II Net Assets Balance Sheet, which increased from £956.9 million at 31 December 2018 to £1,033.7 million at 31 December 2019.

Further information on the adoption of IFRS 16 can be found in Note 1 Accounting policies to the IFRS Financial Statements. Additionally, Notes 9, 10 and 13 provide further detail on property and equipment, leases and other payables respectively.

2. Deferred tax assets and liabilities

Analysis of deferred tax assets and liabilities, including how they have moved year-on-year, is set out in Note 7 Income and deferred taxes. The most significant movement in the year is the increase in deferred tax liability associated with impact of stock markets on investments and the resulting increase in policyholder tax liability.

3. Other receivables and other payables

Detailed breakdowns of other receivables and other payables can be found in Note 12 Other receivables and Note 13 Other payables of the IFRS Financial Statements.

Other receivables on the Solvency II Net Assets Balance Sheet have increased from £890.1 million at 31 December 2018 to £1,391.9 million at 31 December 2019, principally reflecting movement in fund tax deductions. This increase is associated with, and largely offsets, the increase in deferred tax liability above.

4. Liquidity

Cash generated by the business is held in highly rated government securities, AAA-rated money market funds, and bank accounts. Although these are all highly liquid, only the latter is classified as cash and cash equivalents on the Solvency II Net Assets Balance Sheet. The total liquid assets held are:

	31 December 2019	31 December 2018
	£'Million	£'Million
Fixed interest securities	**5.2**	5.4
Investment in Collective Investment Schemes *(AAA-rated money market funds)*	**1,131.8**	1,297.0
Cash and cash equivalents	**292.8**	248.5
Total liquid assets	**1,429.8**	1,550.9

The Group's primary source of net cash generation is product charges. In line with profit generation, as most of our investment and pension business enters a gestation period, there is no cash generated (apart from initial charges) for the first six years of an investment. This means that the amount of cash generated will increase year-on-year as FUM in the gestation period becomes mature and is subject to annual product management charges. Unit trust and ISA business does not enter the gestation period, and so generates cash immediately from the point of investment.

Cash is used to invest in the business and to pay the Group dividend. Our dividend policy is set such that appropriate cash is retained in the business to support the investment needed to meet our future growth aspirations.

Our most significant investment in the business in recent years has been the development of Bluedoor, which has had a substantial impact on our liquid assets, and borrowings positions. Since the inception of the project in 2014 we have capitalised £360.1 million of development spend on Bluedoor in our operational readiness prepayment asset. This is in addition to £183.9 million of internal project costs that we have expensed as incurred. The total cash outflow on the project is £543.7 million.

Financial Review continued

2.2 Cash result continued

5. Borrowings

The Group has two different types of borrowings: senior unsecured corporate borrowings, which are used to manage working capital and to fund investment in the business; and a senior tranche of non-recourse securitisation loan notes, which is secured on a legally segregated portfolio of the Group's business loans to Partners. Holders of the senior tranche of non-recourse securitisation loan notes have no recourse to the assets held by any other entity within the Group:

	31 December 2019	31 December 2018
	£'Million	£'Million
Corporate borrowings: bank loans	173.3	164.8
Corporate borrowings: loan notes	113.8	113.8
Total senior unsecured corporate borrowings	**287.1**	278.6
Senior tranche of non-recourse securitisation loan notes	116.6	70.0
Total borrowings	**403.7**	348.6

After adjusting for this non-recourse debt, borrowings have increased broadly in line with the scale of the business over time, and we remain comfortable not only with our level of borrowings but also the headroom we have within our range of facilities. Further information is provided in Note 16 Borrowings and financial commitments of the IFRS Financial Statements.

6. Other provisions

Further information on other provisions, including how the balance has moved year-on-year, is set out in Note 15 Other provisions.

7. Income tax liabilities

The Group has an income tax liability of £115.4 million at 31 December 2019 compared to an income tax asset of £9.7 million at 31 December 2018. This is due to a current tax charge of £227.9 million and tax paid of £102.8 million during the year. Further detail on the current tax charge and tax paid is provided in Note 7 Income and deferred taxes.

Stage 2: Movement in Solvency II Net Assets Balance Sheet

After the Solvency II Net Assets Balance Sheet has been determined, the second stage in the derivation of the Cash result identifies a number of movements in that balance sheet which do not represent cash flows for inclusion within the Cash result. The following table explains how the overall Cash result reconciles into the total movement:

	Year ended 31 December 2019	Year ended 31 December 2018
	£'Million	£'Million
Opening Solvency II net assets	**1,108.0**	1,095.1
Dividend paid	(256.0)	(242.7)
Issue of share capital and exercise of options	8.7	2.8
Consideration paid for own shares	(0.1)	(6.0)
Proceeds from exercise of shares held in trust	0.2	–
Change in deferred tax	(10.4)	(31.8)
Change in tax discounting	(10.0)	23.4
Change in goodwill, intangibles and other non-cash movements	(13.0)	(1.5)
Cash result	229.4	268.7
Closing Solvency II net assets	**1,056.8**	1,108.0

2.3 European Embedded Value (EEV)

Wealth management differs from most other businesses, in that the expected shareholder income from client investment activity emerges over a long period in the future. We therefore supplement the IFRS and Cash results by providing additional disclosure on an EEV basis, which brings into account the net present value of the expected future cash flows. We believe that a measure of the total economic value of the Group's operating performance is useful to investors.

As in previous reporting, our EEV continues to be calculated on a basis determined in accordance with the EEV principles originally issued in May 2004 by the Chief Financial Officers Forum (CFO Forum) and supplemented in both October 2005 and, following the introduction of Solvency II, in April 2016.

Many of the principles and practices underlying EEV are similar to the requirements of Solvency II. In the prior year, we had made a number of small changes to our EEV methods and assumptions to align them as closely as possible to Solvency II. These changes were reflected in the Economic assumption changes line.

The table below and accompanying notes summarise the profit before tax of the combined business:

	Note	Year ended 31 December 2019 £'Million	Year ended 31 December 2018 £'Million
Funds management business	1	**1,121.2**	1,151.6
Distribution business	2	**(55.6)**	(38.9)
Back-office infrastructure development		**(47.9)**	(44.1)
Other		**(65.7)**	(66.6)
EEV operating profit		**952.0**	1,002.0
Investment return variance	3	**768.6**	(460.9)
Economic assumption changes	4	**(27.0)**	(15.1)
EEV profit before tax		**1,693.6**	526.0
Tax		**(286.8)**	(89.7)
EEV profit after tax		**1,406.8**	436.3

A reconciliation between EEV operating profit before tax and IFRS profit before tax is provided in Note 3.

Notes to the EEV result

1. Funds management business EEV operating profit

The funds management business operating profit has decreased to £1,121.2 million (2018: £1,151.6 million) and a full analysis of the result is shown below:

	Year ended 31 December 2019 £'Million	Year ended 31 December 2018 £'Million
New business contribution	**793.0**	852.7
Profit from existing business		
– unwind of the discount rate	**248.5**	242.3
– experience variance	**82.1**	24.5
– operating assumption change	**(9.9)**	25.9
Investment income	**7.5**	6.2
Funds management EEV operating profit	**1,121.2**	1,151.6

The **new business contribution** for the year at £793.0 million (2018: £852.7 million) was 7% lower than the prior year, reflecting both the decrease in new business volumes and operational deleverage during the year as fixed expenses and overheads have not reduced in line with volumes.

The **unwind of the discount rate** for the year increased to £248.5 million (2018: £242.3 million), reflecting the higher opening value of in-force business. The **experience variance** during the year was £82.1 million (2018: £24.5 million), reflecting positive retention experience. The impact of **operating assumption changes** in the year was a negative £9.9 million, reflecting revisions to the expense basis and the treatment of partial withdrawals on offshore bond business. The significant benefit of £25.9 million in 2018 reflected a reduction in the allowance for dual running costs associated with the Bluedoor migrations following improved understanding of the expected migration dates.

2. Distribution business

The distribution loss includes the positive gross margin arising from advice income less payments to advisers offset by the costs of investment in growing the Partnership, building the distribution capabilities in Asia and a charge of £18.9 million for the FSCS levy (2018: £11.3 million).

3. Investment return variance

The investment return variance reflects the capitalised impact on the future annual management fees resulting from the difference between the actual and assumed investment returns. Given the size of our FUM, a small difference can result in a large positive or negative variance.

The typical investment return on our funds during the year was positive 15% after charges, compared to the assumed investment return of positive 2%. This resulted in a positive investment return variance of £768.6 million (2018: negative £460.9 million).

4. Economic assumption changes

The negative variance of £27.0 million arising in the year (2018: negative £15.1 million) reflects the negative effect from a reduction in real yields over the year.

Financial Review continued

2.3 European Embedded Value (EEV) continued

New business margin

The largest single element of the EEV operating profit (analysed in the previous section) is the new business contribution. The level of new business contribution generally moves in line with new business levels. To demonstrate this link, and aid understanding of the results, we provide additional analysis of the new business margin (the 'margin'). This is calculated as the new business contribution divided by the gross inflows, and is expressed as a percentage.

The table below presents the margin before tax from our manufactured business:

	Year ended 31 December 2019	Year ended 31 December 2018
Investment		
New business contribution (£'Million)	**123.0**	129.0
Gross inflows (£'Billion)	**2.28**	2.41
Margin (%)	**5.4**	5.4
Pension		
New business contribution (£'Million)	**434.0**	454.2
Gross inflows (£'Billion)	**8.66**	8.76
Margin (%)	**5.0**	5.2
Unit Trust and DFM		
New business contribution (£'Million)	**236.0**	269.5
Gross inflows (£'Billion)	**4.16**	4.53
Margin (%)	**5.7**	6.0
Total business		
New business contribution (£'Million)	**793.0**	852.7
Gross inflows (£'Billion)	**15.10**	15.70
Margin (%)	**5.3**	5.4
Post-tax margin (%)	**4.4**	4.5

The overall margin for the year was lower at 5.3% (2018: 5.4%) reflecting a decrease in new business volumes and an increase in establishment expenses during the year.

Economic assumptions

The principal economic assumptions used within the cash flows at 31 December are set out below:

	Year ended 31 December 2019	Year ended 31 December 2018
Risk-free rate	**0.9%**	1.4%
Inflation rate	**3.3%**	3.4%
Risk discount rate (net of tax)	**4.0%**	4.5%
Future investment returns:		
– Gilts	**0.9%**	1.4%
– Equities	**3.9%**	4.4%
– Unit-linked funds	**3.2%**	3.7%
Expense inflation	**3.7%**	3.8%

The risk-free rate is set by reference to the yield on ten-year gilts. Other investment returns are set by reference to the risk-free rate.

The inflation rate is derived from the implicit inflation in the valuation of ten-year index-linked gilts. This rate is increased to reflect higher increases in earnings-related expenses.

EEV sensitivities

The table below shows the estimated impact on the reported value of new business and EEV to changes in various EEV calculated assumptions. The sensitivities are specified by the EEV principles and reflect reasonably possible levels of change. In each case, only the indicated item is varied relative to the restated values.

		Change in new business contribution		Change in European Embedded Value
		Pre-tax	Post-tax	Post-tax
	Note	£'Million	£'Million	£'Million
Value at 31 December 2019		**793.0**	**658.8**	**7,059.8**
100bp reduction in risk-free rates, with corresponding change in fixed interest asset values	1	**(26.7)**	**(22.3)**	**(116.5)**
10% increase in withdrawal rates	2	**(55.0)**	**(45.7)**	**(371.8)**
10% reduction in market value of equity assets	3	**–**	**–**	**(721.4)**
10% increase in expenses	4	**(22.0)**	**(18.3)**	**(86.1)**
100bp increase in assumed inflation	5	**(29.5)**	**(24.6)**	**(132.8)**

Notes to the EEV sensitivities

1. This is the key economic basis change sensitivity. The business model is relatively insensitive to change in economic basis. Note that the sensitivity assumes a corresponding change in all investment returns but no change in inflation.
2. The 10% increase is applied to the withdrawal rate. For instance, if the withdrawal rate is 8% then a 10% increase would reflect a change to 8.8%.
3. For the purposes of this sensitivity all unit-linked funds are assumed to be invested in equities. The actual mix of assets varies and in recent years the proportion invested directly in UK and overseas equities has exceeded 70%.
4. For the purposes of this sensitivity only non-fixed elements of the expenses are increased by 10%.
5. This reflects a 100bp increase in the assumed RPI underlying the expense inflation calculation.

	Change in new business contribution		Change in European Embedded Value
	Pre-tax	Post-tax	Post-tax
	£'Million	£'Million	£'Million
100bp reduction in risk discount rate	**96.0**	**79.7**	**543.3**

Although not directly relevant under a market-consistent valuation, this sensitivity shows the level of adjustment which would be required to reflect differing investor views of risk.

Analysis of the EEV result

The table below provides a summarised breakdown of the embedded value position at the reporting dates:

	31 December 2019	31 December 2018
	£'Million	£'Million
Value of in-force business	**6,003.0**	4,763.5
Solvency II net assets	**1,056.8**	1,108.0
Total embedded value	**7,059.8**	5,871.5
	Pence	Pence
Net asset value per share	**1,320.1**	1,109.0

The EEV result above reflects the specific terms and conditions of our products. Our pension business is split between two portfolios. Our current product, the Retirement Account, was launched in 2016 and incorporates both pre-retirement and post-retirement phases of this investment in the same product. Earlier business was written in our separate Retirement Plan and Drawdown Plan products, targeted at the each of the two phases separately, and therefore has a slightly shorter term and lower new business margin.

Our experience is that much of our Retirement Plan business converts into Drawdown business at retirement, but, in line with the EEV guidelines, we are required to defer recognition of the additional value from the Drawdown Plan until it is crystallised. If instead we were to assess the future value of Retirement Plan business (beyond the immediate contract boundary) in a more holistic fashion, in line with Retirement Account business, this would result in an increase of approximately £385 million to our embedded value (31 December 2018: approximately £350 million).

In November 2019, the UK Prime Minister pledged to postpone the reduction in the corporation tax rate to 17%. This change has yet to be substantively enacted and therefore is not reflected in the total embedded value presented above. The impact, were the change to be substantively enacted, would be a reduction our embedded value of approximately £98 million.

Financial Review continued

Section 3: Solvency

St. James's Place has a business model and risk appetite that results in underlying assets being held that fully match with our obligations to clients. Our clients can access their investments 'on-demand' and because the encashment value is matched, movements in equity markets, currency markets, interest rates, mortality, morbidity and longevity have very little impact on our ability to meet liabilities. We also have a prudent approach to investing shareholder funds and surplus assets in cash, AAA-rated money market funds and highly rated government securities. The overall effect of the business model and risk appetite is a resilient solvency position capable of enabling liabilities to be met even through adverse market conditions.

Our Life businesses are subject to the Solvency II capital regime which applied for the first time in 2016. Given the relative simplicity of our business compared to many, if not most, other organisations that fall within the scope of Solvency II, we have continued to manage the solvency of the business on the basis of holding assets to match client unit-linked liabilities plus a management solvency buffer (MSB). This has ensured that, not only can we meet client liabilities at all times (beyond the Solvency II requirement of a '1 in 200 years' event), but we also have a prudent level of protection against other risks to the business. At the same time, we have ensured that the resulting capital held meets with the requirements of the Solvency II regime, to which we are ultimately accountable.

For the year ended 31 December 2019 we reviewed the level of our MSB and concluded that it was appropriate to decrease the MSB for the Life businesses from £355 million to £320 million. The decrease primarily reflects the reduction in risk in our UK Life business as we come towards the end of the back-office infrastructure programme. All of this business is administered on Bluedoor following the final successful migrations during the year.

The Group's overall Solvency II net assets position, MSB and management solvency ratios are as follows:

31 December 2019	Life[1] £'Million	Other regulated £'Million	Other[2] £'Million	Total £'Million	2018 Total £'Million
Solvency II net assets	**337.7**	**235.8**	**483.3**	**1,056.8**	1,108.0
MSB	**320.0**	**156.2**	**–**	**476.2**	491.0
Management solvency ratio	**106%**	**151%**	**–**	**–**	–

1 After payment of year-end intra-group dividend.

2 Before payment of the Group final dividend.

Solvency II net assets reflect the assets of the Group in excess of those matching clients' unit linked liabilities. It includes a £98.5 million (2018: £111.6 million) deferred tax asset which is not immediately fungible, although we expect it will be utilised over the next ten years. The actual rate of utilisation will depend on business growth and external factors, particularly investment market conditions.

Solvency II Balance Sheet

Whilst we focus on Solvency II net assets and the MSB to manage solvency, we provide additional information about the Solvency II free asset position for information. The presentation starts from the same Solvency II net assets, but includes recognition of an asset in respect of the expected value of in-force cash flows (VIF) and a risk margin (RM) reflecting the potential cost to secure the transfer of the business to a third party. The Solvency II net assets, VIF and RM comprise the 'own funds', which are assessed against our regulatory solvency capital requirement (SCR), reflecting the capital required to protect against a range of '1 in 200' stresses. The SCR is calculated on the standard formula approach. No allowance has been made for transitional provisions in the calculation of technical provisions or the SCR.

An analysis of the Solvency II position for our Group, split by regulated and non-regulated entities at the year end is presented in the table below:

31 December 2019	Life[1] £'Million	Other regulated £'Million	Other[2] £'Million	Total £'Million	2018 Total £'Million
Solvency II net assets	**337.7**	**235.8**	**483.3**	**1,056.8**	1,108.0
Value of in-force (VIF)	**4,303.5**	**–**	**–**	**4,303.5**	3,388.8
Risk margin	**(1,213.3)**	**–**	**–**	**(1,213.3)**	(989.4)
Own funds (A)	**3,427.9**	**235.8**	**483.3**	**4,147.0**	**3,507.4**
Solvency capital requirement (B)	**(3,059.4)**	**(88.6)**	**–**	**(3,148.0)**	(2,447.3)
Solvency II free assets	**368.5**	**147.2**	**483.3**	**999.0**	**1,060.1**
Solvency ratio (A/B)	**112%**	**266%**		**132%**	**143%**

1 After payment of year-end intra-group dividend.

2 Before payment of the Group final dividend.

The solvency ratio after payment of the proposed Group final dividend is 126% at the year end (2018: 137%).

In 2018 the solvency ratio reflected the positive effect of the equity dampener depressing the market risk capital component. Management chose not to release this volatile additional amount of free assets, which course of action has been justified through its unwind over the year. At 31 December 2019 the equity dampener is (0.1)% (31 December 2018: (6.3)%). We continue to target a solvency ratio of 110% for SJPUK, our largest insurance subsidiary, as agreed with our regulator the PRA. As the business grows, the weighting of the balance sheet towards SJPUK will result in a gradual dilution of the group solvency ratio, but this will not reflect any change in risk appetite, nor risk inherent in the business.

Solvency II sensitivities

The table below shows the estimated impact on the Solvency II free assets, the SCR and the solvency ratio from changes in various assumptions underlying the Solvency II calculations. In each case, only the indicated item is varied relative to the restated values.

The solvency ratio is not very sensitive to changes in experience or assumptions, and, due to the approach to matching unit-linked liabilities with appropriate assets, can move counter-intuitively depending on circumstances, as demonstrated by the sensitivity analysis presented below:

	Note	Solvency II free assets £'Million	Solvency II capital requirement £'Million	Solvency ratio %
Value at 31 December 2019		**999.0**	**3,148.0**	**132%**
100bp reduction in risk free rates, with corresponding change in fixed interest asset values	1	**897.6**	**3,148.3**	**129%**
10% increase in withdrawal rates	2	**1,039.3**	**2,961.4**	**135%**
10% reduction in market value of equity assets	3	**902.5**	**2,835.0**	**132%**
10% increase in expenses	4	**949.5**	**3,142.2**	**130%**
100bp increase in assumed inflation	5	**913.4**	**3,150.4**	**129%**

Notes to the Solvency II sensitivities

1. This is the key economic basis change sensitivity. The business model is relatively insensitive to change in economic basis. Note that the sensitivity assumes a corresponding change in all investment returns but no change in inflation.
2. The 10% increase is applied to the lapse rate. For instance, if the lapse rate is 8% then a 10% increase would reflect a change to 8.8%.
3. For the purposes of this sensitivity all unit-linked funds are assumed to be invested in equities. The actual mix of assets varies and in recent years the proportion invested directly in UK and overseas equities has exceeded 70%.
4. For the purposes of this all expenses are increased by 10%.
5. This reflects a 100bp increase in the assumed RPI underlying the expense inflation calculation.

Risk and Risk Management

Overview and culture

Effective risk management is critical to the success of the St. James's Place Group. We are exposed to a wide variety of inherent risks due to the business activities and the industry in which we operate. We choose carefully the risks we accept and those to limit or avoid through the design and operation of our client and Partner proposition, including the way in which it is delivered and administered.

In addition, the Group is also exposed to a number of current and emerging external factors and trends (including political risks such as Brexit, macro-economic factors, cyber crime and climate change) some of which may impact on our short- and/or longer-term profitability. Under the leadership, direction and oversight of our Board, these risks are carefully understood and managed to achieve our client and business objectives (as set out on pages 14 to 23).

We do not, and cannot, seek to eliminate risk entirely, rather we seek to understand our risks fully and manage them appropriately. The emphasis is on applying effective risk management strategies, so that all material risks are identified and managed within the agreed risk appetite. Risk management is embedded within our culture and is therefore a core aspect of decision-making.

Risk management forms a key part of the business planning process, including decisions on strategic developments to our client and Partner propositions, investments and dividend payments.

Our risk and controls management framework

The internal control environment is built upon a strong control culture and organisational delegation of responsibility. The 'first line' business is responsible and accountable for risk management. This is then combined with oversight from the 'second line' risk, controls and compliance functions and assurance from the 'third line' internal audit to form a 'three lines of defence' model.

The risk management and control framework is the combined processes by which the Group identifies, assesses, measures, manages and monitors the risks that may impact on the successful delivery of its strategic objectives. Based upon our risk appetite, the risks identified are either accepted or appropriate actions are taken to mitigate them.

The Board, through the Risk Committee, takes an active role in overseeing the Risk Management Framework, for which it is responsible. As part of this the Board robustly assesses its principal and emerging risks, which are considered in regular reporting and summarised annually in the Own Risk and Solvency Assessment: further information on this is provided overleaf.

On behalf of the Board, the Audit Committee takes responsibility for assessing the effectiveness of the Group's risk management and internal control systems, covering all material controls, including financial, operational and compliance controls. It does this via an annual review of risk and control self-assessments and a programme of control effectiveness reviews, the results of which are reviewed quarterly.

The diagram below depicts our risk management framework.

1. Loss event reporting
2. Emerging risk assessment
3. Stress and scenario testing
4. Risk and controls self assessment
5. Operational risk assessments
6. Reverse stress testing
7. Own Risk and Solvency Assessment
8. Recovery and resolution planning
9. Risk registers
10. Regular risk reporting
11. Key Risk Indicators (KRIs)
12. Risk relationship meetings

Our risk appetite

The Board carefully sets its appetite for taking risk against strategic objectives. These choices are set out in detail in our Risk Appetite Statement, which is reviewed at least annually by the risk committees of the Board (the Risk Committee) and Executive Board (Group Risk Executive Committee) and ultimately approved by the Board. The Risk Appetite Statement also provides clarity over ownership, enabling us to identify the key individuals within the Group who have responsibility for managing these risks.

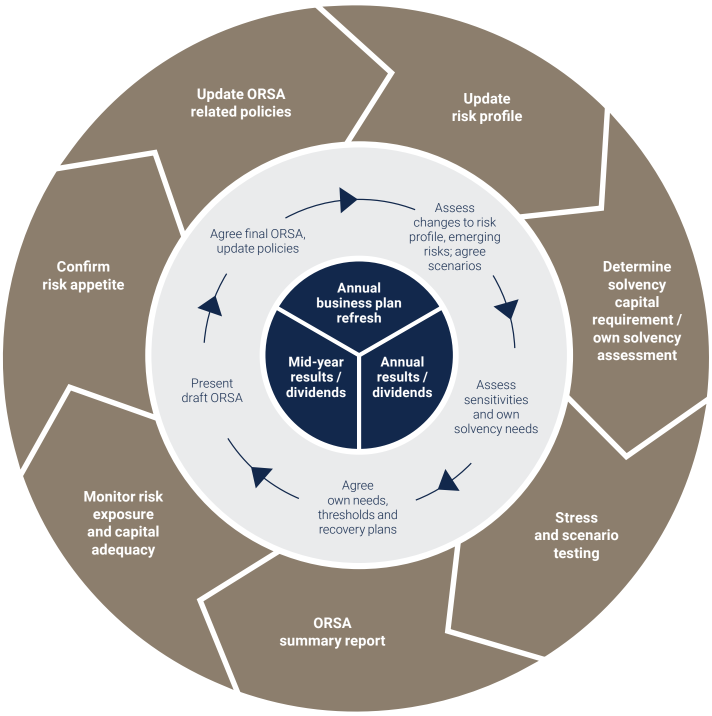
The Risk Appetite Statement includes a risk appetite scale. This scale has several risk acceptance levels, ranging from no appetite for taking risks at all, through to acceptance of risk. The level of risk we are willing to accommodate will vary dependant on individual risk scenarios. The decisions the Board takes when setting appetite will be based on understanding the likelihood and impact of a risk materialising.

Risk appetite can and will change over time, sometimes rapidly as economic and business environment conditions change, and therefore the statement is an evolving document. A comprehensive suite of Key Risk Indicators (KRIs) is reported regularly to enable the Risk Committee, on behalf of the Board, to monitor that the Group remains within its accepted appetite.

Own Risk and Solvency Assessment (ORSA)

We are classified as an insurance group and are subject to Solvency II insurance regulation. A key part of this regulation requires a consistent approach to risk management across the Group, supported by the production of an annual ORSA, which considers both the individual insurance entities and Group.

The ORSA process follows an annual cycle, which links the business activity and strategic objectives with comprehensive risk assessments, and ensures the Group is resilient to stresses in the short term and over a five-year period. The ORSA cycle is depicted in the diagram on the right.



The solvency capital requirement for insurers allows for at least a '1 in 200-year' risk event over a one-year time horizon. In addition, a broad range of severe stresses and scenarios are used to help provide insight into the ability to maintain the regulatory capital in these conditions. Our results show that with appropriate management action it would be possible to maintain regulatory capital across the Group under all scenarios modelled for the business planning horizon. The outcomes of these activities assist us when considering the calculations and allocation of risk capital to all major risks in the Group, and the adequacy of capital positions. This process ensures our continued confidence that the regulated entities remain strongly capitalised.

The ORSA uses a five-year projection period for the medium term. Due to the gestation period across some of our pension and investment product range, we do not earn annual management fees in the first six years and so considering a five year period gives a prudent view of the Group's viability as we consider revenues generated on existing business only. The ORSA is particularly useful in assessing viability as it has a similar purpose and requires a comprehensive assessment of risk management and risk capital requirements of the business. Consideration is given to factors or events that impact on our funds under management, investment growth, retention of clients and ability to attract new clients, in addition to the effects of a market downturn. Combinations of these factors are used to form scenarios which are tested, providing for more extreme combinations of events. Therefore, assumptions are robustly analysed to predict both the immediate impact of an event along with the impact over the longer term (in the wake of the event). In addition to these more extreme 'combination' scenarios, assessments are also completed based on more current/topical or emerging risk exposures affecting the Group or financial services more generally.

The ORSA aids decision making by bringing together the following processes:

- strategic planning;
- risk appetite consideration;
- risk identification and management; and
- capital planning and management.

The ORSA continues to evolve and further strengthen risk management processes throughout the Group.

Risk and Risk Management continued

Principal risks and uncertainties

The types of principal risks and uncertainties have not changed significantly over the past year. The strategic areas on which these risks impact, and the high-level controls and processes through which we aim to mitigate them, are set out in the tables on the following pages. Reputational damage and impacts to shareholders and other stakeholders are a likely consequence of any of our principal risks materialising.

Over the past year, the continued uncertainties around Brexit and international trade have impacted investor sentiment. Whilst some of the UK political uncertainties have recently reduced, global economic factors, such as the impact on trade of the coronavirus, continue to impact on markets and investor behaviour. While we have very little direct exposure to market risk because of our matching policy (where we hold assets which match our liability to clients), we do have indirect exposure because of the impact these uncertainties have on new business and funds under management. Stress and scenario testing has been performed which demonstrates that the businesses is resilient to extreme but plausible scenarios. We continually monitor the changing environment, to ensure our analysis and scenario testing remains current. Although scenarios of political change (Brexit, general elections and trade wars) can drive changes in risk, the potential impacts on our business would manifest in ways with which we are familiar, notably, market risk, persistency risk, changes in new business levels and operational risks. We cover these risks more specifically in the table in the following pages.

The following symbols are used to indicate which primary strategic objectives our principal risks could impact, recognising that they could also have a secondary impact on other strategic objectives.

Key strategic areas

- PEOPLE
- FINANCIALS
- THE PARTNERSHIP
- CLIENTS
- INVESTMENT MANAGEMENT

	Risk description	Strategy	Key risks	Example controls
Administration service	We fail to deliver good quality administration services to clients and the Partnership.		• Clients and the Partnership receive poor policy administration • Failure of key administration system change projects • Administrative complexity	• Management of administrations centres to ensure key service standards are met • Continuous development of technology • Effective planning of large-scale change projects • Ongoing activity to reduce administrative complexity
Brand and competition	Challenge from competitors and the impact of reputational damage.		• Increased competitive pressure from traditional and disruptive (non-traditional) competitors • Cost and charges pressure • Negative media coverage	• Clear demonstration of value delivered to clients through advice, service and products • Investment in improving positive brand recognition • Ongoing development of client and Partner propositions • Pro-active engagement with external agencies including media, industry groups and regulators
Client proposition	Our product proposition fails to meet the needs, objectives and expectations of our clients. This includes poor relative investment performance and poor product design.		• Issues with manufactured products • Investments provide poor returns relative to their benchmarks and/or do not deliver expected client outcomes • Range of solutions does not align with the product and service requirements of our current and potential future clients • Failure to meet client expectations of a sustainable business, not least in respect of responsible investing	• Regular monitoring of manufactured products' performance • Monitoring of investment performance and selection of the most appropriate funds from a risk/net return perspective • Continuous development of the range of services offered to clients • Engagement with investment managers around principles of responsible investment
Conduct	We fail to provide quality, suitable advice or service to clients.		• Partners deliver poor quality or unsuitable advice • Failure to evidence the provision of quality service and advice	• Licensing programme ensuring appropriate standard of advice and service from advisers • Technical support helplines for advisers • Timely and clear responses to client complaints • Robust oversight process of the advice provided to clients delivered by Business Assurance, Compliance Assurance, Field Risk and Advice Guidance teams

	Risk description	Strategy	Key risks	Example controls
Financial	We fail to effectively manage the business finances.		• Failure to meet client liabilities • Investment/market risk • Credit risk • Liquidity risk • Insurance risk • Expense risk	• Policyholder liabilities are fully matched • Excess assets generally invested in high-quality, high-liquidity cash and cash equivalents • Lending to the Partnership is secured on their future income streams • Reinsurance of insurance risks • Ongoing monitoring of all risk exposures and experiences • Acceptance of market and persistency risk impact on profit • Monitoring and management of individual entities solvency to minimise Group interdependency
Outsourcing	Third party outsourcers' activities impacts our performance and risk management.		• Operational failures by material outsourcers • Failure of critical service, significant areas include: – Investment administration – Investment management – Custody – Policy administration – Cloud services	• Oversight regime in place to identify prudent steps to reduce risk of operational failures by material third-party providers • Ongoing monitoring • Due diligence of key suppliers
Partner proposition	Our proposition solution fails to meet the needs, objectives and expectations of our current and potential future Partners.		• Failure to attract new members of the Partnership • Failure to retain advisers/Partners • Failure to increase adviser productivity • Available technology falls short of client and Partner expectations and fails to support growth objectives • The Academy does not adequately support adviser growth	• Focus on providing a market-leading adviser proposition • Adequately skilled and resourced population of supporting field managers • Reliable systems and administration support • Expanding the Academy capacity and supporting recruits through the Academy and beyond • Market-leading support to Partners businesses
People	We are unable to attract, retain and organise the right people to run the business.		• Loss of key personnel • Poor employee morale • Lack of inclusion and diversity in our business • Our culture of supporting social value is eroded	• Measures to maintain a stable population of employees, including competitive total reward packages • Monitoring of employee engagement and satisfaction • Corporate incentives to encourage social value engagement, including matching of employee charitable giving to the Charitable Foundation • Whistle-blowing hotline
Regulatory	We fail to meet current, changing or new regulatory and legislative expectations.		• Failure to comply with changing regulation • Inadequate internal controls • Failure to respond to regulatory driven changes to the industry in which we operate • Solvency risk	• Compliance functions provide expert guidance and carry out extensive assurance work • Strict controls are maintained in highly regulated areas • Maintenance of appropriate solvency capital buffers, and continuous monitoring of solvency experience • Fostering of positive regulatory relationships
Security and resilience	We fail to adequately secure our physical assets, systems and/or sensitive information, or to deliver critical business services to our clients.		• Internal or external fraud • Core system failure • Corporate, Partnership, or third-party information security and cyber risks • Disruption in key business services to our clients	• Business continuity planning for SJP and its key suppliers • Identification, communication, and response planning for the event of cyber crime • Data leakage detection technology and incident reporting systems • Internal awareness programmes • Identification and assessment of critical business services

Risk and Risk Management continued

Emerging risks

Emerging risks are identified through conversations and workshops with stakeholders throughout the business, attending industry events, reviewing academic papers, watching emerging risk webinars and other horizon scanning by Group Risk.

The purpose of monitoring and reporting emerging risks is to give assurance that we are prioritising our response to emerging risks appropriately in our strategy, which is the primary risk management tool for longer-term strategic risks. Examples of emerging risks which have been considered during the year include:

- risks that may result from changes in the political environment that could impact our business, including changes in regulation and legislation, and also investment market volatility or disruption;
- risks from digital disruption from competitors or shifts in consumer trends away from face-to-face advice;
- failing to capitalise on our significant investment in administration systems;
- risks relating to an ageing population of our clients and failure to appeal to future generations of clients; and
- risks relating to climate change.

Viability statement

How we assess our viability

The business considers five-year financial forecasts when developing the strategy. These incorporate our budget for the next financial year and four further years of forecasts based on reasonable central assumptions around development of business drivers.

At the core of assessing our viability we seek to understand how different principal risks could materialise. We consider risks which might present either in isolation or in combination and which could result in acute shocks to the business or long-term underperformance against forecasted business drivers. We consider the five-year time horizon sufficiently long to assess potential impacts and ensure that the business could remain viable whilst enacting any management actions to restore the business' prospects.

When considering how the principal risks previously described might impact the business, we consider our ability to deal with particular events and changes to the following key financial drivers:

- Reduction in client retention;
- Reduction in new business relative to forecasts;
- Market stresses;
- Increases in expenses; and
- Direct losses through operational risk events.

We carry out stress and scenario testing on these key financial drivers, alongside operational risk assessments. To provide comfort over viability over the next five years, the scenarios and assessments look at events which would be extreme, whilst still remaining plausible. This work demonstrates that, although there would be impacts on profitability, the Group is resilient and could continue to meet regulatory capital requirements over five years should even the more extreme risks materialise.

As well as robust scenario testing the Directors have given consideration to assessments of the current risk environment, including how risks are managed through controls relative to the risk appetite, and emerging risks.

Example scenario

A wide variety of stresses and scenarios are applied to test all material drivers in a variety of ways to provide understanding of any dynamic impacts. As an example of a type of scenario which is considered, we assessed the direct financial implications of dealing with a major cyber-attack. We also modelled the impact of a large reduction in new business levels alongside a large mass lapse. We looked at the immediate impacts and the impact over five years, where we further assumed there was no subsequent growth in new business levels and no market growth.

Resilience over different time horizons

The table below provides an indication of which risk are relevant over different timeframes and why the Group is considered to be resilient over these timeframes.

Over the next year	Over the next five years	Beyond 2024
Risks The key risks to business resilience in the short term are likely to be operational in nature, such as data loss or system failure. The share price could reflect risks that crystallise over the year but have a delayed or gradual impact on business performance. Liquidity risks would also be relevant for this time window. These risks are also relevant for the longer time periods. **Resilience** The Group generates relatively steady cash profits on existing funds under management and new business. This has allowed the Group to grow dividends and invest in growing the business. This is expected to remain the case over the next year and the Group maintains access to the finance necessary for its business plan. If severe risks materialised over the year and resulted in significant costs, the Group would have options to deal with the financial implications. Whilst other options would be explored first, curtailing investment or reducing dividends would be obvious ways to protect the financial strength of the business. Operational resilience is also important and risks which might cause severe business disruption are carefully managed. The success of the back-office system migration is an example of this. There are not considered to be any material uncertainties over the ability of the Group to survive over the one-year time horizon.	**Risks** Investor sentiment, market impacts and changes to regulation after the Brexit related transition period continue to provide uncertainty. Aside from Brexit, risk relating to changes to advice regulation would likely impact the business in the next five years, or beyond. The importance of technology in the client proposition is only likely to become more important and risks may materialise from non-traditional competitors seeking to disrupt the UK financial advice market. Risks which have a more gradual effect, such as talent retention and acquisition, are also relatively more important over a longer time horizon. **Resilience** Counteracting the medium-term risks, there is more time to respond and take actions to manage the Group's prospects. As already referenced stress and scenario testing takes place which provides comfort over the Group's ability to weather storms over a five-year time horizon and adapt accordingly. The Group's strategy is designed to navigate the threats and keep our proposition current for existing and potential clients. As the largest wealth manager in the UK the Group is well resourced to effectively respond to regulatory change and deal with increased regulatory complexity.	**Risks** Most of the shorter-term risks will remain relevant, however, over the longer-term client expectations around digital services are likely to become more important. The impact of artificial intelligence and machine and advice side will become more prevalent. Risks from climate change are starting to have an impact on investor sentiment and drive political change and this is only likely to increase. Beyond 2024 climate change is likely to be a far more significant factor for all our clients. **Resilience** Whilst the importance of technology in the advice space will grow, we believe that overall our target market will continue to value human interaction in discussing sensitive financial matters. We recognise however that the advice proposition will develop, and our advisers will need to be technology enabled. With increased use of integrated technology, we will be able to automate processes and allow our advisers to focus on the high-value advice and service aspects. We have been developing our responsible investing proposition for some years and welcome the focus in this area as the right thing to do and as an opportunity to maximise client benefit through our active investment management approach.

Conclusion

In accordance with UK Corporate Governance Code (Provision 31), the Directors have assessed the Group's current financial position and prospects over the next five-year period and have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due. The Directors believe that the risk planning, management processes and culture, allow for a robust and effective risk management environment.

In addition to the assessment of longer-term viability and resilience set out above, the Board have assessed the Group's going concern status. Further information is provided in the Directors' Report on page 126.

Section 172(1) Statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this s.172 requires a director to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

In discharging our section 172 duty we have regard to the factors set out above and also other factors which we consider relevant to the decision being made. Those factors, for example, include the interests and views of Partners and our relationship with regulators. We acknowledge that every decision we make will not necessarily result in a positive outcome for all of our stakeholders. By considering the Company's purpose and values, and having a process in place for decision-making, we do, however, aim to make sure that our decisions are consistent with its strategic objectives and the long-term success of the Company.

For details on how our Board operates and the way in which we reach decisions and maintain high standards of business conduct, including the matters we discussed and debated during the year, the key stakeholder considerations that were central to those discussions and the way in which we have had regard to the need to foster the Company's business relationship with customers, suppliers, employees and other stakeholders, please see 'What the Board did this year' (page 79) and 'Relations with stakeholders' (pages 80 and 81).

We set out below some examples of how the Directors have had regard to the matters set out in s.172(1)(a)-(f) when discharging their section 172 duty and the effect of that on certain of the decisions taken by them.

Example	Consideration	Details
Culture	During 2019 St. James's Place received criticism in the media in relation to aspects of its culture. A culture of 'doing the right thing' has been an important part of the Group's strategy since its outset and underpins the continued high levels of client satisfaction and particularly employee engagement. However, the criticism did highlight that our culture may not be as clear and recognisable to those unfamiliar with us as we would like it to be and that aspects of it should evolve to reflect the changing nature of the Group and the environment in which it operates. The Board and management took time to reflect and sought further insight from a number of stakeholders across the community which reinforced the Board's view that our culture remained key to our success but could be better communicated to those less familiar with St. James's Place. Recognising the importance of safeguarding the culture, we concluded that it was important to articulate the culture more clearly through a stated purpose, values and examples of desirable behaviour. The Board has supported management and approved the 'culture statement', which reflects the collective views and beliefs of the community, believing that it will assist everyone within the St. James's Place community in recognising and, where appropriate, addressing behaviour that would not be tolerated.	**Page 78**
Strategy	The Board has spent considerable time in 2019 looking at the strategy for 2020 and beyond. The corporate strategy will naturally have implications for all of our stakeholders so the Board was keen to ensure that it had an understanding of their perceptions and expectations of SJP. The strategy process sought to obtain further insight from Partners, clients and employees to support the in-depth investor perception study carried out in 2018. A business intelligence partner has also been engaged to help the Board understand its current standing with a number of other stakeholders. The insight gathered helped shape and inform the Board's decisions in relation to the 2020 business plan and budget and its longer-term strategy. It also highlighted areas where more immediate action was desirable. One such example is the review of the adviser incentive structure and development programme.	**Pages 14 to 23**
Environment	The Board is clear that all organisations have a responsibility to help address the social, environmental and economic challenges that the world faces. Insight and feedback from a broad range of our stakeholders, including shareholders, employees, clients and the Partnership, has further emphasised the need for St. James's Place to demonstrate its commitment through its actions (see Our Social Value Report on pages 24 to 37 for more information). During 2019 the Board spent considerable time reflecting on the evolution of the IMA, particularly the importance of establishing a leadership position in relation to environmental, social and governance factors. Via the IMA, St. James's Place's clients have more than £100 billion of assets under management and St. James's Place has a responsibility to ensure that those assets are managed in a manner that meets the expectations and wishes of our clients. The Board's considerations were influenced by developments in the macro environment and the views shared by our stakeholders and it agreed ways in which it would enhance the prominence of responsible investing within the IMA with the objective of achieving a leadership position. The Board's commitment was further demonstrated in the decision to sign up to the recommendations of the Taskforce for Climate-related Financial Disclosures.	**Pages 34 and 35**
Inclusion and diversity	In 2019, the Board has continued to focus on how best to encourage greater diversity and inclusion at all levels within the Group. Feedback received from the workforce helped inform regular discussions around inclusion and diversity at Board and senior management levels; gender pay and the availability of flexible working arrangements. As a result of this the Board approved a new Inclusion and Diversity Policy (**www.sjp.co.uk/about-us/inclusion-diversity**) that clearly sets out the Group's vision, designed to encourage the Group and our workforce to do the right things in this area.	**Pages 29 and 30**

Approval of the Strategic Report

As part of the Annual Report by the Directors it is a statutory requirement to produce a Strategic Report.

The purpose of the report is:

- to inform members of the Company and help them assess how the Directors have performed their duty under section 172 of the Companies Act 2006 (duty to promote the success of the Company).

The objective of the report is to provide shareholders with an analysis of the Company's past performance, to impart insight into its business model, strategies, objectives and principal risks and to provide context for the Financial Statements in the Annual Report.

The Directors consider that the report, comprising pages 2 to 66 of this document, meets the statutory purpose and objectives of the Strategic Report.

On behalf of the Board:

ANDREW CROFT
Chief Executive

CRAIG GENTLE
Chief Financial Officer

26 February 2020

The St. James's Place Charitable Foundation

"The St. James's Place Charitable Foundation has gone from strength to strength since it was formed in 1992. 2019 was another successful year with more grants being made than ever before."

CATHERINE IND, Head of the St. James's Place Charitable Foundation

Now as the sixth largest Corporate Foundation[1] it is raising and distributing over £12 million a year to charities across the UK and overseas.

The Charitable Foundation is grateful for the generous support of the St. James's Place Group and the St. James's Place community in the UK and Asia, including: Partners, advisers and employees, who year-on-year provide outstanding support in donations, fundraising and time. Key support is given through:

- regular monthly giving – over 80% of the Partners and employees of St. James's Place give a monthly donation which contributes £1.7 million a year;
- a variety of fundraising activities, from cake bakes to golf days, marathon cycles, walks and treks to charity dinners;
- £1 for £1 matching on all monies raised by the St. James's Place Group;
- supporting the day-to-day running costs and administrative overheads of the Charitable Foundation; and
- volunteering time and skills to Charitable Foundation supported charities, providing wider holistic and meaningful support.

Years of giving

27

(2018: 26)

Percentage of Partners and employees who donate each month

Over 80%

(2018: Over 80%)

You can find out more about how the Charitable Foundation is making a positive and lasting difference to people's lives at

www.sjpfoundation.co.uk

ST. JAMES'S PLACE CHARITABLE FOUNDATION

1 Association of Charitable Foundations Giving Trends Report 2019.

Making a positive impact on thousands of lives

2019 was another successful year for the Charitable Foundation – distributing £13.9 million to 1,109 charities in the UK and overseas. The Charitable Foundation grant programmes continue to focus on supporting smaller charities, where monies donated can have a bigger impact both organisationally and in enabling the charity to develop and reach more beneficiaries, providing transformational support to these charities and enabling deep and lasting impact.

Our core themes

The core themes for the grant giving programmes are:

1.

Children and young people
We support charities who support children and young people under the age of 25 who are either disadvantaged or have special needs. In 2019 we funded a range of projects including: therapeutic support to help young people facing emotional difficulties in their life, helping young people into further training, education or employment, the provision of specialist equipment for young people with special needs and funding youth workers, working specifically with marginalised young people.

2.

Cancer support
We support charities which provide help and support to those living with or affected by cancer. In 2019 we funded projects providing both emotional and practical support, helping to ease the burden that cancer will have on many aspects of a person's life.

3.

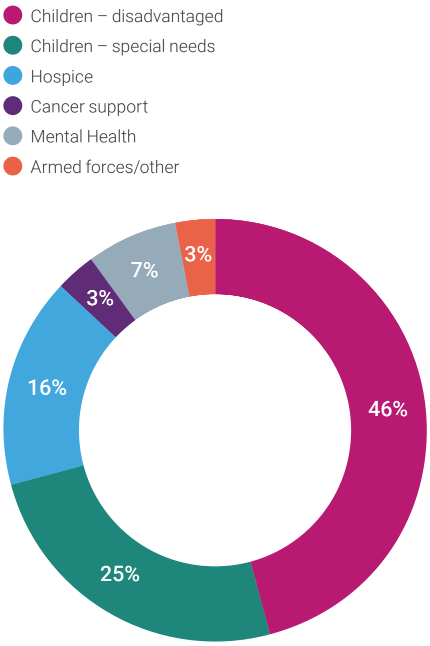
Hospice sector
We work in partnership with Hospice UK, providing £0.5 million of funding each year to hospices across the UK. The funding supports innovative projects that will develop new ways to deliver specialist and palliative care for more people with a range of debilitating and life-limiting conditions.

4.

Mental health
We have given out £1.0 million in 2019 to charities supporting people with mental health issues, helping people across all ages to make a positive step forward with their illness.

Turn over to read about the Charitable Foundation in action

Allocation of grant spend 2019



Total amount raised for good causes since inception

£93.1m

(2018: £81.0 million)

Amount raised in 2019

£12.1m

(2018: £10.0 million)

Number of individual charities supported in 2019

1,109

(2018: 1,011)

Our focus for 2020

Looking ahead to 2020 our aim is to continue to:

- extend our grant giving activities, facilitating positive change in thousands of lives;
- add value to the charities we fund by being responsive to their needs and providing wider organisational support where we can;
- develop opportunities for the community of St. James's Place to get involved with the charities we fund; and
- inspire and support the community of St. James's Place in their fundraising efforts, introducing new activities for them to get involved in.

The Charitable Foundation in action

The impact we make

In 2019 we have helped make a difference to 1,109 charities, enabling positive change to thousands of lives. We have continued to ensure that our grant making is invested in charities who can make the biggest impact, helping charities to become more robust, more confident, more empowered and to reach more people in need.

Our vision is to continue to make a positive and lasting difference to people's lives and facilitate transformational change in the organisations we support.

Here are some of the charities we have supported:

Panathlon

"The multi-year funding has enabled Panathlon to be ambitious in scaling up our ability to provide competitive sporting opportunities for children with disabilities in 1,020 schools across the UK."

ASHLEY ICETON,
Chief Executive of Panathlon

OnSide Youth Zones

"Thanks to the Charitable Foundation's support we're bringing a brand-new Youth Zone to Warrington. Much needed within the town, this centre will give young people a fantastic place to go outside of school. Packed full of youth workers and volunteers the Youth Zone will inspire Warrington's young people and help them reach their full potential."

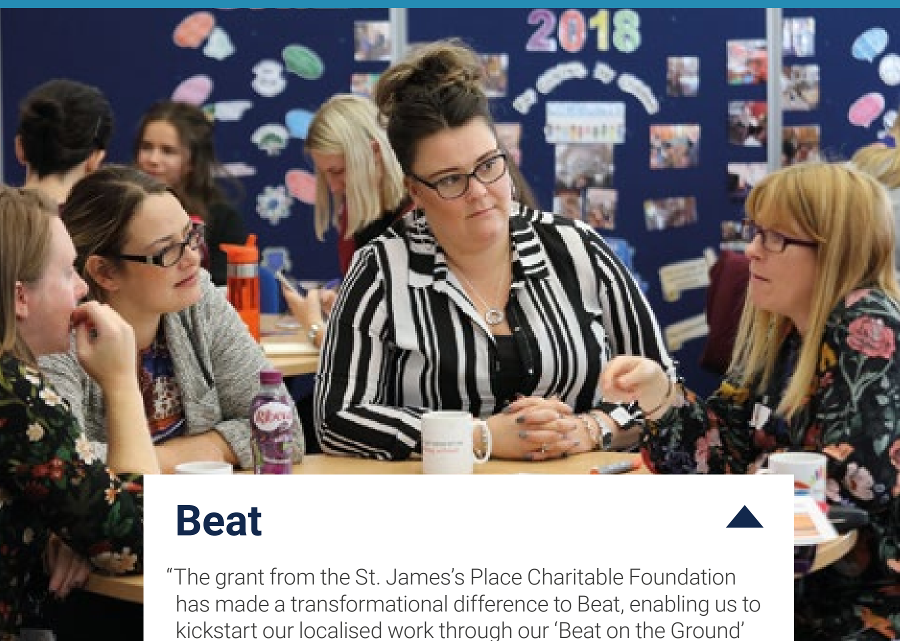
KATHRYN MORLEY,
Chief Executive of OnSide Youth Zones

Always there for young people

Hospice UK

"Hospice UK aims to transform hospice care. Our partnership with the St. James's Place Charitable Foundation helps us to implement significant change in the palliative care sector by targeting funding where it is most needed. The Charitable Foundation has a long history of supporting hospice services; building on this legacy, this partnership enables hospices to initiate or develop locally delivered approaches to end of life care, tailored to the needs of their communities. The development of a sustainable heart failure palliative care service at Nightingale House Hospice in Wrexham, and a male carers support project at St Wilfrid's Hospice in Eastbourne, are two examples of projects funded recently that widen access to hospice care."

KARL BENN,
Head of Grants



Beat

"The grant from the St. James's Place Charitable Foundation has made a transformational difference to Beat, enabling us to kickstart our localised work through our 'Beat on the Ground' programme. Thanks to the Charitable Foundation, we have been able to train over 400 school professionals in the regions, helping young people affected by eating disorders get to the specialised treatment they need, and quickly. We are now funded to deliver this training in over 50% of UK secondary schools – and it all began and was made possible thanks to the generosity of this wonderful Charitable Foundation."

JENNY WHITWORTH,
Trusts and Statutory Fundraising Officer

Cancer Support – Penny Brohn

"We are grateful to the St. James's Place Charitable Foundation for their support in funding a targeted package of care for cancer patients experiencing loneliness. The grant enabled us to deliver a range of retreats, courses and weekly community groups that provided people affected by cancer with a safe place which normalised their diagnoses and gave them crucial peer support. With the Charitable Foundation's support, over 2,000 people had reduced feelings of loneliness."

HARRISON LEONARD,
Trusts Manager

02

Governance

Corporate governance reform

The Board has continued to monitor corporate governance developments closely, responding to the FRC's consultation on the proposed revisions to the UK Corporate Governance Code (the Code) and establishing clear plans for ensuring it complied with both the letter and the spirit of both the Code and the new statutory reporting regulations (the Companies (Miscellaneous Reporting) Regulations 2018) when they came into force.

The Code and the new regulations have sought to increase the emphasis on both culture and diversity as key drivers of successful organisations and this aligns strongly with the Board's own beliefs. Whilst the Board has previously provided details of our engagement with a number of key stakeholders, including our clients, the Partnership and our employees, we have taken the opportunity to reflect on our disclosures, in response to the increased focus on stakeholder engagement, in the new reporting requirements.

This year, we have structured our corporate governance statement (see the navigation bars at the top of pages 74 to 129) so that it aligns with the new Code. We have also made clearer the links between elements of this statement and more detailed examples in the Strategic Report that seek to outline our approaches to themes within the Code, including inclusion and diversity and workforce engagement.

1 **Board leadership and Company purpose**
See pages 74 to 81.

2 **Role of the Board and its responsibilities**
See pages 82 and 83.

3 **Board composition, succession and evaluation**
See pages 84 to 88 and also the Nomination Committee Report (pages 99 to 101).

4 **Audit, risk and internal control**
See the Audit Committee and Risk Committee Reports on pages 89 to 98.

5 **Remuneration**
See the Report of the Remuneration Committee on pages 102 to 125.

"The Code and the new regulations have sought to increase the emphasis on both culture and diversity as key drivers of successful organisations and this aligns strongly with the Board's own beliefs."

IAIN CORNISH, Chair

Board of Directors


1


2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5


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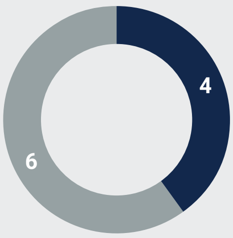
9


10

Summary Board composition

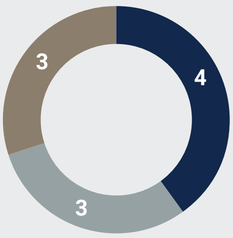
as at 26 February 2020

Gender



- Female
- Male

Tenure



- 0–3 years
- 4–7 years
- 8+ years

Committee key

- AC Member of Audit Committee
- RK Member of Risk Committee
- NC Member of Nomination Committee
- RM Member of Remuneration Committee
- Denotes Chair of Committee

1. Iain Cornish

RK NC

Chair

Date of appointment

Chair October 2018.

Non-executive Director October 2011.

Experience

Iain brings experience from both the financial and regulatory environments. He was a senior consultant at KPMG, specialising in the banking and finance sector, and then served as Chief Executive of the Yorkshire Building Society. In recent years he has been a non-executive director of Arrow Global Group plc, chair of Shawbrook Group plc and an independent director of the Prudential Regulation Authority.

External appointments

Non-executive director (and chair elect) of Leeds Building Society and Treasurer of Macmillan Cancer Support.

2. Andrew Croft

Chief Executive Officer

Date of appointment

Chief Executive Officer January 2018.

Joined St. James's Place 1993 and appointed to the Board September 2004.

Experience

Andrew joined the Company in 1993 and was Chief Financial Officer from 2004 to 2017. Having trained as an Accountant with Deloitte Haskins and Sells (now part of PricewaterhouseCoopers LLP) he then worked in the financial services sector. Since joining St. James's Place he has held a number of roles within the Finance department, assuming the role of Finance Director in 2002 and being appointed as the Chief Executive in January 2018. He is a Trustee of the St. James's Place Charitable Foundation.

External appointments

Lay member of the Audit and Risk Committee and Finance and Investment Committee of the Royal College of Surgeons of England.

3. Craig Gentle

Chief Financial Officer

Date of appointment

Chief Financial Officer January 2018.

Joined St. James's Place 2016 and appointed to the Board January 2018.

Experience

Craig joined the Company in 2016 as the Chief Risk Officer. Prior to this, Craig spent 22 years at PricewaterhouseCoopers LLP, 12 of which were as a Partner. During his time at PricewaterhouseCoopers LLP, Craig held a number of roles, including as a senior audit partner. Craig qualified as a Chartered Accountant in 1993.

External appointments

Member of the Board, Trustee and Honorary Treasurer for the Bristol Music Trust.

4. Ian Gascoigne

Managing Director

Date of appointment

Executive Director January 2003.

Joined St. James's Place 1991.

Experience

Ian is one of the founding members of the management team and is now the Managing Director. He has worked in financial services since 1986 and has considerable experience in the advice space. He is also a Trustee of the St. James's Place Charitable Foundation and Chair of the Distribution Executive Committee.

External appointments

Member of the Strategic Advisory Board of Loughborough University School of Business and Economics.

5. Emma Griffin

Independent Non-executive Director

Date of appointment

Non-executive Director February 2020.

Experience

Emma has previously been a non-executive Director of AIMIA Inc and Enterra Holdings. From 2002 to 2013, Emma was a founding partner of the stockbroking firm, Oriel Securities, which was sold to Stifel Corporation. In her early career Emma worked at HSBC James Capel and Schroders.

External appointments

Emma is currently a non-executive director and chair of the Investment Committee of Industrial Alliance Financial Group, one of Canada's largest insurance and wealth management companies, listed on the TSX, and a non-executive director of the private investment company Claridge Inc. She is also a non-executive director of Solotech Inc.

6. Rosemary Hilary

AC RK

Independent Non-executive Director

Date of appointment

Non-executive Director October 2019.

Experience

Rosemary was Chief Internal Auditor at TSB Bank from 2013 to 2016 and prior to that, from 1989 to 2013, she held a number of senior positions at the Financial Conduct Authority (formerly the Financial Services Authority) and the Bank of England. Rosemary is a Chartered Certified Accountant, FCCA. Rosemary was formerly a member of the Investment Committee and chair of the Risk and Audit Committee of the Pension Protection Fund (2016 to 2019) and Trustee and member of the Audit, Risk and Finance Committee of Shelter, the homelessness charity.

External appointments

Since 2016, Rosemary has been a non-executive director and chair of the Audit Committee of Willis Ltd; a non-executive director and chair of the Audit and Risk Committee of Record plc; and a non-executive director and chair of the Risk Committee of Vitality Life and Vitality Health.

7. Simon Jeffreys

AC RK NC RM

Independent Non-executive Director

Date of appointment

Non-executive Director January 2014.

Experience

Simon brings experience of the auditing world and financial services. He was a senior audit partner with PricewaterhouseCoopers LLP from 1986 to 2006 where he also led their Global Investment Management practice. Between 2006 and 2014, Simon was CFO and Chief Administrative Officer at Fidelity International and then CFO and Chief Operating Officer at the Wellcome Trust.

External appointments

Chair of AON UK Limited and Henderson International Income Trust plc and a non-executive director and chair of the Audit Committees of Templeton Emerging Markets Investment Trust plc and SimCorp A/S, a listed Danish financial services software company. Simon is also a non-executive director and chair of the Audit and Risk Committee of the Crown Prosecution Service.

8. Dame Helena Morrissey

Independent Non-executive Director

Date of appointment

Non-executive Director January 2020.

Experience

Dame Helena was Head of Personal Investing at Legal v General Investment Management from 2017 to December 2019. Prior to that, she was Chief Executive of Newton Investment Management, the global investment manager, from 2001 to 2016, having joined the company in 1994.

External appointments

In 2010 Dame Helena founded the 30% Club, which began with the aim of achieving more women on boards and has since broadened its efforts to tackle gender inequality more broadly. She is also the chair of the Diversity Project, and a past chair of the Investment Association and since 2015 has been a member of the UK Chancellor's Financial Services Trade and Investment Board. From 2014 to 2017 she was a non-executive director of the Takeover Panel.

She was appointed Commander of the Order of the British Empire (CBE) in 2012 and Dame Commander of the Order of the British Empire (DBE) in 2017.

9. Baroness Wheatcroft

AC RK NC RM

Independent Non-executive Director

Date of appointment

Non-Executive Director April 2012.

Experience

Baroness Wheatcroft brings experience of the media and also the legislature. Her career has included editorial roles at both the Sunday Telegraph and The Times, as well as being Editor-in-Chief at the Wall Street Journal, Europe. She is a member of the House of Lords. Her financial services experience includes previous appointments as a non-executive director of Barclays Group plc and Shaftesbury plc.

External appointments

Non-executive director of Fiat Chrysler Automobiles. Chair of the Financial Times Appointments and Oversight Committee. Member of the House of Lords.

10. Roger Yates

AC RK NC RM

Senior Independent Non-executive Director (SID)

Date of appointment

Senior Independence Non-executive Director October 2018

Non-executive Director January 2014.

Experience

Roger brings over 30 years of investment management experience. He started his career with GT Management Limited in 1981 and has subsequently held positions at Morgan Grenfell, Invesco and Henderson Group plc, where he was Chief Executive Officer. Most recently, he was chair of Electra Private Equity plc and a non-executive director of IG Holdings plc and J.P. Morgan Elect plc.

External appointments

Senior independent non-executive director (SID) of Mitie Group plc and non-executive director of Jupiter Fund Management PLC.

Full biographical details of each Director can be found on the corporate website at **www.sjp.co.uk**

Chair's Report

IAIN CORNISH, Chair

"The Board remains confident in the fundamental strength of the business and in its ability to take advantage of the long-term structural opportunities which exist in its market."

Introduction

Despite external challenges, St. James's Place continued to grow in 2019. This is testament to the trust put in us by existing and new clients, the professionalism of the Partnership and the strength of the St. James's Place proposition, which, in turn, underpins the enduring success and resilience of the business.

Our role is to plan, grow and protect the financial future of clients, and we do so by developing long-term relationships, working hand in hand with our clients, to advise them on their long-term financial strategies (see Clients on page 14). We are operating in an environment where the value of trusted face-to-face advice has never been more important.

The industry

The asset and fund management sector, including St. James's Place, came under significant scrutiny last year, with the failure of Woodford Investment Management (WIM). St. James's Place funds managed by WIM were held as segregated mandates and our distinctive Investment Management Approach (IMA) prevented WIM from investing any St. James's Place client funds in unquoted stocks. We quickly moved funds away from WIM and preserved full client access. Whilst this was a tangible demonstration of the value of our IMA, the Board has, nevertheless, fully considered the wider implications of this episode and identified areas in which we could strengthen it further.

The industry remains under scrutiny on the levels of fees, charges and value delivered to clients. The St. James's Place proposition is fundamentally different to that of an online funds platform, and it is unfortunate that much of the public commentary on fees and charges has been overly simplistic. Independent third-party analysis demonstrates that, for our target market, St. James's Place charges are competitive, and our wealth account survey demonstrates that clients support this view. However, the Board recognises the need to further improve the transparency and client understanding of fees and to ensure that we continue to deliver value for clients. This will remain a focus.

Clients

For many clients 2019 proved a very positive one in terms of investment returns, buoyed by strong, but at times volatile, investment performance across major investment markets globally. We are naturally pleased that all of our investment portfolios delivered strong growth, supporting positive client outcomes.

The Board continues to support the evolution of our proposition so that we improve our ability to serve client needs. One example of this in 2019 is the work we undertook to enhance our approach to identifying, servicing and supporting vulnerable clients. Another is the development of propositions around long-term care, again signifying our desire to make sure we can support clients as their needs change and develop.

Investment for the future

We continue to invest in the future growth of the business including the St. James's Place Academy, through which we train new advisers for the Partnership (see Partnership on page 16), as well as our Rowan Dartington and Asian operations.

The pace of technological change in our industry is relentless, and the Board believes it is important to continue to invest in this area to meet client and adviser expectations and to improve our operating excellence. In October we completed the successful migration of all our core UK business to the new Bluedoor platform which will provide a solid operating system for future growth.

Purpose and culture

The Board spent considerable time in 2019 reflecting on purpose, culture and values. The founding principles of the business recognised the importance of wider social purpose: 'doing the right thing' and 'giving something back'. Our desired culture is best exemplified by the St. James's Place Charitable Foundation which is a core part of our business model. More than eight out of ten of our Partners and employees make regular donations to the Charitable Foundation, and many actively participate in fund raising and other charitable activities.

There are many other ways in which St. James's Place makes an active contribution to society: we directly benefit the financial well-being of 733,000 clients and their families; we help 4,271 advisers thrive in providing high-quality advice across 2,564 separate Partner businesses; we are stewards, on behalf of our clients, of £117.0 billion of assets; we employ 2,634 people; we are the largest provider of financial advice in the UK and seek to be a good regulatory citizen; the Company and the Partnership are an active part of many local communities; and, we are a significant tax payer. During the last year, the Board took account of all of these stakeholders in its decision making and will continue to do so in future (see S.172(1) Statement on page 66 for examples).

It was clearly disappointing when some aspects of our culture were subject to criticism last year, particularly in relation to way in which the Partnership is rewarded. Recognising achievement and bringing advisers together to provide development and networking opportunities remains an important part of how we operate, and indeed it is an essential way of strengthening culture in what is a geographically widely dispersed Partnership. Whilst we do not believe that the criticism we received is reflective of our community as a whole, we continue to review all aspects of Partnership recognition and remuneration to ensure they remain appropriate in today's world and we will continue to further develop our approach in this area in 2020.

The Board will spend further time in 2020 considering the wider societal purpose and the culture of the business and how best to refine the way in which it assesses them.

Succession, diversity and workforce engagement

In my report last year I highlighted that one of the main priorities for the Board was long-term succession planning for the Non-executive and Executive Directors and I am pleased to report that good progress has been made.

I am delighted to welcome Rosemary Hilary, Dame Helena Morrissey, Emma Griffin and (from 1 June 2020) Lesley-Ann Nash to the Group Board, and Dawn Hyams to the board of St. James's Place Unit Trust Group Limited. All of them bring valuable skills and experience to the business and add to the diversity of our governance. Once the Board has managed through its current transitional succession phase I would expect the number of Non-executive Directors on the Board to return to a more normal figure. Further information can be found in the Report of the Nomination Committee on pages 99 to 101.

The Board has also had a particular focus, in conjunction with external specialist support, on further strengthening succession planning and career development at senior levels amongst the Executive, and as part of this the Board was delighted that Elizabeth Kelly was appointed to the Executive Board.

The Board is committed to ensuring greater diversity, in all its facets, throughout the St. James's Place community. Getting to where we want to be will take time, but our significantly increased focus on diversity over the last two years has begun to deliver results.

The Board has been active in overseeing plans and monitoring performance in this area and will continue to be so.

St. James's Place is fundamentally a people business and engagement with both employees and the Partnership has always been an essential part of the way in which the business is run. In addition to its normal course of engagement with the business, the Board has formalised an employee engagement programme, led by Baroness Wheatcroft, but with the participation of all of the Directors (see page 81). The programme has built on the pre-existing mechanisms for colleague engagement and consists of focus groups, surveys and Director lunches. Last year the programme covered topics including reward and recognition, business strategy, diversity and inclusion, Board and management interaction, and culture and ethics. The Board received regular reports on the feedback received and the actions taken as a result.

Responsible investing and climate change

The impact of climate change is clearly a significant concern for society in general and consequently a growing focus from clients, regulators and politicians. The Board recognises that environmental, social and governance factors are vital components of a sustainable investment strategy, and that as a major investor, St. James's Place has a key responsibility in this area. It also believes that the Company has an opportunity to take a leadership position in responsible investing (see page 19). Last year we achieved an A+ rating in the United Nations Principles for Responsible Investment annual assessment and the Board agreed that the Company should become a supporter of the Task Force on Climate Related Finance Disclosure. The Board spent time last year considering the multi-year plan for the continued evolution of the IMA, of which responsible investment is a key pillar, and we will continue to oversee progress against it.

Dividend and concluding remarks

St. James's Place delivered a solid performance in 2019 in an environment characterised by uncertainty. While we acknowledge that there are lessons to be learned from some of the events which took place in 2019, the Board remains confident in the fundamental strength of the business and in its ability to take advantage of the long term structural opportunities which exist in its market, to the benefit of all of its stakeholders.

Reflecting our confidence in the business and its future prospects, the Board is pleased to propose a final dividend of 31.22 pence per share, making a total of 49.71 pence per share for the year. This is a 3% increase on 2018.

Finally, I would like to offer the sincere appreciation of the Board to the entire SJP community for their efforts.

IAIN CORNISH
Chair

26 February 2020

If you would like to discuss any aspect of my report or the Corporate Governance Report please feel free to email me on: chair@sjp.co.uk

The UK Corporate Governance Code (the Code)

The Corporate Governance Report on pages 78 to 88 explains how the Board leads the Company's approach to corporate governance and explains how the principles of the Financial Reporting Council's UK Corporate Governance Code have been applied in practice.

As reported in 2018, as a consequence of Sarah Bates' retirement, for a short period up until David Lamb's retirement on 26February 2019, the Non-executive Directors, excluding the Chair, accounted for less than half the Board. This remained the case up until 26 February 2019 meaning that the Company did not comply with Provision 11 of the Code until this date. Since 26 February 2019 the Non-executive Directors have accounted for at least half of the Board, excluding the Chair, with recently announced appointments resulting in 70% of the Board being made up of Non-executive Directors. Further details on the appointments made and the Board's succession planning can be found in the Nomination Committee Report on pages 99 to 101.

Other than as stated above, the Board considers that the Company has complied with all of the other provisions of the Code (available at: **www.frc.co.uk**) during 2019. Detailed reporting on remuneration, as required by the Code, can be found in the Directors' Remuneration Report.

Corporate Governance Report

Our purpose

Our purpose is to give peace of mind in an uncertain world.

Our values

1
EVERYONE CAN MAKE A DIFFERENCE

2
DOING THE RIGHT THING

3
PLAYING FOR THE TEAM

Our strategic objectives

CLIENTS
Deliver positive outcomes to clients.

INVESTMENT MANAGEMENT
Increase funds under management.

FINANCIALS
Achieve sustainable growth in IFRS profit before shareholder tax, the Underlying cash result and EEV operating profit before tax.

PEOPLE
Attract, retain and develop talent.

THE PARTNERSHIP
Grow and develop the Partnership.

See page 12

Purpose and culture

The Board is collectively responsible for establishing the purpose, values and strategy of the Company and satisfying itself that these and its culture are aligned.

The Board recognises the vital importance of a sound culture to the continued success of the Group, and culture has been a core and explicit element of the Group's strategy since its outset. Our core values underpin our culture and emphasise the behaviours that will enable SJP to continue to succeed in what we do.

The Board also recognises its own essential role in setting an appropriate tone from the top. Notwithstanding the continued high level of client satisfaction, aspects of the Group's culture have been the focus of criticism in some parts of the media during the year, and whilst the Board does not believe this is representative of the culture as a whole, it has caused the Board to consider carefully how it defines and communicates its desired culture and the standards of behaviour which it expects to be upheld in every part of the business. As part of this, changes are being made to a number of elements of the Group's operations, particularly in relation to how the Partnership is incentivised. See the Section 172(1) Statement on page 66 for further information.

When assessing the basis on which the Company generates and preserves value over the long-term, the Board focuses on:

- Providing entrepreneurial leadership and direction to the Group in setting out its strategic aims, visions and values and overseeing delivery against these, including approving major transactions and initiatives;
- Monitoring financial performance and reporting and approving/recommending payments of dividends;
- Setting the Company's risk appetite, assessing the principal risks facing the Company and ensuring that adequate controls are in place to manage risk effectively;
- Ensuring that appropriate and effective succession planning arrangements and remuneration policies are in place;
- Implementing and ensuring the effective operation of corporate governance procedures; and
- Ensuring that good client outcomes are delivered through the combination of the Group's distinctive investment management approach and the provision of high-quality ongoing advice.

Leadership

A successful company is led by an effective and entrepreneurial Board.

The governance framework explained in more detail on pages 82 to 85 is designed to ensure that the Board, led by the Chair, is able to monitor the sustainability of the business model, performance against strategy and opportunities and threats as they arise. When reviewing performance against strategy, the Board looks to ensure it continues to align with the Group's culture and delivers long-term success to St. James's Place and its stakeholders. The strategy and performance against the strategy are discussed throughout the Chief Executive's Report, the Chair's Report and the Strategic Report, and a summary of significant topics considered by the Board during 2019 are set out on page 79.

What the Board did in the year

The Non-executive Directors supported by the Executive and, where appropriate, external input, participated in a number of training, development and focus sessions during the year, further details of which can be found under Directors' Development section on page 87.

Strategic	See page
Investment Management Approach – The Group's distinctive IMA is central to the delivery of good client outcomes and hence the long-term success of the Group. The Board spent considerable time during the y ear considering how the IMA needs to evolve as the scale of funds under management continues to grow, enabling it to: • be increasingly tailored to clients' financial goals, building their investment portfolios using a 'Plan, Design, Review' approach; • address the impact of market developments including the decision to transfer mandates away from Woodford Investment Management; and • establish a leadership position in relation to environmental, social and governance factors.	18 and 19
Administration – During 2019, the Group successfully completed the migration of the remaining business on legacy systems onto the Bluedoor platform. The Directors closely monitored the remaining stages of the migration, reflected on the progress to date and considered how further enhancements to Bluedoor would support service excellence for clients over the medium to long-term.	
Operational excellence – Operational excellence remains a key theme for the Board. The successful migration of our business to the Bluedoor platform provides a strong basis for further enhancing the efficiency and quality of the service which we can provide to Partners and clients. The Board also spent time considering the impact of technology on the business model and the investment that will be required to enhance client, Partner and employee journeys. We are fully aware of the potential impact of digital disruption on market structures and stakeholder expectations and this remains a key strand of the Board's strategic deliberations.	
Partnership and Academy – Maintaining the highest standards of advice and service to clients is integral to SJP's business model and the sustainability of the business. The advice gap in the UK remains significant and SJP is committed to growing the Partnership, both in terms of number and capability. During the year, the Board has received updates on the growth of the Partnership and has spent time focusing on the ongoing development of advisers. The Board has also maintained its focus on the infrastructure in place to support and monitor the Partnership, so as to ensure clients continue to receive high levels of service.	16 and 17
Financial	
Partner lending – Supporting Partners to develop their businesses and facilitating the sale and purchase of businesses within the Partnership through the provision of finance has always been a core part of the Group's business model. This ensures continuity of advice provision, which is directly in the interests of clients and the long-term sustainability of the Group. The Board spent time during the year considering the funding strategy, and in particular the development of the Group's securitisation franchise. This programme, which is underpinned by the high quality of Partner lending, is central to future funding strategy.	
Financial funding and capital strategy – The Board spent time during the year considering the likely pattern of future cash flows, opportunities for further balance sheet efficiencies and the Group's cost base with the objective of ensuring that its financial strategy remains robust and sustainable under a range of different scenarios.	
Risk, governance, regulatory	
Regulation – There has been no let up in the pace of regulatory change during 2019 and the Board and its Committees, supported by management, have spent considerable time assessing the implications of recent developments and ensuring that changes arising from recently enacted legislation and regulations have been effectively embedded in the organisation. During 2019, the Board has overseen the implementation of the Senior Managers and Certification Regime.	
Corporate governance – The revised Code and the Companies (Miscellaneous Reporting) Regulations 2018 both came into force during 2019 and the Board has ensured that the principles and provisions of the Code and new legislative requirements have been factored into its governance arrangements. An example was the enhancement of existing workforce engagement mechanisms which was overseen by Baroness Wheatcroft, the designated Non-executive Director for workforce engagement (see below). Further information can be found throughout this Corporate Governance Statement.	78 to 88
Brexit – The Board has overseen the continued preparations for different Brexit scenarios. The Board has concluded the direct impacts on the Group of Brexit are relatively minimal and actions to adequately mitigate these are in place. The indirect impacts through financial markets and generally increased uncertainty are less clear, although the Board has noted that one consequence has been a deferral of investment decisions on the part of some clients.	62
People and culture	
Inclusion and diversity – The Board recognises that attracting, retaining and developing the best people from all walks of life and from all backgrounds provide the foundations for creativity, innovation and business growth. During 2019 our Head of Inclusion and Diversity has presented to the Board and Nomination Committee on progress against our aim to build a community with equal opportunities where everyone has clarity of purpose and feels valued.	29 and 30
Culture and values – Culture, values and social value has continued to be central to the Board's deliberations during 2019. As part of its strategic planning process in 2018 the Board had overseen a Chief Executive-led review of culture, values and perceptions of the Group amongst its stakeholders. Whilst recognising the many positive cultural aspects which are core to the success of the Group, this review underlined the need to address aspects that need to evolve, make further progress in defining and communicating our culture and values, to improve the way the Group is viewed externally, and to be clearer about its wider societal purpose and responsibilities. The Board has spent significant time considering culture and its associated elements, the need for which was brought into sharp focus by the criticism received in some parts of the media during 2019.	78
Succession planning – As the Chair of the Nomination Committee reported last year, work had begun to establish a medium-term pipeline of succession for all of the Non-executive roles on the Board and in 2019 the Board has been able to announce the appointment of new Non-executive Directors. Further information on succession planning can be found in the Report of the Nomination Committee.	99 to 101
Workforce engagement – As mentioned in more detail overleaf, a Workforce Engagement Officer was appointed during the year, supported by a Workforce Engagement Committee and the Board received updates on the embedding of the enhanced workforce engagement mechanisms and key themes emerging.	81

Corporate Governance Report continued

Relations with stakeholders

We have set out below a summary of the key interests of our stakeholders and have identified where more detail can be found on our engagement with them.

Detailed synopses of a number of these stakeholders have formed an integral part of our Strategic Report in recent years and, rather than duplicate information, we have maintained the detail in the relevant sections of the Strategic Report, and included cross-references in the summary. Not all information is reported directly to the Board and not all engagement takes place directly with the Board. Where engagement is not with the Board, the output informs business-level decisions made by management, an overview of which is fed back to the Board through regular reporting and focus on strategic topics. Our Section 172(1) Statement, on page 66 provides further information on our relationships with our stakeholders.

Key interests of our stakeholders

Shareholders

Sustainable growth in our business ensures we are able to deliver the long-term capital and income growth that our shareholders are seeking.

Relations with shareholders
See page 81

Financials strategic objective
See page 20

Workforce

People have been at the core of our business model since our formation and this has been reflected in the high level of engagement with our workforce.

Workforce engagement
See page 81

Clients

Putting clients at the heart of everything we do is core to our culture and enables us to work with Partners and other stakeholders to run a genuinely client-focused business. We focus on building long-term relationships anchored in trust and mutual respect, where advice is tailored to our clients' individual circumstances.

Clients strategic objective
See page 14

Partnership

Our products and services are promoted exclusively through the St. James's Place Partnership. The Company's role is to ensure that Partners are provided with ongoing support and professional development opportunities that enable them to continue to deliver a high level of expertise and professionalism to clients.

Partnership strategic objective
See page 16

ST. JAMES'S PLACE PLC

Fund managers

We carefully select external managers to manage our range of funds, which enables us to provide our clients with unique access to fund management expertise that is often only available to large institutional investors or overseas retail investors.

Investment Management strategic objective
See page 18

Third-party administrators

Administration of our life insurance and investment products is delivered through providers of specialist investor and policyholder service providers. These providers have day-to-day engagement with our clients and so it is vital that their values and aims are aligned with our own.

Building relationships with suppliers
See page 33

Other suppliers

We have built long-term relationships, based on mutual trust, with many of our suppliers. Cultivating very strong and mutually beneficial relationships has ensured our values and aims are aligned.

Building relationships with suppliers
See page 33

Community/ environment

Social value is at the core of our culture and we recognise that we have a responsibility to help address social, environmental and economic challenges the world faces. Our aim is to act in a way that considers the long-term impacts of our actions on the communities closest to us and the environment at large.

Our Social Value Report
See page 24

Regulators

As the Group provides financial services to its customers, companies within the Group are required to adhere to the rules and expectations of a number of regulators. Maintaining good relationships with our regulators, built upon honesty and transparency is of paramount importance to us.

Risk and Risk Management
See page 81

Relations with shareholders

We continue to maintain close relationships with institutional shareholders through direct dialogue and frequent meetings, and we also meet regularly with the Group's brokers who facilitate meetings with investors and their representatives. Regular dialogue is an important way of staying abreast of the views of investors and periodic meetings with investors will provide an insight into the considerations that drive their views on us an organisation. Examples of how we engage are set out on page 80.

How we engage with shareholders	Opportunity for engagement
Institutional shareholder roadshows	During 2019 we held shareholder roadshows around the Company's full-year and half-year results, investor conferences, capital markets days (addressing a wide range of strategic and operational topics), individual investor meetings and conference calls with shareholders. These provided the Directors with opportunities to gain insight into institutional shareholder views and expectations and address specific queries they may have.
Investor studies	In 2018 the Board commissioned an investor study which provided an opportunity to assess in more detail its investor base, investor behaviour, drivers of share price performance and investors' perception of a number of key aspects of our business model. During 2019 the Board has continued to build upon the findings of this study by continuing to monitor investor sentiment.
Individual shareholder meetings	The Group's largest institutional investors continue to meet regularly with the Executive Directors and the Chair, providing an opportunity for them to raise specific queries. The Chair, SID and other Non-executive Directors are available for consultation with shareholders on request.
Direct correspondence with major shareholders	As suggested in the Code, the Chair, Senior Independent Director and Committee chairs seek engagement with major shareholders on significant matters as they arise. Circumstances that warrant engagement with major shareholders include proposed changes to the Remuneration Policy and proposals to extend the tenure of the Chair beyond nine years.
Annual General Meeting	All Directors are available to meet with shareholders after the Company's Annual General Meeting which will be held on 7 May 2020, further details of which are set out in the Notice of Annual General Meeting.

Engagement with regulators

We aim to maintain an open, proactive and constructive relationship with all of the Group's regulators. Engagement is achieved through a broad range of activities, from regular face-to-face meetings and calls, to involvement in targeted assessments and contribution to thematic reviews. Members of the Board and senior management meet with regulators regularly and seek feedback which is shared with the Board. From time to time regulators attend Board meetings and, in October 2019, representatives of the FCA attended a meeting of the Group Board.

Workforce engagement

Effective and timely engagement with our workforce is an integral part of SJP's culture and we have this year appointed a Workforce Engagement Officer, supported by a Workforce Engagement Committee, as a primary engagement mechanism between employees and the Board. The Committee comprises a diverse range of stakeholders from different parts of our business, and reports through to Baroness Wheatcroft, our designated Non-executive Director responsible for Workforce Engagement. We have identified eight primary topics for engagement with employees, including amongst others career development, SJP's culture and ethics, inclusion and diversity and Board and management interactions. We remain open to receiving employee views on any topic of importance to them and have done so during the year.

These engagements are undertaken across a variety of channels, such as surveys, focus groups and directors' lunches, and has involved enhancing existing engagement mechanisms and developing new mechanisms. This has enabled us to broaden the reach of our engagement activities to all parts of the SJP Group.

Periodic reporting is delivered to the Board, the Executive and respective management committees with delegated responsibility for actioning the specific feedback. Periodic updates are provided to employees on the activity and developments from the Workforce Engagement Committee. Further information on workforce engagement during the year can be found on page 23.

Whistleblowing arrangements are in place to enable the workforce to raise concerns in confidence and the Chair of the Audit Committee has been appointed as whistleblower champion. The Audit Committee monitors the operation of the whistleblowing arrangements throughout the year, escalating matters to the Board when appropriate. The Board reviews the operation and effectiveness of these arrangements annually.

Corporate Governance Report continued

The role of the Board and its responsibilities

Powers of Directors

The powers of the Directors are set out in the Company's Articles of Association (the 'Articles'), prescribed by Special Resolutions of the Company and codified in UK company law. The Articles contain, for example, specific provisions and restrictions concerning the Company's power to borrow money. They also provide Directors with authority to allot unissued shares, up to pre-determined levels set and approved by shareholders in general meetings. The Articles can be amended by a special resolution of the members of the Company, and a copy can be found on the Company's website. Our shareholders have granted the Directors authority to make charitable donations, and further details on the donations made can be found on page 127.

At the 2019 AGM, shareholders granted authority to the Directors for the purchase by the Company of its own shares, with such authority expiring at the end of the 2020 AGM, or 30 June 2020, whichever is the earlier. The Company did not purchase any of its own shares during 2020 and the Directors will propose the renewal of this authority at the 2020 AGM.

Further to the powers granted above, the Board maintains a full schedule of matters reserved to it together with a Group Management Responsibilities Map which sets out the senior manager functions, prescribed responsibilities and control functions within each subsidiary of the Group (as applicable). The Group Management Responsibilities Map includes, inter alia, terms of reference for the various Board Committees, a schedule of the Company's policies and detailed job descriptions for each of the Directors.

Division of responsibility

The job descriptions of each Director, including the Chair and Chief Executive, and the division of responsibilities between them are clearly defined and agreed by the Board. The responsibilities of each of the Directors and the role of Secretary are summarised below.

The Board

Leadership

CHAIR
Responsible for the leadership of the Board and its continuing effectiveness, ensuring that the Board is satisfied that the Group's purpose, values and strategy align with its culture and that communication between the Executive and Non-executive Directors, as well as with shareholders generally, is effective.

CHIEF FINANCIAL OFFICER
Responsible for providing leadership and direction for, and oversight of, the financial, accounting, tax, capital, liquidity and unit pricing activities of the Group, and to maintain effective investor relations.

CHIEF EXECUTIVE OFFICER
Responsible for the development and communication of the Group's strategy, developing and achieving the business objectives, leading and motivating an effective senior management team, and ensuring an appropriate culture is adopted in the day-to-day management of the Group.

MANAGING DIRECTOR
Responsible for leading the growth and development of the Partnership, ensuring that all members of the Partnership receive appropriate supervision, oversight, development and support, and provide high-quality, suitable advice to clients.

Independent oversight

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR
Responsible for providing a sounding board for the Chair and to serve as an intermediary for the other Directors, when necessary, to lead the appraisal of the performance of the Chair and to be available to shareholders as a point of contact if they have concerns which contact through normal channels has failed to resolve or for which such contact is inappropriate.

INDEPENDENT NON-EXECUTIVE DIRECTORS
Responsible for contributing to the entrepreneurial leadership of the Group, within a framework of prudent and effective controls. Non-executive Directors provide independence, impartiality, experience, specialist knowledge and other diverse personal skills and capabilities.

COMPANY SECRETARIAT
Responsible for guiding the Board in meeting the requirements of relevant legislation and regulation and ensuring that Board procedures are both followed and regularly reviewed.

Directors have access to the advice of the Company Secretary at all times, as well as independent professional advice, where needed, in order to assist them in carrying out their duties.

Planning and preparing

The Chair is responsible for setting the Board agenda together with the Chief Executive and the Company Secretary. The Group's strategy and business plan provide the basis for the forward Board agenda for the year and this is refined as key topics and strategic priorities emerge. The Board's forward agenda is co-ordinated with those of its Committees to ensure that topics are given sufficient coverage in the most appropriate forums.

The Chairs of the various Committees report on their activity at Board meetings and liaise with the Chair to ensure items escalated from the Committees get sufficient time and focus in Board meeting agendas. The Board and other key Director forums are explained in more detail below.

The work undertaken by the Board Committees is covered in more detail in the individual committee reports.

See page 85

Scheduled Board meetings	Scheduled Board meetings follow an agreed format with the final agenda being set by the Chair, Chief Executive and Company Secretary by reference to the forward agenda and having considered key developments since the previous meeting. This approach ensures coverage of the Board's key responsibilities are balanced against the need to focus on strategic priorities and address topical matters. The papers for each meeting, which include an Executive Report covering key developments in the business and performance indicators, are sent to the Board a week ahead of the meeting. This ensures that the information is timely and that the Directors able to prepare for the meetings.
Ad-hoc Board meetings	From time to time, the Board is required to hold meetings outside of its planned schedule, to consider topics that require immediate attention or to approve Board appointments or transactions.
Board working dinners	Throughout the year, Board working dinners are held on the nights before Board meetings to allow the Directors greater time to consider topics that warrant a more discursive approach. Additional internal and external participants are invited to the dinners to present on these topics.
Strategy meetings	Focused strategy meetings are held to enable the Board and management to reflect, debate, refine and agree on the Group's strategy.
NED meetings	The independent Non-executive Directors meet privately with the Chair during the year, to consider matters arising from Board meetings and also meet without the Chair.
Development sessions	Directors are provided with development sessions on specific topics during the year. Further details can be found on page 87.
Other meetings	The Board also appoints ad-hoc committees from time to time to manage procedural matters relating to decisions it has made.

Corporate Governance Report continued

"The Board and its committees have a combination of skills, experience and knowledge. Our succession plans aim to promote gender, social, ethnic and cognitive diversity."

Board composition, succession and evaluation

Composition

The Board currently comprises three Executive Directors, seven independent Non-executive Directors and the Chair. The Directors in office throughout the financial year and up to the date of the report are set out in the table on page 85, and biographical details, including their membership of Board Committees, are set out on pages 74 to 75. As part of the establishment of long-term succession plans, the Board is likely to have more independent Non-executive Directors on the Board over the next couple of years than would normally be the case, in order to manage orderly induction, handover and transition.

Independence

The Board determined that the Chair was independent on appointment and believes that all of the Non-executive Directors continue to demonstrate their independence. When determining independence, the Board considers each individual against the criteria set out in the Code and also considers how they conduct themselves in Board meetings, including how they exercise judgement and independent thinking.

As previously reported, the Board remains satisfied that Simon Jeffreys' role as chair of Aon UK Ltd has no bearing on his independence or that of the Executive Compensation Practice of Aon plc or Aon Consulting (advisers to the Remuneration and Investment Committees). When considering their relationships to the Aon Group, the Board took into account the fact that, whilst Aon UK Ltd, Aon Consulting and the Executive Compensation Practice of Aon plc operate in different divisions of a large group, their reporting and ownership lines to the Aon Group board are entirely segregated.

Iain Cornish's tenure as Chair of the Board has been short and has coincided with the introduction of a provision (19) to the Code requiring that the chair not remain in post beyond nine years from the date of their first appointment. However, the provision also states that "to facilitate effective succession planning and the development of a diverse board, this period can be extended for a limited time, particularly in those cases where the chair was an existing non-executive director on appointment". During 2019, the Nomination Committee, led by the Senior Independent Director and excluding the Chair met to consider the Chair's succession and reflected upon the rationale for Iain's appointment, a key aspect of which was to lead the establishment and delivery of succession plans for the Board as well as increasing the Board's diversity. The Committee concluded that, in order for Iain to oversee the initial phase of these plans and induct the new members of the Board into the organisation in a manner that does not disrupt the Board's operation and focus, it was appropriate to extend the appointment of Iain as Chair beyond the ninth anniversary of his appointment as a Director with a view to his successor as Chair taking up their post no later than the end of October 2022. Before agreeing this position, the Senior Independent Director contacted major shareholders to seek their views and they expressed their support for this approach.

Further information can be found in the Nomination Committee Report on page 100

Board and Committee structure and attendance

There are four wholly Non-executive Committees of the Board. The Chair of the Board is a member of, and chairs, the Risk and Nomination Committees. All of the other members of these Committees are independent Non-executive Directors. Further information on these Committees can be found in their separate reports on pages 89 to 125.

Our Non-executive Board Committees

AUDIT COMMITTEE	RISK COMMITTEE	NOMINATION COMMITTEE	REMUNERATION COMMITTEE
Report on page 89	Report on page 95	Report on page 99	Report on page 102

ATTENDANCE IN 2019

	Director	Board	Audit	Risk	Nomination	Remuneration
IC	Iain Cornish (Chair)	7/7	4/4	5/5 (Chair)	6/6 (Chair)	–
AC	Andrew Croft (CEO)	7/7	–	–	–	–
IG	Ian Gascoigne	7/7	–	–	–	–
CG	Craig Gentle	7/7	–	–	–	–
EG	Emma Griffin (appointed 6 February 2020)	–	–	–	–	–
RH	Rosemary Hilary (appointed 17 October 2019)	1/2	0/1	1/1	–	–
HM	Dame Helena Morrissey (appointed 1 January 2020)	–	–	–	–	–
SJ	Simon Jeffreys	7/7	6/6 (Chair)	5/5	6/6	6/6
BW	Baroness Wheatcroft	7/7	4/6	5/5	5/6	5/6
RY	Roger Yates (SID)	7/7	6/6	5/5	6/6	6/6 (Chair)
	Past Directors					
DL	David Lamb (stepped down on 26 February 2019)	1/1	–	–	–	–

This table provides details of scheduled meetings held in the 2019 financial year and the attendance at each meeting of the members of each Board. Rosemary Hilary was unable to attend a Board meeting and Audit Committee meeting held within a month of her appointment due to pre-existing commitments.

Baroness Wheatcroft was unable to attend meetings of the Board, Remuneration Committee and Audit Committee meeting which clashed with existing commitments. The dates for the Audit Committee meetings had been set prior to Baroness Wheatcroft joining the committee.

Executive Committees reporting to the Board

In addition to the wholly Non-executive Committees, the Board has also delegated specific responsibilities to three further Committees, the members of which are Executive Directors. The terms of reference of the Committees are regularly reviewed and are included in the Management Responsibilities Map.

EXECUTIVE BOARD

Comprises the Executive Directors of the Board and other members of senior management. It is via the Executive Board that operational matters are delegated to management. The Executive Board is responsible for communicating and implementing the Group's business plan objectives, ensuring that the necessary resources are in place in order to achieve those objectives, and managing the day-to-day operational activities of the Group.

DISCLOSURE COMMITTEE

Comprises the Chief Executive and Chief Financial Officer and is responsible for identifying and determining matters to be disclosed to the market.

SHARE SCHEME COMMITTEE

Comprises the Executive Directors and its purpose is to assist the Board in fulfilling its responsibilities for operating and administering Executive, Employee, Partner and Restricted share plans.

Corporate Governance Report continued

Directors' appointments

The Board has a responsibility to ensure that appropriate succession plans are in place for the Board, the Executive Board and senior management. Details of progress made in the year can be found in the Report of the Nomination Committee. A summary of key aspects of Directors' appointments are set out below:

Appointment, replacement and re-election of Directors	The Articles permit Directors to appoint additional Directors and to fill casual vacancies and any Directors appointed must stand for election at the first Annual General Meeting (AGM) following their appointment. All other Directors will stand for re-election at each AGM. Directors can be removed from office by an ordinary resolution of shareholders or in certain other circumstances as set out in the Articles. Before a Director is proposed for re-election by shareholders, the Chair considers whether his or her performance continues to be effective and whether they demonstrate commitment to the role. After careful consideration, the Chair is pleased to support the re-election of all Directors at the forthcoming AGM. Each Director brings significant skills to the Board as a result of their varied careers and we believe that this diversity is essential to contributing to the appropriate mix of skills and experience needed by the Board and its Committees in order to protect the interests of the Company's shareholders. As in previous years, the Board is recommending to shareholders that all the Directors retiring at the forthcoming Annual General Meeting be re-elected and further information can be found in the notice of meeting for the forthcoming AGM.
Duration of appointments	Non-executive Directors, other than the Chair, are appointed for a specified term and the Executive Directors have service contracts (copies of the terms and conditions of appointment of all Directors are available for inspection at the registered office address and will be available for inspection at the Company's AGM).
Terms of appointment	The Executive Directors all have service contracts with the Company that provide for termination on 12 months' notice from either the Company or the Director (except in certain exceptional recruitment situations where a longer notice period from the Company may be set, provided it reduces to a maximum of 12 months within a specified time limit). Service contracts do not contain a fixed end date. The Company does not have agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a takeover, except that provisions in the Company's share schemes may, in certain circumstances, cause share awards granted to employees under such schemes to vest on a takeover.
Time commitments	Non-executive Directors are expected to commit sufficient time to enable them to undertake their responsibilities and, as explained in the Report of the Nomination Committee, their capacity to fulfil their responsibilities is reviewed on an ongoing basis so that the Board can be satisfied that each Non-executive Director commits sufficient time to the business of the Company. Iain Cornish was appointed as Chair in October 2018 and devotes a significant proportion of his time to the role. In conjunction with the SID, he regularly assesses his commitments and continues to manage his portfolio of other activities to ensure that he has sufficient time to meet the requirements of the position. He currently holds a non-executive role with Leeds Building Society. He has a full attendance record at the Company's Board meetings in 2019 and has also attended the vast majority of Board Committee meetings in addition to spending a substantial amount of time engaging with the business outside formal Board and Committee meetings. The Board is satisfied that he commits sufficient time to the business of the Company.
Conflicts of interest	The Board has in place procedures for the management of conflicts of interest. In the event a Director was to become aware that they had an actual or potential conflict of interest, they must disclose this to the Board immediately. The Board then considers the potential conflict of interest based on its particular facts, and decides whether to authorise the existence of the potential conflict and/or impose conditions on such authority if it believes this to be in the best interests of the Company. Internal controls also exist whereby regular checks are conducted to ensure that the Directors have disclosed material interests appropriately. Except as stated in the Directors' Remuneration Report, no Director has, or has had during the year under review, any material interest in any contract or arrangement with the Company or any of its subsidiaries.
Directors' and officers' indemnity and insurance	The Company has taken out insurance covering Directors and officers against liabilities they may incur in their capacity as Directors or officers of the Company and its subsidiaries. The Company has granted indemnities to all of its Directors in their capacities as Directors of the Company and, where applicable, subsidiary companies on terms consistent with the applicable statutory provisions. Qualifying third-party indemnity provisions for the purposes of section 234 of the Companies Act 2006 were accordingly in force during the course of the financial year ended 31 December 2019, and remain in force at the date of this Report.

Directors' development

Inductions for new Directors

An appropriate induction programme is designed to enable all new Directors to meet senior management, understand the business and future strategy, visit various office locations and speak directly to advisers and staff around the country as well as being introduced to other key stakeholders. Induction plans are tailored to meet the specific requirements of incoming Directors. To support his transition when taking on the role of Chair, a programme of activities was also established for Iain Cornish.

Continuing professional development

The Chair and Company Secretary ensure continuing professional development for all Directors, based on their individual requirements and this is achieved through a wide range of approaches:

Approach	Examples in 2019
Specific development sessions and training	Specific development sessions and events have been provided to the Directors during the year and these have included further training on the implications of SM&CR and an 'expo' where they met employees from a number of departments that provide support directly to the Partnership. Specific NED development sessions are also held regularly during the year to augment Directors' knowledge of the business, the market place and the regulatory environment. These sessions have covered topics such as new financial reporting standards and the wealth management sector in Singapore, Hong Kong and Shanghai.
Visits to head office, other locations and service providers to meet with employees and members of the Partnership	The Directors are provided with a wide range of opportunities to visit offices. This included attendance at the Solihull Location Conference where they had the opportunity to meet Partners and Academy graduates. During the year Directors also visited regional offices in the UK, Rowan Dartington's head office in Bristol and the Group's offices in Dublin, Singapore, Hong Kong and Shanghai. The Chair and Chair of the Audit Committee also visited key service providers based in Dublin and India respectively.
Attending executive committees and management forums	During the year the Non-executive Directors have attended a number of the meetings of the executive committees that report into the Executive Board to gain further insight. These have included the Group Risk Executive Committee, Investment Executive Committee and Finance Executive Committee.
Attending seminars or other events which assist Directors in carrying out their duties	Directors receive invitations from time to time to attend seminars and conferences that provide opportunities to network and enhance their knowledge and experience. In 2019 this has included events run by the FRC and a number of advisory firms.

Corporate Governance Report continued

2019 Board effectiveness review

Reflecting on the 2018 review

In 2018, the Board appointed Boardroom Review Limited to carry out an externally facilitated review of the effectiveness of the Board, its Committees and the Directors. This review was led by Dr. Tracy Long and identified a number of areas for the Board to focus upon. As reported last year, the Board set itself actions which were summarised as follows:

Area	Update on progress in 2019
Improving the Board's preparation for the future	Board agendas in 2019 have focused on the balance of topics, increasing the time available and depth of focus on strategic topics. Improvements in the quality of reporting and attendance by a broader range of presenters, including external parties, also contributed to the progress made.
Improving the composition and development of the Board	Succession planning has been a key focus of the Nomination Committee and the Board and we successfully recruited two additional Non-executive Directors during 2019. Further information can be found in the Report of the Nomination Committee on pages 99 to 101. Further details on the enhancements made to support the development of the Board can be found on page 87.
Improving the Board's input into leadership transition	The establishment of the Workforce Engagement Steering Group and the appointment of Baroness Wheatcroft as the Non-executive Director for workforce engagement have supported the Board in increasing its visibility of the workforce. Culture and values have also been key strategic topics on the Board agenda.

The 2019 review

The Code does not require us to carry out an externally facilitated review in 2019, having appointed Boardroom Review to deliver our 2018 Board evaluation. However, the Board was keen to maintain the momentum built up from last year's review and so, in addition to regularly monitoring progress against the findings of the 2018 review (see above) has sought to align the 2019 review with the outcomes of that review. In practice this has meant that the Board has avoided the quantitative scoring approach often adopted for self-assessments and has concentrated on obtaining focused qualitative insight from the Board and other attendees centred around the high-level themes identified last year.

Directors and other meeting attendees were invited to provide their views, principally based around these key themes, and these were collated by the Company Secretariat, discussed with the Chair and summarised to enable the Board to focus on the pertinent points raised. Alongside the Board Effectiveness Review, the Chair also carried out individual appraisals with each Director, the outcome of which formed the basis of the assessment by the Board that supports the recommendations (as set out in the Notice of AGM) to reappoint Directors at the forthcoming Annual General Meeting.

Actions agreed by the Board

The 2019 review identified several themes and the Board intends to focus on these as areas for development in 2020. Specific actions will drive progress in addressing each of the themes summarised below.

Deepening the collective understanding of the business of today and shaping the business of tomorrow – Further increasing our focus on the demands and experiences of clients in an evolving market place will not only ensure the Board continues to focus on the key risks and opportunities, but will also contribute towards the integration of the new NEDs onto the Board.

Board operations and dynamics – The effectiveness of the unitary Board is not driven by the experience and ability of the individual directors alone. Building on the action taken in recent years, we aim to further enhance how we work by supporting the development needs of individual directors (including induction planning for new NEDs), strengthening the performance of the collective Board and reinforcing the relationship with management.

Reflections on lessons learned – In recent years the workloads of boards have undoubtedly increased significantly and the Board is keen to ensure it sets aside sufficient time to reflect on decisions made and taken account of lessons that have been learned.

Management succession – We are fortunate to have a strong management team with a deep knowledge and experience of SJP and its market place. However, the Board recognises that it has a key role to play in the establishment of a diverse pipeline for succession that understands and represents not only SJP, but also its stakeholders and wider society.

By order of the Board:

IAIN CORNISH
Chair

26 February 2020

Report of the Audit Committee

SIMON JEFFREYS
Chair of the Audit Committee

KEY OBJECTIVE OF THE COMMITTEE

The Committee's primary purpose is to oversee financial reporting, internal and external audits and the Group's systems of internal control, and to provide guidance and advice on these areas to the Board and, where applicable, other boards and committees in the Group.

REGULAR ATTENDEES AT MEETINGS

Chair of the Board; Chief Financial Officer; Director – Internal Audit; Executive Director – Finance (Chief Actuary); Chief Risk Officer; and Senior Statutory Auditor.

COMMITTEE MEMBERSHIP

Member	Joined
SJ Simon Jeffreys (Chair)	1 January 2014
RH Rosemary Hilary	17 October 2019
BW Baroness Wheatcroft	8 October 2018
RY Roger Yates	1 July 2014

The Committee's terms of reference set out the Committee's role and authority as Audit Committee for the Company and certain subsidiaries. They can be found on the corporate website at **www.sjp.co.uk**.

Dear Shareholder,

As Chair of the Committee, I am pleased to provide an update of the work of the Audit Committee in 2019.

The Committee's focus is first and foremost on the integrity of the Group's Financial Statements. We spent a good proportion of our time scrutinising the Group's interim and full year financial reports. Details of the significant issues we considered can be found on pages 90 to 92. In a new initiative, and as part of its commitment to ensuring the Group continues to report to its stakeholders in a clear and effective way, Committee members met more frequently with management during the year end process. This enabled us to review the most important disclosures in reports to shareholders and presentations to management.

The financial reporting landscape continues to evolve at pace and, as reported last year, 2019 has seen the introduction of IFRS 16 (Leases), further information on which we have set out in Note 1. The implementation of IFRS 17 (Insurance Contracts) has been delayed to 2022. We anticipate the change will be relatively minor for SJP but we continue to monitor management's preparations.

In 2019, the revised UK Corporate Governance Code (the Code), together with new company law reporting requirements, came into force. These introduced the need for new disclosures including the new section 172(1) statement. The Code, together with the new legislative requirements, have elevated the importance of reporting on our relationships with our key stakeholders, in particular our workforce, and this theme runs through our Strategic Report and Corporate Governance Statement. For the purposes of my update to you, it is important to note that the Committee reviewed and challenged these non-financial disclosures to ensure their probity ahead of publication.

The Committee is entrusted with reviewing and monitoring the performance and independence of the Group's external auditors, PwC. This year the Committee oversaw the successful handover of the Group's Senior Statutory Auditor role from Jeremy Jensen to Andy Moore. Following the mandatory rotation of the St. James's Place International plc (SJPI) audit, the Committee also monitored the transition to a new auditor in Ireland and Asia, Grant Thornton. The Committee tasked PwC with agreeing how they would work with Grant Thornton and they subsequently outlined their proposals to the Committee, who were satisfied with the proposed level of interaction between the two firms. Attending meetings of SJPI's own audit committee, at which Grant Thornton presented their audit plan and results, also provided me with further context.

We also assessed and monitored the Group's systems of internal control and had oversight of the financial crime and whistleblowing arrangements.

During the year we continued to assess the potential impacts of the UK's exit from the European Union (Brexit) on the Group. Naturally, Brexit was also discussed both at the Risk Committee, and at the Board. This Committee's attention centred primarily on the effects of Brexit on the UK's economy and, consequently on our own financial performance. As we move into 2020, the Committee will maintain this focus.

Looking ahead to next year, the Committee will continue to focus on its core responsibilities, providing oversight and monitoring of the Financial Statements, our auditors, and our systems of internal control, all to ensure the integrity and robustness of the Group's operations and reporting. With the publication of various reports on the future of audit in the UK, 2020 will undoubtedly be a transitional year for the audit profession as well as for audit committees generally. This Committee will continue to review its own practices to ensure we are prepared to implement any relevant changes introduced during 2020.

SIMON JEFFREYS
On behalf of the Audit Committee
26 February 2020

Report of the Audit Committee continued

Operation and performance of the Committee

The Committee has six scheduled meetings each year at which it considers key topics, as set out in its forward agenda, and receives regular updates on developments in corporate reporting, external auditor independence, progress against the internal audit plan, capital management, any financial control breaches, fraud and whistleblowing activity, and updates to key policies. Attendance by Committee members at these meetings is shown on page 85. Private sessions are regularly held with the Director – Internal Audit and the external auditor, providing an opportunity for concerns to be raised in the absence of management. Simon Jeffreys discussed the meeting agendas separately with PwC and the Director – Internal Audit in advance of each meeting. Conversations between the Chair of the Committee and PwC, and with internal audit, were also held during the year as and when these were considered useful.

To aid the Committee in its understanding of our relationships with key service providers the Committee Chair undertook site visits to meet with two key third party suppliers in India, and the CEO / Managing Director for Bluedoor. These meetings allowed him to gain insight into their control and innovation culture. Similarly, but closer to home, meetings were arranged with management throughout the year on key matters. One example was a meeting with the executive management team responsible for cyber controls, following an external review. This provided an opportunity to discuss both the findings and proposed actions.

During the year, two development sessions were arranged to enhance further the Committee's understanding of key topics. In 2019 the topics included the financials of the SJP Distribution business, corporate tax issues, changes in accounting standards (IFRS 16 and 17), and the Solvency II technical provisions calculation. The Committee also received an update from the Internal Audit co-source partner, Deloitte on their views of the internal audit function, risk appetite, and investment and product Governance. In relation to the specific needs of particular members, the Chair liaised with Rosemary Hilary prior to her joining the Committee regarding topics that would support her induction and ensured these were addressed.

The Committee evaluated its own performance and effectiveness during the year carrying out an annual review of its terms of reference and agreeing changes that clarified its role in relation to SJPUK. The Committee's effectiveness was also reviewed by the Board as part of its overall assessment of its effectiveness (see page 88). The Board and the Committee remain satisfied that the Committee operated effectively and has the experience and qualifications necessary to successfully perform its role, noting in particular that the Chair of the Committee is a qualified accountant and former auditor, and other members also have recent and relevant experience and expertise in the financial services sector. The important recommendation from these reviews was the setting up of additional meetings to focus on the key strategic messages to be included in the financial reports.

The Audit Committee was responsible for carrying out the function required under the FCA's Disclosure and Transparency Rule DTR7.1.3R (Audit Committees) and complied with The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 throughout the year ended 31 December 2019.

Matters considered during the year

The Committee focused on a number of matters which can be grouped under four broad headings: Corporate Reporting, External Audit, Internal Audit, and Internal Controls. The following sections illustrate the Committee's activities during the year.

Corporate reporting

Corporate reporting activities form a large part of our activities. During the period the Committee responded to a request for information from the FRC's Corporate Reporting Review function. We responded fully to their queries and have been able to make some improvements and clarifications to the presentation in our Annual Report and Accounts for 2019 as a result. The FRC was then able to close their review promptly.

The FRC would ask us to note the scope and limitations of their review as follows:

- It is based on the Group's Annual Report and Accounts for 2018 and does not benefit from detailed understanding of our business or the underlying transactions entered into;
- It provides no assurance that our Annual Report and Accounts are correct in all material respects, and no verification of the information provided has been performed; and
- The FRC accepts no liability for reliance on them by the Group or any third party.

Some highlights from the Committee's work this year are included in the table on pages 91 and 92.

Key corporate reporting topics

Theme	What did we do?	What was the conclusion and impact?
Year-end planning	• In early 2019, the Committee agreed a plan for the year, including new issues arising in half year and year end reporting. Updates and progress against plan were reviewed at subsequent meetings. • To assist with considering strategic messages in the Annual Report and Accounts the Committee arranged specific meetings for a working group to carry out detailed reviews of our key messages.	Early engagement and regular updates allowed the Committee to focus its work efficiently on the most material items during the year. As a result, the Committee was able to be confident in the key judgements and assumptions underpinning the 2019 half and full-year ends. Discussion at the working group helped shape the messages to be included in the Annual Report and Accounts.
Asset valuations	• Over 90% of the Group's assets are invested through SJP Unit Trusts (UTs). The Committee reviewed the reports of the independent auditors of the UTs. • The Committee received reporting twice in the year from management on the performance of the investment management control environment and on oversight of the key outsource providers – State Street and NatWest. • The assets of the Diversified Assets Unit Trust (DAF) are consolidated into the Group's Financial Statements. The DAF include some Level 3 Private Credit and Private Equity stocks. The Committee sought assurance from management and both the external and internal auditors about the valuations processes, especially the application of judgement.	The Committee was satisfied that the audits provided sufficient assurance on the accuracy of the asset valuations underpinning the reporting, and the robustness of the control environment. In relation to the DAF, the Committee was satisfied with the valuation process, the valuations and the disclosures in the Annual Report and Accounts. More details on the DAF assets can be found in the notes to the IFRS Financial Statements on page 182. The Committee requested that the recommendations of Internal Audit regarding strengthening of controls be implemented and will monitor progress.
Accounting judgements and actuarial assumptions	• As part of reviewing the half-year and year-end reports the Committee required management to identify and explain all the key judgements and assumptions, and in particular any significant changes this year. • Operational readiness prepayment of £299.2 million – The value of this significant asset continues to be a key judgement. The Committee challenged management over their future benefit projections, including sensitivity testing of valuation assumptions, for example the level of new business and the recoverable amounts from using Bluedoor. • To enhance the knowledge, and skills of its members, the Committee arranged for a development session covering key changes arising from the new Financial Reporting Standards (IFRS 16 and 17).	During the year, all the key accounting judgements and actuarial assumptions were examined and challenged, including the quantitative and qualitative materiality thresholds. The Committee considered the application of these materiality thresholds in the preparation of Financial Statements and agreed the final judgements and assumptions to be adopted. The Committee concluded that the operational readiness prepayment would continue to provide future cost reduction benefits, even in stressed conditions. More details on the prepayment can be found in the notes to the IFRS Financial Statements on page 164. The development session, held outside the normal cycle of Committee meetings, provided an opportunity for the Committee to review reporting against IFRS 16 and to evaluate the potential impact of IFRS 17.
Final results and Annual Report	• The Committee reviewed and provided input into the periodic financial reporting, including the Interim Report, the Final Results announcement and the Group Annual Report and Accounts for 2019, including the viability statement and going concern statement.	Following detailed deliberations and wording changes, the Committee recommended approval of the periodic financial reports, to the Board.
SJPUK	• The Committee considered the specific requirements of reporting for SJPUK. • It also reviewed and provided input into the SJPUK Annual Report and Accounts for 2019.	Following due consideration, the Committee recommended approval of the SJPUK Annual Report and Accounts to the SJPUK Board.

Report of the Audit Committee continued

Key corporate reporting topics continued

Theme	What did we do?	What was the conclusion and impact?
Regulatory reporting	In addition to statutory reporting, The Committee also reviewed the following regulatory reporting requirements: • Solvency II – Group Solvency and Financial Condition Report (SFCR), Group Regular Supervisory Reporting (RSR) and SJPUK RSR; • CASS – Audit reports on SJPIA, SJPUTG, RD, and an exception report on SJPWM; and • To support members with this responsibility, the Committee arranged a development session on the Solvency II technical provision calculations.	The Committee approved the publication of the 2019 Year End Solvency and Financial Condition Report (SFCR) and the submission of the 2019 Regular Supervisory Reporting (RSR) to the regulator. The Committee reviewed and was satisfied with the CASS external audit reports.
Financial controls	• The Committee received updates during the year on the performance and adequacy of the controls during the year.	The Committee was able to discuss areas of potential weakness and potential implications with management during the year, and then track actions to closure. As a result, the Committee was able to get reassurance about the robustness of the financial control environment, and to require certain enhancements to controls as recommended by internal audit. The Committee will continue to monitor progress.

'Fair, balanced and understandable' opinion
The Board is required to provide its opinion on whether it considers the Company's Annual Report and Accounts taken as a whole are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

To support the Board in providing its opinion, the Audit Committee carried out a formal review, taking account of investor feedback, commentary from the FRC's annual review of corporate reporting, and management's own assessment. The Committee assessed the quality of financial reporting through discussion with the external auditors and receiving presentations and discussing key matters with senior financial management.

This process included considering each of the elements (fair, balanced, and understandable) on an individual basis to ensure our reporting was comprehensive in a clear and consistent way, and in compliance with accounting standards and regulatory and legal requirements. The external auditor also considered and confirmed agreement with the fair balanced and understandable statement as part of the audit process.

Following its review, the Committee advised the Board that the Company's Annual Report and Accounts for the year ended 31 December 2019 were fair, balanced and understandable.

External audit

Auditor activity and effectiveness
PwC were first appointed in 2009 and were reappointed as the Group's external auditor following a tender process in 2016. The Committee will be required to change our audit firm no later than the 2027 audit. As reported in the 2018 Annual Report and Accounts, the planned transition to Andy Moore as the Group's Senior Statutory Auditor took place in July. The Committee oversaw this change, monitored Mr. Moore's performance, and concluded based on the following points that he and PwC were effective. As in previous years, the external auditor attended all meetings and met privately with the Committee regularly. The Chair of the Committee also regularly met with Mr. Moore to receive updates on progress and discuss any private matters.

To launch the external auditors programme of work the Committee received and agreed their plan for the audit of the 2019 year-end. The external auditor then provided regular updates on their work culminating in their overall final report and findings from the year-end audit and the review of the half-year results. The reports were discussed with the auditors, and the Committee concurred with management's response to the recommendations identified. The Committee asked PwC to pay particular attention to the valuation and recoverability of the operational readiness prepayment and was satisfied with the results of PwC's work and findings.

During the year, an internal evaluation was carried out to assess the independence, objectivity, and effectiveness of the external auditor and the effectiveness of the audit process. Management assessed PwC's effectiveness in three ways: feedback from management involved in the audit; feedback from the Audit Committee; and assessing audit quality and delivery against the audit plan.

The Committee found that PwC had a strong senior team and demonstrated sound knowledge of SJP. PwC exhibited professional independence, revisited issues decided in previous years, and were appropriate in challenging management for evidence. Areas of robust challenge from PwC during the year-end audit included: the definition of underperforming and non-performing loans under IFRS 9; and the inclusion of Brexit narratives in the audit opinion. As part of the evaluation, it was noted that no substantial changes to the audit approach were required, however some adjustments would be made to the year-end timetable to ensure the audit ran as efficiently as possible.

The Committee considered the results of the Financial Reporting Council's (FRC) quality review of PwC and of those audits led by our Senior Statutory Auditor, and the results of quality control reviews carried out by PwC. In July, the FRC published the results of its audit inspections and matters reported were discussed with the Senior Statutory Auditor.

The Committee discussed the outcome of the review with PwC and noted that PwC had announced an action plan to strengthen its focus on audit quality. The plan included additional investment in people, training and technology, structural changes to PwC's business, and a reinforced focus on culture and quality control. The Committee were reassured by PwC's response, and further updates on progress, and concluded that they did not result in any impairment of the quality of our audit.

The Committee endorsed management's view that the PwC audit team were consistently very professional and the relationship between the auditors and the business was positive and constructive. Following this evaluation, the Committee recommended that the Board seek the reappointment of PwC as external auditor at the next annual general meeting.

Finally, the Committee was authorised by shareholders at the last Annual General Meeting to fix the remuneration of the external auditors. As such, the Committee considered and approved the 2019 audit fees. More information on the audit fees can be found in Note 5 of the IFRS Financial Statements.

Auditor independence and non-audit services

During 2019, the Committee has monitored closely the developments arising from the Competition and Markets Authority's audit market study, the Brydon Review on the quality and effectiveness of audit, the Kingman review of the FRC and also considered the revised ethical standards issued by the FRC.

The Committee carried out its annual review of the Policy on Auditor Independence during the year. There were a number of enhancements made to the policy following the appointment of Grant Thornton Ireland as the external auditor for SJPI.

The Committee continued to ensure that the policy only permitted the Group's auditors to carry out limited non-audit work, where there is no risk of compromising independence, and the external auditor is the only supplier who could reasonably carry out the engagement. The Committee considered proposals for non-audit services as they arose and received updates at each meeting on fees incurred with PwC for all services, along with details of 'clearly trivial' non-audit services which the Committee has authorised management to approve. The Committee discussed and approved the non-audit work carried out by PwC during the year. Full details of PwC's remuneration for 2019 are set out in Note 5 of the IFRS Financial Statements.

In their Audit Report to the Committee, PwC confirmed that they remain independent of the Group and, having carried out its own assessment, the Committee concluded that PwC remained independent and objective. The Policy on Auditor Independence, which extends to the restrictions relating to non-audit services imposed by EU audit legislation, is available on the Group's website.

Internal audit

The Internal Audit Plan for 2019, approved by the Board Audit Committee in November 2018, was determined using a two-part planning process. The first was a bottom-up risk assessment of the Group's Audit Universe, fully refreshed and redesigned during 2018, which methodically assessed the risks faced by each component of the business. The second part was a top-down assessment of the key risks to the Group. The resulting Internal Audit Plan reflected both of these assessments, providing a blend of bottom-up core assurance activity with specific risk-target audits.

This plan was reviewed and monitored by the Audit Committee throughout the year. All updates and changes were specifically considered and approved. The Committee reviewed and approved the Internal Audit Charter, which can be found on our website at: **www.sjp.co.uk/about-us/corporate-governance**. The Committee also considered the proposed 2020 internal audit plan and recommended additional areas of coverage before approving.

The 2019 Audit Plan addressed three key themes. The themes, and example audits undertaken are:

Theme	Description	Example audits undertaken
Client and Partner	The Group's processes for ensuring appropriate client outcomes, overseeing the continued growth and expansion of the Partnership and its compliance with the Group's advice standards, and evaluated the effectiveness of the field management team in maintaining the required controls.	• Advice Suitability Rate Drivers • Online Wealth Account • Private Clients • Business Risk Team • Partner Technical Support
Operational excellence	The robustness and effectiveness of the Group's core operational processes, the impact of continued growth and increased complexity and the impact of major change initiatives.	• Oversight of Capita • Oversight of SS&C • Platform Migration Readiness Assessments • IT Testing • Operational Resilience
Regulation and reputation	The regulatory landscape, including significant recent and future changes, the importance of compliance across the Group's increasingly complex operations, and the key function of second line monitoring.	• Implementation of Asset Management Market Study • AML Controls • Fraud and Bribery Controls • Tax Reporting

Report of the Audit Committee continued

The delivery of the Audit Plan is the responsibility of the Director – Internal Audit, who is accountable to the Audit Committee and has regular one-to-one meetings with the Chair of the Audit Committee and the Chair of the Board. Each internal audit report is sent promptly to Committee members and Internal Audit Progress Reports were discussed at each meeting to update them on progress against plan and any remedial actions allocated to management.

Internal Audit reports biannually to the Committee on internal controls and has confirmed that overall internal controls are effective and no significant failings were identified, while noting certain controls which require improvement. Management has plans in place to enhance controls further where necessary and internal audit and the Committee will monitor the progress of the completion of those plans.

Following a competitive tender process completed in late 2018, Deloitte LLP continue to provide co-sourcing services for specialist expertise and additional resources to maintain and enhance the level of assurance provided to the Audit Committee.

The effectiveness of the Internal Audit function was externally assessed this year by EY against the global standards set down by the International Institute of Internal Auditors, the 2017 Code for Effective Internal Audit in Financial Services and current best practice in our industry.

The report concluded that the Internal Audit function remains effective and 'Generally Conformed' to the global standards across all aspects of performance, it highlighted the function's significant progress, and suggested opportunities for enhancements. The Committee Chair met with EY to discuss in depth the recommendations. Plans to address these opportunities are being reviewed by the Committee. The Committee concluded that Internal Audit is effective and meets the needs of the Group.

Internal controls

Systems of internal control

The Board has overall responsibility for ensuring that management maintains comprehensive systems of internal control for managing risk and for assessing their effectiveness. The Board Risk Committee plays a key role in the oversight of the Risk Management Framework, more information on which can be found in the Risk and Risk Management Report. The Audit Committee takes responsibility for assessing the effectiveness of internal control systems, including those relating to the financial reporting process for the accounts prepared for the Group and individual subsidiaries.

The internal control systems are designed to identify, evaluate and manage the risk of failure to achieve business objectives within appetite, rather than eliminate the risk altogether. This provides reasonable but not absolute assurance against material misstatement or loss. St. James's Place is committed to operating within strong systems of internal control that enable business to be executed and risk taken without exposing itself to unacceptable potential losses or reputational damage.

Specifically in relation to the financial reporting processes, the main features of the internal control systems include: extensive documentation, operation and assessment of controls in key risk areas; monthly review and approval of all financial accounting data including data generated by our outsource providers; and formal review of Financial Statements by senior management, for both individual companies and the consolidated Group.

During the year, the Committee received and provided its views on the quarterly updates on the results from the programme of control effectiveness reviews. The Committee is provided with updates on the operation of financial reporting controls throughout the year and each control is subject to an annual cycle of review and reapproval which culminates at the year end. In addition, the Committee received, and discussed the assessments of internal controls from Internal Audit, and the Internal Controls Team to support its annual review of the internal control system. This annual review enables the Committee to attest, on behalf of the Board, that it has been able to properly review the effectiveness of the Group's system of internal control in accordance with the 2014 FRC Guidance on risk management, internal control and related financial and business reporting.

The work enabled the Committee to conclude that overall, the internal controls were effective. However Internal Audit and the Internal Controls self-assessment identified areas where controls improvements should be made. For example, ensuring availability and prioritisation of resource to handle the increased regulatory burden (notably following the implementation of SM&CR), GDPR and recent Money Laundering Directives, and a refined client outcomes strategy. The Committee tracked progress on these items throughout the year to ensure actions were being addressed.

Whistleblowing

The Chair of the Committee is a key contact in the whistleblowing policy and is the whistleblowers' champion under the Senior Insurance Managers' Regime. The Committee reviewed whistleblowing arrangements during the year and received regular updates on activity. Each case was considered when first reported and tracked through at each meeting until satisfactorily concluded. The Committee agreed that the whistleblowing arrangements were appropriate and consistently in force across the entire Group. The Committee also reviewed, challenged, and approved the Annual Whistleblowing Report and the Whistleblowing Policy, presented to the Board.

Bribery and fraud review

The Committee monitors and receives regular reports on the Group's policies, systems and controls for bribery and fraud from the Money Laundering Reporting Officer. It was determined that, overall, SJP's controls are effective due to the restrictive business model, the policies and procedures in place, and the evidence of controls operational effectiveness; although a number of controls enhancements are currently being introduced. The Committee also reviewed in detail the new target operating model of the Financial Crime Team.

Report of the Risk Committee

IAIN CORNISH
On behalf of the Risk Committee

KEY OBJECTIVE OF THE COMMITTEE

The Committee's primary role is to provide guidance and advice to the Board (and where appropriate other boards and committees in the Group) in relation to the Group's risk appetite, attitude to risk and to provide oversight of its risk management framework.

REGULAR ATTENDEES AT MEETINGS

The Chief Executive, Chief Financial Officer, Managing Director (Distribution), Chief Risk Officer, and the Head of Internal Audit. Subject matter experts and other members of senior management are invited to attend and present on specific topics throughout the year.

COMMITTEE MEMBERSHIP

Member	Joined
IC Iain Cornish (Chair)	1 October 2011
RH Rosemary Hilary	17 October 2019
SJ Simon Jeffreys	1 January 2014
BW Baroness Wheatcroft	2 April 2012
RY Roger Yates	1 January 2014

The Committee's terms of reference set out the Committee's role and authority and can be found on the corporate website at **www.sjp.co.uk**.

Dear Shareholder,

I am pleased to present my annual report on the work of the Risk Committee during the year. The primary role of the Committee is to oversee the effective risk management of the business on behalf of the Board. The following pages set out the Committee's activities, and provides an update on key risk management themes considered by the Committee during the year.

The Group's Risk function is under the executive leadership of Mark Sutton, the Group's Chief Risk Officer (CRO). Whilst the CRO reports to the CEO and attends the Executive Board in an advisory capacity, he has direct access to me at all times. We interact on a regular basis and I am involved in setting his objectives and reviewing his performance. Mark's remuneration is determined by the Remuneration Committee, with me in attendance.

Through the regular CRO Report and specific reporting from the Risk and Compliance function, the Committee is provided with comprehensive reporting on key risk developments and activity across the Group. A breakdown of the key items considered by the Committee is included in this report.

In addition to the regular risk reporting, the Committee requested and received focused reports from senior executives on a broad range of strategic and current issues to support the Committee's assessment of the Group's principal risks. Attendance by senior management during the consideration of these reports provides the Committee with the opportunity to explore the management of the associated risks, challenge the executives responsible, and assess the risk culture within the Group.

Looking ahead to 2020, in addition to the focus on its core responsibilities the Committee will continue to monitor emerging risks. Some specific areas already identified for discussion in 2020 include: liquidity risk management for the insurance entities, the Group's recovery and resolution planning, and operational resilience.

Finally, in my update last year, I noted that I would continue to chair the Committee until a new independent Non-executive Director was appointed. Succession planning is well advanced in this area and we anticipate appointing a new Chair of the Committee in the coming months.

IAIN CORNISH
On behalf of the Risk Committee
26 February 2020

Report of the Risk Committee continued

Operation and performance of the Committee

The Committee comprises the Chair of the Group Board and four independent Non-executive Directors. The Committee Chair meets regularly with the Chief Risk Officer, Chief Executive, and Chief Financial Officer, individually and together, to discuss key risk topics. The Chair, in conjunction with the other Committee members, and the CRO, establishes a rolling forward agenda, ensuring the key responsibilities of the Committee are carried out across the year and that significant and emerging risks are considered at appropriate times.

The Committee also focused on its own performance and effectiveness during the year. As part of this, the Committee carried out an annual review of its terms of reference and agreed that it continued to discharge its responsibilities appropriately. The Committee's effectiveness was also reviewed by the Board as part of its overall assessment of its effectiveness (see page 88). The Board remained satisfied that the Committee as a whole has the experience and qualifications necessary to successfully perform its role.

Oversight of risk

The Committee spends a significant proportion of its time receiving updates from the CRO and senior members of the Risk and Compliance function, who have direct access to the Chair of the Risk Committee should the need arise. The Committee also regularly considers progress on the risk and compliance monitoring plan, and assesses the adequacy of resources committed to its delivery.

Oversight of the risk management framework is key to the delivery of the responsibilities of the Committee. During 2019 the Group's principal risks remained largely unchanged. The Committee also reviews and challenges the implementation of risk mitigation in the business. Where risks crystallise, the Committee reviews the circumstances and root causes, and then assesses the response of management. More details on the principal risks, the risk management framework, risk appetite, and how we monitor and manage risk in the business can be found on pages 60 to 65.

As most of the activity within the Group is regulated, the Committee also receives regular updates on regulatory developments and the Group's ongoing interactions with regulators. The Group's interactions are principally with the Prudential Regulation Authority, the Financial Conduct Authority, the Information Commissioner's Office, the Central Bank of Ireland, the Monetary Authority of Singapore, the Hong Kong Securities and Futures Commission, and the Office of the Commissioner of Insurance in Hong Kong. Engagement with other firms and advisers in the financial services marketplace are also reported to the Committee, and collectively these updates assist the Committee in monitoring the Group's ongoing compliance with regulation.

Activities during the year

On an ongoing basis the Committee receives regular reports on a number of areas including:

- updates on material risks that have been prominent in the period since the previous meeting;
- interactions with regulators and any actions required;
- an assessment of the impact and implementation of new regulations; and
- emerging risks and any significant changes in the risk environment.

The Committee also approves the annual compliance monitoring plan and monitors the operation, performance, and resourcing levels of the Risk and Compliance function. As part of this it reviews the compliance monitoring dashboard, receives updates on business assurance reviews, and approves the annual compliance monitoring plan.

Regular agenda items also include reports produced by the second line (Compliance Assurance) and the first line (Business Assurance) functions on thematic reviews carried out into specific areas of the Group's business. The committee also receives an annual report from the Group's Money Laundering Reporting Officer on the anti-money laundering, anti-bribery and anti-fraud activities taking place within the Group, with additional updates as required.

The Committee also reviewed the summary output from the Internal Capital Adequacy Assessment Process carried out for St. James's Place Investment Administration Limited (SJPIA) and recommended it to the SJPIA board for approval. In addition, the Committee has responsibility on behalf of the Group and a number of its legal entities for a number of key risk policies and these were reviewed throughout the year.

The assessment of risk within the Group is an important part of the work of the Committee. For this reason, senior executives with first line ownership of principal risks regularly report directly to the Committee. In addition to the regular reporting outlined above, the Committee received and reviewed reports from management on risks in their business areas. Overleaf is a list of the key matters considered by the Committee during the year.

Key topics considered

Theme	What did we do?	What was the conclusion and impact?
ORSA	An important area of focus for the Committee is the Own Risk and Solvency Assessment (ORSA). More details of the ORSA document and associated processes can be found on page 61. This year, the Committee undertook the following ORSA-related activities: • Reviewed the proposed 2019 ORSA strategy, stress and scenario testing, and operational risk assessments for the 2019 ORSA cycle; • Assessed the results of stress and scenario testing carried out as part of the ORSA process; and • Considered the draft ORSA Summary Report, including underlying operational risk assessments and stress tests carried out alongside financial projections.	The Committee reviewed and challenged the proposed 2019 ORSA approach, including the planned stress and scenario testing and operational risk assessments. This resulted for example in adjustments to the proposed scenarios regarding Brexit and potential UK political change. The Committee debated the use of the standard formula and agreed that it remained an appropriate approach for the Group in calculating its solvency capital requirement. The Committee met outside of the normal meeting cycle to review the draft ORSA results and report, providing additional opportunity for the Committee to challenge and question. For example, this included discussion on the impact of operational losses from a theoretical cyber security breach scenario. The Committee then considered the final draft of the 2019 ORSA document, before agreeing to recommend it to the relevant legal entity boards for approval. It also approved the ORSA Policy.
Risk Appetite Statements (RAS)	This year, the RAS were significantly amended to align with the Group's ten high level risk areas, which formed the foundation of the Group's updated risk taxonomy, and aligned to the Group's strategic objectives.	The Committee reviewed and commented on the RAS in detail, and its final form, recommended its approval to the Group Board.
Emerging risks	The monitoring and reporting on emerging risks were enhanced in 2019.	The Committee agreed an enhanced approach to the consideration and reporting of emerging risks, and this will continue to be an important focus of the Committee in 2020. You can read more about our approach to emerging risks in the Risk and Risk Management section on page 64.
Regulatory focus	As noted earlier, the Committee receives regular updates on interactions with the regulators. In addition to the regular updates, the Committee considered industry wide and firm specific feedback from the FCA and PRA.	The Committee considered all material interactions with the Group's principal regulators, including the Group's proposed actions where these are necessary. It monitors progress against these actions to conclusion.
Conduct – vulnerable clients	The Committee received an update on the key measures and oversight in place across the business to support vulnerable clients, and how this framework was evolving in the context of the guidance paper from the FCA (GC19/3) published in late 2019.	The Committee discussed the actions being taken in the business to enhance its approach to identifying and supporting vulnerable clients. This remains an area of important focus for the Committee through 2020.
Outsourcing	Outsourcing is a significant area of focus for the Group. The Committee reviewed the current material outsourcing processes in the Group, and a list of material relationships. This was supplemented by regular updates on key outsource relationships, such as the Group's administration partners.	The Committee recognises the importance of maintaining appropriate controls over outsourced activities. The Committee probed into controls over data security at third party suppliers, as well as the adequacy of contingency and exit planning.
Operational resilience	The Committee reviewed the Group's approach to business continuity and operational resilience and requested an update on enhancements required to respond to consultation papers issued by the PRA and FCA in late 2019.	The Committee is well sighted and is actively overseeing the activities ongoing to enhance operational resilience in the Group. This area will remain in focus throughout 2020 and beyond.

Report of the Risk Committee continued

Key topics considered continued

Theme	What did we do?	What was the conclusion and impact?
Cyber and information security	The Committee was provided with a view on SJP's information and cyber security risks, and activities contributing to the cyber maturity programme.	The Committee discussed the results of the testing and assurance activities over cyber security. It will continue to receive, review and challenge management information on cyber security on a frequent basis and conduct 'deep dives' as appropriate.
Business risk updates	The Committee received regular updates from various business areas on the risks, operations and governance related to the following: • The Investment Management division, which is responsible for delivery of our Investment Management Approach. • Administration and Client Servicing, with particular focus on the risks associated with migration to Bluedoor, which was completed in 2019. • Finance, tax and treasury, understanding the risks and responses in the head office functions. • An update from the Group's businesses in Asia and Ireland, and its discretionary fund manager, Rowan Dartington. • Workforce / employees, assessing key people risks and the business's responses. • The Partnership, including deep dives on topics such as recruitment, supervision, developments in Training and Competency assessments and ongoing client servicing.	These topics were discussed and challenged by the Committee directly with the senior first line management responsible, and requested follow up actions and further updates when appropriate.
Crystallised risks	Where issues had arisen during the year, the Committee requested updates from management on the implications, including the financial impact, root cause analysis and the extent of potential client detriment.	The Committee discussed the management responses to issues that had arisen, providing challenge where appropriate, to ensure that implications were well understood, and appropriate actions had been taken. None of the issues identified were systemic in nature and the Committee was satisfied that any client detriment that may have been suffered was satisfactorily addressed.

Report of the Nomination Committee

IAIN CORNISH
On behalf of the Nomination Committee

KEY OBJECTIVE OF THE COMMITTEE

The Committee has overall responsibility for planning Board and senior management succession, leading the process for new appointments and ensuring that these appointments bring the required skills, experience and diversity to the Board. As part of this, the Committee reviews the governance framework, including the structure, size and composition of the Board and its Committees to ensure they are made up of the right people with the necessary skills and experience to direct the Company in the successful execution of its strategy.

REGULAR ATTENDEES AT MEETINGS

The Chief Executive and representatives of external consultants.

COMMITTEE MEMBERSHIP

	Member	Joined
IC	Iain Cornish (Chair)	1 October 2011
SJ	Simon Jeffreys	4 December 2018
BW	Baroness Wheatcroft	1 January 2014
RY	Roger Yates	8 October 2018

The Committee's terms of reference set out the Committee's role and authority and can be found on the corporate website at **www.sjp.co.uk**.

Dear Shareholder,

The Committee's main priorities for 2019 included the appointment of new Non-executive Directors and a forward-looking review of Board composition and medium-term succession planning for the Non-executive Directors and senior management, with a particular focus on increasing diversity. To achieve its objectives, the Committee established a structured Board and senior management succession planning programme working closely with specialist external consultants. In carrying out this work the Committee has been particularly conscious that over the next three years a number of the existing Non-executive Directors will be retiring from the Board, and through this programme the Committee has established a clear view of the mix of skills, experience and diversity that will be required to continue to deliver effective oversight in the future.

I am pleased to report that significant progress was made in relation to all of the Committee's objectives, in particular through the appointment of four new Non-executive Directors to the Board; Rosemary Hilary, Dame Helena Morrissey, Emma Griffin and Lesley-Ann Nash (who will join the Board on 1 June 2020). Each of the new Directors brings significant and diverse experience and expertise to the Board (see biographies on pages 74 to 75 for more information).

Shortly after my selection as Chair-elect, the revised Code imposed a new nine-year tenure rule for chairs, albeit on a 'comply or explain' basis. My colleagues on the Committee, led by the Senior Independent Director and without my involvement, considered the implications on the succession planning for the wider Board. They concluded that it was appropriate to extend my tenure to no later than October 2022 to enable me to oversee the initial phase of these succession plans, subject to the agreement of shareholders. More information can be found in the Corporate Governance Statement on page 84.

The Committee receives regular updates from the Chief Executive with regard to the composition of the Executive Board and executive succession planning and I am pleased to confirm that Elizabeth Kelly joined the Executive Board in January 2020. She is currently the Company Secretary and Director of the CEO Office and has a wealth of experience in senior executive roles within financial services organisations. In addition to her current responsibilities (which also include inclusion and diversity) she will also have responsibility for Corporate Social Responsibility, Conferences/Events and overseeing the relationship with our Charitable Foundation.

Responsibility for overseeing SJP's inclusion and diversity programme rests with the Committee and during 2019 we were pleased to see good progress being made during the year, not only in relation to gender diversity on the Board and Executive Board, but also in relation to our wider inclusion and diversity agenda across the SJP community. There remains a significant amount of work to do in this area but I believe its prominence and focus within our strategy and operations coupled with the ownership of this agenda by the CEO and his executive team has set the foundations for SJP to be a leader in the future. More detailed coverage of inclusion and diversity can be found on pages 29, 30 and 101.

Finally, the Committee has been overseeing the progress against the 2018 Board effectiveness action plan (which we reported on in last year's Report). The majority of the actions (which we reported on last year) are now complete, with the remaining actions well in hand. The Committee has also overseen an internally driven Board effectiveness review, which included reflecting on the lessons of the Group's experiences in 2019. A high proportion of the actions have been completed with the remaining ones being completed as and when appropriate.

IAIN CORNISH
On behalf of the Nomination Committee
26 February 2020

Priorities for 2020

- Ensuring adequate induction and effective governance in light of a number of new Non-executive Directors joining the Board;
- Ensuring adequate arrangements for Chair succession;
- Continued focus on senior executive development and succession; and
- Continued focus on diversity in all its aspects within the Group.

Report of the Nomination Committee continued

Activities during the year

Topic	Summary of activity	Find out more
Board succession	Drawing up a robust succession plan for the Board and, as part of this identifying and nominating to the Board four new Non-executive Directors.	See below
Management succession	Establishing a standardised programme for senior management succession with the support of specialist external consultants.	See below
Inclusion and diversity	Significant focus on the recruitment of the Non-executive Directors, as mentioned above and establishing appropriate foundations within the organisation to ensure diversity within the pipeline for succession at all levels. A key aspect of this was the approval and adoption of the Inclusion and diversity strategy and policy in addition to receiving reports of progress against this strategy and the diversity targets, as reported on page 101.	See below
Group governance	Following agreement of the principles and model for Group governance, regular reports were received as to progress against the programme of agreed actions. The Committee was also responsible for endorsing non-executive appointments to subsidiary boards.	See below
Board effectiveness	Overseeing the progress of the action plans arising out of the 2018 Board effectiveness review. Preparing for and planning the approach to the 2019 internal Board effectiveness review and proposing this to the Board.	See page 84

Operation and performance of the Committee

The Committee comprises the Chair of the Board and three independent Non-executive Directors and membership has remained unchanged during the year. The Committee's effectiveness has been reviewed by the Board as part of its overall assessment of its effectiveness (see page 84) and it remains satisfied that, as a whole, the Committee has the experience and qualifications necessary to perform its role.

Board and Executive succession

Last year the Committee highlighted that four of the Non-executive members of the Board will reach nine years' tenure over the next few years (a threshold set by the Code as a limit beyond which independence is difficult to maintain, albeit on a 'comply or explain' basis). The Committee has established robust and detailed plans to manage the transition of Board membership over the next few years and 2019 has seen the implementation of the first phase of these plans.

The immediate focus has been to identify and nominate to the Board, at least four new Non-executive Directors to ensure effective succession planning for the future. Inclusion and diversity has been a key aspect of the planning and, following a tender process, the Committee selected Russell Reynolds Associates to support in the development of the plans and identify potential candidates. Russell Reynolds are a sponsor of the 30% Club and are accredited for the FTSE 350 category of the Enhanced Voluntary Code of Conduct for Executive Search Firms. Russell Reynolds led the search for each of the Non-executive roles and, in respect of each role, provided a long list of high calibre candidates, at least 50% of whom were women. A formal interview process was undertaken before other members of the Board were invited to meet the recommended candidates for each of the roles. In October and November the Board was able to announce the appointments of Rosemary Hilary and Dame Helena Morrissey and the appointments of Emma Griffin and Lesley-Ann Nash were announced in February 2020.

In order to ensure continuity and maintain stability, we plan to induct the new members of the Board into the organisation in a manner that does not disrupt the Board's operation and focus. This will mean that the existing Non-executive Directors are likely to continue on the Board alongside their successors for short periods. Although this may result in an increase in the number of Non-executive Directors on the Board over the next few years, we expect the Board composition to revert back to an appropriate size and make up after this period.

We have also seen changes to the Executive Board during the year with Jonathan McMahon stepping down and Elizabeth Kelly joining from 2020. Succession planning at the Executive and senior management levels has progressed well during the year and the CEO has provided updates to the Committee with regard to the approach and plans in this respect. A key element of these plans will be ensuring that management has the necessary skills and experience to deliver the strategy of SJP into the 2020s.

Group governance

Significant progress has also been made to evolve our governance framework, the principal aim of which is to ensure we have in place appropriate, proportionate and sustainable governance which underpins our business model both now and for the future. A scalable model is being implemented across the Group, preserving the fundamental aspects of our vertically integrated model, which has been a key component of our success. This model is based upon a number of high-level principles which take into account best practice and requirements introduced by the Senior Managers and Certification Regime and the Asset Management Market Study.

One aspect of the new framework is the Committee's role in the appointment of non-executive directors to subsidiaries across the Group. The Committee receives reports from the CEO as to proposed appointments and is required to endorse any such candidate before the appointment is made. During the year the Committee endorsed non-executive appointments to St. James's Place UK plc and St. James's Place Unit Trust Group Limited, welcoming Dawn Hyams to the Group.

The Committee will continue to closely monitor the implementation of the governance model.

Inclusion and diversity

Positive progress has been made with regard to gender diversity both on the Board and on the Executive Board with the aforementioned succession planning providing opportunities to address both gender balance and diversity in the broadest sense. The Board is now 40% female and we have one woman on the Executive Board. However, there is still more progress that needs to be made both at the executive level and throughout the SJP community not just in relation to gender diversity but also social, ethnic and cognitive diversity.

In order that we can continue to make the progress that we need to, earlier this year a new Head of Inclusion and Diversity was appointed (see page 29). We have established a number of targets and commitments to ensure that we promote inclusivity and diversity and report on progress against these targets and the Group's key areas of focus on pages 29 and 30. In March 2020, we will also publish our latest gender pay gap report which shows a modest improvement in our median gender pay gap. We recognise that significant effort is required to close the gap but are confident that the momentum being generated will help to accelerate our progress.

The Committee receives a report at each meeting from the CEO and the Inclusion and Diversity Steering Group, via the Head of Inclusion and Diversity, to enable it to closely monitor our performance against our Inclusion and Diversity Strategy and against the targets which have been factored into Executive team bonus performance criteria and Board KPIs. The Inclusion and Diversity Steering Group is supported by an advisory board and an Inclusion and Diversity network made up of a broad community of employees who share best practice and feedback their thoughts and views on different aspects of inclusion and diversity.

Board effectiveness

The Committee has reviewed detailed analysis as to the significant other commitments of the Non-executive Directors and how much time they were spending on the Company's business and affairs. The Committee and the Board are satisfied that the Non-executive Directors are able to, and do, commit sufficient time and attention to the Company's business. In addition, the Committee reviewed and approved an assessment of the independence of each of the Non-executive Directors, concluding that each of the Non-executive Directors demonstrated that they remained independent in character and judgement. Further information on these conclusions can be found in the Notice for the Company's 2020 Annual General Meeting.

The Board undertook an externally facilitated effectiveness review last year and agreed actions, progress against which has been monitored by the Committee during the year. The Committee was responsible for the planning and preparation of the 2019 review and proposed an internally managed approach to the Board. Further details of the 2019 review and progress made against the actions arising from the 2018 review are set out on page 88. Specific actions for the Committee from the 2018 review were factored into the Board and Executive Succession planning.

Report of the Remuneration Committee

ROGER YATES
On behalf of the Remuneration Committee

KEY OBJECTIVE OF THE COMMITTEE

The Committee's primary purpose is to ensure that remuneration arrangements support the strategic aims of the business and as well as the recruitment, motivation and retention of senior executives whilst also complying with regulatory requirements.

REGULAR ATTENDEES AT MEETINGS

Chair; Chief Executive; Chief Financial Officer; Director – People and Chief Risk Officer

COMMITTEE MEMBERSHIP

Member	Joined
RY Roger Yates (Chair)	1 January 2014
SJ Simon Jeffreys	1 January 2014
BW Baroness Wheatcroft	3 May 2012

The Committee's terms of reference set out the Committee's role and authority. They can be found on the corporate website at **www.sjp.co.uk**.

Contents

Section 1: Chair's annual statement (unaudited)

Dear Shareholder,

On behalf of the Remuneration Committee (the Committee) and the Board, I am pleased to present the Directors' Remuneration Report for 2019 (the Report).

New Directors' Remuneration Policy (the 'Policy') for shareholder approval at 2020 AGM

At the AGM held on 4 May 2017, shareholders approved the current Policy with 99.6% of votes cast in favour. Some amendments are proposed to the Policy, which will be submitted for the triennial binding vote at the 2020 AGM. The remainder of the Remuneration Report will be submitted for the usual advisory vote at the AGM. The amended Policy will apply to awards in respect of the 2020 performance year onwards for all Executive Directors. The proposed amendments will further simplify the remuneration arrangements for Executive Directors and ensure the Policy continues to be in line with best practice and shareholder expectations. The key proposed amendments to the Policy are:

- Increase in shareholding requirement from 200% of salary to 300% for the Chief Executive;
- Confirming and clarifying the Committee's powers of discretion to override formulaic incentive outcomes where necessary;
- Introduction of the post-cessation shareholding requirement for two years after leaving service; and
- Confirming the Committee's flexibility to make Performance Share Plan (PSP) awards up to the existing maximum limit in the Policy, but using this on a prudent and restrained basis.

For information, the Committee has also simplified the EPS performance metric in the PSP for awards from 2020 onwards. Previously, the EPS was measured using two different methods; it will now be measured on one method only, as described in section 2.3.3. The Committee will continue to set challenging targets under this metric.

Pension

The Committee has already taken steps to start to align pension allowances for Executive Directors with the wider employee population. We have a tiered pension allowance, based on service, for our general employee population. New joiners start on 10% of base salary and this increases with service to 12.5% after 5 years, and 15% after 10 years. We have adopted this structure for any new Executive Director appointments from the 2018 AGM.

Our existing Executive Directors currently receive pension contributions of 20% of base salary, which is 5% above the maximum for the wider workforce. The Committee acknowledges the increasing pressure from investors to see complete alignment between the rate of pension contributions paid to all Executive Directors and the workforce but also recognises the challenge in balancing investor expectations with the contractual rights of employees.

Although the gap between the contributions received by our Executives and the workforce is modest compared to many companies, we have decided that we will align the pension contribution rates by 1 January 2023.

Variable remuneration outcomes of 2019

This Report includes disclosure of performance targets and the outcome for the annual bonus for 2019. The Committee determined that 37.5% of the maximum annual bonus should be payable for 2019, reflecting the financial results for 2019 and good progress against strategic objectives set by the Committee at the start of the year, which are fully explained in the Report. Fifty percent of the bonus is deferred into shares for three years.

The three years ending 2019 have been another period of strong performance relative to the market and PSP outcomes reflect this. Based on the three-year performance to the end of 2019, 62.9% of the Executive Directors' Performance Share Plan awards granted in 2017 will vest in March 2020, as a result of relative Total Shareholder Return (TSR) being slightly above the median of the range set by the Committee and Earnings Per Share (EPS) growth being towards the upper end of the range set by the Committee.

Remuneration for 2020

The Committee considered the overall remuneration arrangements for the Executive Directors in 2020 in accordance with the Policy and has awarded an increase of 3% in the base salaries of the Executive Directors for 2020, which is in line with the overall increase of base salaries for the workforce. Despite this increase, the base salaries remain below market median for a company of our size both in Financial Services and General Industry.

The maximum annual bonus opportunity and maximum performance share awards for 2020 will remain at the same levels as 2019. No discretion to override variable pay outcomes has been exercised during the year.

Following a review of the fee levels for our Non-executive Directors, the fee of the Board Chair for 2020 will increase to £221,707 (3% increase). The base fees of the Non-executive Directors, which include Committee membership responsibilities as there are no additional Committee membership fees, will increase to £84,650 (26.4% increase), the Committee Chair fees will increase to £23,075 (3% increase) and the Senior Independent Director fees will increase to £6,212 (3% increase). Despite the increases in the base fees of the Non-executive Directors, their fees and the Board Chair's fee remains below the median level for financial services companies of our size. Recognising the increased workload, regulatory responsibilities and the size of the Group, the Committee intends to increase the Board Chair's fee over the next few years to the extent necessary to bring this fee in line with the relevant benchmarks.

Changes to the Board

As I confirmed in my statement last year, David Lamb stepped down from the Board of Directors on 26 February 2019. This year's Directors' Remuneration Report sets out the remuneration David received during the short period he was in office during the year but further details on his package in retirement were included on page 123 of last year's Annual Report and Accounts. Rosemary Hilary, Dame Helena Morrissey and Emma Griffin joined the Board of Directors as Non-executive Directors on 17 October 2019, 1 January 2020 and 5 February 2020, respectively. Further details on their appointments are set out on page 77. Lesley-Ann Nash will also join the Board on 1 June 2020. As Dame Helena Morrissey and Emma Griffin did not serve as Directors during 2019, they did not receive any remuneration and have not been included in Section 2 of this Report.

Engagement with shareholders and best practice

The Committee is regularly updated on the latest views of major shareholders and investor representative bodies and best practice. Any views expressed by shareholders at general meetings of the Company or otherwise have been considered by the Committee as part of the Policy review during the year. The Committee understands the important and increasing focus on clear and transparent disclosure of remuneration outcomes demonstrating the alignment of remuneration and performance, and the Committee believes it provides complete disclosure in this Report. The Committee has consulted with major shareholders and proxy voting agencies on the proposed amendments to the Directors' Remuneration Policy and met with a number of shareholders to discuss their views. The views expressed by shareholders were discussed by the Committee and taken into account when finalising the Policy which is being proposed to shareholders. The 2020 Investment Association Principles of Remuneration, the 2020 ISS Voting Guidelines and the 2020 Glass Lewis Guidelines have also been taken into account in the review of the Policy during the year.

Corporate governance developments and regulatory change

The Committee closely monitors developments in remuneration regulations from European and UK authorities, and has taken these into account in its latest review of the Policy. Of significant interest to the Committee during the year were the new reporting requirements introduced by the Companies (Miscellaneous Reporting) Regulations 2018 and the revised UK Corporate Governance Code (the Code). As part of the review of the Policy, the Committee assessed the Policy and remuneration practices against the six factors set out in Provision 40 of the Code: clarity; simplicity; risk; predictability; proportionality; and alignment to culture. The Committee remains satisfied that each factor has been taken into account, for example, the proposed changes to the performance measures for the PSP have been revised to simplify and ensure consistency with the approach taken to determining longer-term value growth in the Annual Report. A further example is the proposal to increase the Committee's discretion to reduce formulaic incentive outcomes, addressing the potential risk posed by formulaic outcomes.

Conclusion

The remuneration outcomes for 2019 reflect the performance achieved by the business. The proposed amendments to the Policy will continue to ensure close alignment of our Executive Directors with the best interest of our shareholders and other stakeholders, and continue to support the future growth and success of the Company.

I would like to thank shareholders for their continued support and would encourage you to vote in favour of the resolutions relating to our new Directors' Remuneration Policy and the Directors' Remuneration Report for 2019, at the 2020 AGM.

ROGER YATES
On behalf of the Remuneration Committee
26 February 2020

Section 2: Remuneration at a glance and annual report on remuneration

Summary of Executive Directors' remuneration for the year (audited)

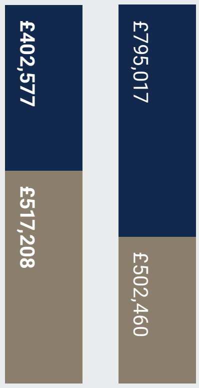
How were our Executive Directors rewarded?

Single Figure remuneration for performance period ending 31 December 2019, compared with 2018

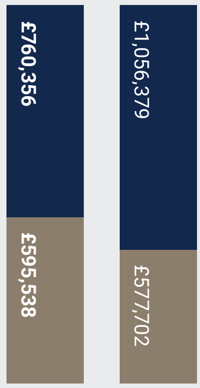
Fixed remuneration ■ Variable remuneration

ANDREW CROFT
Chief Executive

CRAIG GENTLE
Chief Financial Officer



IAN GASCOIGNE
Managing Director



	Andrew Croft 2019	Andrew Croft 2018	Craig Gentle 2019	Craig Gentle 2018	Ian Gascoigne 2019	Ian Gascoigne 2018
Base salary	**548,990**	533,000	**396,962**	385,392	**396,962**	385,392
Benefits	**48,317**	47,655	**40,854**	39,990	**119,184**	115,232
Pension	**109,798**	106,600	**79,392**	77,078	**79,392**	77,078
Annual bonus (cash)[2]	**155,156**	249,054	**112,190**	180,085	**112,190**	180,085
Annual bonus (deferred)[2]	**155,157**	249,054	**112,190**	180,085	**112,190**	180,085
Total	**1,017,418**	1,185,363	**741,588**	862,630	**819,918**	937,872
PSP vested[1]	**535,976**	696,209	**178,197**	434,847	**535,976**	696,209

1 The value of the PSP vested corresponds to the long-term incentives in the Total Remuneration table on page 105.

2 The Annual bonus awards are in respect of performance during the years ending 2018 and 2019 respectively.

3 The totals in the chart and table above excludes 'Other' remuneration as set in the Single Figure table, which relates to all-employee share plans.

Linking remuneration to achievement of key business goals (audited)

		Weighting (maximum potential percentage points per item)	Outturn (actual points earned)	Percentage of base salary earned[1]
Annual bonus for 2019 (max 150% of base salary)	EEV operating profit	50%	–	0%
	Strategic and operational KPIs	50%	37.5	56.2%
	Total bonus opportunity	**100%**	**37.5**	**56.2%**
PSP (2017 award) (max 200% of base salary[1])	Relative TSR	33%	12.5	25%
	EPS growth (including the unwind of the discount rate) in excess of RPI	33%	22.1	44.3%
	EPS growth (excluding the unwind of the discount rate) in excess of RPI	33%	28.3	56.5%
	Total PSP opportunity	100%	62.9	125.8%

1 Base salary for PSP is the base salary at the time of grant. The value of the PSP vesting is also dependent on the amount of share price movement between grant and vesting.

This Directors' Remuneration Report, excluding the Directors' Remuneration Policy, will be put to an advisory shareholder vote at the 2020 AGM. This part of the Report explains the work of the Remuneration Committee, sets out how we implemented our Policy during 2019 and how we intend to implement our new Policy in 2020. The information on pages 102 to 118 has been audited where indicated.

2.1. How the Remuneration Policy was applied in 2019

2.1.1 Remuneration payable in respect of performance in 2019 (audited)

Summary of total remuneration

The remuneration received by Executive Directors and Non-executive Directors in respect of the years ended 31 December 2019 and 2018 is set out below.

Executive Director		Base salary £	Benefits £	Annual bonus £	Long-term incentives £	Pension £	Other £	Total £
Andrew Croft	**2019**	**548,990**	**48,317**	**310,313**	**535,976**	**109,798**	**175**	**1,553,569**
	2018	533,000	47,655	498,108	696,209	106,600	5,202	1,886,774
Ian Gascoigne	**2019**	**396,962**	**119,184**	**224,380**	**535,976**	**79,392**	**175**	**1,356,069**
	2018	385,392	115,232	360,170	696,209	77,078	3,810	1,637,891
Craig Gentle	**2019**	**396,962**	**40,854**	**224,380**	**178,197**	**79,392**	**175**	**919,960**
	2018	385,392	39,990	360,170	434,847	77,078	–	1,297,477
David Lamb	**2019**	**64,546**	**8,826**	**–**	**–**	**12,909**	**–**	**86,281**
	2018	385,392	41,556	360,170	696,209	77,078	3,636	1,564,041

Non-executive Director		Fees £	Benefits £	Total £
Iain Cornish	**2019**	**215,250**	**21,545**	**236,795**
	2018	118,589	14,607	133,196
Rosemary Hilary	**2019**	**13,858**	**–**	**13,858**
	2018	–	–	–
Simon Jeffreys	**2019**	**89,353**	**1,963**	**91,316**
	2018	86,750	2,284	89,034
Baroness Wheatcroft	**2019**	**66,950**	**1,873**	**68,823**
	2018	65,000	1,735	66,735
Roger Yates	**2019**	**95,384**	**–**	**95,384**
	2018	88,104	–	88,104

Benefits

Benefits for the Executive Directors comprise a company car or cash equivalent, fuel, private health care, life and critical illness cover, permanent health insurance, health screening and travel costs where deemed taxable. For Ian Gascoigne, they also include a housing allowance to facilitate working across multiple locations. The amounts shown are generally the taxable amounts.

Benefits for Non-executive Directors are for the reimbursement of taxable travel expenses grossed up for the tax payable thereon.

Pension allowance

Pension contributions, being 20% of base salary, were capped by legislation and so a non-pensionable allowance was paid to the Executive Directors in full for Andrew Croft, David Lamb (for the two months in which he served as a Director), and Ian Gascoigne, and for the balance for Craig Gentle, who had a £10,000 contribution to the money purchase group pension scheme. Consistent with the pensions contributions provided to the wider workforce, all Executive Directors appointed after the 2018 AGM receive a pension allowance of 10% of salary on joining, increasing to 12.5% after five years and 15% after 10 years of service.

Annual bonus

As explained on page 121, half of the annual bonus is paid in cash, with the other half in the form of a conditional award of Company's shares, which are subject to forfeiture for three years under the terms of the Deferred Bonus Scheme.

Long-term incentives

The value of the long-term incentives is the value of shares for the award where the performance period ends in the year together with the value of the dividends that would have been received during the three-year performance period. The gross value of those dividends is £58,493 for Andrew Croft and Ian Gascoigne and £19,447 for Craig Gentle. The long-term incentive figures for 2019 have been calculated using the average of the Company's share price in the three-month period to 31 December 2019, being £10.63, as the actual vesting date of the PSP award is on 27 March 2020. The figures for 2018 have been updated from the three-month average figures used in last year's report (being £710,619 for Andrew Croft, Ian Gascoigne and David Lamb and £462,282 for Craig Gentle) to take into account the Company's share price on the date of vesting on 25 March 2019, being £9.92 and 26 September 2019, being £9.49. The LTIP figure for 2019 in the table above includes the following: £2,763 for Andrew Croft, £2,763 for Ian Gascoigne and £919 for Craig Gentle, which are attributable to the movement in the share price between the grant date and the end of the performance period. This amounts to 0.52% of the vesting amount shown in the table. The LTIP figure for 2018 in the table above includes the following: £51,964 for Andrew Croft, £51,964 for Ian Gascoigne, £51,964 for David Lamb, and £16,415 for Craig Gentle, which are attributable to the movement in the share price between the grant date and the end of the performance period. This amounts to 7.46% of the vesting amount shown in the table for Andrew Croft, Ian Gascoigne and David Lamb and 3.77% of the vesting amount shown in the table for Craig Gentle. These awards are subject to a two-year post-vesting holding period.

Other

These amounts relate to the value of the Matching shares (one for every ten Partnership shares) under the Share Incentive Plan for Andrew Croft, Ian Gascoigne and Craig Gentle, whereby 17 shares were purchased on 25 March 2019 at £10.26 and 16 shares were purchased on 29 March 2018 at £10.87.

David Lamb

The 2019 figures for David Lamb in the table above are in relation to his period served as an Executive Director during the year, which ended on 26 February 2019. The value of David Lamb's PSP awards vesting during 2019 are not included in the table above as he was not a Director at the date that they vested. David Lamb was a non-executive director of The Henderson Smaller Companies Investment Trust plc during the year and was paid and retained a fee of £3,670 in connection with that role in the period ended 26 February 2019 (2018 full year: £23,000). As this is not remuneration from St. James's Place, this is not included in the remuneration above.

Waived remuneration

Iain Cornish has waived his fee for chairing the Risk Committee (2019: £22,403).

Roger Yates has waived his fee for chairing the board of St. James's Place Unit Trust Group Limited (£20,000 per annum) with effect from 30 September 2019 (2019: £5,000).

Section 2: Annual report on remuneration continued

2.1.2 Summary of total annual bonus for 2019 performance (audited)

The performance conditions and weightings which applied to the annual bonus and the resulting payout were as follows:

Measure	Weighting (percentage of salary)	Weighting (percentage of maximum)	Threshold (EEV operating profit) (20% payable)	Maximum value (100% payable)	Actual	Payout (percentage of salary)	Payout (percentage of maximum total bonus)
Financial (EEV operating profit)	75%	50%	£1,010m	£1,100m	£952m	0%	0%
Strategic	75%	50%	Assessment by the Committee of the performance of the Executive Directors			56.25%	37.5%
Total payout						**56.25%**	**37.5%**

Executive Director	Payout (cash) £	Payout (deferred) £	Total payout £
Andrew Croft	**155,156**	**155,157**	**310,313**
Ian Gascoigne	**112,190**	**112,190**	**224,380**
Craig Gentle	**112,190**	**112,190**	**224,380**
David Lamb	**–**	**–**	**–**

1 The Committee has the discretion to scale back the annual bonus payable in respect of the strategic measures if it considers it inappropriate in the context of the overall financial results of the Group. The Committee reviewed the Group's performance and agreed that no scale-back was appropriate.

2 The Committee retains the discretion to amend each element of the bonus, up or down, within the overall cap of 150% of salary, to take into account other relevant factors such as the Group's performance compared to competitor organisations or, for instance, an exceptional positive or negative event which impacts the Group. The Committee reviewed the Group's performance as well as competitors and the external market at the end of the performance period and agreed that no adjustment was required.

3 Half of the bonus is paid in cash, with the remainder being invested in the Company's shares and deferred for three years, under the Group's deferred bonus plan.

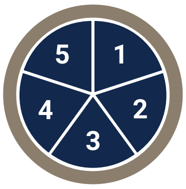
Annual bonus strategic targets performance assessment (unaudited)

As described in other parts of the Annual Report and Accounts, the Company delivered good performance in 2019 for each of the stakeholders identified on page 80 of the Corporate Governance Statement. The Committee considered these groups when setting the strategic targets for 2019, together with other objectives set out in the 2019 business plan. In serving our clients well, developing our employees and the Partnership for the future and striving to improve the effectiveness of our organisation, the Company will be well placed to meet our long-term business objectives, and create additional value for our shareholders. The Company also focuses on the importance of safe and sustainable growth through prudent management of risk and the highest standards of regulatory compliance.

The Committee assessed how well the Executive team had performed in relation to the objectives set at the start of the year. The Committee did not place fixed weightings on the factors assessed, but made a judgement based on the Committee's view of the relative importance and impact of those factors over the course of the year. For some factors, the Committee put in place quantitative metrics, and for others qualitative judgements were made, depending on the nature of the strategic objective.

When determining the bonus outcomes for 2019, the Committee considered the objectives set and reflected upon key events that arose during the year, including certain criticisms aimed at the business (see pages 77 and 79) and the decision to transfer mandates from Woodford Investment Management (see pages 6 and 76).

The following objectives, together with other measures which we have not disclosed as they remain commercially sensitive, were considered and the Committee recognised that a high proportion of the strategic objectives had been achieved and that nearly all of the major business plan objectives had been satisfactorily completed.



1. Reputation and proposition
2. Operational excellence
3. Social value
4. Culture
5. Risk management

Reputation and proposition

- **Client feedback** – The Committee draws upon results from the Group's 2019 annual Wealth Account Survey as the primary means of assessing client feedback, together with feedback from clients withdrawing funds and other client research initiatives. Clients' likelihood to recommend SJP is an important indicator and 93% of clients responding to the survey said they were likely to, 55% of which having already done so.
- **Investment performance** – Against the backdrop of markets, which saw a reversal of the poor fortunes seen in 2018, performance in 2019 was good at a client, portfolio and fund level, both in absolute and relative terms. Median client performance (+11.3%) outperformed the Asset Risk Consultants (ARC) Private Client Balanced Index (+10.1%) by 1.2%.
A majority of portfolios also outperformed ARC Private Client indices over 1, 3 and 5 year periods. When determining the outcome on this objective, the Committee also took into account strong progress with our responsible investing initiatives and the maintenance of strong disciplines around fund manager fee levels.
Management has acted promptly to address concerns regarding the performance of mandates managed by Woodford Investment Management, as demonstrated by the outperformance achieved by the new fund managers.
- **Academy** – Performance was measured against planned intakes across the Group's four academy sites. At the end of 2019, 458 Academy recruits were in training, exceeding the threshold set by the Committee for an outstanding rating (380). During 2019 170 new advisers joined SJP, in line with the level set for outstanding performance (170).
- **Partnership growth** – The objective for 2019 was to grow the Partnership and Adviser numbers by 6-7%, whilst retaining the quality of new recruits. In 2019 a net increase of 8% of advisers was achieved, which met the upper threshold of 8% set by the Committee.
- **Client retention** – The Committee has maintained a consistent scale for measuring client retention (ranging between 93% (good) and 96% (outstanding)) which takes account of large stock market movements and persistency experience. Client retention in 2019 was 97.0%, above that achieved in 2018 (96.0%) and 2017 (95.7%).
- **Asia** – Further progress in developing our Asian operations was achieved with funds under management growing to £943m against a target of £732m. However, gross inflows of £252m were below the target of £336m, with market conditions in Hong Kong being impacted by anti-government protests.
- **Chartered programme** – We continue to encourage and support advisers to further their qualifications and aimed to have 22% of Partners with Chartered status in 2019. At the end of the year the Partnership included 915 Chartered Advisers, representing 22.8% of UK Partners and advisers.
- **Complaints** – During 2019 our advice-related complaints experience remained very low relative to our actual scale and our interaction with Regulators, including the Financial Ombudsman Service, which indicated that we have the right philosophy and in the main clients feel that their issues are being dealt with fairly.
- **Awards** – Building upon the success achieved in 2018, the quality of advice and service provided to clients has been recognised in the awards we have won, including: Wealth Management Company of the Year – City of London Wealth Management Awards; Best Wealth Management Planning Team – Wealth Adviser Awards; Best High Net Worth Team – Wealth Adviser Awards; Best Wealth Manager Growth Portfolio – Wealth adviser Awards; and Best Wealth Manager – Shares Awards.

Operational excellence

- **Administration systems** – As reported in the Strategic Report, the migration to Bluedoor was completed for the UK business during 2019, with progress being made in the functionality of the Bluedoor platform supporting straight through processing of transactions.
As is to be expected from any major system migration, service levels and functionality were impacted at times, but the impact was not material and issues that arose have been addressed.
- **Management expenses** – The Committee set management a target to manage the expense base in line with the annual budget. The objective set was met and detailed analysis can be found in the Financial Review in the Strategic Report.

Social value

- **Charitable Foundation** – Supporting the St. James's Place Charitable Foundation to continue to make a difference remains an integral part of our strategy and the 2019 target was to raise £10m, including corporate matching. In 2019 we successfully raised £12.1m (including matching).
- **Social value KPIs** – In 2019, a range of social value KPIs were introduced into the business. These KPIs extended to increasing the reach of our employee financial education programme, enhancing our employability and mentoring programme, increasing Cirencester team challenges and volunteering activity, targeting a number of Local Charity Partnerships across SJP locations, increasing the usage of employee volunteering allowance, and delivery of three trips to The Gambia to support charitable initiatives. During the year we have consistently outperformed the KPIs.
- **External corporate responsibility benchmarking** – To enable us to measure the quality of our corporate responsibility efforts we have employed external standards, audits and benchmarks. During 2019, a critical friend audit undertaken by Business in the Community confirmed that we are on track to achieve the CommunityMark by the target date of the end of 2020. Our FTSE4Good score of 4.3 (out of 5) has continued to improve and we remain ahead of the UK average of 3.0 and financial services average of 2.6.

Section 2: Annual report on remuneration continued

Annual bonus strategic targets performance assessment (unaudited) continued

Culture

- **Culture** – The Group's distinctive culture has always been an important part of our success and, as we report throughout the Annual Report and Accounts, a great deal of focus has been placed on ensuring we define, embed, maintain and reinforce the culture across the organisation during 2019. However, we also recognise that aspects of our culture were subject to criticism last year but management's response to this was appropriate and timely, recognising that there was further work to do on this over the medium-term.
- **Retention** – Employee turnover increased from 8% to 10.5% during 2019 which was higher than desired, driven in part by market forces. At senior management level we have also seen increased turnover but this included several retirements. Succession planning at all levels remains a key focus and progress has been made during 2019.
- **Learning and development** – During 2019, the aim was to combine the employee and Partnership Learning and Development teams to provide a function that would be better placed to scale with the business as it grows. This integration was successfully achieved and, combined with enhancements to our digital capability have provided employees and Partners with the ability to increase ownership of their own development and access a wider range of resources.
- **Employee and Partner wellbeing** – During 2019 the Company introduced a number of initiatives which raised the awareness and importance of employee and partner wellbeing as well as enhancing the support and services made available to staff at times of need.
- **Diversity** – Our progress against our wider diversity aspirations are covered in more detail in the Strategic Report. Management was set with a target to increase the number of women in senior roles from 53 to 66 by focusing on talent development, communication and engagement, recruitment and external accreditation. Good progress was achieved during 2019 with the appointment of the first women to ExBo. The overall number of women in senior roles increased to 63, slightly below our aim.

Risk management

- Management have continued to maintain positive and constructive engagement with the Group's regulators and have responded effectively to key regulatory initiatives including the Senior Manager and Certified Regime and Asset Management Market Study, both of which came into force during 2019.
- Various objectives designed to maintain good systems and controls to manage and mitigate the Group's material risks were also met.
- There were no material risk ratings and where issues have arisen, management response has been appropriate.

Taking all the above into account, the Committee awarded a bonus of 56.25% of salary in relation to the strategic element of the annual bonus scheme.

2.1.3 Long-term incentive awards (audited)

Vesting of Performance Share Plan (PSP) awards

On 31 December 2019, the awards made on 27 March 2017 under the PSP reached the end of their three-year performance period. These will vest on 27 March 2020, being the third anniversary of the date of grant. The vested shares for Executive Directors are subject to a two-year post-vesting holding period (other than to sell shares to settle tax on vesting or exercise). The performance conditions which applied to the 2017 PSP awards, and the actual performance achieved against these conditions, are set out in the tables below:

	TSR relative to the FTSE 51 to 150[1]		Average annual adjusted EPS growth (including the unwind of the discount rate) in excess of RPI[2]		Average annual adjusted EPS growth (excluding the unwind of the discount rate) in excess of RPI[3]	
Performance level hurdle	**Performance required**	**Percentage of one third of award vesting**	**Performance required**	**Percentage of one third of award vesting**	**Performance required**	**Percentage of one third of award vesting**
Below threshold	Below Median	0%	Below 5%	0%	Below 5%	0%
Threshold	Median	25%	At least 5%	25%	At least 5%	25%
Stretch or above	Upper Quartile or above	100%	16% or above	100%	16% or above	100%
Actual achieved	39 out of 84 companies	37.5%	11.1%	66.4%	13.8%	84.8%

1 FTSE 51-150 index excluding investment trusts and companies in the FTSE oil, gas and mining sectors.

2 The first EPS performance condition is calculated by reference to the post-tax EEV operating profit (on a fully diluted per share basis). This measure excludes the direct impact of the stock market fluctuations and changes in economic assumptions on the final year's performance.

3 The second EPS performance condition is calculated by reference to an adjusted post-tax EEV operating profit, which strips out the unwind of the discount rate. This adjustment is intended to remove indirect impacts of stock market fluctuations and economic assumptions from all years, thus removing any impact from the opening value of in-force and the risk-free rate in the final year's performance.

4 Straight-line vesting occurs in between threshold and maximum vesting.

5 No discretion was exercised by the Committee to override the outcome referred to above.

Therefore, the total percentage of the 2017 PSP awards vesting was 62.9%, which resulted in the following awards to the Executive Directors:

Director	Total number of shares granted	Percentage of awards vesting	Number of shares vesting	Value of shares vesting (£000)[1]
Andrew Croft	71,405	62.9%	44,912	477,482
Craig Gentle	23,741	62.9%	14,932	158,750
Ian Gascoigne	71,405	62.9%	44,912	477,482

1 As these awards will not actually vest until 27 March 2020, a deemed share price is used to calculate the value of shares vesting for the purposes of this Report. This is taken as the three-month average to 31 December 2019 being £10.63.

Granting of PSP awards in 2019

Details of PSP awards (at nil cost option) granted to the Executive Directors in 2019 is set out in the table below.

Director	Type of award	Basis of award granted	Average share price at date of grant	Number of SJP shares over which award was granted[1]	Face value of award (£'000)	Percentage of face value that would vest at threshold performance
Andrew Croft	Nil cost option	200% of salary of £551,668	£10.26	107,537	£1,103	25%
Craig Gentle	Nil cost option	200% of salary of £398,898	£10.26	77,757	£798	25%
Ian Gascoigne	Nil cost option	200% of salary of £398,898	£10.26	77,757	£798	25%

1 The number of shares awarded was calculated based on the average share price over a period of three days prior to the date of grant on 25 March 2019, being £10.26 per share. The face value of the award figure is calculated by multiplying the number of shares awarded by the average share price figure of £10.26.

2 PSP awards are structured as nil cost options and there is therefore no exercise price payable on exercise. Dividend equivalents accrue to the Executive Directors between the date of grant and exercise of the award (up to a maximum of six years from date of grant), but are released only to the extent that awards vest. Awards in 2019 were based on the achievement of three equally weighted metrics: (a) EPS growth based on EEV adjusted profit; (b) EPS growth as above but excluding the impact of the EEV unwind of the discount rate; and (c) Relative TSR performance. For each performance metric, a threshold and stretch level of performance is set. At threshold, 25% of the relevant element vests rising on a straight line basis to 100% for attainment of levels of performance between threshold and maximum targets. These awards also have a post-vesting holding period of two years from the vesting date. During this period, the vested shares cannot normally be sold, other than to the extent necessary to settle tax on vesting or exercise.

2.1.4 Share awards (audited)

The tables below set out details of share awards that have been granted to individuals who were Executive Directors during 2019 and which had yet to vest or be exercised at some point during the year.

Performance Share Plan awards outstanding

Director	Date of grant	Market price at grant	Share originally awarded	Face value (£)[1]	Shares vested	Vesting date	Remaining unexercised at 31 December 2019
Andrew Croft	24 March 2016	£9.10	73,874	672,253	63,063	24 March 2019	63,063
	27 March 2017	£10.57	71,405	754,751	–	27 March 2020	71,405
	26 March 2018	£10.80	96,656	1,043,885	–	26 March 2021	96,656
	25 March 2019	£9.92	107,537	1,066,767	–	25 March 2022	107,537
Craig Gentle	26 September 2016	£9.53	48,805	465,112	41,662	26 September 2019	41,662
	27 March 2017	£10.57	23,741	250,942	–	27 March 2020	23,741
	26 March 2018	£10.80	69,890	754,812	–	26 March 2021	69,890
	25 March 2019	£9.92	77,757	771,349	–	25 March 2022	77,757
Ian Gascoigne	26 March 2015	£9.8125	68,932	676,395	60,618	26 March 2018	60,618
	24 March 2016	£9.10	73,874	672,253	63,063	24 March 2019	63,063
	27 March 2017	£10.57	71,405	754,751	–	27 March 2020	71,405
	26 March 2018	£10.80	69,890	754,812	–	26 March 2021	69,890
	25 March 2019	£9.92	77,757	771,349	–	25 March 2022	77,757
David Lamb	24 March 2016	£9.10	73,874	672,253	63,063	24 March 2019	–
	27 March 2017	£10.57	71,405	754,751	–	27 March 2020	71,405
	26 March 20 18	£10.80	69,890	754,812	–	26 March 2021	69,890

1 The face value is calculated by using the market price of the shares at grant multiplied by the number of shares originally awarded.

Section 2: Annual report on remuneration continued

Deferred Bonus Scheme – shares held during 2019

The table below sets out details of the awards held by the Executive Directors under the deferred element of the annual bonus scheme during 2019:

Director	Balance at 1 January 2019	Released in year[1]	Awarded in year[2]	Balance at 31 December 2019[3]	Vesting date
Andrew Croft	27,294	27,294	–	–	24 March 2019
	24,344	–	–	24,344	27 March 2020
	23,930	–	–	23,930	26 March 2021
	–	–	24,806	24,806	25 March 2022
Craig Gentle	9,431	–	–	9,431	27 March 2020
	23,930	–	–	23,930	26 March 2021
	–	–	17,936	17,936	25 March 2022
Ian Gascoigne	27,294	27,294	–	–	24 March 2019
	24,344	–	–	24,344	27 March 2020
	23,930	–	–	23,930	26 March 2021
	–	–	17,936	17,936	25 March 2022
David Lamb	27,294	27,294	–	–	24 March 2019
	24,344	–	–	24,344	27 March 2020
	23,930	–	–	23,930	26 March 2021
	–	–	17,936	17,936	25 March 2022

1 These deferred share awards were awarded on 24 March 2016 equal in value to 50% of the Director's 2015 total annual bonus. The Company's share price on the date of the award was £9.10 and the exercise price on 24 March 2019 was £10.07.

2 These deferred share awards were awarded on 25 March 2019, equal in value to 50% of the Director's 2018 total annual bonus. These shares will be held for a restricted period ending on 25 March 2022. The price used to calculate the award was the three-day average prior to the invitation (1, 4 and 5 March 2019) which was £10.04.

3 Outstanding awards at the year-end relate to deferred share awards awarded in 2017, 2018 and 2019 (see (2) above). The share price used to calculate the 2017 award was £10.87 and the 2018 award was £9.63.

Further details of the deferred element of the annual bonus scheme are set out on page 121. Dividends accrue to the Executive Directors during the three-year period while the shares are subject to forfeiture and details of these dividends are set out on page 121.

SAYE share option scheme – shares held during 2019

Details of the options held by the Directors in 2019 under the SAYE scheme and any movements during the year are as follows:

Director	Options held at 1 January 2019	Granted in year	Lapsed in year	Exercised in year	Options held at 31 December 2019	Exercise price	Dates from which exercisable
Andrew Croft	987	–	–	–	987	£9.11	01 May 2021 to 31 October 2021
Craig Gentle	1,066	–	–	–	1,066	£8.44	01 May 2020 to 31 October 2020
Ian Gascoigne	993	1,167	993	–	1,167	£7.71	01 May 2022 to 31 October 2022
David Lamb	993	1,167	993	–	1,167	£7.71	01 May 2022 to 31 October 2022

At 31 December 2019 the mid-market price for the Company's shares was £11.65. The range of prices between 1 January 2019 and 31 December 2019 was between £9.13 and £12.00.

Share Incentive Plan – shares held during 2019

The table below sets out details of the awards held by the Directors under the Share Incentive Plan during 2019:

Director	Balance at 1 January 2019	Partnership shares allocated in year[1]	Matching shares allocated in year[2]	Dividend shares allocated in year[3]	Balance at 31 December 2019	Holding period (matching shares)
Andrew Croft	642	–	–	–	642	26 March 2010 to 26 March 2013
	325	–	–	–	325	26 March 2013 to 26 March 2016
	167	–	–	–	167	26 March 2015 to 26 March 2018
	174	–	–	–	174	24 March 2016 to 24 March 2019
	188	–	–	–	188	24 March 2017 to 24 March 2020
	181	–	–	–	181	29 March 2018 to 29 March 2021
	–	175	17	–	192	25 March 2019 to 25 March 2022
Craig Gentle	188	–	–	–	188	24 March 2017 to 24 March 2020
	–	175	17	–	192	25 March 2019 to 25 March 2022
Ian Gascoigne	502	–	–	–	502	28 March 2011 to 28 March 2014
	210	–	–	–	210	26 March 2014 to 26 March 2017
	167	–	–	–	167	26 March 2015 to 26 March 2018
	174	–	–	–	174	24 March 2016 to 24 March 2019
	188	–	–	–	188	24 March 2017 to 24 March 2020
	181	–	–	–	181	29 March 2018 to 29 March 2021
	–	175	17	–	192	25 March 2019 to 25 March 2022

1 Partnership shares are shares awarded in return for an investment of between £10 and £1,800. Partnership shares were awarded to Andrew Croft, Craig Gentle and Ian Gascoigne on 25 March 2019 at a price of £10.26 per share, in return for £1,800 being deducted from pre-tax salary.

2 For every ten Partnership shares acquired, the Company awards one matching share. Matching shares were also awarded on 25 March 2019 in relation to the Partnership shares mentioned above.

3 The Partnership, dividend and matching shares will be held by an employee benefit trust on behalf of the Director. The matching and dividend shares must be held for a minimum period of three years from the date of the award.

Between 2 January 2020 and 27 February 2020 there were no exercises or other dealings in the Company's share awards by the Directors.

2.1.5 Shareholding requirements and Directors' share interests (audited)

Shareholding requirements

As from 2018, the Executive Directors were required to build up a shareholding equivalent to 200% of salary in Company shares. All of the Executive Directors, except for Craig Gentle, have already met the shareholding requirements (as shown in the table overleaf). As Craig Gentle joined the Board on the 1 January 2018, under the Policy, he has five years in which to build up his shareholding to meet the requirements. An increase, to 300%, in the shareholding requirement for the Chief Executive and a new requirement to hold shares post-employment have been included in the new Policy submitted to shareholders at the 2020 AGM. Whilst our Policy aims to broadly align with market expectations, in practice, the Executive Directors continue to maintain shareholdings that far exceed the stated Policy. This demonstrates their commitment to the long-term success of the Company and upholding the values that underpin our culture (see page 78 for further details on our values).

Section 2: Annual report on remuneration continued

Shareholding requirements continued

Director	Shares held at 1 January 2019	Shares held at 31 December 2019	Percentage of base salary held in SJP shares as at 31 December 2019[1]
Andrew Croft	730,564	728,268	1,344%
Craig Gentle	33,549	51,677	74%
Ian Gascoigne	771,939	763,940	1,962%
Iain Cornish	6,500	6,500	
Simon Jeffreys	18,364	18,364	
Rosemary Hilary	–	–	
Baroness Wheatcroft	2,500	2,500	
Roger Yates	20,000	30,000	

1 Calculated using the mid-market price at 31 December 2019 of £10.63. The overall % of base salary excludes the shares that would need to be sold to meet the notional tax and employee NIC on bonus share awards that remained in their periods of deferral.

2 The interests of the Executive Directors set out above include Deferred Bonus Scheme awards held in trust for the Directors, details of which are set out on page 110. The interests of the Executive Directors also include awards under the Share Incentive Plan, details of which are set out on page 111.

3 The Company's register of Directors' interests contains full details of Directors' shareholdings and any share awards under the Company's various share schemes.

4 Disclosure of the Directors' interests in share awards is given on pages 109 to 111 and also in Note 23 – Related Party Transactions.

5 David Lamb's shareholding as at 1 January 2019 and on his date of leaving the Board on 26 February 2019 was 516,897 shares.

6 Emma Griffin and Dame Helena Morrissey were not Directors of the Company during the year ended 31 December 2019. As at the date of this report neither held shares in the Company.

Between 2 January 2020 and 27 February 2020 there were no transactions in the Company's shares by the Directors.

Executive Directors' shareholdings and outstanding share awards

Executive Director	Beneficially owned at 31 December 2019[1]	Outstanding PSP awards (performance conditions)[2]	SAYE options (no performance conditions)[3]	Outstanding DBS awards (no performance conditions)[4]	SIP shares (no performance conditions)[5]
Andrew Croft	728,268	338,661	987	73,080	1,869
Craig Gentle	51,677	213,050	1,066	51,297	380
Ian Gascoigne	763,940	342,733	1,167	66,210	1,614
David Lamb[6]	516,897	141,295	1,167	66,210	–

1 Beneficially owned shares include those DBS Awards and SIP Shares set out in columns (4) and (5) above.

2 Details of the PSP awards (including options that are vested but have not been exercised) are set out on page 109.

3 Details of the SAYE options (including options that are vested but have not been exercised) are set on page 110.

4 Details of DBS awards are set out on page 110.

5 Details of the SIP shares are set out on page 111.

6 David Lamb's shareholdings and outstanding share awards are as the date he retired as a Director (26 February 2019).

2.1.6 Dilution (unaudited)

Dilution limits agreed by shareholders at the time of shareholder approval of the various long-term incentive schemes allow for up to 10% of share capital in ten years to be used for grants to employees and members of the St. James's Place Partnership under all share schemes (i.e. both the employee and Partner share schemes), and up to 5% of share capital in ten years to be used for grants to employees under discretionary schemes.

The table below sets out, as at 31 December 2019, the number of new ordinary shares in the Company which have been issued, or are capable of being issued, (subject to the satisfaction of any applicable performance conditions) as a result of options or awards granted under the various long-term incentive schemes operated by the Company in the ten years prior to 31 December 2019.

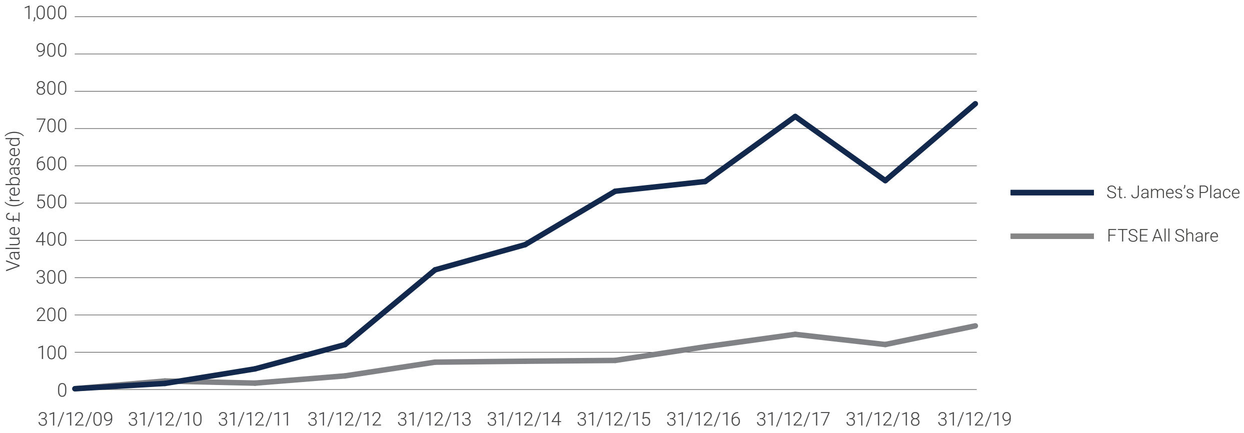
Share scheme	Number of new ordinary shares of 15 pence each	Percentage of total issued share capital as at 31 December 2019
SAYE schemes	3,877,093	0.72%
Executive share schemes	14,299,498	2.67%
Partners' share schemes	16,216,291	3.03%
Total	**34,392,882**	**6.43%**

In addition, as at 31 December 2019, the Group's Employee Share Trust held 2,389,402 shares in the Company which were acquired to meet awards made under the PSP, Company Share Option Plan, the Deferred Bonus Scheme and the Restricted Share Plan. The number of shares in the Company held in the Share Incentive Plan Trust as at 31 December 2019 was 467,624.

2.1.7 Total shareholder return performance and CEO pay over the same period (unaudited)

The graph below shows a comparison of the Company's TSR performance against the FTSE All-Share index over the last ten financial years. The Company considers this to be the most appropriate comparative index, given the broad nature of the index and the companies within it.

Total shareholder return
Source: FactSet



This graph shows the value, by 31 December 2019, of £100 invested in St. James's Place on 31 December 2009, compared with the value of £100 invested in the FTSE All Share Index on the same date. The other points plotted are the values at intervening financial year-ends.

The table below shows the total remuneration figure for the Chief Executive over the last ten financial years. The total remuneration figure includes the annual bonus and long-term incentive awards which vested based on performance in those years (and ending in that year for PSP scheme awards).

	Year ending 31 December									
	David Bellamy								Andrew Croft	
	2010	2011	2012	2013	2014	2015	2016	2017	2018	**2019**
Total remuneration	£1,495,600	£1,998,758	£2,410,380	£3,362,651	£3,646,514	£3,115,230	£2,631,667	£2,458,020	£1,886,774	**£1,553,569**
Annual bonus (% of maximum)	96%	63%	46%	98%	95%	93.3%	96.67%	96.67%	62%	**37.5%**
LTIP vesting (% of maximum)	57%	83%	87%	95%	96%	100%	100%	87.94%	85.3%	**62.9%**

1 The deemed value of the PSP award in the table above for 2019 is £535,976. Of this, £2,763 is due to increases in the SJP share price over the vesting period, being an increase of 1% (the share price of the PSP award on the date of grant was £10.57 and the deemed share price on the date of vesting was £10.63 calculated as set out in Note 2 below).

2 As the actual vesting date for the PSP (performance period ending 31 December 2019) is not until 27 March 2020, a deemed value has been used. This is the average of the Company's share price in the three-month period to 31 December 2019, being £10.63. The 2018 figure for total remuneration has been updated by substituting the three-month average figure used to calculate the value of long-term incentive awards in last year's report by a revised figure based on the Company's share price on the date of vesting on 24 March 2019, being £9.92.

Section 2: Annual report on remuneration continued

2.1.8 Percentage change in CEO remuneration compared to average employee (unaudited)

The table below shows the percentage movement in the salary, benefits and annual bonus for the Chief Executive between the current and previous financial year compared to that for the average Group employee.

	Percentage change 2019 to 2020	
Remuneration element	**CEO**	**Average employee**
Salary	3%	6.05%[2]
Benefits	1.39%[1]	3.90%
Bonus	-37.70%	-19.55%

1 See the Benefits note on page 105 for further details.

2 This figure is higher than the average salary increase of the workforce set out on page 103 due to salary increases in respect of promotions and role changes being taken into account.

2.1.9 Relative importance of spend on pay (unaudited)

The following table sets out the percentage change in profit, dividends and overall spend on pay in the year ending 31 December 2019, compared to the year ending 31 December 2018.

	2018 £'Million	**2019 £'Million**	**Percentage change**
IFRS profit after tax[1]	173.5	**146.6**	-16%
EEV operating profit after tax[1]	831.0	**790.6**	-5%
Dividends	255.2	**265.4**	+4%
Employee remuneration costs	184.4	**196.9**	+7%

1 IFRS profit after tax has been presented to enable comparison between different companies, as it is a measure defined by International Financial Reporting Standards. EEV operating profit after tax is an alternative performance measure (for further details see the Glossary of Alternative Performance Measures on page 219), which has been presented as it is the financial performance measure upon which bonuses are based. Further information about these measures is set out in the Financial Review on pages 42 to 59.

2.1.10 CEO pay ratio (unaudited)

Year	**Method**	**25th percentile pay ratio**	**Median pay ratio**	**75th percentile pay ratio**
2019	Option A	45:1	28:1	17:1
2018	Option C	62:1	42:1	21:1

	CEO pay £	**P25 pay £**	**P50 pay £**	**P75 pay £**
Salary	548,990	27,500	40,000	59,450
Total pay	1,553,569	34,437	53,936	88,595

Although the new reporting requirements were not in force at the time, in last year's Report we elected to voluntarily disclose a CEO pay ratio, using Option C. We chose Option C as we did not have sufficient time to carry out an exercise using Option A, but were keen to provide an early indication of what our ratio would look like. For 2019, we have chosen to calculate the CEO pay ratio using Option A, which requires us to calculate the pay and benefits for all UK employees, using the same methodology that is used to calculate the CEO's single figure, which provides a more accurate comparison between the CEO and the workforce. This identified the three individuals at the 25th, 50th and 75th percentiles (known as P25, P50 and P75, respectively) as at 31 December 2019 and their pay figures are then used to calculate the ratio. We have chosen this methodology as it is the most statistically accurate methodology.

The fall in the ratios is largely due to the reduction in the value of the PSP awards vesting for our Chief Executive in 2019, when compared to 2018. The ratios were also impacted by the financial (operating profit) outcome for the annual bonus, which had a greater impact on the higher paid employees (including the CEO) where the annual bonus makes up a greater proportion of total remuneration.

The median ratio is consistent with our pay, reward and progression policies for employees which relate pay levels to performance and market benchmarks. In 2019, 54% of our Chief Executive's total remuneration was delivered through variable pay schemes. These are directly linked to the Company's performance as well as share price movements over the longer-term. Whilst none of the three employees identified at the 25th, 50th and 75th percentiles are eligible to receive PSP Awards, all three received a bonus within the year and are invited to participate in the SIP and SAYE on the same terms as the Chief Executive.

2.2. Remuneration Committee (unaudited)

2.2.1 Role, activities and performance of the Committee

The Committee's primary purpose is to ensure that there is a clear link between reward and performance and that the Policy structure and levels of remuneration for both Executive Directors (EDs), FCA Remuneration Code Staff and Solvency II Staff (the latter two are referred to as 'Code Staff') are appropriate. In particular, the Committee reviews the list of those employees who are considered to be Code Staff and monitors compliance with the Remuneration Codes in relation to that population. The key responsibilities of the Committee are set out on in its terms of reference which can be found on the Company's website **www.sjp.co.uk**.

The Committee's key areas of activity during the year included:

Topic	Summary of activity	Find out more
Directors' Remuneration Policy	Taking account of investor feedback, institutional investor guidelines and the latest regulations and legislation, agreeing the key changes to the Directors' Remuneration Policy. The Chair of the Committee consulted major investors on the changes to the Policy before its presentation to the 2020 AGM.	**See page 119**
Bonus objectives and new awards	The Committee considered and set the strategic objectives for 2019 and approved the 2018 bonus awards, having reviewed individual and collective performance again the 2018 objectives.	**See page 107**
Payments to EDs and Code Staff	In accordance with best practice and the requirements of relevant regulation, certain subsidiaries within the Group are required to maintain remuneration codes. The Committee approved the remuneration codes and the lists of Code Staff to which the codes applied.	
PSP awards and vestings	Determining the grants and performance conditions for PSP awards to be made to Directors, senior management and Code Staff. The Committee also considered if there were any circumstances which warranted the application of malus or clawback provisions or the exercise of discretion permitted under scheme rules.	**See page 108**
Assessing risk	Assessing the alignment of the Group's remuneration policies with risk appetite and regulatory requirements and seeking assurance from the Chief Risk Officer, and relevant management from across the business, that the remuneration outcomes were in line with the policies, were appropriate and did not warrant discretionary changes.	
Monitoring the remuneration of employees	Receiving regular updates on the remuneration structure for the wider workforce, including specific demographic data by region and gender and the CEO pay ratio, to assist in setting remuneration for Executives that was not misaligned to that of the wider workforce.	**See page 114**
Regulatory developments and feedback from investors	Regular updates were received from the Company Secretary and Aon on regulatory developments, investor guidelines and feedback from investor meetings. These were taken into account by the Committee when drafting the Remuneration Policy to be put to the 2020 AGM.	

The Committee's effectiveness was reviewed by the Board as part of its overall assessment of its effectiveness (see page 88) and the Board remains satisfied that, as a whole, the Committee has the experience and qualifications necessary to successfully perform its role.

Section 2: Annual report on remuneration continued

2.2.2 Committee membership and attendance in 2019

This is set out on page 85. No Director was present when their own remuneration was considered or agreed.

2.2.3 Advisers to the Committee

The Committee appointed, via a tender process, independent remuneration consultants from the Executive Compensation Practice of Aon plc (Aon), to advise on remuneration matters generally. Aon is a signatory to the Remuneration Consultants' Code of Conduct which requires its advice to be impartial and Aon has confirmed its compliance with the Code to the Committee.

The total fees paid to Aon for the advice provided to the Committee during the year were £128,708 (excluding VAT). Fees are charged on a 'time spent' basis.

Certain subsidiaries of Aon have provided services to the Group, not related to Directors' remuneration, during 2019 for which the fees were £20,985 (excluding VAT). The Committee has been advised of the basis on which Aon's Executive Compensation Practice is organised and managed as part of the wider Aon organisation and the basis on which its staff are remunerated and is satisfied that the additional services provided by other Aon group companies did not in any way compromise the independence of advice provided to the Committee.

2.2.4 Voting at the 2019 Annual General Meeting

The votes cast at the 2019 Annual General Meeting in respect of the resolution on the Directors' Remuneration Report and the votes cast at the 2018 Annual General Meeting in respect of the resolution on the Directors' Remuneration Policy are summarised below.

	Directors' Remuneration Report vote (2019 AGM)	Percentage of votes cast	Directors' Remuneration Policy vote (2017 AGM)	Percentage of votes cast
Votes for:	424,140,433	97.18%	415,662,589[1]	99.62%
Votes against:	12,290,061	2.82%	1,565,604	0.38%
Total votes cast:	436,430,494		417,228,193	
Total votes withheld:	651,639		15,118,178	

1 including 'for' discretionary votes lodged in favour of the Chair.

2.3. Implementation of the new Remuneration Policy in 2020 (unaudited)

2.3.1 2020 salary

The base salaries of the Executive Directors are being increased in 2019. The current salaries as at 1 March 2019 and from 1 March 2020 are as follows. The increase is in line with the percentage increase for the wider workforce:

Executive Director	Salary from 1 March 2019 £	Salary from 1 March 2020 £	Percentage increase
Andrew Croft	551,668	568,218	3%
Craig Gentle	398,898	410,865	3%
Ian Gascoigne	398,898	410,865	3%

2.3.2 Annual bonus for 2020

The Executive Directors' maximum bonus opportunity for 2020 will be the same as for 2019 being 150% of salary. Half of the annual bonus will be determined by EEV operating profit and half by key strategic targets.

50% of the annual bonus earned for performance in 2019 will be paid in cash and the remaining 50% will be deferred in the Company's shares for a three-year period and subject to continued service. Malus and clawback provisions apply to both cash and deferred elements of the bonus.

The Board considers that the performance targets for the annual bonus are commercially sensitive and is not disclosing them at this time. The performance metrics and performance against them will be disclosed in the 2020 Remuneration Report to the extent that they do not remain commercially sensitive at that time.

The strategic element of the 2020 annual bonus will be assessed by reference to key strategic targets based around the 2020 business plan, including elements relating to clients, shareholders and other key stakeholders.

2.3.3 Performance Share Plan awards for 2020

The Executive Directors will each receive a PSP award in 2020 of 200% of salary. The existing and proposed new Policy caps PSP awards at 250% of base salary. The Committee intends to use this capacity on a prudent and restrained basis, and whilst the new Policy permits the Committee to make awards up to the cap, without consulting with shareholders, it does not intend to increase the level of awards for 2020. These awards will be subject to a relative TSR performance condition for one-third of the award and earnings per share growth targets for two-thirds of the award as follows:

	TSR relative to the FTSE 51 to 150[1]		Average annual adjusted EPS growth in excess of RPI[2]	
Performance level hurdle	**Performance required**	**Percentage of one third of award vesting**	**Performance required**	**Percentage of two thirds of award vesting**
Below threshold	Below Median	0%	Below 5%	0%
Threshold	Median	25%	At least 5%	25%
Stretch or above	Upper Quartile or above	100%	16% or above	100%

1 FTSE 51 to 150, excluding investment trusts and companies in the FTSE oil, gas producers and mining sectors.

2 The EPS performance condition is calculated by reference to the post-tax EEV operating profit (on a fully diluted per share basis). This measure includes the direct impact of the stock market fluctuations and changes in economic assumptions on the final year's performance.

3 Straight-line vesting occurs in between threshold and maximum vesting.

4 Awards are subject to a three-year performance period. Vested shares cannot normally be sold for a further two years other than to the extent necessary to settle tax on vesting or exercise.

5 Malus and clawback provisions apply.

Section 2: Annual report on remuneration continued

2.3.4 Shareholding requirement

As proposed under the amended Policy, from 2020 onwards, the Chief Executive will be required to build and maintain a shareholding equivalent to 300% of salary in the Company's shares. For other Executive Directors, the shareholding requirement remains at 200% of salary.

2.3.5 Fees for the Board Chair and Non-executive Directors for 2020

The fees for the Board Chair and Non-executive Directors for 2020 and 2019 are as set out below. Providing adequate compensation to all Board members is essential if the Board is to be able to recruit and retain high calibre directors and maintain effective succession plans for all Board roles. During the year, the fees for our Non-executive Directors and Chair were reviewed to take account of the increased workload and regulatory responsibilities of the Board (including board membership of regulated subsidiaries) and they were compared to benchmarks of relevant peer organisations. The review found that the fees paid to our Non-executive Directors were significantly below the benchmarks and did not reflect the time they commit to their roles. As a result, it was agreed that the fees for our Non-executive Directors be increased, but to a level below the median benchmark for financial services companies of comparable size, consistent with the below-median positioning of the CEO's salary relative to benchmark. Effective 1 January 2020 the Non-executive Directors' base fee, which includes Committee membership responsibilities, was increased by 26.4%, the Board Chair's fee was increased by 3%, the Committee Chairs' fee was increased by 3% and the Senior Independent Director fee was increased by 3%. As the Chair's fee remains below the benchmarks, the Committee intends to increase the Board Chair's fee over the next few years to the extent necessary to bring this fee in line with relevant benchmarks.

	Fees from 1 January to 31 December 2019 £	Fees from 1 January to 31 December 2020 £	Percentage increase from 2019
Chair	215,250	221,707	3%
Base fee (including Committee membership responsibilities)	66,950	84,650	26.4%
Committee Chair	22,403	23,075	3%
Senior Independent Director	6,031	6,212	3%

No separate Committee membership fees are payable.

This Report was approved by the Board of Directors and signed on its behalf by:

ROGER YATES
Chair of the Remuneration Committee
26 February 2020

Section 3: 2020 Directors' Remuneration Policy

Overview of the Directors' Remuneration Policy (Policy)

How the Remuneration Committee (the 'Committee') operates to set the Remuneration Policy

The Committee, on behalf of the Board, draws up and recommends the Policy and determines the remuneration packages of the Executive Directors of the Company and the Chair of the Board. In addition, the Committee determines the remuneration of the senior management team (including the Chief Risk Officer and his senior colleagues in the Group Risk Division) and any other employees classified as Material Risk Takers or Identified Staff under relevant financial services regulations. The Committee also oversees remuneration policy and practice for the wider employee population, including the operation of any share schemes.

Approach to, and objectives of, the Policy

Our current Policy was approved by shareholders in the required triennial vote at the 2017 AGM and has operated during 2017, 2018 and 2019. The overall approach to remuneration adopted by St. James's Place has been in place for many years and this Policy was very little changed from that approved by shareholders in 2014.

The Policy is designed to meet the following objectives:

- To support the retention of individuals with the experience and skills to drive the performance of the Company;
- To ensure remuneration is transparent and reflects the performance of the Group in the relevant year and the longer-term. Annual bonus and long-term incentive opportunities are therefore linked to the achievement of demanding performance targets; and
- To align pay with the strategic objectives of the Company and the interests of our shareholders whilst giving due regard to principles of best practice and relevant regulations.

The Committee carried out a detailed review of the current Policy during 2019, taking into account the 2018 UK Corporate Governance Code, pay and employment conditions of other employees in the Group and the shareholder feedback received during the year. Following the review, the Committee decided to propose a number of amendments to the Policy to simplify the remuneration arrangements for Executive Directors and to ensure the Policy continues to be in line with best practice and shareholder expectations. The amended Policy will apply to awards in respect of the 2020 performance year onwards for all Executive Directors. A summary of the proposed amendments to the current Policy is provided on the right.

Considerations when setting the Policy

In setting the Policy for the Executive Directors, the Committee also takes into consideration a number of factors:

- The Committee applies the principles set out in the UK Corporate Governance Code and also takes into account best practice guidance issued by the major UK institutional investor bodies, the PRA and FCA (including the provisions of any applicable Remuneration Codes) and other relevant organisations;
- The Committee has overall responsibility for the remuneration policies and structures for employees of the Group as a whole and it reviews remuneration policy on a firm-wide basis. When the Committee determines and reviews the Policy, it considers and compares it against the pay, policy and employment conditions of the Group to ensure that there is alignment between the two; and
- The Committee considers the external market in which the Group operates and uses comparator remuneration data from time to time to inform its decisions. However, the Committee recognises that such data should be used as a guide only (recognising that data can be volatile and may not be directly relevant) and that there is often a need to phase-in changes over a period of time.

The Committee's overall policy, having had due regard to the factors above, is that a substantial proportion of total remuneration should be in the form of variable pay. This is achieved by setting base pay and benefits up to mid-market levels, with annual bonus and long-term incentive opportunities linked to the achievement of demanding performance targets. The Policy ensures alignment of the total remuneration paid to the Executive Directors with the interests of shareholders. Historically, the levels of annual bonus and long-term incentive awarded or vested to the Executives have varied considerably, reflecting the performance of the Group in the relevant year. Committee members are not permitted to vote on elements of the Policy that apply to them, in line with the procedures established by the Board for the management of conflicts of interest (see page 86).

Engagement with shareholders

The Committee engages with, and seek the views of, its major investors and investor representative bodies on any significant changes to the Policy. The Committee also engages from time to time with shareholders when considering important questions about the implementation of the Policy. Views expressed by shareholders are considered by the Committee as part of any review of the Policy, or sooner if appropriate. The Committee has consulted with major shareholders and proxy voting agencies on the proposed amendments to the Policy.

Summary of proposed amendments to the current Policy:

- Increase the minimum shareholding requirement from 200% to 300% of base salary for the Chief Executive;
- Allow the Committee flexibility to make PSP awards up to the existing maximum limit in the Policy, but using this on a prudent and restrained basis. For 2020, our Executive Directors will receive PSP awards of not more than 200% of base salary, below the Policy maximum of 250% of base salary;
- Ensure the Committee has powers of discretion to override formulaic incentive outcomes;
- Introduction of a post-cessation minimum shareholding requirement, for two years after leaving service; and
- A commitment to reduce the pension allowances for existing Executive Directors to 15% of base salary by 1 January 2023. This will align the pension with the level provided to long-serving employees in the wider workforce. Note that the policy already includes workforce alignment of pension for new Executive Director appointments.

For information, the Committee has also simplified the EPS performance metric in the PSP for awards from 2020 onwards. Previously, EPS was measured using two different methods; it will now be measured on one method only, as described on page 117. The Committee will continue to set challenging targets under this metric.

Section 3: 2020 Directors' Remuneration Policy continued

Remuneration Policy for Executive Directors

The following table summarises each element of the Policy, explaining how each element operates and links to corporate strategy.

Element	Purpose and link to strategy	Operation including maximum opportunity	Performance metrics
Base salary	To provide the core reward for the role. Sufficient level to recruit and retain individuals of the necessary calibre, taking into account the required skills, experience, demands and complexity of the role.	Normally reviewed annually from 1 March, taking into account: role, experience and performance of the individual; Company performance; external economic conditions; average changes in broader workforce salary; and periodic benchmarking for each role against similar UK listed companies. Percentage increases will normally be capped at the level of increases for the Company's wider employee population. Increase may be higher in exceptional circumstances, such as a change in role and/or a significant change in responsibility or role size. Where new appointees have been given a starting salary below mid-market level, increases above those granted to the wider workforce (in percentage terms) may be awarded, subject to individual performance and development in the role.	Whilst there are no performance targets attached to the payment of base salary, performance is considered in the annual salary review process alongside those factors outlined under 'Operation'.
Pension	Helps recruit and retain Executives. Provides a discrete element of the package to contribute to retirement income.	Provide either defined contribution to a pension scheme or an equivalent cash amount via non-pensionable allowance if the Executive is affected by HMRC limits. The maximum pension level for Executive Directors who joined the Board before the 2018 AGM is currently 20% of base salary. This will be reduced to 15% of base salary by 1 January 2023. This brings it into line with the pension allowance for long-serving employees in the wider workforce. For any Executive Directors joining the Board after the 2018 AGM, the pension allowances are aligned to that of the wider workforce, which is currently an employer contribution of 10% of salary on joining, which increases with service up to a maximum of 15%. In response to changes in legislation or similar developments, the Company may amend the form of an Executive Director's pension arrangements.	N/A
Other benefits	Operate competitive benefits to help recruit, retain and support the wellbeing of employees.	Including but not limited to: Company car (or salary supplement in lieu); Private medical insurance; Life cover; Critical illness; Death in service cover; Relocation assistance where necessary; and Use of a driver for business purposes. Executive Directors are eligible to participate in any all-employee share plan (e.g. SIP and SAYE) operated by the Company on the same terms as other eligible employees. The maximum level of participation is subject to limits imposed by HMRC (or a lower cap set by the Company). Any reasonable business expenses (including tax thereon) may be reimbursed.	N/A

Element	Purpose and link to strategy	Operation including maximum opportunity	Performance metrics
Annual bonus	Rewards the achievements of annual financial and strategic business plan targets and delivery of key, non-financial objectives. Deferred element aids retention, encourages long-term shareholding, discourages excessive risk taking and aligns with shareholders' interests. Performance metrics reflect the key performance drivers of the annual business plan, achievement of which will reflect performance in line with the Group's strategy.	Maximum opportunity for the Executive Directors is 150% of base salary. Performance below threshold results in zero payout. Payouts are on a scale from 20% to 100% of the maximum opportunity for performance between threshold and maximum. 50% of any bonus payable is paid in cash and the remaining 50% deferred into SJP shares, the vesting of which is normally subject to a three-year continuous service requirement but not further performance conditions. Dividends in the form of shares accrue on the deferred shares and are paid to the Executive Directors during the three-year deferral period. All bonus payments are at the discretion of the Committee. The Committee has the discretion to override formulaic bonus outcomes, where necessary, under both financial and non-financial performance metrics, to take account of overall performance. The Company Malus and Clawback Policy applies.	Performance measures, targets and weightings are reviewed annually and set in line with the annual business plan. Performance is measured over one year. At least half of the bonus is based on financial measures, reflecting the key priorities of the business for the relevant year. Up to half of the annual bonus can be based on the achievement of key non-financial objectives set at the start of the year. Actual measures and weightings may change from year to year to reflect the business priorities at that time. Details of performance criteria and targets set for the year under review and performance against them are provided in the Annual Report on Remuneration.
Performance Share Plan	Supports long-term retention. Focuses the Executive on longer-term corporate performance and objectives. Aligns interests to those of shareholders.	Awards may be granted annually, up to 250% of salary as at date of grant. The Committee intends to use this maximum capacity prudently. Awards in 2020 for existing Executive Directors will not exceed 200% of base salary. Vesting is usually on the third anniversary of the date of grant, dependent on the achievement of stretching performance conditions measured over a period of three financial years. Executive Directors are required to retain vested PSP shares, net of tax, for a further period of two years. Dividend equivalents may accrue, in the form of shares, on awards made between the date of grant and the end of the two-year post-vesting holding period. These dividend equivalents will be released only to the extent that awards vest. The Committee has the discretion to override formulaic vesting outcomes, where necessary, to take account of overall performance. The Committee has the discretion, in exceptional circumstances, to grant and/or settle an award in cash. The Company Malus and Clawback Policy applies.	Awards vest to the extent of achievement of the following performance metrics: EPS growth based on EEV adjusted profit; and Relative TSR performance. The Committee may choose different measures, and weightings between them, if it deems it appropriate, taking into account the strategic objectives of the Company. For each performance metric, a threshold and stretch level of performance is set. At threshold, 25% of the relevant element vests, rising on a straight-line basis to 100% for performance between threshold and maximum.

Section 3: 2020 Directors' Remuneration Policy continued

Element	Purpose and link to strategy	Operation including maximum opportunity	Performance metrics
Minimum shareholding requirements	To ensure alignment of the long-term interests of Executive Directors and shareholders.	Executives are required to build and maintain a minimum shareholding equivalent to 300% of base salary for the Chief Executive and 200% of base salary for other Executives, to be achieved normally within five years of appointment. Until the threshold is reached, at least 50% of vested shares from the PSP and other share awards (less tax liability) must be retained.	N/A
Post-cessation shareholding requirements	To ensure continued alignment of the long-term interests of Executive Directors and shareholders post-cessation.	Executives are required to maintain a shareholding equivalent to the in-employment shareholding requirement immediately prior to departure (or the actual share and award holding on departure, if lower) for the first year post-cessation; and 50% of the holding for the second year post-cessation. There are appropriate arrangements in place to ensure enforceability.	N/A
Non-executive Directors' fees	To attract high quality, experienced Non-executive Directors.	The Chair of the Board is paid an all-inclusive annual fee which is reviewed periodically by the Committee. All Non-executive Directors receive a basic annual fee for carrying out their duties, together with additional fees being paid in respect of Board Committee Chairship and, where appropriate, membership, and other responsibilities, with fee levels reviewed periodically by the Board. They may also be paid additional fees in the event of exceptional levels of additional time being required. PLC Board Directors who are also members of subsidiary Boards of the Company, may receive fees in respect of their duties on the subsidiary Boards. Any reasonable business expenses (including tax thereon if applicable) may be reimbursed. There is no prescribed maximum individual fee level or annual increase. Reviews take into account market data for similar non-executive roles in other companies of a similar size, complexity and/or business to St. James's Place as well as the time commitment of its Non-executive Directors. The policy is to pay up to the mid-market level based on similar time commitments of chair and non-executives in comparable companies.	Neither the Chair nor the Non-executive Directors are eligible for any performance-related remuneration.

Notes to the Policy table:

The performance measures and targets that are set for the Executive Directors' annual bonus and Performance Share Plan (PSP) awards are carefully selected to align with the Company's strategic and key performance indicators.

For the annual bonus, financial and strategic measures are reviewed and selected by the Committee annually. The measures selected and weighting between them may vary annually depending on the key priorities of the business for the year ahead. Robust and demanding targets will be set annually taking into account the economic environment, market expectations and the Company's budget and business plan for the year ahead. EEV operating profit has been used to assess financial performance as this measure reflects a number of key metrics including new business, retention of funds under management and cost control. The remaining bonus is determined based on strategic measures set annually on a balanced scorecard basis.

The Company has used a relative TSR measure and EPS growth targets for the PSP for a number of years in line with the Group's strategy of delivering profitable growth and superior returns to its shareholders. The Committee will continue to review the choice of performance measures and the appropriateness of targets prior to each PSP award being made and will set robust and stretching measures for any alternative measures used. For the EPS growth measure, stretching targets will be set annually taking into account the economic environment, market expectations and the Company's budget and business plan at that time. For the comparative TSR measure the Committee's policy is to set threshold vesting for median performance rising to full vesting for upper quartile performance. The Committee will assess annually the appropriateness of the TSR comparator group.

No performance targets are set for the SAYE and SIP awards as these form part of all employee arrangements designed to encourage employees across the Group to purchase shares in the Company.

Committee discretion

The Committee will operate the annual bonus plan, deferred bonus plan, PSP and all-employee share plans according to the rules of each respective plan and consistent with normal market practice and the Listing Rules, where relevant. The Committee will retain flexibility in a number of areas regarding the operation and administration of these plans, including (but not limited to) the following:

- Who participates in the plans;
- When to make awards and payments;
- How to determine the size of an award, a payment, or when and how much of an award should vest;
- How to deal with a change of control or restructuring of the Group;
- In the case of stated good leaver reasons or otherwise, whether a Director is a good/bad leaver for incentive plan purposes and whether and what proportion of awards vest at the time of leaving or at the original vesting date(s) as relevant; and
- How and whether an award may be adjusted in certain circumstances (e.g. for a rights issue, a corporate restructuring or for special dividends).

The Committee also has the discretion within the Policy to adjust targets and/or set different measures and alter weightings for the annual bonus plan and the PSP if events happen that cause it to determine that the original targets or conditions are no longer appropriate and the amendment is required so that the targets or conditions achieve their original purpose and are not materially less difficult to satisfy. The Committee has the discretion to adjust the application of the minimum shareholding requirements, in role or post-cessation, to take account of exceptional circumstances.

Any use of exceptional discretion to override formulaic outcomes would, where relevant, be explained in the Annual Report on Remuneration, as appropriate.

Awards made prior to the effective date

For the avoidance of doubt, in approving the Policy, authority was given to the Company to honour any commitments entered into with current or former Directors that have been disclosed to shareholders in previous remuneration reports. This includes all historic awards that were granted under any current or previous share schemes operated by the Company but remain outstanding (detailed in the Annual Report on Remuneration) and which will remain eligible to vest based on their original award terms. Awards made under the Performance Share Plan in 2017, 2018 and 2019 will continue to be based on the achievement of three equally weighted metrics:

- EPS growth based on EEV adjusted profit;
- EPS growth as above but excluding the impact of the EEV unwind of the discount rate; and
- Relative TSR performance.

For each performance metric, a threshold and stretch level of performance is set. At threshold, 25% of the relevant element vests rising on a straight line basis to 100% for attainment of levels of performance between threshold and maximum targets. Details of payments to former Directors will be set out in the Annual Remuneration Report, where required by the relevant regulations, as they arise.

Approach to remuneration for recruitment and promotions

The Committee aims to set a new Executive Director's remuneration package in line with the Policy in place at the time of appointment. The Committee will take into account, in arriving at a total package and in considering the quantum for each element of the package, the skills and experience of the candidate, the market rate for a candidate of that experience as well as the importance of securing the best candidate. For new appointments, base salary and total remuneration may be set initially at below normal market rates on the basis that it may be increased once expertise and performance has been proven and sustained.

Annual bonus and long-term incentive maximum award sizes will comply with the maximum opportunity set out in the Policy table (not including any arrangements to replace forfeited deferred pay). Participation in the annual bonus plan will normally be pro-rated for the year of joining and different performance measures may be set from those applying to the other Directors, if it is appropriate to do so to reflect the individual's responsibilities and the point in the year in which they joined the Board. A PSP award can be made shortly following an appointment (assuming the Company is not in a close period). Where it is essential for the purposes of recruitment, such as where a new external recruit has not had any bonus deferral in their previous role, bonus deferral may be phased in over a short period. The standard approach will be for deferral to apply as stated in the Policy table.

The Committee may make additional cash and/or share-based awards as it deems appropriate and, if the circumstances so demand, to take account of deferred pay forfeited by an executive on leaving a previous employer. Awards to replace deferred pay forfeited would, where possible, reflect the nature of awards forfeited in terms of delivery mechanism (cash or shares), time horizons, attributed expected value and performance conditions. Other payments may be made in relation to relocation expenses and other incidental expenses as appropriate.

In the case of an internal appointment, any variable pay element awarded in respect of the prior role would be allowed to pay out according to its terms and any other ongoing remuneration obligations existing prior to appointment would continue.

For an overseas appointment, the Committee will have the discretion to offer benefits and pension provisions which reflect local market practice and relevant legislation.

If appropriate and in exceptional circumstances the Committee may agree, on the recruitment of a new Executive, a notice period of in excess of 12 months but reducing to 12 months over a specified period.

For the appointment of a new Chair or Non-executive Director, the fee arrangement would be set in accordance with the approved Policy at that time.

Risk management

Risk is managed within the Policy through the Committee:

- Taking into consideration the recommendations contained in any applicable Remuneration Codes and associated guidance which apply to the Group;
- Structuring the annual bonus plan to contain a mix of financial and strategic performance metrics, where performance conditions are tailored to the business outlook and strategy, including the management of risk within the business. The Committee also retains the discretion to reduce the bonus and PSP out-turns where appropriate;
- Assessing the performance metrics from a risk perspective, with input from the Risk Committee;
- Requiring deferral of 50% of annual bonus payments into the Company's shares which are deferred for three years;

Section 3: 2020 Directors' Remuneration Policy continued

Risk management continued

- Requiring the Executive Directors to retain shares acquired on vesting of PSP awards granted from 1 January 2015 onward for a post-vesting holding period of two years on the shares vesting. During this period the vested shares cannot normally be sold other than to the extent necessary to settle tax on vesting or exercise;
- Ensuring that the majority of the incentive pay comes in the form of a long-term incentive plan subject to stretching performance targets measured over multi-year performance periods, with the performance period for subsequent awards overlapping the previous award, together with an additional two year holding period. This ensures that there is no particular incentive to maximise performance over a particular period;
- Incorporating withholding and recovery provisions into the Company's bonus and long-term incentive plans; and
- Requiring the Executive Directors to build and maintain a substantial shareholding in the Company, and to retain a shareholding for two years post-cessation.

Remuneration Policy across the Group

The Policy is designed with regard to the remuneration policy for employees across the Group as a whole and the Committee aims, where appropriate, for there to be a consistent approach applied. For instance, the suite of benefits in kind is generally consistent (other than in relation to quantum) and all employees participate in annual bonus plans. All employees, including the Executive Directors, are offered the opportunity to participate in the Group's SAYE Share Option Plan and Share Incentive Plan. Senior managers participate in the long-term incentive plan.

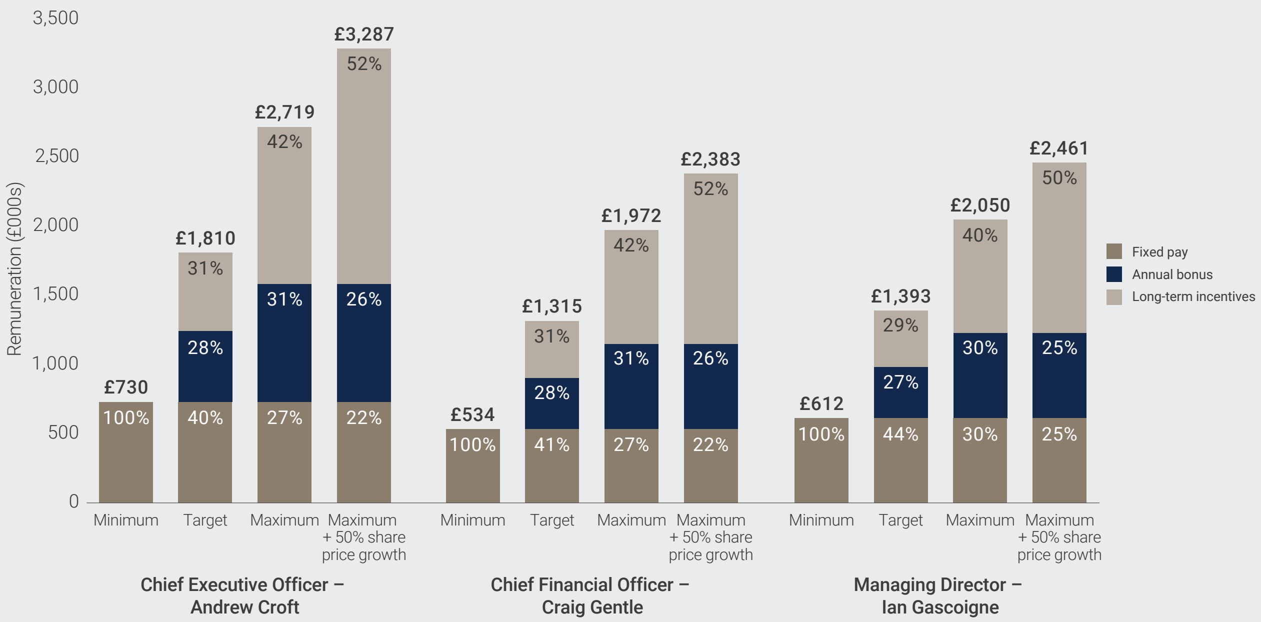
The Policy is more weighted towards variable pay than for other employees to make a greater part of their pay conditional on the successful delivery of business strategy, and in line with shareholder interests. In addition, more of senior level remuneration is deferred than is the case for the workforce as a whole.

Employees are not specifically consulted on Directors' Remuneration Policy. However, the Board has established a process for engaging with the workforce on a range of topics, which include, amongst other matters, taking views on the Company's approach to remuneration.

Remuneration scenarios for Executive Directors

The chart below shows how the proportion of each Executive Director's remuneration package varies at different levels of performance in accordance with the Policy to be implemented in 2020 and using the assumptions set out below. A significant proportion of remuneration is linked to performance, particularly at maximum performance levels.

Remuneration Scenarios for Executive Directors



Assumptions

Threshold = fixed pay only (salary, benefits and pension).

Target = fixed pay plus 60% vesting of the annual bonus and 50% vesting of PSP awards.

Maximum = fixed pay plus 100% vesting of the annual bonus and PSP awards.

Maximum + 50% share price growth = maximum pay + the impact of an assumed 50% share price growth on the PSP award.

Salaries used are those applying on 1 March 2020 and taxable benefits are those reported for the year ending 31 December 2019.

Pension is based on 2020 Policy applied to 1 March 2020 salaries.

Amounts have been rounded to the nearest £1,000. The assumptions noted for 'on-target' PSP performance in the graph above are provided for illustration purposes only. Participation in all employee plans, dividends payable on PSP awards over the vesting period or on deferred share bonus awards are not included in the above scenarios and the table assumes no increase to the share price.

Service contracts and loss of office

The Company's policy is that service contracts may be terminated with 12 months' notice from either the Company or from the Executive Director (except in certain exceptional recruitment situations where a longer notice period from the Company may be set provided it reduces to a maximum of 12 months with a specified time limit). Service contracts do not contain a fixed end date.

Under their service contracts the Executive Directors are entitled to salary, pension contributions and benefits for their notice period (except on termination for events such as gross misconduct where payment will be for sums earned up to the date of termination with no notice period only). The Company would seek to ensure that any payment is mitigated by use of phased payments and offset against earnings elsewhere in the event that an Executive Director finds alternative employment during their notice period. There are no contractual provisions in force other than those set out above that impact any termination payment.

Executive Directors are also subject to the Company's post-employment shareholding policy.

When considering the size of any proposed termination payment, the Committee would take into account a number of factors including the health, length of service and performance of the relevant Executive, including the duty to mitigate their own loss, with a broad aim to avoid rewarding poor performance while dealing fairly with cases where the departure is due to other reasons, for example illness or redundancy.

Any unvested awards held under the PSP schemes will lapse at cessation of employment, unless the individual is leaving for certain reasons (defined under the plan such as death, injury, ill-health, disability, redundancy, retirement, their office or employment being either a company which ceases to be a Group member or relating to a business or part of a business which is transferred to a person who is not a Group member, or any other reason the Committee so decides). In these circumstances, unvested awards will normally vest at the normal vesting date (unless the Committee decides they should vest at cessation of appointment) subject to performance conditions being met and normally subject to scaling back in respect of actual service as a proportion of the total vesting period (unless the Committee decides that scaling back is inappropriate). The same approach applies on a change of control.

Any unvested awards held under the Deferred Bonus Scheme will lapse at cessation of employment unless the Committee exercises discretion to allow them to be retained. In these circumstances the Committee may determine whether unvested awards will vest at the normal vesting date or at cessation of employment.

The Committee may agree to the payment of disbursements such as legal costs and outplacement services if appropriate and depending on the circumstances of the leaving Executive.

The Committee may pay any legal entitlements or settle or compromise claims in connection with a termination of employment, where considered in the best interests of the Company.

In summary the position on cessation of employment is as follows:

Provision	Detailed terms
Notice period	12 months by either party
Termination payment	Base salary plus benefits (including pension). An express obligation on the Executive to mitigate his loss. Payments can be made on a monthly basis and reduced if an Executive is able to secure alternative employment. In addition any statutory amounts would be paid as necessary.
Remuneration entitlements on cessation of appointment	A pro-rata bonus may also become payable for the period of active service along with the vesting of outstanding share awards (in certain circumstances as described below).
Change of control	As on termination and with remuneration entitlements as described above.

Non-executive Directors' letters of appointment

The Non-executive Directors (including the Chair) do not have service contracts or any benefits in kind arrangements and do not participate in any of the Group's pension or incentive arrangements. The appointment of each Non-executive Director can be terminated by giving three months' notice (subject to annual re-appointment at the AGM). Any period of service longer than six years is subject to particularly rigorous review by the Nomination Committee of the Board. The Non-executive Directors' letters of appointment do not provide for any payment on termination except for accrued fees and expenses to the date of termination.

The terms and conditions of Executive Directors' service contracts and the letters of appointment of the Non-executive Directors are available for inspection at the Company's registered office during normal business hours and at the AGM, the details of which can be found in the Directors' Report in the Company's Annual Report and Accounts.

External appointments

Executive Directors are permitted to be appointed to an external board or committee so long as this is unlikely to interfere with the business of the Group. Any fees received in respect of external appointments are retained by the relevant Executive Director.

Directors' Report

The Directors present their report together with the audited Consolidated Financial Statements of the Group for the year ended 31 December 2019. This report has been prepared in accordance with requirements outlined within The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and, together with the Strategic Report, forms the management report as required under the UK Financial Conduct Authority's (FCA) Disclosure and Transparency Rule DTR4.1. Certain information that fulfils the requirements of the Directors' report can be found elsewhere in this document and is referred to below. This information is incorporated into this Directors' report by reference.

Information disclosed in accordance with the requirements of the sections of the FCA's Listing Rule LR9.8 (Annual Financial Report) and Disclosure and Transparency Rule DTR7 (Corporate Governance) that are applicable can be found in the following sections:

Disclosure	Location
Details of Long-term incentive schemes	The Directors' Remuneration Report
Contracts of significance	This Directors' Report
Shareholder waivers of dividends	This Directors' Report
Shareholder waivers of future dividends	This Directors' Report
Directors' interests in the Company's shares	The Directors' Remuneration Report
Major shareholders' interests	This Directors' Report
Authority to purchase own shares	Corporate Governance Statement
Internal controls	The Report of the Audit Committee

As permitted by legislation, some of the matters required to be included in the Directors' Report have instead been included in the Strategic Report:

- future business developments (throughout the Strategic Report);
- risk management on pages 60 to 65;
- details of branches operated by the Company on page 191; and
- the Group's impact on the environment, including those required regarding greenhouse gas emissions, on pages 34 and 35.

Status of Company

The Company is registered as a public limited company under the Companies Act 2006. For details of the Company's subsidiaries and overseas branches, please see Note 22 on pages 191 to 194.

Going concern

In conjunction with its assessment of longer-term viability as set out on pages 64 and 65, the Board concluded that it remained appropriate to adopt the going concern basis of accounting in preparing the Consolidated Financial Statements as it believes the Group will continue to be in business, with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations for a period of at least 12 months from the date of approval of the Group Financial Statements.

Share capital

Structure of the Company's capital

As at 31 December 2019, the Company's issued and fully paid-up share capital was 534,800,626 ordinary shares of 15 pence each. All ordinary shares are quoted on the London Stock Exchange, and can be held in uncertificated form via CREST. All shares have equal rights to dividends and to participate in a distribution on winding up. Details of the movement in the issued share capital during the year are provided in Note 19 to the Financial Statements on page 185.

Voting rights

At any General Meeting, on a show of hands, each member who is present in person has one vote and every proxy present who has been duly appointed by a member entitled to vote on a resolution has one vote. On a poll, every member who is present in person or by proxy shall have one vote for every share of which he or she is the holder.

Restrictions on voting rights

If any shareholder has been sent a notice by the Company under section 793 of the Companies Act 2006 and has failed to supply the relevant information for a period of 14 days, then the shareholder may not (for so long as the default continues) be entitled to attend or vote either personally or by proxy at a shareholders' meeting, or to exercise any other right conferred by membership in relation to shareholders' meetings.

If those default shares represent at least 0.25% of their class, any dividend payable in respect of the shares will be withheld by the Company and (subject to certain limited exceptions) no transfer, other than an excepted transfer, of any shares held by the member in certificated form will be registered.

Articles of Association

The full rights and obligations attaching to the ordinary shares of the Company are set out in the Articles. Holders of ordinary shares are entitled to receive the Company's Reports and Accounts; attend, speak and exercise voting rights; and appoint proxies to attend General Meetings.

Restrictions on share transfers

There are restrictions on share transfers, all of which are set out in the Articles. Restrictions include transfers made in favour of more than four joint holders and transfers held in certificated form. Directors may decline to recognise a transfer, unless it is in respect of only one class of share and lodged (and duly stamped) with the Transfer Office. The Directors may also refuse to register any transfer of shares held in certificated form which are not fully paid. Directors may also choose to decline requests for share transfers from a US Person (as defined under Regulation S of the United States Securities Act 1933) that would cause the aggregate number of beneficial owners of issued shares who are US Persons to exceed 70.

The registration of transfers may be suspended at such times and for such periods (not exceeding 30 days in any year) as the Directors may from time to time determine in respect of any class of shares.

The Company is not aware of any agreements between shareholders that restrict the transfer of shares or voting rights attached to the shares.

The interests of the Directors, and any persons closely associated, in the issued share capital of the Company are shown on page 112.

Substantial shareholders

As at 25 February 2020, the Company had been notified of the following interests disclosed to the Company under Disclosure and Transparency Rule 5:

Shareholder	Holding at 31 Dec 2019	Percentage held at 31 Dec 2019[1]	Holding at 25 Feb 2020	Percentage held at 25 Feb 2020[1]
M&G Plc	33,626,116	6.29%	33,626,116	6.29%
BlackRock, Inc.	31,912,394	5.97%	31,590,014	5.90%
Ameriprise Financial, Inc. and its group	26,288,280	4.97%	26,288,280	4.97%
Norges Bank	21,279,405	3.98%	15,726,429	2.94%
BLS Capital Fondsmaeglerselskab A/S	15,994,742	3.00%	15,994,742	3.00%

1 Percentage provided was correct at the date of notification.

Results and dividends

The Financial Review on pages 42 to 59 sets out the consolidated results for the year.

An interim dividend of 18.49 pence per share, which equates to £98.5 million, was paid on 27 September 2019 (2018: 18.49 pence per share/£97.7 million). The Directors recommend that shareholders approve a final dividend of 31.22 pence per share, which equates to £167.0 million (2018: final dividend of 29.73 pence per share/£157.5 million) to be paid on 22 May 2020 to shareholders on the register at the close of business on 17 April 2020.

Details of the Dividend Reinvestment Plan (DRP) are set out on page 212.

Our people

Details of the Company's approach to maintaining an appropriately skilled and diverse workforce, including recruitment practices, development opportunities, employee engagement and equal opportunities can be found in Our Social Value report on pages 24 to 37.

The Workforce Engagement section of the Corporate Governance Statement (page 81) summarises how the Board has engaged with employees. This engagement and the presence of a designated Non-executive Director on the Board, ensures that the Board is able to take account of interests of employees in its discussions and when making decisions. Engagement during 2019 has contributed to the Board's consideration of key strategic topics and the determination of policies affecting the workforce, including the Inclusion and Diversity Policy.

Fostering business relationships

Engagement with the Board's key stakeholders, including suppliers and clients is summarised in the Corporate Governance Statement on pages 80 and 81. In many cases the Group's primary point of engagement with these stakeholders is through the business, where regular dialogue is maintained. Focus on strategic topics and regular reporting from management enables the Board to establish a clear view on business relationships with these stakeholders and has provided important context in its deliberations and decision making. Further details are set out in the Section 172 Statement on page 66.

Significant contracts and change of control

The Company has a number of contractual arrangements which it considers essential to the business of the Company. Specifically, these are committed loan facilities from a number of banks and arrangements with fund managers and third-party providers of administrative services.

A change of control of the Company may cause some agreements to which the Company is a party to alter or terminate. These include bank facility agreements, securitisation arrangements and employee share plans.

The Group had committed facilities totalling £458.5 million as at 25 February 2020 which contain clauses which require lender consent for any change of control. In addition, the Group guarantees the obligations of loans made to Partners in connection with facilities agreed with various lenders totalling £186.7 million in aggregate. Should consent not be given, a change of control would trigger mandatory repayment of the said facilities.

The Group also had committed securitisation facilities totalling £175.0 million which contain clauses which require lender consent for any change of control. Should such consent not be given, a change of control would trigger early amortisation of the facilities.

All the Company's employee share plans contain provisions relating to a change of control. Outstanding awards and options may vest and become exercisable on a change of control, subject where appropriate to the satisfaction of any performance conditions at that time and pro-rating of awards.

Financial instruments

An indication of the Group's use of financial instruments can be found in Note 17 to the Financial Statements on pages 172 to 183.

Directors and Directors' indemnities

Details of the Directors of the Company at the date of this Report and during the year ended 31 December 2019 can be found in the Corporate Governance Report on page 85. Details of the indemnity provisions in place for the Directors, including qualifying third-party indemnity provisions, can be found on page 86.

Political and charitable donations

It is the Group's policy not to make any donations to political parties within the meaning of the definitions set out in the Political Parties, Elections and Referendums Act 2000 and sections 362 to 379 of the Companies Act 2006. During the year we have donated £5.7 million to the St. James's Place Charitable Foundation, more details of which can be found on pages 68 to 71.

Directors' Report continued

Annual General Meeting

The Company plans to hold its Annual General Meeting on Thursday 7 May 2020. Full details of the meeting, including location, time and the resolutions to be put to shareholders at the meeting, are included in a separate Notice of Annual General Meeting, which is available on our website.

Disclosure of information to auditors

Each of the Directors, at the date of approval of this report, confirms that:

- so far as each Director is aware, there is no relevant audit information of which the auditors are unaware; and
- each Director has taken all steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of such information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

On behalf of the Board:

ANDREW CROFT
Chief Executive

CRAIG GENTLE
Chief Financial Officer
26 February 2020

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the Parent Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Parent Company and of the profit or loss of the Group and Parent Company for that period. In preparing the Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group Financial Statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Parent Company Financial Statements, subject to any material departures disclosed and explained in the Financial Statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and the Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Parent Company and enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

The Directors are responsible for the maintenance and integrity of the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Parent Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Board of Directors section of the Annual Report and Accounts confirm that, to the best of their knowledge:

- the Parent Company Financial Statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law) give a true and fair view of the assets, liabilities, financial position and profit of the Parent Company;
- the Group Financial Statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Parent Company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board:

ELIZABETH KELLY
Company Secretary

26 February 2020

03

Financial Statements

Investing in our office infrastructure

The increasing scale of the Partnership requires us to continue to invest in the supporting infrastructure. Consequently, during the year we opened a new office in Cardiff and consolidated the Academy, our previous City office, and a number of corporate functions into a new office in Lombard Street in the City. Both offices have very good environmental credentials.

These offices, along with the existing properties we occupy, are leased. On 1 January 2019 we applied IFRS 16, the new accounting standard for leases, which meant that each of our property leases were recognised on the Group's Statement of Financial Position for the first time. This led to substantial increases in our property and equipment and other payables balances year-on-year. Further information on our transition to IFRS 16 is set out in Note 1, and detail about the assets for which we are the lessee is set out in Note 10.

IFRS profit before shareholder tax

£187.1m

IFRS profit after tax

£146.6m

IFRS basic earnings per share

27.6p

"The increasing scale of the Partnership requires us to continue to invest in the supporting infrastructure"

ANDREW CROFT, Chief Executive

Independent Auditors' Report to the Members of St. James's Place plc

Report on the audit of the Financial Statements

Opinion

In our opinion:

- St. James's Place plc's Group Financial Statements and Parent Company Financial Statements (the 'Financial Statements') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's profit and cash flows for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law); and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

We have audited the Financial Statements, included within the Annual Report and Accounts (the 'Annual Report'), which comprise: the Consolidated and Parent Company Statements of Financial Position as at 31 December 2019; the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, the Consolidated and Parent Company Statements of Changes In Equity for the year then ended; and the notes to the Financial Statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

Other than those disclosed in Note 5 to the Financial Statements, we have provided no non-audit services to the Group or the Parent Company in the period from 1 January 2019 to 31 December 2019.

Our audit approach

Overview

Materiality	• Overall Group materiality: £15.0 million (2018: £15.0 million), which represents 5.6% of underlying cash generated in the year. • Overall Parent Company materiality: £12.3 million (2018: £13.0 million), based on 1% of total assets.
Audit scope	• The Group Financial Statements comprise the consolidation of approximately 60 individual components, each of which represents an individual legal entity within the Group or consolidation adjustments. • We assessed each component and considered the contribution it made to the Group's performance in the year, whether it displayed any significant risk characteristics and/or whether it contributed a significant amount to any individual financial statement line item. • The above assessment resulted in us identifying nine components that required audit procedures for the purpose of the audit of the Group Financial Statements. • Eight of the nine components are based in the UK and were audited by the PwC UK audit team. The remaining component is based in the Republic of Ireland and was audited by Grant Thornton Republic of Ireland. • By performing audit procedures on these nine components we achieved coverage greater than 93% of each material financial statement line item within the Group's Financial Statements. • We performed a full scope audit of all material line items in the Parent Company's Financial Statements.
Key audit matters	• Valuation of investments with a judgemental valuation, being investment property, level 3 investments in the Diversified Assets Fund and derivatives. • Valuation of the operational readiness prepayment in respect of the development of an administration platform at an outsourced provider.

The scope of our audit
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the Financial Statements.

Capability of the audit in detecting irregularities, including fraud
Based on our understanding of the Group and its industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK and Irish regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority and the Central Bank of Ireland, and we considered the extent to which non-compliance might have a material effect on the Financial Statements. We also considered those laws and regulations that have a direct impact on the preparation of the Financial Statements such as the Companies Act 2006 and UK and Irish tax legislation.

We evaluated management's incentives and opportunities for fraudulent manipulation of the Financial Statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure, and management bias in accounting estimates specifically investments with a judgemental valuation, being investment property, level 3 investments in the Diversified Assets Fund and derivatives and the valuation of the prepayment asset in respect of the development of an administration platform at an outsourced provider (see Key Audit Matters). The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work Audit procedures performed by the Group engagement team and/or component auditors included:

- Enquiries of compliance, risk, internal audit, and the Group's legal function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reading key correspondence with the Prudential Regulation Authority, the Financial Conduct Authority and the Central Bank of Ireland in relation to compliance with laws and regulations;
- Reviewing relevant meeting minutes including those of the Board, Audit Committee and Risk Committee;
- Reviewing data regarding policyholder complaints, and the Group's register of litigation and claims, in so far as they related to non-compliance with laws and regulations and fraud;
- Procedures relating to the valuation of investments with a judgemental valuation, being investment property, level 3 investments in the Diversified Assets Fund and derivatives and the valuation of the prepayment asset in respect of the development of an administration platform at an outsourced provider described in the related key audit matters below;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- Testing disclosure Note 18 affected by the regulatory solvency requirements of the Prudential Regulation Authority.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Financial Statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters
Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Independent Auditors' Report to the Members of St. James's Place plc continued

Key audit matter	How our audit addressed the key audit matter
Valuation of investments with a judgemental valuation, being investment property, level 3 assets in the diversified assets fund and derivatives The Group Financial Statements show a net £113.3 billion of investments (including cash). The investments are mostly straight forward financial instruments and do not require significant judgement in calculating the valuation of the holdings. However £2.4 billion of the investments are in derivatives, investment properties and level 3 assets in the Diversified Assets Fund (DAF), which require management to use estimates and judgements in order to calculate the year-end valuation. Due to the magnitude of these balances and the level of judgement involved, this was an area of focus for our audit. SJP outsources investment valuation activities for derivatives, to State Street and for assets in the DAF to Kohlberg Kravis Roberts & Co. Inc (KKR). The investment property portfolio is managed by Orchard Street, with title deeds held by DLA Piper and regular valuations are performed by CBRE. This key audit matter only relates to the Group Financial Statements and does not impact the Parent Company.	*Investment properties* We engaged our in house real estate valuation experts to review the methodology and key assumptions used by CBRE in valuing the property portfolio. They obtained and reviewed the valuation reports produced by CBRE and confirmed that the methodology adopted was appropriate. They benchmarked the key assumptions used by CBRE against industry norms for all properties in the portfolio and performed further testing to understand and validate the assumptions where they fell outside of the expected ranges. *Level 3 assets in the Diversified Assets Fund* We engaged our in house valuation experts to review the methodology and key assumptions used by KKR in valuing a sample of individual level 3 investments within the DAF. They met with KKR and reviewed the year end valuation report for each asset in the sample. They challenged KKR on the appropriateness of the methodology and assumptions, given the specifics of each of the assets in question. *Derivatives* We obtained and read the International Standard on Assurance Engagements (ISAE) 3402 'Assurance Reports on Controls at a Service Organisation' for State Street's Global Fund Accounting and Custody operations, which provided a description of the systems and controls in place and the results of testing of the operational effectiveness of those controls. We placed reliance on the controls described in the ISAE 3402 report over the valuation of the derivatives within the portfolio. We engaged our valuation specialists to independently reprice a sample of derivative contracts, as at the year end. We compared our independent prices to those provided by State Street. From the evidence obtained when testing the valuation of derivatives, investment properties and level 3 assets in the DAF, we found the assumptions and methodology used, and the resulting valuations, to be appropriate.
Valuation of the operational readiness prepayment in respect of the development of an administration platform at an outsourced provider The Group is charged costs by an outsourced provider in respect of the development of a policy administration platform. These costs are recognised as a prepayment and are unwound over the duration of the related service agreement with the provider. The balance of the prepayment asset at 31 December 2019 was £299.2 million. The maximum prepayment that can be recognised is capped at the net present value of future cost savings. Due to the nature and magnitude of the amount arising from the contractual terms, the valuation of the prepayment asset was an area of focus for our audit. This key audit matter only relates to the Group Financial Statements and does not impact the Parent Company.	In testing whether the asset was valued appropriately and whether an impairment was necessary we: • agreed amounts capitalised in the year to the service agreement and cash payments to the provider; • assessed the reasonableness of the assumptions underlying management's discounted cash flow analysis calculating the anticipated future cost savings that support the valuation of the asset; • agreed that the cost savings had been calculated using appropriate service tariffs. • performed a sensitivity analysis on the inflation and discount rate assumptions as well as business flow levels to determine the potential impact of changes in these assumptions to check whether they would affect the carrying value of the asset; and • considered the headroom available under what we considered to be reasonably possible downside scenarios and whether additional disclosure was necessary. We determined that the accounting, recognition and disclosure of the asset in the Financial Statements was supported by the evidence obtained.

We determined that there were no key audit matters applicable to the Parent Company to communicate in our report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the Financial Statements as a whole, taking into account the structure of the Group and the Parent Company, the accounting processes and controls, and the industry in which they operate.

The Group is structured to reflect its vertically integrated wealth management business and operates predominantly within the United Kingdom. Six of the components within the Group required an audit of their complete financial information. Of these, five components (St. James's Place UK plc, St. James's Place Unit Trust Group Limited, St. James's Place Investment Administration Limited, St. James's Place Management Services Limited and St. James's Place Wealth Management plc) were considered financially significant. The remaining component (St. James's Place International plc) had specific risk characteristics which led us to include in our scope an audit of its complete financial information. St. James's Place International plc is a regulated insurance company giving rise to complex accounting entries, such as the calculation of insurance reserves and DAC and DIR balances.

All components aside from St. James's Place International plc were audited by PwC UK. St. James's Place International plc is incorporated and regulated in the Republic of Ireland and was audited by Grant Thornton Republic of Ireland. At the planning stage of the audit we provided written instructions to Grant Thornton Republic of Ireland to confirm the work we required them to complete and the materiality level they should work to. We held regular phone calls and meetings with the Grant Thornton Republic of Ireland engagement leader and director through the planning, execution and completion phases of the audit to inform them of developments at a Group level and to understand from them any local developments that were relevant for our audit of the Group. During the execution phase, senior members of the UK engagement team visited the Republic of Ireland and we obtained access to their electronic audit working papers and reviewed selected elements of their work, focusing on their work to address the significant and elevated risks identified.

In addition to the full scope audit of the six components noted above, we also performed specific audit procedures on certain financial statement line items within three other components. These financial statement line items were selected for testing to ensure that we had sufficient coverage of each financial statement line item within the Group Financial Statements.

Together with additional procedures performed at a Group level on the consolidation, the result of the above scoping was that we achieved greater than 93% coverage of each material financial statement line item within the Group Financial Statements, giving us the evidence we needed for our audit opinion.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the Financial Statements as a whole.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

	Group Financial Statements	Parent Company Financial Statements
Overall materiality	£15.0 million (2018: £15.0 million).	£12.3 million (2018: £13.0 million).
How we determined it	5.6% of underlying cash generated in the year.	1% of total assets.
Rationale for benchmark applied	The engagement team concluded that £15.0 million is the most appropriate figure when setting an overall materiality on the 2019 engagement. The quantum of £15.0 million was determined by considering the various benchmarks available to us as auditors, our experience of auditing the Group and the business performance during 2019. £15.0 million represents 5.6% of underlying cash generated in the year.	The purpose of the Parent Company is to hold investments in other Group companies. As such PwC considers it appropriate to use total assets as the benchmark for overall materiality.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £0.5 million and £12.5 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.8 million (Group audit) (2018: £0.8 million) and £0.6 million (Parent Company audit) (2018: £0.7 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

In accordance with guidance on the audit of insurers issued in the United Kingdom issued by the Financial Reporting Council we have applied a higher materiality of £450 million solely for the purpose of identifying and evaluating the effect of misstatements that are likely only to lead to a reclassification between line items within assets and liabilities.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the Financial Statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the Financial Statements and the directors' identification of any material uncertainties to the Group's and the Parent Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the Financial Statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Parent Company's ability to continue as a going concern. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Independent Auditors' Report to the Members of St. James's Place plc continued

Reporting on other information

The other information comprises all of the information in the Annual Report other than the Financial Statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report, Directors' Report and Corporate Governance Statement, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the Financial Statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

Corporate Governance Statement

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on pages 94 and 126) about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA (DTR) is consistent with the Financial Statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in this information. (CA06)

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on pages 78 to 88) with respect to the Parent Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR. (CA06)

We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Parent Company. (CA06)

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

The directors' confirmation on page 78 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.

The directors' explanation on pages 64 and 65 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the 'Code'); and considering whether the statements are consistent with the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

The statement given by the directors, on page 129, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Parent Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Parent Company obtained in the course of performing our audit.

The section of the Annual Report on pages 89 to 94 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

The directors' statement relating to the Parent Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration
In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the Financial Statements and the audit

Responsibilities of the directors for the Financial Statements
As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the Financial Statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the FRC's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditors' report.

Use of this report
This report, including the opinions, has been prepared for and only for the Parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Parent Company Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment
Following the recommendation of the Audit Committee, we were appointed by the Directors on 7 December 2009 to audit the Financial Statements for the year ended 31 December 2009 and subsequent financial periods. The period of total uninterrupted engagement is 11 years, covering the years ended 31 December 2009 to 31 December 2019.

ANDREW MOORE (SENIOR STATUTORY AUDITOR)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London
26 February 2020

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2019 £'Million	Year ended 31 December 2018 £'Million
Insurance premium income		42.6	46.5
Less premiums ceded to reinsurers		(26.8)	(29.6)
Net insurance premium income		15.8	16.9
Fee and commission income	4	2,374.1	1,523.7
Investment return	6	14,173.6	(4,235.0)
Net income/(expense)		16,563.5	(2,694.4)
Policy claims and benefits			
– Gross amount		(56.0)	(54.0)
– Reinsurers' share		22.4	19.6
Net policyholder claims and benefits incurred		(33.6)	(34.4)
Change in insurance contract liabilities			
– Gross amount		(48.5)	36.5
– Reinsurers' share		5.9	–
Net change in insurance contract liabilities		(42.6)	36.5
Movement in investment contract benefits	6	(14,070.6)	4,249.2
Expenses	5	(1,707.8)	(1,641.5)
Profit/(loss) before tax	3	708.9	(84.6)
Tax attributable to policyholders' returns	7	(521.8)	296.5
Profit before tax attributable to shareholders' returns		187.1	211.9
Total tax (expense)/credit	7	(562.3)	258.1
Less: tax attributable to policyholders' returns	7	521.8	(296.5)
Tax attributable to shareholders' returns	7	(40.5)	(38.4)
Profit and total comprehensive income for the year		146.6	173.5
Loss attributable to non-controlling interests		–	–
Profit attributable to equity shareholders		146.6	173.5
Profit and total comprehensive income for the year		146.6	173.5

	Note	Pence	Pence
Basic earnings per share	19	27.6	33.0
Diluted earnings per share	19	27.5	32.4

The results relate to continuing operations.

The Notes and information below and on pages 142 to 195 form part of these Consolidated Financial Statements.

As permitted by Section 408 of the Companies Act 2006, no Statement of Comprehensive Income is presented for the Company.

Consolidated Statement of Changes in Equity

		Equity attributable owners of the Parent						Non-controlling interests	Total equity
		Share capital	Share premium	Shares in trust reserve	Retained earnings	Misc. reserves	Total		
	Note	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
At 1 January 2018		79.4	171.7	(26.7)	832.1	2.5	1,059.0	(0.9)	1,058.1
Profit and total comprehensive income for the year		–	–	–	173.5	–	173.5	–	173.5
Dividends	19	–	–	–	(242.7)	–	(242.7)	–	(242.7)
Exercise of options	19	–	2.8	–	–	–	2.8	–	2.8
Consideration paid for own shares		–	–	(6.0)	–	–	(6.0)	–	(6.0)
Shares sold during the year		–	–	9.0	(9.0)	–	–	–	–
Retained earnings credit in respect of share option charges		–	–	–	33.4	–	33.4	–	33.4
At 31 December 2018		**79.4**	**174.5**	**(23.7)**	**787.3**	**2.5**	**1,020.0**	**(0.9)**	**1,019.1**
Profit and total comprehensive income for the year		**–**	**–**	**–**	**146.6**	**–**	**146.6**	**–**	**146.6**
Dividends	19	**–**	**–**	**–**	**(256.0)**	**–**	**(256.0)**	**–**	**(256.0)**
Issue of share capital	19	**0.1**	**3.9**	**–**	**–**	**–**	**4.0**	**–**	**4.0**
Exercise of options	19	**0.7**	**4.0**	**–**	**–**	**–**	**4.7**	**–**	**4.7**
Consideration paid for own shares		**–**	**–**	**(0.1)**	**–**	**–**	**(0.1)**	**–**	**(0.1)**
Shares sold during the year		**–**	**–**	**7.4**	**(7.4)**	**–**	**–**	**–**	**–**
Proceeds from exercise of shares held in trust		**–**	**–**	**–**	**0.2**	**–**	**0.2**	**–**	**0.2**
Retained earnings credit in respect of share option charges		**–**	**–**	**–**	**28.7**	**–**	**28.7**	**–**	**28.7**
At 31 December 2019		**80.2**	**182.4**	**(16.4)**	**699.4**	**2.5**	**948.1**	**(0.9)**	**947.2**

The number of shares held in the shares in trust reserve is given in Note 19 Share capital, earnings per share and dividends on page 185.

Miscellaneous reserves represent other non-distributable reserves.

The Notes and information below and on pages 142 to 195 form part of these Consolidated Financial Statements.

Consolidated Statement of Financial Position

	Note	As at 31 December 2019 £'Million	As at 31 December 2018 £'Million
Assets			
Goodwill	8	**15.6**	15.6
Deferred acquisition costs	8	**490.0**	558.5
Intangible assets			
– Purchased value of in-force business	8	**20.8**	24.0
– Computer software	8	**8.9**	1.4
Property and equipment	9	**166.3**	28.5
Deferred tax assets	7	**131.1**	147.1
Reinsurance assets	14	**88.6**	82.8
Other receivables	12	**2,127.1**	1,952.3
Income tax assets		**–**	9.7
Investments			
– Investment property	11	**1,750.9**	1,820.7
– Equities	11	**72,694.2**	56,077.9
– Fixed income securities	11	**26,275.6**	21,966.0
– Investment in Collective Investment Schemes	11	**5,166.4**	4,756.1
– Derivative financial instruments	11	**1,342.9**	508.8
Cash and cash equivalents	11	**7,013.6**	6,877.6
Total assets		**117,292.0**	94,827.0
Liabilities			
Borrowings	16	**403.7**	348.6
Deferred tax liabilities	7	**493.7**	172.9
Insurance contract liabilities	14	**556.6**	508.1
Deferred income	8	**614.7**	648.3
Other provisions	15	**40.6**	22.7
Other payables	13	**1,782.7**	1,290.8
Investment contracts benefits	11	**83,558.5**	67,796.1
Derivative financial instruments	11	**948.8**	517.4
Net asset value attributable to unit holders	11	**27,830.0**	22,502.9
Income tax liabilities		**115.4**	–
Preference shares		**0.1**	0.1
Total liabilities		**116,344.8**	93,807.9
Net assets		**947.2**	1,019.1
Shareholders' equity			
Share capital	19	**80.2**	79.4
Share premium		**182.4**	174.5
Shares in trust reserve		**(16.4)**	(23.7)
Miscellaneous reserves		**2.5**	2.5
Retained earnings		**699.4**	787.3
Equity attributable to owners of the Parent Company		**948.1**	1,020.0
Non-controlling interests		**(0.9)**	(0.9)
Total equity		**947.2**	1,019.1

	Pence	Pence
Net assets per share	**177.1**	192.5

The Consolidated Financial Statements on pages 138 to 195 were approved by the Board of Directors on 26 February 2020 and signed on its behalf by:

ANDREW CROFT
Chief Executive

CRAIG GENTLE
Chief Financial Officer

The Notes and information on pages 142 to 195 form part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2019 £'Million	Year ended 31 December 2018 £'Million
Cash flows from operating activities			
Profit/(loss) before tax for the year		**708.9**	(84.6)
Adjustments for:			
Amortisation of purchased value of in-force business	8	**3.2**	3.2
Amortisation of computer software	8	**1.4**	1.1
Depreciation	9	**20.7**	6.5
Share-based payment charge	20	**29.2**	34.1
Interest income		**(45.4)**	(35.1)
Interest expense		**12.6**	6.1
Increase in provisions	15	**6.7**	2.7
Exchange rate losses/(gains)		**0.4**	(0.3)
Changes in operating assets and liabilities			
Decrease in deferred acquisition costs	8	**68.5**	64.5
Decrease/(increase) in investment property		**69.8**	(189.8)
Increase in other investments		**(22,170.3)**	(4,794.4)
Increase in reinsurance assets		**(5.8)**	–
Increase in other receivables		**(169.3)**	(330.3)
Increase/(decrease) in insurance contract liabilities		**48.5**	(36.5)
Increase in financial liabilities (excluding borrowings)		**16,193.8**	4,108.9
(Decrease)/increase in deferred income	8	**(33.6)**	2.0
Increase in other payables		**369.0**	57.2
Increase in net assets attributable to unit holders		**5,327.1**	1,153.8
Cash generated from/(used in) operating activities		**435.4**	(30.9)
Interest received		**45.4**	35.1
Interest paid		**(12.6)**	(6.1)
Income taxes paid	7	**(102.8)**	(213.2)
Net cash generated from operating activities		**365.4**	(215.1)
Cash flows from investing activities			
Acquisition of property and equipment	9	**(17.3)**	(8.6)
Acquisition of intangible assets	8	**(8.9)**	(0.1)
Acquisition of subsidiaries and other business combinations, net of cash acquired		**(3.0)**	(4.1)
Net cash used in investing activities		**(29.2)**	(12.8)
Cash flows from financing activities			
Proceeds from the issue of share capital and exercise of options		**8.7**	2.8
Consideration paid for own shares		**(0.1)**	(6.0)
Proceeds from exercise of shares held in trust		**0.2**	–
Additional borrowings	16	**390.0**	232.5
Repayment of borrowings	16	**(334.8)**	(162.2)
Lease payments		**(8.1)**	–
Dividends paid	19	**(256.0)**	(242.7)
Net cash used in financing activities		**(200.1)**	(175.6)
Net increase/(decrease) in cash and cash equivalents		**136.1**	(403.5)
Cash and cash equivalents at 1 January	11	**6,877.6**	7,280.6
Exchange (losses)/gains on cash and cash equivalents		**(0.1)**	0.5
Cash and cash equivalents at 31 December	11	**7,013.6**	6,877.6

The Notes and information on pages 142 to 195 form part of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards

1. Accounting policies

St. James's Place plc (the Company) is a company incorporated and domiciled in the United Kingdom, and registered in England and Wales.

i. Statement of compliance

The Group Financial Statements consolidate those of the Company and its subsidiaries (together referred to as the Group).

The Group Financial Statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU (adopted IFRSs) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) and those parts of the Companies Act 2006 that are applicable when reporting under IFRS.

As at 31 December 2019, the following relevant amended standards, which the Group has adopted as of 1 January 2019, have not had any material impact on the Group's Consolidated Financial Statements:

- IFRIC 23 Uncertainty over Income Tax Treatments;
- IAS 28 Amendment – Long-term Interests in Associates and Joint Ventures; and
- Annual Improvements 2015-2017 Cycle.

New accounting standards which were adopted as of 1 January 2019 are covered in section ii below.

ii. Adoption of new accounting standards

IFRS 16 Leases was adopted as of 1 January 2019.

For lessees, IFRS 16 removes the distinction between operating and finance leases and requires almost all leases to be recognised on the Statement of Financial Position. The right to use the leased item is recognised as an asset, and the present value of future lease payments is recognised as a financial liability (the 'lease liability'). The only exceptions are for short-term or low-value leases. The standard has changed the way that the Group accounts for leases previously classified as operating leases.

On adoption of IFRS 16 the Group's lease portfolio transitioned following the modified retrospective approach. As a result, prior period comparatives have not been restated. The Group took advantage of the exemptions offered by the standard for short-term and low-value leases, and the practical expedients available on transition to:

- not reassess whether an existing contract is, or contains a lease;
- account for leases with a remaining lease term of less than 12 months from 1 January 2019 as short-term leases;
- exclude initial direct costs from the measurement of leased assets at transition;
- use hindsight in determining the lease term where a contract contains options to extend or terminate the lease; and
- apply a single discount rate to a portfolio of leases where they have reasonably similar characteristics.

Upon transition, the Group recognised a right-of-use asset of £91.8 million and a lease liability of £83.2 million, along with a lease provision recognised under IAS 37 Provisions, Contingent Liabilities and Contingent Assets of £8.6 million. The value of the right-of-use asset equalled the value of the lease liability plus the lease provision, and so no adjustment was made to opening reserves.

In the year to 31 December 2019, £21.7 million lease expense on the transitioned portfolio was recognised under IFRS 16. The lease expense comprises depreciation of the right-of-use asset, which is recognised on a straight-line basis over the remaining term of the lease, and interest expense on the lease liability, which is recognised using the effective interest method. This means that the interest expense reduces each year over the course of the lease term. As the Group has a number of significant leases which are in the early stages of their lease term, the lease expense under IFRS 16 is higher than it would have been under IAS 17.

The disclosure of total operating lease commitments presented under IAS 17 in the Financial Statements for the year ended 31 December 2018 reconciles to the opening lease liabilities recognised on 1 January 2019 under IFRS 16 as follows:

	£'Million
IAS 17 total undiscounted operating lease commitments disclosed at 31 December 2018	**141.3**
Less discount using the Group's weighted average incremental borrowing rate of 2.4%	(16.3)
Less lease commitments to which the short-term exemption has been applied	(6.3)
Less lease commitments to which the low-value asset exemption has been applied	(2.4)
Less service/non-lease components of lease contracts	(15.1)
Less VAT	(18.0)
IFRS 16 lease liability at 1 January 2019	**83.2**

In addition to the leases which transitioned to IFRS 16 on 1 January 2019, the Group entered into a number of new leases in the year to 31 December 2019. Detail of the right-of-use assets and lease liabilities at 1 January and 31 December 2019 in Note 10.

The Group is lessor for a number of investment properties. The accounting for these properties has not changed, but additional disclosures have been presented in Note 11.

iii. New and amended accounting standards not yet adopted

As at 31 December 2019, the following new and amended standards, which are relevant to the Group but have not been applied in the Financial Statements, were in issue but are not yet effective. Those standards or amendments which have been endorsed by the EU are marked with an '*':

- IFRS 17 Insurance Contracts;
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – definition of material*;
- Amendments to IFRS 3 Business Combinations – definition of a business;
- Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures – Interest Rate Benchmark Report*;
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or contribution of assets between an investor and its associate or joint venture; and
- Revised Conceptual Framework of Financial Reporting.*

The Group is currently assessing the impact that the adoption of the above standards, amendments and clarifications will have on the Group's results reported within the Financial Statements. The only standard or amendment expected to have a significant impact on the Group's Financial Statements is IFRS 17 Insurance Contracts. Further information on this standard is given overleaf.

IFRS 17 Insurance Contracts

IFRS 17 incorporates revised principles for the recognition, measurement, presentation and disclosure of insurance contracts.

The Group closed to new insurance business, as defined under accounting standards, in 2011. At 31 December 2019, the Group has £92.4 million of non-unit-linked insurance contract liabilities, which are substantially reinsured, and £464.2 million of unit-linked insurance contract liabilities. As a result, the Group's net exposure on this business is not material.

The vast majority of the business written by the Life companies within the Group is defined as investment, rather than insurance, business under accounting standards. Investment business is outside the scope of IFRS 17: refer to Note 2 for further information on the classification of contracts between insurance and investment business.

Management is currently assessing the impacts of adopting the new standard. The effective date of the standard is currently 1 January 2021, subject to EU endorsement, however the IASB are carrying out due process to amend the effective date to 1 January 2022.

The Group Financial Statements also comply with the revised Statement of Recommended Practice issued by the Association of British Insurers in December 2005 (as amended in December 2006), to the extent that it is consistent with IFRS standards.

iv. Basis of preparation

The going concern basis has been adopted in preparing these Financial Statements.

The Financial Statements are presented in pounds Sterling, rounded to the nearest one hundred thousand pounds. They are prepared on a historical cost basis, except for assets classified as investment property and financial assets and liabilities at fair value through profit and loss.

The preparation of Financial Statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years, if the revision affects both current and future years.

Judgements made by management in the application of IFRSs that have significant effect on the Financial Statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 2.

The Financial Statements are prepared in accordance with the Companies Act 2006 as applicable to companies reporting under IFRS and the accounting policies set out below have been applied consistently to all years presented in these Consolidated Financial Statements.

v. Summary of significant accounting policies

(a) Basis of consolidation

The consolidated financial information incorporates the assets, liabilities and the results of the Company and of its subsidiaries. Subsidiaries are those entities which the Group controls. Control exists if the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity (including unit trusts in which the Group holds more than 30% of the units). Further information on how control is assessed, including the judgement taken in consolidating SJP Partner Loans No.1 Limited, the Group's securitisation entity, is set out in Note 2.

Associates are all entities over which the Group has significant influence but not control, and are accounted for at fair value through the profit or loss. The Group uses the acquisition method of accounting to account for business combinations and expenses all acquisition costs as they are incurred. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with policies adopted by the Group.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 in the Consolidated Statement of Comprehensive Income.

The treatment of transactions with non-controlling interests depends on whether, as a result of the transaction, the Group alters control of the subsidiary. Changes in the Parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions; any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Parent entity. Where the Group loses control of the subsidiary, at the date when control is lost the amount of any non-controlling interest in that former subsidiary is derecognised and any investment retained in the former subsidiary is re-measured to its fair value; the gain or loss that is recognised in profit or loss on the partial disposal of the subsidiary includes the gain or loss on the re-measurement of the retained interest.

Intra-group balances, and any income and expenses or unrealised gains and losses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements.

The St. James's Place Charitable Foundation is not consolidated within the financial information. This is because the Company does not control the Charitable Foundation in accordance with IFRS 10.

(b) Fee and commission income

Fee and commission income comprises:

(i) advice charges paid by clients who receive advice alongside their investment in a St. James's Place or third-party retail investment product. Advice may be provided at initial investment, and on an on-going basis;

(ii) third-party fee and commission income, due from third-party product providers in respect of products sold on their behalf;

(iii) wealth management fees paid by clients for the ongoing administration of their investment product;

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

1. Accounting policies continued

(b) Fee and commission income continued

(iv) investment management fees paid by clients for all aspects of investment management, including fees taken by the Group to pay third-party investment advisers;

(v) fund tax deductions, which are fees charged to clients to match the policyholder tax expense;

(vi) discretionary fund management fees generated through the services provided by our DFM business; and

(vii) the unwinding of income that has been deferred. This relates to initial product charges and dealing margins from unit trusts.

The provision of initial advice is a distinct performance obligation. As a result, initial advice charges are recognised in full on acceptance and inception of the associated policy by the relevant product provider, which may be a Group company or a third party. On-going advice charges are recognised as revenue on an on-going basis, consistent with the nature of the performance obligation being discharged, rather than at a single point in time.

Third-party fee and commission income is recognised in full on acceptance and inception of the associated policy by the relevant third-party product provider. The performance obligation is the initial advice provided to a client which leads to investment in a third-party product, hence it is appropriate that this revenue stream is recognised on the same basis as initial advice charges. Where the third-party product provider retains the right to clawback of commission on an indemnity basis, revenue on sale of these products is recognised to the extent that it is highly probable the revenue will not be clawed back. A provision is recognised for any amounts received which do not meet the 'highly probable' threshold.

Wealth management fees, investment management fees, fund tax deductions and discretionary fund management fees relate to services provided on an on-going basis, and revenue is recognised on an on-going basis to reflect the nature of the performance obligations being discharged.

When initial product charges and dealing margins do not relate to a distinct performance obligation satisfied at inception of a contract, the income is deferred and amortised over the anticipated period in which the services will be provided.

(c) Insurance and reinsurance premiums

Unit-linked insurance contract premiums are recognised as revenue when the liabilities arising from them are recognised. All other premiums are accounted for when due for payment.

(d) Insurance claims and reinsurance recoveries

Insurance contracts death claims are accounted for on notification of death. Critical illness claims are accounted for when admitted. All other claims and surrenders are accounted for when payment is due. Reinsurance recoveries, in respect of insurance claims, are accounted for in the same period as the related claim.

(e) Investment return

Investment return comprises investment income and investment gains and losses. Investment income includes dividends, interest and rental income from investment properties under operating leases. Dividends are accrued on an ex-dividend basis, and rental income is recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Interest, which is generated on assets classified as fair value through profit or loss, is accounted for using the effective interest method.

(f) Expenses

(i) Payments to Partners

Payments to Partners comprises initial commission and initial advice fees (IAF) (paid for initial advice, at policy outset and within an initial period for regular contribution), renewal commission and renewal advice fees (payable on regular contributions) and fund fee commission or ongoing advice fee (OAF) (based on funds under management). Initial and renewal commission and advice fees are recognised in line with the associated premium income, but initial commission on insurance and investment contracts may be deferred as set out in accounting policy (k). Fund fee commission and ongoing advice fee are recognised on an accruals basis.

(ii) Lease expenses

Policy applicable for the year ended 31 December 2019

Lease expenses under IFRS 16 comprise depreciation of the right-of-use asset and interest expense on the lease liability. Further information on depreciation of the right-of-use asset is set out in the accounting policy for property and equipment, which includes leased assets and can be found on page 146. Interest expense on the lease liability is calculated using the effective interest method. It is charged to expenses within the Statement of Comprehensive Income.

The Group recognises lease payments associated with short-term leases and leases of low-value assets on a straight-line basis over the lease term.

Policy applicable for the year ended 31 December 2018

Leases where a significant proportion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of Comprehensive Income as an integral part of the total lease expense and are spread over the life of the lease.

(g) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax payable by the Group in respect of policyholders and shareholders. Income tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Tax liabilities are recognised when it is considered probable that there will be a future outflow of funds to a taxing authority and are measured using a best-estimate approach.

(i) 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 tax payable in respect of previous years.

(ii) Deferred tax

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(iii) Policyholder and shareholder tax

The total income tax charge is a separate adjustment within the Statement of Comprehensive Income based on the movement in current and deferred income taxes in respect of income, gains and expenses. The total charge reflects tax incurred on behalf of policyholders as well as shareholders, and so it is useful to be able to identify these separately.

Shareholder tax is estimated by making an assessment of the effective rate of tax that is applicable to the shareholders on the profits attributable to shareholders. This is calculated by applying the appropriate effective corporate tax rates to the shareholder profits. The remainder of the tax charge represents tax on policyholders' investment returns.

(h) Dividends paid

Dividend distributions to the Company's shareholders are recognised in the period in which the dividends are declared, that is when they are appropriately authorised and no longer at the discretion of the Company. The final dividend for the financial year is disclosed but unpaid and awaiting approval by the Company's shareholders at the Annual General Meeting.

(i) Investment contract deposits and withdrawals

Investment contract payments in and out are not included in the Statement of Comprehensive Income but are reported as deposits to or deductions from investment contract benefits in the Statement of Financial Position. The movement in investment contract benefits within the Statement of Comprehensive Income principally represents the investment return credited to policyholders.

Explicit advice charges are payable by most clients who wish to receive advice with their investment in a St. James's Place retail investment product. St. James's Place facilitates the payment of these charges for the client, by arranging withdrawals from the client's policy, which are then recognised as income to the Group. A proportion of the charge is then paid to the St. James's Place adviser who provides the advice (see (b)(i) Fee and commission income and (f)(i) Expenses).

(j) Goodwill

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. Where the fair value of the Group's share of the identifiable net assets of the acquired entity is greater than the cost of acquisition, the excess is recognised immediately in the Statement of Comprehensive Income.

Goodwill is recognised as an asset at cost and is reviewed at least annually for impairment or when circumstances or events indicate there may be uncertainty over this value. If an impairment is identified, the carrying value of the goodwill is written down immediately through the Statement of Comprehensive Income and is not subsequently reversed. At the date of disposal of a subsidiary, the carrying value of attributable goodwill is included in the calculation of the profit or loss on disposal except where it has been written off directly to reserves in the past.

(k) Deferred acquisition costs

For insurance contracts, acquisition costs comprise direct costs such as initial commission and the indirect costs of obtaining and processing new business. Acquisition costs which are incurred during a financial year, net of any impairment losses, are deferred and then amortised to expenses in the Statement of Comprehensive Income on a straight-line basis over the period during which the costs are expected to be recoverable and in accordance with the incidence of future related margins.

For investment contracts, only directly attributable acquisition costs, which vary with and are related to securing new contracts and renewing existing contracts, are deferred, and only to the extent that they are recoverable out of future revenue. These deferred acquisition costs, which represent the contractual right to benefit from providing investment management services, net of any impairment losses, are amortised to expenses in the Statement of Comprehensive Income on a straight-line basis over the expected lifetime of the Group's investment contracts. All other costs are recognised as expenses when incurred.

The periods over which costs are expected to be recoverable are as follows:

Insurance contracts:	5 years
Investment contracts:	14 years

(l) Intangible assets

(i) Purchased value of in-force business

The purchased value of in-force business in respect of insurance business represents the present value of profits that are expected to emerge from insurance business acquired on business combinations. It is calculated at the time of acquisition using best-estimate actuarial assumptions for interest, mortality, persistency and expenses, net of any impairment losses, and it is amortised on a straight-line basis as profits emerge over the anticipated lives of the related contracts in the portfolio. An intangible asset is also recognised in respect of acquired investment management contracts, representing the fair value of contractual rights acquired under those contracts. The purchased value of in-force business is expressed as a gross figure in the Statement of Financial Position, with the associated tax included within deferred tax liabilities. It is assessed for impairment at each reporting date and any movement is charged to the Statement of Comprehensive Income.

The estimated useful economic life of acquired in-force business is 20 years.

(ii) Computer software

Computer software is stated at cost less accumulated amortisation and any recognised impairment loss. The carrying value is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Computer software is recognised as an intangible asset during development with amortisation commencing when the software is operational. Amortisation is charged to the Statement of Comprehensive Income to expenses on a straight-line basis over four years, being the estimated useful life of the intangible asset, except for software development additions during 2019 which are estimated to have a useful life of five years.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

1. Accounting policies continued

(m) Property and equipment

Policy applicable for the year ended 31 December 2019
Property and equipment comprises those assets which are owned and those which are leased.

(i) Initial and subsequent measurement of owned assets
Owned items of property and equipment are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is charged to expenses within the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of the property and equipment, which are as follows:

Fixtures, fittings and office equipment:	5–15 years
Computer equipment:	3 years

(ii) Initial and subsequent measurement of leased assets
A right-of-use asset is recognised within property and equipment for leased items which are not subject to the short-term or low-value lease exemptions set out in IFRS 16. This comprises the Group's leased property portfolio. The right-of-use asset recognised on the commencement date of the lease is the value of the lease liability (refer to the other payables accounting policy on page 148), plus expected dilapidations costs, initial direct costs (that is, incremental costs that would not have been incurred if the lease had not been obtained, such as legal fees) and lease payments made before or at the commencement date of the lease. Following initial recognition, depreciation is charged to expenses within the Statement of Comprehensive Income on a straight-line basis over the lease term.

(iii) Impairment of owned and leased assets
The carrying value of owned and leased assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Any assets that may have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Policy applicable for the year ended 31 December 2018
Items of property and equipment are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Land is shown at fair value, based on valuations by external independent valuers. The carrying value is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable and any assets that may have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Depreciation is charged to the Statement of Comprehensive Income to expenses on a straight-line basis over the estimated useful lives of the property and equipment, which are as follows:

Fixtures, fittings and office equipment:	5–10 years
Computer equipment:	3 years

(n) Reinsurance assets

Reinsurance assets represent amounts recoverable from reinsurers in respect of non-unit-linked insurance contract liabilities, net of any future reinsurance premiums.

(o) Other receivables

Other receivables held within unit-linked and unit trust funds are classified at fair value through profit and loss (FVTPL), as management has made an irrevocable decision to designate them as such in order to align the measurement of these financial assets with the measurement of their associated unit-linked liabilities. Therefore, these other receivables are initially and subsequently recognised at FVTPL.

Most shareholder other receivables are initially recognised at fair value and subsequently held at amortised cost less impairment losses, as the business model for these assets is hold to collect contractual cash flows, which consistent solely of payments of principal and interest. The exception to this is renewal income assets which are classified as fair value through profit and loss and are initially, and subsequently, recognised at fair value. The value of any impairment recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. See accounting policy (ad) for information relating to the treatment of impaired amounts.

Other receivables include prepayments, which are recognised where services are paid for in advance of being received. The prepayment reduces, and an expense is recognised in the Statement of Comprehensive Income, as the service is received.

Commission and advice fees in respect of some insurance and investment business may be paid to Partners in advance on renewal premiums and accelerated by up to five years. The unearned element of this accelerated remuneration is recognised as advanced payments to Partners within other receivables. Should the contributions reduce or stop within the initial period, any unearned amount is recovered.

(p) Investment property

Investment properties, which are all held within the unit-linked funds, are properties which are held to earn rental income and/or for capital appreciation. They are stated at fair value. An external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio every month.

The fair values are based on open market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Any gain or loss arising from a change in fair value is recognised in the Statement of Comprehensive Income within investment income. Rental return from investment property is accounted for as described in accounting policy (e).

(q) Equities, fixed income securities and investment in Collective Investment Schemes

These financial assets are initially and subsequently recognised at fair value through profit or loss, with all gains and losses recognised within investment income in the Statement of Comprehensive Income. The vast majority of these financial assets are quoted, and so the fair value is based on the value within the bid-ask spread that is most representative of fair value. If the market for a financial asset 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 models or option pricing models.

Subsequent measurement of these financial assets at fair value through profit or loss (FVTPL) is required by IFRS 9 for debt instruments for which the objectives of the Group's business model are not met by either holding the instrument to collect contractual cash flows or selling the instruments, or where the contractual terms of the instrument do not give rise to cash flows which are solely payments of principal and interest. Where both the 'business model' and 'solely payments of principal and interest' tests are met, management has made an irrevocable decision to designate the debt instruments at FVTPL as doing so aligns the measurement of the financial assets with the measurement of their associated unit-linked liabilities.

Management has not made the irrevocable election to present changes in the fair value of equity instruments in other comprehensive income, and so all equity instruments are also designated at FVTPL.

The Group recognises purchases and sales of investments on trade date. The costs associated with investment transactions are included within expenses in the Statement of Comprehensive Income.

(r) Derivative financial instruments

The Group uses derivative financial instruments within some unit-linked funds, with each contract initially and subsequently recognised at fair value, based on observable market prices. All changes in value are recognised within investment income in the Statement of Comprehensive Income.

(s) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments, and bank overdrafts to the extent that they are an integral part of the Group's cash management.

Cash and cash equivalents held within unit-linked and unit trust funds are classified at fair value through profit and loss (FVTPL), as management has made an irrevocable decision to designate them as such in order to align the measurement of these financial assets with the measurement of their associated unit-linked liabilities. Therefore, these cash and cash equivalents are initially and subsequently recognised at FVTPL, with gains and losses recognised within investment return in the Statement of Comprehensive Income.

All other cash and cash equivalents are classified as amortised cost, as the business model for these assets is hold to collect contractual cash flows, which consistent solely of payments of principal and interest. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less impairment losses.

(t) Insurance contract liabilities

Insurance contract liability provisions are determined following an annual actuarial investigation of the long-term fund in accordance with regulatory requirements. The provisions are calculated on the basis of current information and using the gross premium valuation method. The Group's accounting policies for insurance contracts meet the minimum specified requirements for liability adequacy testing under IFRS 4, as they consider current estimates of all contractual cash flows, and of related cash flow such as claims handling costs.

Insurance contract liabilities can never be definitive as to their timing nor the amount of claims and are, therefore, subject to subsequent reassessment on a regular basis.

(u) Investment contract benefits

All of the Group's investment contracts are unit-linked. Unit-linked liabilities are measured at fair value by reference to the value of the underlying net asset value of the Group's unitised investment funds, determined on a bid value, at the reporting date. An allowance for deductions due to (or from) the Group in respect of policyholder tax on capital gains (and losses) in the life assurance funds is also reflected in the measurement of unit-linked liabilities. Investment contract benefits are recognised when units are first allocated to the policyholder; they are de-recognised when units allocated to the policyholder have been cancelled.

The decision by the Group to designate its unit-linked liabilities as fair value through profit and loss (FVTPL) reflects the fact that the matching investment portfolio, which underpins the unit-linked liabilities, is recognised at FVTPL.

(v) Deferred income

The initial margin on financial instruments (including dealing margins from unit trusts) is deferred and recognised on a straight-line basis over the expected lifetime of the financial instrument, which is between six and 14 years.

(w) Net asset value attributable to unit holders

The Group consolidates unit trusts in which it holds more than 30% of the units and exercises control. The third-party interests in these unit trusts are termed the net asset value attributable to unit holders and are presented in the Statement of Financial Position. They are classified as FVTPL, hence are initially and subsequently measured at fair value. The decision by the Group to designate the net asset value attributable to unit holders as FVTPL reflects the fact that the underlying investment portfolios are recognised at FVTPL.

Income attributable to the third-party interests is accounted for within investment return, offset by a corresponding change in investment contract benefits.

(x) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events such that it is probable 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 as the discounted expected future cash flows taking account of the risks and uncertainties associated with the specific liability where appropriate.

(y) Borrowings

Borrowings are measured initially at fair value, net of directly attributable transaction costs, and subsequently stated at amortised cost. The difference between the proceeds and the redemption value is recognised in the Statement of Comprehensive Income over the borrowing period on an effective interest rate basis. Borrowings are recognised on drawdown and derecognised on repayment.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

1. Accounting policies continued

(z) Other payables

Policy applicable for the year ended 31 December 2019
Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Other payables include lease liabilities calculated in accordance with IFRS 16. On the commencement date of the lease the lease liability is measured as the present value of the future lease payments to be made over the lease term. For the Group, future lease payments include those which are fixed and those which vary depending on an index or rate. The future lease payments are discounted at the Group's incremental borrowing rate at the commencement date of the lease, which varies depending on the lease term. The lease term includes the non-cancellable period for which the Group has the right to use the leased asset, plus periods covered by extension options where the option is reasonably certain to be taken. Conversely, the non-cancellable period is reduced if it is reasonably certain that a termination option will be taken.

The incremental borrowing rate is management's judgement as to the rate of interest that the Group would have to pay to borrow, over a similar term and with similar security, the funds necessary to obtain an asset of a similar value to the cost of the right-of-use asset. This has been determined with reference to the rate of interest of existing borrowings held by the Group and market rates adjusted to take into account the security and term associated with the lease.

The Group has applied the practical expedient on transition to IFRS 16 of applying a single discount rate to a portfolio of leases with reasonably similar characteristics by grouping leases by asset type and remaining lease term on the date of transition.

Policy applicable for the year ended 31 December 2018
Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(aa) Employee benefits

(i) Pension obligations
The Group operates a defined contribution personal pension plan for its employees. Contributions to this plan are recognised as an expense in the Statement of Comprehensive Income as incurred. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(ii) Share-based payments
The Group operates a number of share-based payment plans for employees, Partners and advisers. The fair value of share-based payment awards granted is recognised as an expense spread over the vesting period of the instrument which accords with the period for which related services are provided, with a corresponding increase in equity in the case of equity-settled plans and the recognition of a liability for cash-settled plans.

The total amount to be expensed is determined by reference to the fair value of the awards, measured using standard option pricing models as the fair value of the services provided by employees, Partners and advisers cannot be reliably measured. For equity-settled plans, the fair value is determined at grant date and not subsequently remeasured.

For cash-settled plans, the fair value is remeasured 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.

At each reporting date, the Group revises its estimate of the number of awards that are expected to vest and it recognises the impact of the revision of original estimates, if any, in the Statement of Comprehensive Income, such that the amount recognised for employee, Partner and adviser services are based on the number of awards that actually vest. The charge to the Statement of Comprehensive Income is not revised for any changes in market vesting conditions.

(ab) Share capital

Ordinary shares are classified as equity. Where any Group entity purchases the Company's equity share capital (shares held in trust), the consideration paid is deducted from equity attributable to shareholders, as disclosed in the Shares in Trust reserve. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to shareholders, net of any directly attributable incremental transaction costs and the related income tax effects.

(ac) Product classification

The Group's products are classified for accounting purposes as either insurance contracts or investment contracts.

(i) Insurance contracts
Insurance contracts are contracts that transfer significant insurance risk. The Group's historic product range includes a variety of term assurance and whole-of-life protection contracts involving significant insurance risk transfer.

(ii) Investment contracts
Contracts that do not transfer significant insurance risk are treated as investment contracts. The majority of the business written by the Group is unit-linked investment business and is classified as investment contracts.

(ad) Impairment

(i) Non-financial assets
Assets that are subject to amortisation are reviewed for impairment when circumstances or events indicate there may be uncertainty over this value. 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 or its value in use. Refer to accounting policy (j) for the Group's impairment policy for goodwill.

(ii) Financial assets
Financial assets held at amortised cost are impaired using an expected credit loss model. The model splits financial assets into those which are performing, underperforming and non-performing based on changes in credit quality since initial recognition. At initial recognition financial assets are considered to be performing. They become underperforming where there has been a significant increase in credit risk since initial recognition, and non-performing when there is objective evidence of impairment. 12 months of expected credit losses are recognised within 'Expenses' in the Statement of Comprehensive Income and netted against the financial asset in the Statement of Financial Position for all performing financial assets, with lifetime expected credit losses recognised for underperforming and non-performing financial assets.

Expected credit losses are based on the historic levels of loss experienced for the relevant financial assets, with due consideration given to forward-looking information.

(ae) Foreign currency translation

The Group's presentation and the Company's functional currency is pounds Sterling.

Foreign currency transactions are translated into Sterling using the exchange rate prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the reporting date and the gain or losses on translation are recognised in the Statement of Comprehensive Income.

Non-monetary assets and liabilities which are held at historical cost are translated using exchange rates prevailing at the date of transaction; those held at fair value are translated using exchange rates ruling at the date on which the fair value was determined.

(af) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Board.

(ag) Current and non-current disclosure

Assets which are expected to be recovered or settled no more than 12 months after the reporting date are disclosed as current within the Notes to the Financial Statements. Those expected to be recovered or settled more than 12 months after the reporting date are disclosed as non-current.

Liabilities which are expected or due to be settled no more than 12 months after the reporting date are disclosed as current within the Notes to the Financial Statements. Those liabilities which are expected or due to be settled more than 12 months after the reporting date are disclosed as non-current.

(ah) Alternative performance measures

Within the Financial Statements, a number of alternative performance measures (APMs) are disclosed. An APM is a measure of financial performance, financial position or cash flows which is not defined by the relevant financial reporting framework, which for the Group is International Financial Reporting Standards (IFRSs) as adopted by the European Union. APMs are used to provide greater insight into the performance of the Group and the way it is managed by the Directors. The Glossary of Alternative Performance Measures on pages 216 to 218 defines each APM, explains why it is used and, where applicable, explains how the measure can be reconciled to the IFRS Financial Statements.

2. Critical accounting estimates and judgements in applying accounting policies

Judgements

The primary areas in which the Group has applied judgement are as follows:

Classification of contracts between insurance and investment business

Contracts with a significant degree of insurance risk are treated as insurance contracts. All other contracts are treated as investment contracts. It is this classification that management considers to be a critical judgement; however, due to the carrying value of the insurance contract liabilities within the Statement of Financial Position, management does not consider insurance business to be significant to the Group.

Consolidation

Entities are consolidated within the Group Financial Statements if they are controlled by the Group. Control exists if the Group is exposed to, or has rights to, variable returns from its involvement with the entity and the Group has the ability to affect those returns through its power over the entity. Significant judgement can be involved in determining whether the Group controls an entity, such as in the case of the structured entity set up for the Group's securitisation transaction, SJP Partner Loans No.1 Limited, and for the Group's unit trusts.

A structured entity is one that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. As a result, factors such as whether a Group entity is able to direct the relevant activities of the entity and the extent to which the Group is exposed to variability of returns are considered. In the case of SJP Partner Loans No.1 Limited, it was determined that the Group does control the entity and hence it is consolidated. This is due to an entity in the Group holding the junior tranche of loan notes, hence being subject to variability of returns, and the same entity being able to direct the relevant activities of the structured entity through its role of servicer to the securitised portfolio.

Unit trusts are consolidated when the Group holds more than 30% of the units in that unit trust. This is the threshold at which the Group is considered to achieve control, having regard for factors such as:

- the scope of decision making authority held by St. James's Place Unit Trust Group Limited, the unit trust manager;
- rights held by external parties to remove the unit trust manager; and
- the Group's exposure to variable returns through its holdings in the unit trusts and the unit trust manager's remuneration.

Determining non-performing business loans to Partners

Business loans to Partners are considered to be non-performing, in the context of the definition prescribed within IFRS 9, if they are in default. This is defined as a loan to either:

- a Partner who has left the St. James's Place Partnership; or
- a Partner who management considers to be at significant risk of leaving the Partnership where an orderly settlement of debt is considered to be in question.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

2. Critical accounting estimates and judgements in applying accounting policies continued

The IFRS 9 presumption that default occurs when a loan is more than 90 days past due has been rebutted. Because of the quality of cash flows on which loans are secured together with the direct control exercised over them from source, past evidence supports the assertion that the vast majority of loans to Partners who remain in the Partnership are repaid in full, irrespective of the number of days past due the loan may be.

Estimates

Critical accounting estimates are those which give rise to a significant risk of material adjustment to the balances recognised in the Financial Statements within the next 12 months. The Group's critical accounting estimates are:

- determining the value of insurance contract liabilities;
- determining the fair value of investment property; and
- determining the fair value of Level 3 fixed income securities and equities.

Estimates are also applied in other assets of the Financial Statements, including determining the value of deferred tax assets, investment contract benefits, the operational readiness prepayment and other provisions.

Measurement of insurance contract liabilities

The assumptions used in the calculation of insurance contract liabilities that have an effect on the Statement of Comprehensive Income of the Group are:

- the lapse assumption, which is set prudently based on an investigation of experience during the year;
- the level of expenses, which is based on actual expenses in 2019 and expected rates in 2020 and the long term;
- the mortality and morbidity rates, which are based on the results of an investigation of experience during the year; and
- the assumed rate of investment return, which is based on current gilt yields.

Greater detail on the assumptions applied, and sensitivity analysis, is shown in Note 14.

Whilst the measurement of insurance contract liabilities is considered to be a critical accounting estimate for the Group, the vast majority of non-unit-linked insurance business written is reinsured. As a result, the impact of a change in estimate in determining the value of insurance contract liabilities would be mitigated to a significant degree by the impact of the change in estimate in determining the value of reinsurance assets.

Determining the fair value of investment property

In accordance with IAS 40, the Group initially recognises investment properties at cost, and subsequently re-measures its portfolio to fair value in the Statement of Financial Position. Fair value is determined monthly by professional external valuers. It is based on anticipated market values for the properties in accordance with the guidance issued by The Royal Institution of Chartered Surveyors, being the estimated amount that would be received from a sale of the assets in an orderly transaction between market participants.

The valuation of investment property is inherently subjective as it requires, among other factors, assumptions to be made regarding the ability of existing tenants to meet their rental obligations over the entire life of their leases, the estimation of the expected rental income into the future, an assessment of a property's potential to remain as an attractive technical configuration to existing and prospective tenants in a changing market and a judgement to be reached on the attractiveness of a building, its location and the surrounding environment. As such, investment properties are classified as Level 3 in the IFRS 13 fair value hierarchy because they are valued using techniques which are not based on observable inputs. Further details of the valuation of investment properties, including sensitivity analysis, are set out in Note 17.

Determining the fair value of Level 3 fixed income securities and equities

In accordance with IFRS 9, the Group elects to classify its portfolio of policyholder fixed income securities at fair value through profit and loss to match the accounting for policyholder liabilities. Its portfolio of equities is required to be held at fair value through profit and loss. As a result, all fixed income securities and equities are initially held at cost and are subsequently re-measured to fair value at the reporting date.

During 2019, a number of investments were made into private credit and private equity assets, which are recognised within fixed income securities and equities on the Consolidated Statement of Financial Position respectively. The fair value of these assets is determined following a monthly valuation process which uses two different valuation models and includes verification by professional external valuers. The models use suitable market comparatives and an estimate of future cash flows expected to flow from the issuing entity.

The valuations are inherently subjective as they require a number of assumptions to be made, such as determining which entities provide suitable market comparatives and their relevant performance metrics (for example earnings before interest, tax, depreciation and amortisation), determining appropriate discount rates and cash flow forecasts to use in models, the weighting to apply to each valuation methodologies and the point in the range of valuations to select as the fair value. As the inputs to the valuation models are unobservable, the investments in private credit and private equity assets are classified as Level 3 in the IFRS 13 fair value hierarchy.

Further detail about the valuation models, including sensitivity analysis, are set out in Note 17.

3. Segment reporting

IFRS 8 Operating Segments requires operating segments to be identified, on the basis of internal reports about components of the Group that are regularly reviewed by the Board, in order to allocate resources to each segment and assess its performance.

The Group's only reportable segment under IFRS 8 is a 'wealth management' business – which is a vertically-integrated business providing support to our clients through the provision of financial advice and assistance through our Partner network, and financial solutions including (but not limited to) wealth management products manufactured in the Group, such as insurance bonds, pensions, unit trust and ISA investments, and a DFM service.

Separate geographical segmental information is not presented since the Group does not segment its business geographically. Most of its customers are based in the United Kingdom, as is management of the assets. In particular, the operation based in south-east Asia is not yet sufficiently material for separate consideration.

Segment revenue

Revenue received from fee and commission income is set out in Note 4, which details the different types of revenue received from our wealth management business.

Segment profit

Two separate measures of profit are monitored on a monthly basis by the Board. These are the post-tax Underlying cash result and pre-tax European Embedded Value (EEV).

Underlying cash result

The measure of cash profit monitored on a monthly basis by the Board is the post-tax Underlying cash result. This reflects emergence of cash available for paying a dividend during the year. Underlying cash is based on the cash flows within the IFRS results, but with no allowance for intangibles, principally DAC, DIR, PVIF, goodwill and deferred tax, or short-term costs associated with the back-office infrastructure project. As the cost associated with non-cash-settled share options is reflected in changes in shareholder equity, they are also not included in the Underlying cash result.

More detail is provided on pages 47 to 51 of the Financial Review.

The Cash result should not be confused with the IFRS Consolidated Statement of Cash Flows which is prepared in accordance with IAS 7.

	Year ended 31 December 2019	Year ended 31 December 2018
	£'Million	£'Million
Underlying cash result after tax	**273.1**	309.0
Non-cash-settled share-based payments	**(28.7)**	(33.4)
Impacts of deferred tax	**(10.4)**	(31.8)
Back-office infrastructure	**(38.8)**	(35.8)
Impact in the year of DAC/DIR/PVIF	**(26.2)**	(54.4)
Other	**(22.4)**	19.9
IFRS profit after tax	**146.6**	173.5
Shareholder tax	**40.5**	38.4
Profit before tax attributable to shareholders' returns	**187.1**	211.9
Tax attributable to policyholder returns	**521.8**	(296.5)
IFRS profit/(loss) before tax	**708.9**	(84.6)

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

3. Segment reporting continued

EEV operating profit

EEV operating profit is monitored on a monthly basis by the Board. The components of the EEV operating profit are included in more detail in the Financial Review section of the Annual Report and Accounts.

	Year ended 31 December 2019 £'Million	Year ended 31 December 2018 £'Million
EEV operating profit before tax	**952.0**	1,002.0
Investment return variance	**768.6**	(460.9)
Economic assumption changes	**(27.0)**	(15.1)
EEV profit before tax	**1,693.6**	526.0
Adjustments to IFRS basis		
Deduct: amortisation of purchased value of in-force	**(3.2)**	(3.2)
Movement of balance sheet life value of in-force (net of tax)	**(946.6)**	(243.7)
Movement of balance sheet unit trust and DFM value of in-force (net of tax)	**(310.9)**	(16.5)
Tax of movement in value of in-force	**(245.8)**	(50.7)
Profit before tax attributable to shareholders' returns	**187.1**	211.9
Tax attributable to policyholder returns	**521.8**	(296.5)
IFRS profit/(loss) before tax	**708.9**	(84.6)

The movement in life, unit trust and DFM value of in-force is the difference between the opening and closing discounted value of the profits that will emerge from the in-force book over time, after adjusting for DAC and DIR impacts which are already included under IFRS.

Segment assets

Funds under management (FUM)

FUM, as reported in Section 1 of the Financial Review on page 43, is the measure of segment assets which is monitored on a monthly basis by the Board.

	31 December 2019 £'Million	31 December 2018 £'Million
Investment	**31,220.0**	27,620.0
Pension	**52,840.0**	40,720.0
UT/ISA and DFM	**32,930.0**	27,210.0
Total FUM	**116,990.0**	95,550.0
Exclude client and third-party holdings in non-consolidated unit trusts and DFM	**(5,185.1)**	(4,701.6)
Other	**1,742.0**	666.9
Gross assets held to cover unit liabilities	**113,546.9**	91,515.3
IFRS intangible assets (see page 52 adjustment 2) including goodwill, DAC, PVIF, reinsurance and deferred tax	**658.6**	720.9
Shareholder gross assets (see page 52)	**3,086.5**	2,590.8
Total assets	**117,292.0**	94,827.0

4. Fee and commission income

	Year ended 31 December 2019 £'Million	Year ended 31 December 2018 £'Million
Advice charges (post-RDR)	**749.7**	743.2
Third-party fee and commission income	**120.8**	113.0
Wealth management fees	**724.8**	721.9
Investment management fees	**71.6**	85.7
Fund tax deductions	**521.8**	(296.5)
Discretionary fund management fees	**16.2**	13.8
Fee and commission income before DIR amortisation	**2,204.9**	1,381.1
Amortisation of DIR	**169.2**	142.6
Total fee and commission income	**2,374.1**	1,523.7

For all post-RDR business, advice charges are received from clients for the provision of initial and ongoing advice in relation to an investment into a St. James's Place or third-party product.

Where an investment has been made into a St. James's Place product, the initial product charge and any dealing margin is deferred and recognised as a deferred income liability. This liability is extinguished, and income recognised, over the expected life of the investment. The income is the amortisation of DIR in the table above. Ongoing product charges for St. James's Place products are recognised within wealth management fees. This line also includes advice charges on pre-RDR business, for which an explicit advice charge was not made.

Where an investment has been made into a third-party product, third-party fee and commission income is received from the product provider.

Investment management fees are received from clients for the provision of all aspects of investment management. Broadly, investment management fees match investment management expenses.

Fund tax deductions represent amounts deducted from, or credited to, the underlying funds to match policyholder tax charges or credit. This arises because the UK tax regime includes a policyholder tax element within the Group's tax arrangements. The amount of tax attributable to policyholders reflects investment return in the underlying funds. During 2019, market gains led to a significant policyholder tax charge, hence £521.8 million of deductions were made from the funds. In contrast, during 2018, market falls led to a significant policyholder tax credit, hence a credit of £296.5 million to the funds.

Discretionary fund management fees are received from clients for DFM services.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

5. Expenses

The following items are included within the expenses disclosed in the Statement of Comprehensive Income:

	Year ended 31 December 2019 £'Million	Year ended 31 December 2018 £'Million
Payments to Partners	**814.7**	781.9
Payments under operating leases	**–**	20.8
Fees payable to the Company's auditors and its associates		
For the audit of the Company and Consolidated Financial Statements	**0.2**	0.1
For other services:		
– The audit of the Company's subsidiaries (excluding unit trusts)	**0.5**	0.7
– Audit of the Company's unit trusts	**0.4**	0.3
– Audit-related assurance services	**0.4**	0.8
– Other assurance services	**–**	0.1
Total fees payable to the Company's auditors and its associates	**1.5**	2.0
Employee costs		
Wages and salaries	**151.5**	140.3
Social security costs	**17.5**	16.2
Other pension costs	**13.8**	11.5
Cost of employee share awards and options	**12.4**	16.4
Total employee costs	**195.2**	184.4
Average monthly number of persons employed by the Group during the year	**2,575**	2,302

Payments under operating leases ceased upon adoption of IFRS 16 Leases on 1 January 2019. Further information about lease expenses under this standard is set out in Note 10.

Included within fees payable to the Company's auditors and its associates for audit-related assurance services is £0.1 million (2018: £0.1 million) for non-audit services as defined by the Group's Policy on Auditor Independence, which is available on our website at: **www.sjp.co.uk**.

The above employee costs information includes Directors' remuneration. Full details of the Directors' remuneration, share options, pension entitlements and interests in shares are disclosed in the Directors' Remuneration Report on pages 104 to 118, and further information is provided below.

All pension costs related to defined contribution schemes and cash supplements in lieu of contributions to defined contribution pension schemes. At 31 December 2019, the number of Directors to whom retirement benefits are accruing, including those receiving a cash supplement in lieu of contributions to defined contribution pension schemes is three (2018: four), with the total cost being £0.3 million (2018: £0.3 million). Retirement benefits are accruing in defined contribution pension schemes for one (2018: one) Director at the year end.

The number of Directors who exercised options over shares in the Company during the year is nil (2018: three). The number of Directors in respect of whose qualifying services shares were receivable under long-term incentive schemes is three (2018: three), and the total amount receivable by the Directors under long-term incentive schemes is £1.9 million (2018: £1.6 million). The aggregate gains made by Directors on the exercise of share options and the receipt of deferred bonus scheme shares during the year was during the year was £0.5 million (2018: £2.2 million).

6. Investment return and movement in investment contract benefits

The majority of the business written by the Group is unit-linked investment business, and so investment contract benefits are measured by reference to the underlying net asset value of the Group's unitised investment funds. As a result, investment return on the unitised investment funds and the movement in investment contract benefits are linked.

Investment return

	Year ended 31 December 2019	Year ended 31 December 2018
	£'Million	£'Million
Investment return on net assets held to cover unit liabilities:		
Rental income	**94.1**	90.9
Loss on revaluation of investment properties	**(74.2)**	(22.8)
Net investment return on financial instruments classified as fair value through profit and loss	**10,741.6**	(3,046.0)
	10,761.5	(2,977.9)
Attributable to unit-linked insurance contract liabilities	***65.4***	*6.6*
Attributable to unit-linked investment contract benefits	***10,696.1***	*(2,984.5)*
	10,761.5	(2,977.9)
Income attributable to third-party holdings in unit trusts	**3,374.5**	(1,264.7)
	14,136.0	(4,242.6)
Investment return on shareholder assets:		
Net investment return on financial instruments classified as fair value through profit and loss	**18.7**	(4.5)
Interest income on financial instruments held at amortised cost	**18.9**	12.1
	37.6	7.6
Total investment return	**14,173.6**	(4,235.0)

Included in the net investment return on financial instruments classified as fair value through profit and loss within investment return on net assets held to cover unit liabilities is dividend income of £1,285.6 million (2018: £987.7 million).

Movement in investment contract benefits

	2019	2018
	£'Million	£'Million
Balance at 1 January	**67,796.1**	64,014.3
Deposits	**10,852.9**	11,307.4
Withdrawals	**(4,641.4)**	(4,168.5)
Movement in unit-linked investment contract benefits	**10,696.1**	(2,984.5)
Less: fees and other adjustments	**(1,145.2)**	(372.6)
Balance at 31 December	**83,558.5**	67,796.1
Current	**5,316.4**	4,188.2
Non-current	**78,242.1**	63,607.9
	83,558.5	67,796.1
Movement in unit liabilities		
Unit-linked investment contract benefits	**10,696.1**	(2,984.5)
Third-party unit trust holdings	**3,374.5**	(1,264.7)
Movement in investment contract benefits in Consolidated Statement of Comprehensive Income	**14,070.6**	(4,249.2)

See accounting policy (ag) for further information on the current and non-current disclosure.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

7. Income and deferred taxes

Tax for the year

	Year ended 31 December 2019 £'Million	Year ended 31 December 2018 £'Million
Current tax		
UK corporation tax		
– Current year charge	**215.7**	79.1
– Adjustment in respect of prior year	**1.0**	(2.7)
Overseas taxes		
– Current year charge	**11.0**	4.9
– Adjustment in respect of prior year	**0.2**	0.1
	227.9	81.4
Deferred tax		
Unrealised capital gains/(losses) in unit-linked funds	**333.8**	(359.2)
Unrelieved expenses		
– Additional expenses recognised in the year	**(11.6)**	(11.1)
– Utilisation in the year	**12.9**	15.0
Capital losses		
– Revaluation in the year	**1.1**	(1.8)
– Utilisation in the year	**10.3**	29.7
– Adjustment in respect of prior year	**(0.3)**	2.4
DAC, DIR and PVIF	**(11.0)**	(11.5)
Other items	**1.1**	(3.4)
Overseas losses	**(0.7)**	(0.5)
Adjustments in respect of prior periods	**(1.2)**	0.9
	334.4	(339.5)
Total tax charge/(credit) for the year	**562.3**	(258.1)
Attributable to:		
– policyholders	**521.8**	(296.5)
– shareholders	**40.5**	38.4
	562.3	(258.1)

The prior year adjustment of £1.2 million in current tax above represents a credit of £0.1 million in respect of policyholder tax (2018: £0.9 million charge) and a charge of £1.3 million in respect of shareholder tax (2018: £3.5 million credit). The total prior year adjustments in deferred tax relate entirely to shareholder tax.

Included within the deferred tax on 'other items' is a charge of £1.5 million (2018: £0.8 million credit) relating to share-based payments. Details of share-based payments are disclosed in Note 20 Share-based Payments.

In arriving at the profit before tax attributable to shareholders' return, it is necessary to estimate the analysis of the total tax charge between that payable in respect of policyholders and that payable by shareholders. Shareholder tax is estimated by making an assessment of the effective rate of tax that is applicable to the shareholders on the profits attributable to shareholders. This is calculated by applying the appropriate effective corporate tax rates to the shareholder profits. The remainder of the tax charge represents tax on policyholders' investment returns. This calculation method is consistent with the legislation relating to the calculation of tax on shareholder profits.

Reconciliation of tax charge to expected tax

	Year ended 31 December 2019 £'Million		Year ended 31 December 2018 £'Million	
Profit/(loss) before tax	**708.9**		(84.6)	
Tax attributable to policyholders' returns	**(521.8)**		296.5	
Profit before tax attributable to shareholders' return	**187.1**		211.9	
Shareholder tax charge at corporate tax rate of 19% (2018: 19%)	**35.5**	***19%***	40.3	*19%*
Adjustments:				
Lower rates of corporation tax in overseas subsidiaries	**(0.5)**	***(0.3%)***	(0.3)	*(0.1%)*
Expected shareholder tax	**35.0**	***18.7%***	40.0	*18.9%*
Effects of:				
Non-taxable income	**(1.3)**		(0.2)	
Revaluation of historic capital losses in the Group	**1.1**		(1.8)	
Adjustment in respect of prior year				
– Current tax	**1.3**		(3.5)	
– Deferred tax	**(1.5)**		0.9	
Differences in accounting and tax bases in relation to employee share schemes	**1.2**		(1.1)	
Disallowable expenses	**2.3**		2.0	
Other	**(0.2)**		–	
Tax losses not recognised	**2.6**		2.1	
	5.5	***2.9%***	(1.6)	*(0.8%)*
Shareholder tax charge	**40.5**	***21.6%***	38.4	*18.1%*
Policyholder tax charge/(credit)	**521.8**		(296.5)	
Total tax charge/(credit) for the year	**562.3**		(258.1)	

Tax calculated on profit/(loss) before tax at 19% (2018: 19%) would amount to £134.7 million (2018: £(16.1) million). The difference of £427.6 million (2018: £(242.0) million) between this number and the total tax of £562.3 million (2018: £(258.1) million) is made up of the reconciling items above which total £5.0 million (2018: £(1.9) million) and the effect of the apportionment methodology on tax applicable to policyholder returns of £422.6 million (2018: £(240.1) million).

Tax paid in the year

	Year ended 31 December 2019 £'Million	Year ended 31 December 2018 £'Million
Current tax charge for the year	**227.9**	81.4
(Payments to be made)/refunds due to be received in future years in respect of current year	**(115.4)**	9.7
(Refunds received)/payments made in current year in respect of prior years	**(7.9)**	124.7
Other	**(1.8)**	0.7
Tax paid	**102.8**	216.5
Tax paid can be analysed as:		
– Taxes paid in UK	**91.2**	211.5
– Taxes paid in overseas jurisdictions	**1.9**	1.5
– Withholding taxes suffered on investment income received	**9.7**	3.5
Total	**102.8**	216.5

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

7. Income and deferred taxes continued

Deferred tax balances

Deferred tax assets

	Unrelieved expenses	Deferred income (DIR)	Capital losses (available for future relief)	Share-based payments	Fixed asset temporary differences	Other temporary differences	Total
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
At 1 January 2018	46.4	37.9	86.0	7.5	3.7	1.2	182.7
(Charge)/credit to the Statement of Comprehensive Income	(3.9)	(2.3)	(30.3)	0.5	0.3	0.1	(35.6)
At 31 December 2018	**42.5**	**35.6**	**55.7**	**8.0**	**4.0**	**1.3**	**147.1**
(Charge)/credit to the Statement of Comprehensive Income	**(1.3)**	**(3.0)**	**(11.1)**	**(1.5)**	**0.9**	**–**	**(16.0)**
At 31 December 2019	**41.2**	**32.6**	**44.6**	**6.5**	**4.9**	**1.3**	**131.1**

Expected utilisation period							
As at 31 December 2018	6 years	14 years	6 years	3 years	6 years		
As at 31 December 2019	**6 years**	**14 years**	**7 years**	**3 years**	**6 years**		

Deferred tax liabilities

	Unrealised capital gains on life insurance (BLAGAB) assets backing unit liabilities	Deferred acquisition costs (DAC)	Purchased value of in-force business (PVIF)	Renewal income assets	Other temporary differences	Total
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
At 1 January 2018	445.5	84.0	4.8	10.6	1.9	546.8
(Credit)/charge to the Statement of Comprehensive Income	(359.2)	(13.1)	(0.7)	(1.4)	(0.7)	(375.1)
Impact of acquisitions	–	–	–	1.2	–	1.2
At 31 December 2018	**86.3**	**70.9**	**4.1**	**10.4**	**1.2**	**172.9**
Charge/(credit) to the Statement of Comprehensive Income	**333.8**	**(13.4)**	**(0.6)**	**(1.7)**	**0.3**	**318.4**
Impact of acquisition	**–**	**–**	**–**	**2.4**	**–**	**2.4**
At 31 December 2019	**420.1**	**57.5**	**3.5**	**11.1**	**1.5**	**493.7**

Expected utilisation period						
As at 31 December 2018	6 years	14 years	7 years	20 years		
As at 31 December 2019	**6 years**	**14 years**	**6 years**	**20 years**		

Appropriate investment income, gains or profits are expected to arise against which the tax assets can be utilised. Whilst the actual rates of utilisation will depend on business growth and external factors, particularly investment market conditions, they have been tested for sensitivity to experience and are resilient to a range of reasonably foreseeable scenarios.

The expected utilisation period for the deferred tax asset on capital losses has been extended in the year. The increase reflects the impact of the extension of the existing loss restriction rules to also cover capital losses, which is expected to have effect from 1 April 2020.

At the reporting date there were unrecognised deferred tax assets of £12.0 million (2018: £7.5 million) in respect of £71.5 million (2018: £44.9 million) of losses in companies where appropriate profits are not considered probable in the forecast period. These losses primarily relate to our Asia-based businesses and can be carried forward indefinitely.

Future tax changes

Future tax rate changes, including the reduction in the corporation tax rate to 17% effective from 1 April 2020 which was enacted in the Finance Act 2016, were incorporated into the deferred tax balances in 2016.

In November 2019, the UK Prime Minister pledged to postpone this reduction in the corporation tax rate to 17%. This change has yet to be substantively enacted and therefore is not reflected in the above numbers. The impact, were the change to be substantively enacted, would be immaterial.

8. Goodwill, intangible assets, deferred acquisition costs and deferred income

	Goodwill	Purchased value of in-force business	Computer software and other specific software developments	DAC	DIR
	£'Million	£'Million	£'Million	£'Million	£'Million
Cost					
At 1 January 2018	15.6	73.4	16.0	1,686.7	(1,669.4)
Additions	–	–	0.1	33.7	(144.6)
At 31 December 2018	**15.6**	**73.4**	**16.1**	**1,720.4**	**(1,814.0)**
Additions	**–**	**–**	**8.9**	**28.1**	**(135.6)**
At 31 December 2019	**15.6**	**73.4**	**25.0**	**1,748.5**	**(1,949.6)**
Accumulated amortisation					
At 1 January 2018	–	46.2	13.6	1,063.7	(1,023.1)
Charge for the year	–	3.2	1.1	98.2	(142.6)
At 31 December 2018	**–**	**49.4**	**14.7**	**1,161.9**	**(1,165.7)**
Charge for the year	**–**	**3.2**	**1.4**	**96.6**	**(169.2)**
At 31 December 2019	**–**	**52.6**	**16.1**	**1,258.5**	**(1,334.9)**
Carrying value					
At 1 January 2018	15.6	27.2	2.4	623.0	(646.3)
At 31 December 2018	15.6	24.0	1.4	558.5	(648.3)
At 31 December 2019	**15.6**	**20.8**	**8.9**	**490.0**	**(614.7)**
Current	–	3.2	2.4	92.2	(156.0)
Non-current	15.6	17.6	6.5	397.8	(458.7)
	15.6	**20.8**	**8.9**	**490.0**	**(614.7)**
Outstanding amortisation period					
At 31 December 2018	n/a	7 years	3 years	14 years	6–14 years
At 31 December 2019	**n/a**	**6 years**	**2–5 years**	**14 years**	**6–14 years**

Goodwill

The carrying value of goodwill split by acquisition is as follows:

	31 December 2019	31 December 2018
	£'Million	£'Million
SJP Asia companies	**10.1**	10.1
Technical Connection Limited	**3.7**	3.7
Rowan Dartington companies	**1.8**	1.8
Balance at 31 December	**15.6**	15.6

Goodwill is reviewed at least annually for impairment, or when circumstances or events indicate there may be uncertainty over this value. The recoverable amount has been based on value-in-use calculations using pre-tax cash flows. Details of the assumptions made in these calculations are provided below:

Key assumptions based on experience:	Value of new business
Projection period:	Five years of detailed forecasts extrapolated into perpetuity using a long-term growth rate
Long-term growth rate based on economic forecasts:	1.3% (2018: 1.3%)
Pre-tax discount rate based on a risk-free rate plus a risk margin:	4.0% (2018: 4.5%)

It is considered that any reasonably possible levels of change in the key assumptions would not result in impairment of the goodwill.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

8. Goodwill, intangible assets, deferred acquisition costs and deferred income continued

Purchased value of in-force business/DAC/computer software

Amortisation is charged to expenses in the Statement of Comprehensive Income. Amortisation profiles are reassessed annually.

DIR

Amortisation is credited within fee and commission income in the Statement of Comprehensive Income. Amortisation profiles are reassessed annually.

9. Property and equipment, including leased assets

	Fixtures, fittings and office equipment	Computer equipment	Leased assets: properties	Total
	£'Million	£'Million	£'Million	£'Million
Cost				
At 1 January 2018	46.2	5.7	–	51.9
Additions	6.6	2.0	–	8.6
Disposals	(0.1)	–	–	(0.1)
At 31 December 2018	**52.7**	**7.7**	**–**	**60.4**
Recognised on adoption of IFRS 16 Leases	**–**	**–**	**91.8**	**91.8**
Additions	**16.2**	**1.1**	**49.7**	**67.0**
Disposals	**(0.8)**	**(0.4)**	**–**	**(1.2)**
At 31 December 2019	**68.1**	**8.4**	**141.5**	**218.0**
Accumulated depreciation				
At 1 January 2018	22.7	2.8	–	25.5
Charge for the year	4.7	1.8	–	6.5
Eliminated on disposal	(0.1)	–	–	(0.1)
At 31 December 2018	**27.3**	**4.6**	**–**	**31.9**
Charge for the year	**4.0**	**1.8**	**14.9**	**20.7**
Eliminated on disposal	**(0.7)**	**(0.2)**	**–**	**(0.9)**
At 31 December 2019	**30.6**	**6.2**	**14.9**	**51.7**
Net book value				
At 1 January 2018	23.5	2.9	–	26.4
At 31 December 2018	25.4	3.1	–	28.5
At 31 December 2019	**37.5**	**2.2**	**126.6**	**166.3**
Amortisation period (estimated useful life)	5–15 years	3 years	1–23 years	

Leased assets: properties were recognised for the first time on 1 January 2019, upon adoption of IFRS 16 Leases. Further information about the adoption of this new accounting standard can be found in Note 1.

10. Leases

This note provides information on leases where the Group is a lessee. For information on leases where the Group is a lessor, refer to Note 11.

The Group's leasing activities and how these are accounted for

The Group leases a portfolio of office properties, equipment and vehicles. The exemptions available under IFRS 16 for low-value or short-term leases have been applied to all leased equipment and vehicles, and so the leased assets and lease liabilities on the Consolidated Statement of Financial Position, and the depreciation charge for leased assets and interest expense on lease liabilities in the Consolidated Statement of Comprehensive Income, relate to the Group's portfolio of office properties only.

Leases are negotiated on an individual basis and hence contain a variety of different terms and conditions. They contain covenants and restrictions but generally these are standard and to be expected in a modern, commercial lease created under open-market terms. Typical covenants include paying the annual rent, insurance premiums, service charge, rates and VAT and keeping the property in good repair and condition throughout the lease. Typical restrictions include permitting office use only and not transferring or assigning the lease to a third party without the lessor's consent. There are no residual value guarantees.

At 31 December 2019 the Group has committed to the lease of an office property, which will commence on 1 January 2020 with a 15-year lease term and annual rent payments of £1.0 million excluding VAT. On the commencement date of this lease, in accordance with IFRS 16 the Group will recognise a right-of-use asset of £11.7 million and a lease liability of £11.4 million.

The Group is exposed to variability in lease payments as a number of leases include rent reviews during the lease term which are linked to an index or market rates. In accordance with IFRS 16, these variable lease payments are initially measured based on the index or rate at the commencement date of the lease. Estimates of future rent changes are not made; these changes are taken into account in the lease liabilities and leased assets only when the lease payments change and so the variability is resolved. There are no variable lease payments which are not linked to an index or market rates.

The Group has not entered into any sale and leaseback transactions.

Details regarding the accounting policies applied to leases are set out in Note 1, refer to policies (f)(ii) Lease expenses, (m) Property and equipment and (z) Other payables. The disclosures required upon transition to IFRS 16 are set out in Note 1, section II. Adoption of new accounting standards.

Amounts recognised in the Consolidated Statement of Financial Position

The following amounts are recognised in the Consolidated Statement of Financial Position:

	31 December 2019	1 January 2019[1]
	£'Million	£'Million
Within the property and equipment balance – refer to Note 9		
Leased assets – properties	**126.6**	91.8
Within the other payables balance – refer to Note 13		
Lease liabilities – properties	**118.6**	83.2

1 Comparatives are presented as at 1 January 2019, being the date of transition to IFRS 16 and hence the date of initial recognition for these balances.

A movement schedule for leased assets, setting out additions during the year and depreciation charged, is presented in Note 9.

Amounts recognised in the Consolidated Statement of Comprehensive Income

The following amounts are recognised within expenses in the Consolidated Statement of Comprehensive Income:

	Year ended 31 December 2019
	£'Million
Depreciation charge for leased assets – properties	**14.9**
Interest expense on lease liabilities – properties	**2.9**
Lease expense relating to short-term leases	**2.6**
Lease expense relating to low-value assets	**1.3**
Total lease expense for the year	**21.7**
Total cash outflow for leases during the year	**11.1**

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

11. Investments, investment property and cash and cash equivalents

Net assets held to cover unit liabilities

Included within the Statement of Financial Position are the following assets and liabilities comprising the net assets held to cover unit liabilities. The assets held to cover unit liabilities are set out in adjustment 1 of the IFRS to Solvency II Net Assets Balance Sheet reconciliation on page 52.

	31 December 2019 £'Million	31 December 2018 £'Million
Assets		
Investment property	**1,750.9**	1,820.7
Equities	**72,694.2**	56,077.9
Fixed income securities	**26,270.4**	21,960.6
Investment in Collective Investment Schemes	**4,034.6**	3,459.1
Cash and cash equivalents	**6,720.8**	6,629.1
Other receivables	**733.1**	1,059.1
Derivative financial instruments		
– Currency forwards	***588.2***	*153.7*
– Interest rate swaps	***76.7***	*70.0*
– Index options	***23.3***	*45.6*
– Contracts for differences	***359.3***	*8.4*
– Equity rate swaps	***8.1***	*3.5*
– Foreign currency options	***7.0***	*21.4*
– Total return swaps	***129.0***	*139.0*
– Fixed income options	***41.4***	*55.9*
– Credit default swaps	***109.9***	*11.3*
Total derivative financial assets	**1,342.9**	508.8
Total assets	**113,546.9**	91,515.3
Liabilities		
Other payables	**745.4**	277.7
Derivative financial instruments		
– Currency forwards	***295.2***	*199.4*
– Interest rate swaps	***81.5***	*52.2*
– Index options	***49.1***	*26.5*
– Contracts for differences	***357.7***	*10.1*
– Equity rate swaps	***40.1***	*5.8*
– Foreign currency options	***6.1***	*0.7*
– Total return swaps	***88.3***	*194.5*
– Credit default swaps	***24.2***	*20.6*
– Fixed income options	***6.6***	*7.6*
Total derivative financial liabilities	**948.8**	517.4
Total liabilities	**1,694.2**	795.1
Net assets held to cover linked liabilities	**111,852.7**	90,720.2
Investment contract benefits	**83,558.5**	67,796.1
Net asset value attributable to unit holders	**27,830.0**	22,502.9
Unit-linked insurance contract liabilities	**464.2**	421.2
Net unit-linked liabilities	**111,852.7**	90,720.2

Net assets held to cover linked liabilities, and third-party holdings in unit trusts, are considered to have a maturity of up to one year since the corresponding unit liabilities are repayable and transferable on demand. See accounting policy (ag) for further information on current and non-current disclosure.

Investment property

	2019 £'Million	2018 £'Million
Balance at 1 January	**1,820.7**	1,630.9
Additions	**42.5**	274.0
Capitalised expenditure on existing properties	**14.4**	3.3
Disposals	**(52.5)**	(64.7)
Changes in fair value	**(74.2)**	(22.8)
Balance at 31 December	**1,750.9**	1,820.7

The Group is the lessor for a portfolio of properties which meet the definition of investment property. The portfolio is held within unit-linked funds, leased out under operating leases and is considered current. However, since investment properties are not traded in an organised public market they are relatively illiquid compared with many other asset classes. There are no restrictions on the realisability of the Group's individual properties, or on the remittance of income or proceeds of disposal.

The Group follow various strategies to minimise the risks associated with any rights the Group retains in the investment properties. These strategies include:

- actively reviewing and monitoring the condition of the properties and maintaining appropriate repairs, capital works projects and investments;
- engaging professional legal advisors in drafting prudent lease terms governing the use of the properties and engaging specialist asset managers to oversee adherence to these terms on an ongoing basis;
- actively reviewing and monitoring lessee financial covenant positions;
- maintaining appropriate and prudent insurance for the properties; and
- senior management regularly reviewing the investment property portfolio to oversee diversification and performance, and to maximise value and occupancy rates.

Investment property is valued monthly by external chartered surveyors in accordance with the guidance issued by The Royal Institution of Chartered Surveyors. The investment property valuation has been prepared using the 'market approach' valuation technique: that is, using prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets.

The historical cost of investment properties held at 31 December 2019 is £1,726.7 million (2018: £1,706.6 million). This represents the price paid for investment properties, prior to any subsequent revaluation.

The rental income and direct operating expenses recognised in the Statement of Comprehensive Income in respect of investment properties are set out below. All expenses relate to property generating rental income.

	Year ended 31 December 2019 £'Million	Year ended 31 December 2018 £'Million
Rental income	**94.1**	90.9
Direct operating expenses	**8.1**	7.6

At the year-end contractual obligations to purchase, construct or develop investment property amounted to £24.5 million (2018: £23.0 million). The most significant contractual obligations at 31 December 2019 were:

- £13.7 million for the funding of a pre-let hotel development, which commenced in 2018 and is scheduled for completion in 2020. The lease will complete upon delivery of the finished building; and
- £5.6 million for the redevelopment of a vacant 2.9 acre estate to accommodate modern, high-quality industrial space, also scheduled for completion in 2020.

Contractual obligations to dispose of investment property amounted to nil (2018: £nil).

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

11. Investments, investment property and cash and cash equivalents continued

A maturity analysis of undiscounted contractual rental income to be received on an annual basis for the next five years, and the total to be received thereafter, is set out below.

	31 December 2019 £'Million
Undiscounted contractual rental income to be received in:	
2020	**86.8**
2021	**83.4**
2022	**77.3**
2023	**71.7**
2024	**65.0**
2025 onwards	**339.1**
Total undiscounted contractual rental income to be received	**723.3**

Cash and cash equivalents

	31 December 2019 £'Million	31 December 2018 £'Million
Cash and cash equivalents not held to cover unit liabilities	**292.8**	248.5
Balances held to cover unit liabilities	**6,720.8**	6,629.1
Total cash and cash equivalents	**7,013.6**	6,877.6

All cash and cash equivalents are considered current.

12. Other receivables

	31 December 2019 £'Million	31 December 2018 £'Million
Receivables in relation to unit liabilities excluding policyholder interests	**313.6**	1.0
Other receivables in relation to insurance and unit trust business	**83.6**	68.6
Operational readiness prepayment	**299.2**	236.4
Advanced payments to Partners	**59.8**	44.9
Other prepayments	**67.6**	70.1
Business loans to Partners	**476.5**	394.5
Renewal income assets	**85.7**	72.1
Miscellaneous	**5.9**	2.5
Total other receivables on the Solvency II Net Assets Balance Sheet[1]	**1,391.9**	890.1
Policyholder interests in other receivables (see Note 11)	**733.1**	1,059.1
Miscellaneous (see adjustment 2 on page 52)	**2.1**	3.1
Total other receivables	**2,127.1**	1,952.3
Current	**1,310.9**	1,297.7
Non-current	**816.2**	654.6
	2,127.1	1,952.3

1 This note has been represented in 2019 to include a sub-total for 'Total other receivables on the Solvency II Net Assets Balance Sheet'.

All items within other receivables meet the definition of financial assets with the exception of prepayments and advanced payments to Partners. The fair value of those financial assets held at amortised cost is not materially different from amortised cost.

Receivables in relation to unit liabilities and policyholder interests in other receivables primarily relate to outstanding market trade settlements (sales) in the life unit-linked funds and the consolidated unit trusts. Other receivables in relation to insurance and unit trust business primarily relate to outstanding policy-related settlement timings. Both of these categories of receivables are short-term, typically settled within three days.

The operational readiness prepayment relates to the Bluedoor administration platform which has been developed by our key outsourced back-office administration provider. Management has assessed the recoverability of this prepayment against the expected cost saving benefit of lower future tariff costs arising from the new platform. It is believed that any reasonably possible change in the assumptions applied within this assessment, such as levels of future business, the anticipated future service tariffs and the discount rate, would have no impact on the carrying value of the asset.

Renewal income assets represent the present value of future cash flows associated with books of business acquired by the Group. Typically they arise through business combinations, where the asset represents the value of non-Group related business on the date of acquisition.

Business loans to Partners

	31 December 2019	31 December 2018
	£'Million	£'Million
Business loans to Partners directly funded by the Group	**316.0**	295.5
Securitised business loans to Partners	**160.5**	99.0
Total business loans to Partners	**476.5**	394.5

Business loans to Partners are interest-bearing (linked to Bank of England base rate plus a margin), repayable in line with the terms of the loan contract and secured against the future income streams of the Partner.

The Group has securitised £160.5 million (31 December 2018: £99.0 million) of the business loans to Partners portfolio. Legal ownership of the securitised business loans to Partners has been transferred to a structured entity, SJP Partner Loans No.1 Limited, which has issued loan notes secured upon them. Note 16 Borrowings and financial commitments provides information on these loan notes. The securitised business loans to Partners are ring-fenced from the other assets of the Group, which means that the cash flows associated with these business loans to Partners can only be used to purchase new loans into the structure or repay the note holders, plus associated issuance fees and costs. Holders of the loan notes have no recourse to the Group's other assets.

The securitised business loans to Partners remain recognised on the Group Statement of Financial Position as the Group controls SJP Partner Loans No.1 Limited: refer to the Consolidation judgement in Note 2 for further information.

Reconciliation of the business loans to Partners opening and closing gross loan balances

	Stage 1 performing	**Stage 2 under-performing**	**Stage 3 non-performing**	**Total**
	£'Million	**£'Million**	**£'Million**	**£'Million**
Gross balance at 1 January 2019	**383.0**	**7.6**	**7.0**	**397.6**
Business loans to Partners classification changes:				
– Transfer to underperforming	**(9.5)**	**9.5**	**–**	**–**
– Transfer to non-performing	**(3.4)**	**(0.1)**	**3.5**	**–**
– Transfer to performing	**4.7**	**(3.8)**	**(0.9)**	**–**
New lending activity during the year	**230.9**	**–**	**–**	**230.9**
Interest charged during the year	**18.2**	**0.4**	**0.3**	**18.9**
Repayments activity during the year	**(164.1)**	**(0.7)**	**(2.4)**	**(167.2)**
Write-off for non-credit related reasons	**(0.1)**	**–**	**–**	**(0.1)**
Gross balance at 31 December 2019	**459.7**	**12.9**	**7.5**	**480.1**

	Stage 1 performing	Stage 2 under-performing	Stage 3 non-performing	Total
	£'Million	£'Million	£'Million	£'Million
Gross balance at 1 January 2018	252.0	8.3	8.1	268.4
Business loans to Partners classification changes:				
– Transfer to underperforming	(5.0)	5.0	–	–
– Transfer to non-performing	(0.2)	(0.1)	0.3	–
– Transfer to performing	5.0	(5.0)	–	–
New lending activity during the year	296.5	–	–	296.5
Interest charged during the year[1]	11.3	0.5	0.3	12.1
Repayments activity during the year[1]	(176.6)	(1.1)	(1.7)	(179.4)
Gross balance at 31 December 2018	383.0	7.6	7.0	397.6

1 In 2018, interest charged was netted against repayments, hence the total repayments for the year were given as £167.3 million. For 2019, interest has been presented separately, and so the 2018 table has been represented accordingly.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

12. Other receivables continued

Business loans to Partners: provision

The expected loss impairment model for business loans to Partners is based on the levels of loss experienced in the portfolio, with due consideration given to forward-looking information.

The provision held against business loans to Partners is immaterial: at 31 December 2019, the provision was £3.6 million (31 December 2018: £3.1 million). During the year, £0.2 million of the provision was released (2018: £0.6 million) whilst new provisions and adjustments to existing provisions increased the total by £0.7 million (2018: £1.4 million).

There is no provision held against any other receivables held at amortised cost.

Business loans to Partners as recognised on the Statement of Financial Position

	31 December 2019 £'Million	31 December 2018 £'Million
Gross business loans to Partners	**480.1**	397.6
Provision	**(3.6)**	(3.1)
Net business loans to Partners	**476.5**	394.5

Movement in renewal income assets

	2019 £'Million	2018 £'Million
At 1 January	**72.1**	71.6
Additions	**17.1**	9.7
Disposals	**–**	(0.2)
Revaluation	**(3.5)**	(9.0)
Total renewal income assets at 31 December	**85.7**	72.1

The key assumptions used for the assessment of the fair value of the renewal income are as follows:

	31 December 2019	31 December 2018
Lapse rate – SJP Partner renewal income[1]	**5.0%–15.0%**	5.0%–15.0%
Lapse rate – non-SJP renewal income[1]	**15.0%–25.0%**	15.0%–25.0%
Discount rate	**5.8%–7.5%**	5.0%–7.5%

1 Future income streams are projected making use of retention assumptions derived from the Group's experience of the business or, where insufficient data exists, from external industry experience. These assumptions are reviewed on an annual basis.

These assumptions have been used for the analysis of each business combination classified within renewal income.

13. Other payables

	31 December 2019 £'Million	31 December 2018 £'Million
Payables in relation to unit liabilities excluding policyholder interests	**106.8**	282.6
Other payables in relation to insurance and unit trust business	**411.0**	336.9
Accrual for ongoing advice fees	**118.1**	107.3
Other accruals[1]	**72.1**	90.1
Contract payment[2]	**77.9**	85.3
Lease liabilities	**118.6**	–
Miscellaneous[1,2]	**129.2**	54.7
Total other payables on the Solvency II Net Assets Balance Sheet[2]	**1,033.7**	956.9
Policyholder interests in other payables (see Note 11)	**745.4**	277.7
Miscellaneous (see adjustment 2 on page 52)	**3.6**	56.2
Total other payables	**1,782.7**	1,290.8
Current	**1,605.7**	1,213.7
Non-current	**177.0**	77.1
	1,782.7	1,290.8

1 Following a review of accruals during 2019, a balance of £61.1 million relating to payables to Partners at 31 December 2018 has been reclassified from other accruals to miscellaneous.

2 This note has been represented in 2019 to include a sub-total for total other payables on the Solvency II Net Assets Balance Sheet and to separate the contract payment from miscellaneous.

Payables in relation to unit liabilities and policyholder interests in other payables primarily relate to outstanding market trade settlements (purchases) in the life unit-linked funds and the consolidated unit trusts. Other payables in relation to insurance and unit trust business primarily relate to outstanding policy-related settlement timings. Both of these categories of payables are short-term, typically settled within three days.

The contract payment of £77.9 million (2018: £85.3 million) is non-interest bearing and repayable on a straight-line basis over the life of a 12-year service agreement. The repayment period commenced on 1 January 2017.

Lease liabilities represent the present value of future cash flows associated with the Group's portfolio of property leases. They were initially recognised on 1 January 2019, upon adoption of IFRS 16 Leases. Further information about the adoption of this new accounting standard can be found on in Note 1.

The fair value of financial instruments held at amortised cost within other payables is not materially different from amortised cost.

14. Insurance contract liabilities and reinsurance assets

Risk

Insurance risk arises from inherent uncertainties as to the occurrence, amount and timing of insurance liabilities. The Group assumes insurance risk by issuing insurance contracts under which the Group agrees to compensate the client (or other beneficiary) if a specified future event (the insured event) occurs. The Group insures mortality and morbidity risks but has no longevity risk as we have never written any annuity business. The Group has a medium appetite for insurance risk, only actively pursuing it where financially beneficial, or in support of strategic objectives.

Risk	Description	Management
Underwriting	Failure to price appropriately for a risk, or the impact of anti-selection.	The Group ceased writing new protection business in April 2011. Experience is monitored regularly. For most business the premium or deduction rates can be re-set. The Group has fully reinsured the UK insurance risk.
Epidemic/disaster	An unusually large number of claims arising from a single incident or event.	Protection is provided through reinsurance. The Group has fully reinsured the UK insurance risk.
Expense	Administration costs exceed expense allowance.	Administration is outsourced and a tariff of costs is agreed. The contract is monitored regularly to rationalise costs incurred. Internal overhead expenses are monitored and closely managed.
Retention	Unexpected movement in future profit due to more (or less) clients than anticipated withdrawing their funds.	Retention of insurance contracts is closely monitored and unexpected experience is investigated. Retention experience has continued in line with assumptions.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

14. Insurance contract liabilities and reinsurance assets continued

Insurance contract liabilities

	2019 £'Million	2018 £'Million
Balance at 1 January	**508.1**	544.6
Movement in unit-linked liabilities	**42.9**	(37.7)
Movement in liabilities		
– New business	**0.2**	0.1
– Existing business	**(1.8)**	(1.2)
– Other assumption changes	**4.1**	(1.2)
– Experience variance	**3.1**	3.5
Total movement in liabilities	**5.6**	1.2
Balance at 31 December	**556.6**	508.1
Unit-linked	**464.2**	421.2
Non-unit-linked	**92.4**	86.9
	556.6	508.1
Current	**98.8**	83.2
Non-current	**457.8**	424.9
	556.6	508.1

See accounting policy (ag) for further information on the current and non-current disclosure.

As the Group closed to new insurance business in 2011, the movement in insurance contract liabilities in relation to new business represents the change in insurance contract liabilities for incremental business written during the year for existing policies.

Reinsurance assets

	2019 £'Million	2018 £'Million
Reconciliation of the movement in the net reinsurance balance:		
Reinsurance assets at 1 January	**82.8**	82.8
Reinsurance component of change in insurance liabilities	**5.8**	–
Reinsurance assets at 31 December	**88.6**	82.8
Current	**15.7**	13.6
Non-current	**72.9**	69.2
	88.6	82.8

The overall impact of reinsurance on the profit for the year was net income of £1.5 million (2018: net charge of £10.0 million).

Assumptions used in the calculation of insurance liabilities and reinsurance assets

The principal assumptions used in the calculation of the liabilities are:

Assumption	Description
Interest rate	The valuation interest rate is calculated by reference to the long-term gilt yield at 31 December 2019. The specific rates used are between 0.6% and 0.9% depending on the tax regime (0.9% and 1.3% at 31 December 2018).
Mortality	Mortality is based on Group experience and is set at 72% of the TM/F92 tables with an additional loading for smokers. There has been no change since 2006.
Morbidity – Critical Illness	Morbidity is based on Group experience. There has been no change during 2019. Sample annual rates per £ for a male non-smoker are:

Age	Rate – 2018 and 2019
25	0.000760
35	0.001334
45	0.003189

Assumption	Description
Morbidity – Permanent Health Insurance	Morbidity is based on Group experience. There has been no change during 2019. Sample annual rates per £ income benefit p.a. for a male non-smoker are:

Age	Rate – 2018 and 2019
25	0.00366
35	0.00965
45	0.02092

Assumption	Description
Expenses	Contract liabilities are calculated allowing for the actual costs of administration of the business. The assumption has been amended to allow for changes to the underlying administration costs.

	Annual cost	
Product	**2019**	2018
Protection business	**£39.26**	£37.97

Assumption	Description
Persistency	Allowance is made for a prudent level of lapses within the calculation of the liabilities. The rates have not changed in 2019. Sample annual lapse rates are:

	Lapses		
2018 and 2019	Year 1	Year 5	Year 10
Protection business	7%	9%	8%

Sensitivity analysis

The table below sets out the sensitivity of the profit on insurance business and net assets to changes in key assumptions. The levels of sensitivity tested are consistent with those proposed in the EEV principles and reflect reasonably possible levels of change in the assumptions. The analysis reflects the change in the variable/assumption shown while all other variables/assumptions are left unchanged. In practice variables/assumptions may change at the same time, as some may be correlated (for example, an increase in interest rates may also result in an increase in expenses if the increase reflects higher inflation). It should also be noted that in some instances sensitivities are non-linear. The sensitivity percentage has been applied in proportion to the assumption: for example, application of a 10% sensitivity to a withdrawal assumption of 8% will reduce it to 7.2%.

	Change in assumption	Change in profit/(loss) before tax 2019	Change in profit/(loss) before tax 2018	Change in net assets 2019	Change in net assets 2018
Sensitivity analysis	Percentage	£'Million	£'Million	£'Million	£'Million
Withdrawal rates	10%	**0.9**	0.9	**0.9**	0.9
Expense assumptions	10%	**(0.2)**	(0.2)	**(0.2)**	(0.2)
Mortality/morbidity	5%	**0.0**	0.0	**0.0**	0.0

A change in interest rates will have no material impact on insurance profit or net assets.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

15. Other provisions and contingent liabilities

	Total provisions £'Million
At 1 January 2018	20.0
Additional provisions	18.9
Utilised during the year	(16.1)
Release of provision	(0.1)
At 31 December 2018	**22.7**
Additional provisions	**34.6**
Utilised during the year	**(15.3)**
Release of provision	**(1.4)**
At 31 December 2019	**40.6**
Current	**17.3**
Non-current	**23.3**
	40.6

Total provisions relate to the cost of redress for complaints, the cost to restore properties to their original state at the end of their lease term (known as the lease provision) and clawback of indemnity commission. The provision for the cost of redress for complaints is based on estimates of the total number of complaints expected to be upheld, the estimated cost of redress and the expected timing of settlement. The lease provision is based on the square footage of leased properties and typical costs per square foot of restoring similar buildings to their original state. The clawback provision is based on estimates of the indemnity commission that may be repaid.

Of the £34.6 million additional provisions recognised during the year (2018: £18.9 million), £11.2 million relates to the lease provision (2018: nil).

As more fully set out in the summary of principal risks and uncertainties on pages 62 and 63, the Group could in the course of its business be subject to legal proceedings and/or regulatory activity. Should such an event arise, the Board would consider its best estimate of the amount required to settle the obligation and, where appropriate and material, establish a provision. While there can be no assurances that circumstances will not change, based upon information currently available to them, the Directors do not believe there is any possible activity or event that could have a material adverse effect on the Group's financial position.

During the normal course of business, the Group may from time to time provide guarantees to Partners, clients or other third parties. However, based upon the information currently available to them the Directors do not believe there are any guarantees which would have a material adverse effect on the Group's financial position, and so the fair value of any guarantees has been assessed as nil (2018: £nil).

16. Borrowings and financial commitments

Borrowings

Borrowings are a liability arising from financing activities. The Group has two different types of borrowings:

- senior unsecured corporate borrowings which are used to manage working capital, bridge intra-Group cash flows and to fund investment in the business; and
- securitisation loan notes which are secured only on a legally segregated pool of the Group's business loans to Partners, and hence are non-recourse to the Group's other assets. Further information about business loans to Partners is provided in Note 12 Other receivables.

Senior unsecured corporate borrowings

	31 December 2019 £'Million	31 December 2018 £'Million
Corporate borrowings: bank loans	**173.3**	164.8
Corporate borrowings: loan notes	**113.8**	113.8
Senior unsecured corporate borrowings	**287.1**	278.6

The primary senior unsecured corporate borrowings are:

- a £340 million revolving credit facility which is repayable at maturity in 2022 with a variable interest rate. At 31 December 2019 the undrawn credit available under this facility was £170 million (31 December 2018: £179 million); and
- a US Dollar $160 million private shelf facility, under which the Group has issued two tranches of loan notes: one for £50 million and another for £64 million. The note issues were denominated in Sterling, eliminating any Group currency risk. The notes are repayable over ten years, ending in 2025 and 2027 respectively, with variable interest rates.

Senior tranche of non-recourse securitisation loan notes

	31 December 2019 £'Million	31 December 2018 £'Million
Senior unsecured corporate borrowings	**287.1**	278.6
Senior tranche of non-recourse securitisation loan notes	**116.6**	70.0
Total borrowings	**403.7**	348.6
Current	**–**	0.3
Non-current	**403.7**	348.3
	403.7	348.6

The senior tranche of securitisation loan notes are AAA-rated and repayable over the expected life of the securitisation (estimated to be five years) with a variable interest rate. £70.0 million of these loan notes were issued during 2018 with a further £50.0 million issued during 2019: a movement schedule has been set out below. They are held by third-party investors and are secured on a legally segregated portfolio of £160.5 million business loans to Partners, and the other net assets of the securitisation entity SJP Partner Loans No.1 Limited. For further information on business loans to Partners, including those that have been securitised, refer to Note 12 Other receivables. Holders of the securitisation loan notes have no recourse to the assets held by any other entity within the Group.

In addition to the senior tranche of securitisation loan notes, a junior tranche has been issued to another entity within the Group. The junior notes are eliminated on consolidation in the preparation of the Group Financial Statements and so do not form part of Group borrowings.

	31 December 2019 £'Million	31 December 2018 £'Million
Junior tranche of non-recourse securitisation loan notes	**49.9**	32.8
Senior tranche of non-recourse securitisation loan notes	**116.6**	70.0
Total non-recourse securitisation loan notes	**166.5**	102.8
Backed by:		
Securitised business loans to Partners (see Note 12)	**160.5**	99.0
Other net assets of SJP Partner Loans No.1 Limited	**6.0**	3.8
Total net assets held by SJP Partner Loans No.1 Limited	**166.5**	102.8

Movement in borrowings

Borrowings are liabilities arising from financing activities. The cash and non-cash movement in borrowings over the year are set out below, with the cash movements also set out in the Consolidated Statement of Cash Flows on page 141.

	Senior unsecured corporate borrowings 2019 £'Million	**Senior tranche of securitisation loan notes 2019 £'Million**	**Total borrowings 2019 £'Million**	Senior unsecured corporate borrowings 2018 £'Million	Senior tranche of securitisation loan notes 2018 £'Million	Total borrowings 2018 £'Million
Borrowings at 1 January	**278.6**	**70.0**	**348.6**	279.9	–	279.9
Additional borrowing during the year	**340.0**	**50.0**	**390.0**	161.0	71.5	232.5
Repayment of borrowings during the year	**(332.0)**	**(2.8)**	**(334.8)**	(162.2)	–	(162.2)
Costs on additional borrowings during the year	**–**	**(1.0)**	**(1.0)**	(0.5)	(1.5)	(2.0)
Unwind of borrowing costs (non-cash movement)	**0.5**	**0.4**	**0.9**	0.4	–	0.4
Borrowings at 31 December	**287.1**	**116.6**	**403.7**	278.6	70.0	348.6

The fair value of the outstanding borrowings is not materially different from amortised cost. Interest expense on borrowings is recognised within expenses in the Consolidated Statement of Comprehensive Income.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

16. Borrowings and financial commitments continued

Financial commitments

Guarantees

The Group guarantees loans provided by third parties to Partners. In the event of default of any individual Partner loan, the Group guarantees to repay the full amount of the loan, with the exception of Metro Bank. For this third party the Group guarantees to cover losses up to 50% of the value to the total loans drawn. These loans are secured against the future income streams of the Partner. The value of the loans guaranteed is as follows:

	Loans drawn		Facility	
	31 December 2019	31 December 2018	**31 December 2019**	31 December 2018
	£'Million	£'Million	**£'Million**	£'Million
Bank of Scotland	**57.7**	61.7	**70.0**	80.0
Investec	**18.5**	–	**25.0**	–
Metro Bank	**45.7**	52.5	**61.0**	61.0
Royal Bank of Scotland	**15.1**	–	**25.0**	–
Santander	**44.5**	49.5	**50.0**	50.0
Total loans	**181.5**	163.7	**231.0**	191.0

The fair value of these guarantees has been assessed as nil (2018: £nil).

Operating lease commitments

The Group leases a portfolio of office properties, equipment and vehicles with varying lease end dates ranging from 2020 to 2042. Prior to the adoption of IFRS 16 Leases on 1 January 2019, these were classified as operating leases. The following table represents the future minimum lease payments under non-cancellable operating leases, including VAT, service charges and buildings insurance. No disclosure is provided for 2019 as from 1 January 2019, the distinction between finance and operating leases disappeared for lessees and the Group recognised right-of-use assets for these leases, except where they are short-term or low-value.

Further information on leases for which the Group is the lessee is provided in Note 10 Leases.

	31 December 2019	31 December 2018
	£'Million	£'Million
Not later than one year	**–**	18.0
Later than one year and not later than five years	**–**	53.7
Later than five years	**–**	69.6
Total financial commitments	**–**	141.3

17. Financial risk

Risk management objectives and risk policies

The Group's financial risk can usefully be considered in two categories of assets:

1. assets backing unit liabilities (see Note 11); and
2. shareholder assets.

In general, the policyholder bears the financial risk on assets backing the unitised business, and risk from shareholder assets is minimised through investment in liquid assets with a strong credit rating.

Exposure to the following risks for the two categories of assets is analysed separately in the following sections, in line with the requirements of IFRS 7:

- credit risk;
- liquidity risk;
- market risk; and
- currency risk.

Credit risk is the risk of loss due to a debtor's non-payment of a loan or other line of credit. Credit risk also arises from holdings of cash and cash equivalents, deposits and formal loans with banks and financial institutions. The Group has adopted a risk averse approach to such risk and has a stated policy of not actively pursuing or accepting credit risk except when necessary to support other objectives.

Risk	Description	Management
Shareholders' assets	Loss of assets or reduction in value.	Shareholder funds are predominantly invested in AAA-rated unitised money market funds, which are classified as investments in Collective Investment Schemes (CIS), and deposits with approved banks, but may be invested in sovereign fixed interest securities such as UK gilts where regulatory constraints on other assets apply. Maximum counterparty limits are set for each company within the Group and aggregate limits are also set at a Group level.
Reinsurance	Failure of counterparty or counterparty unable to meet liabilities.	Credit ratings of potential reinsurers must meet or exceed AA-. Consideration is also given to size, risk concentrations/exposures and ownership in the selection of reinsurers. The Group also seeks to diversify its reinsurance credit risk through the use of a spread of reinsurers.
Business loans to Partners	Inability of Partners to repay loans or advances from the Group.	Loans and advances are managed in line with the Group's secured lending policy. Loans are secured on the future renewal income stream expected from a Partner's portfolio and loan advances vary in relation to the projected future income of the relevant Partner. Outstanding balances are regularly reviewed and assessed on a conservative basis. Support is provided to help Partners manage their business appropriately. Expected credit losses are recognised as provisions against the loans.

Liquidity risk is the risk that the Group, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost. The Group is averse to liquidity risk and seeks to minimise this risk by not actively pursuing it except where necessary to support other objectives.

Risk	Description	Management
Cash or expense requirement	A significant cash or expense requirement needs to be met at short notice.	The majority of free assets are invested in cash or cash equivalents and the cash position and forecast are monitored on a monthly basis. The Group also maintains a margin of free assets in excess of the minimum required solvency capital within its regulated entities. Further, the Group has established committed borrowing facilities (see Note 16) intended to further mitigate liquidity risk.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

17. Financial risk continued

Market risk is the impact a fall in the value of equity or other asset markets may have on the business. The Group adopts a risk-averse approach to market risk, with a stated solvency policy of not actively pursuing or accepting market risk except where necessary to support other objectives. However, the Group accepts the risk that a fall in equity or other asset markets will reduce the level of annual management charge income derived from policyholder assets and the risk of lower future profits.

The table below summarises the main market risks that the business is exposed to and the methods by which the Group seeks to mitigate them.

Risk	Description	Management
Client liabilities	As a result of a reduction in equity values, the Group may be unable to meet client liabilities.	This risk is substantially mitigated by the Group's strategic focus on unitised business, by not providing guarantees to clients on policy values and by the matching of assets and liabilities.
Retention	Loss of future profit on investment contracts due to more clients than anticipated withdrawing their funds, particularly as a result of poor investment performance.	Retention of investment contracts is closely monitored and unexpected experience variances are investigated. Retention has remained consistently strong throughout 2019, despite volatile market conditions.
New business	Poor performance in the financial markets in absolute terms, and relative to inflation, leads to existing and future clients rejecting investment in longer-term assets.	The benefit to clients of longer-term equity investment as part of a diversified portfolio of assets is fundamental to our philosophy. Advice and marketing become even more important when market values fall, and greater attention is required to support and give confidence to existing and future clients in such circumstances. This is taken account of by the Group in its activities.

The Group is not subject to any significant direct **currency risk**, since all material shareholder financial assets and financial liabilities are denominated in Sterling. However, since future profits are dependent on charges based on FUM, changes in FUM as a result of currency movements will impact future profits.

Shareholder assets

Categories of financial assets and financial liabilities

The categories and carrying values of the shareholder financial assets and financial liabilities held in the Group's Statement of Financial Position are summarised in the table below:

31 December 2019	Financial assets at fair value through profit and loss £'Million	Financial assets measured at amortised cost £'Million	Financial liabilities measured at amortised cost £'Million	Total £'Million
Financial assets				
Fixed income securities	5.2	–	–	5.2
Investment in Collective Investment Schemes[1]	1,131.8	–	–	1,131.8
Other receivables[2]				
– Business loans to Partners	–	476.5	–	476.5
– Renewal income assets	85.7	–	–	85.7
– Other	–	405.3	–	405.3
Total other receivables	*85.7*	*881.8*	–	*967.5*
Cash and cash equivalents	–	292.8	–	292.8
Total financial assets	**1,222.7**	**1,174.6**	–	**2,397.3**
Financial liabilities				
Borrowings	–	–	403.7	403.7
Other payables	–	–	1,037.6	1,037.6
Total financial liabilities	–	–	**1,441.3**	**1,441.3**

31 December 2018	Financial assets at fair value through profit and loss £'Million	Financial assets measured at amortised cost £'Million	Financial liabilities measured at amortised cost £'Million	Total £'Million
Financial assets				
Fixed income securities	5.4	–	–	5.4
Investment in Collective Investment Schemes[1]	1,297.0	–	–	1,297.0
Other receivables[2]				
– Business loans to Partners	–	394.5	–	394.5
– Renewal income assets	72.1	–	–	72.1
– Other	–	75.1	–	75.1
Total other receivables	*72.1*	*469.6*	–	*541.7*
Cash and cash equivalents	–	248.5	–	248.5
Total financial assets	1,374.5	718.1	–	2,092.6
Financial liabilities				
Borrowings	–	–	348.6	348.6
Other payables	–	–	1,013.1	1,013.1
Total financial liabilities	–	–	1,361.7	1,361.7

1 All assets included as shareholder investment in Collective Investment Schemes are holdings of high-quality, highly liquid money market funds, containing assets which are cash and cash equivalents.

2 Other receivables exclude prepayments and unearned commission, which are not considered financial assets.

Income, expense, gains and losses arising from financial assets and financial liabilities

The income, expense, gains and losses arising from shareholder financial assets and financial liabilities are summarised in the table below:

Year ended 31 December 2019	**Financial assets at fair value through profit and loss £'Million**	**Financial assets measured at amortised cost £'Million**	**Financial liabilities measured at amortised cost £'Million**	**Total £'Million**
Financial assets				
Fixed income securities	**0.7**	**–**	**–**	**0.7**
Investment in Collective Investment Schemes	**8.0**	**–**	**–**	**8.0**
Other receivables				
– Business loans to Partners	**–**	**13.6**	**–**	**13.6**
– Renewal income assets	**(3.5)**	**–**	**–**	**(3.5)**
Total other receivables	***(3.5)***	***13.6***	**–**	***10.1***
Cash and cash equivalents	**–**	**1.8**	**–**	**1.8**
Total financial assets	**5.2**	**15.4**	**–**	**20.6**
Financial liabilities				
Borrowings	**–**	**–**	**(9.7)**	**(9.7)**
Other payables				
– Lease liabilities	**–**	**–**	**(2.9)**	**(2.9)**
– Other	**–**	**–**	**(1.0)**	**(1.0)**
Total other payables	**–**	**–**	***(3.9)***	***(3.9)***
Total financial liabilities	**–**	**–**	**(13.6)**	**(13.6)**

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

17. Financial risk continued

Year ended 31 December 2018	Financial assets at fair value through profit and loss £'Million	Financial assets measured at amortised cost £'Million	Financial liabilities measured at amortised cost £'Million	Total £'Million
Financial assets				
Fixed income securities	0.6	–	–	0.6
Investment in Collective Investment Schemes	6.2	–	–	6.2
Other receivables				
– Business loans to Partners	–	9.0	–	9.0
– Renewal income assets	(9.0)	–	–	(9.0)
Total other receivables	*(9.0)*	*9.0*	–	–
Cash and cash equivalents	–	1.2	–	1.2
Total financial assets	(2.2)	10.2	–	8.0
Financial liabilities				
Borrowings	–	–	(6.1)	(6.1)
Total financial liabilities	–	–	(6.1)	(6.1)

Losses on renewal income assets have been recognised within the investment return line in the Statement of Comprehensive Income.

Fair value estimation

Financial assets and liabilities which are held at fair value in the Financial Statements are required to have disclosed their fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's shareholder assets measured at fair value. There are no shareholder liabilities measured at fair value:

31 December 2019	**Level 1 £'Million**	**Level 2 £'Million**	**Level 3 £'Million**	**Total balance £'Million**
Financial assets				
Fixed income securities	**5.2**	**–**	**–**	**5.2**
Investment in Collective Investment Schemes[1]	**1,131.8**	**–**	**–**	**1,131.8**
Renewal income assets	**–**	**–**	**85.7**	**85.7**
Total financial assets	**1,137.0**	**–**	**85.7**	**1,222.7**

31 December 2018	Level 1 £'Million	Level 2 £'Million	Level 3 £'Million	Total balance £'Million
Financial assets				
Fixed income securities	5.4	–	–	5.4
Investment in Collective Investment Schemes[1]	1,297.0	–	–	1,297.0
Renewal incomes assets	–	–	72.1	72.1
Total financial assets	1,302.4	–	72.1	1,374.5

1 All assets included as shareholder investment in Collective Investment Schemes are holdings of high-quality, highly liquid unitised money market funds, containing assets which are cash and cash equivalents.

The fair value of financial instruments traded in active markets is based on quoted bid prices at the reporting date. These instruments are included in Level 1. Level 2 financial assets and liabilities are valued using observable prices for identical current arm's length transactions.

The renewal income assets are Level 3 and are valued using a discounted cash flow technique and the assumptions outlined in Note 12. The effect of applying reasonably possible alternative assumptions of a movement of 100bps on the discount rate and a 10% movement in the lapse rate would result in an unfavourable change in valuation of £7.9 million and a favourable change in valuation of £9.0 million, respectively.

There were no transfers between Level 1 and Level 2 during the year, nor into or out of Level 3.

Movement in Level 3 portfolios

Renewal income assets	2019 £'Million	2018 £'Million
Opening balance	**72.1**	71.6
Additions during the year	**17.1**	9.7
Disposals during the year	**–**	(0.2)
Unrealised losses recognised in the Statement of Comprehensive Income	**(3.5)**	(9.0)
Closing balance	**85.7**	72.1

Credit risk

The following table sets out the maximum credit risk exposure and ratings of shareholder financial and other assets which are susceptible to credit risk:

31 December 2019	AAA £'Million	AA £'Million	A £'Million	BB £'Million	Unrated £'Million	Total £'Million
Fixed income securities	**4.1**	**1.1**	**–**	**–**	**–**	**5.2**
Investment in Collective Investment Schemes[1]	**1,131.8**	**–**	**–**	**–**	**–**	**1,131.8**
Reinsurance assets	**–**	**88.6**	**–**	**–**	**–**	**88.6**
Other receivables	**–**	**4.7**	**–**	**–**	**962.8**	**967.5**
Cash and cash equivalents	**–**	**–**	**292.7**	**0.1**	**–**	**292.8**
Total	**1,135.9**	**94.4**	**292.7**	**0.1**	**962.8**	**2,485.9**

31 December 2018	AAA £'Million	AA £'Million	A £'Million	BBB £'Million	Unrated £'Million	Total £'Million
Fixed income securities	4.1	1.3	–	–	–	5.4
Investment in Collective Investment Schemes[1]	1,297.0	–	–	–	–	1,297.0
Reinsurance assets	–	82.8	–	–	–	82.8
Other receivables	–	6.2	–	–	535.5	541.7
Cash and cash equivalents	–	63.6	161.7	0.3	22.9	248.5
Total	1,301.1	153.9	161.7	0.3	558.4	2,175.4

1 Investment of shareholder assets in Collective Investment Schemes refers to investment in unitised money market funds, containing assets which are cash and cash equivalents.

Other receivables includes £476.5 million (2018: £394.5 million) of business loans to Partners, which are interest-bearing (linked to Bank of England base rate plus a margin), repayable on demand and secured against the future renewal income streams of the Partner.

Impairment of these loans is determined using the expected loss model set out in IFRS 9. Expected credit losses are based on the historic levels of loss experienced on business loans to Partners, with due consideration given to forward-looking information. A range of factors, including the nature or type of the loan and the security held, are taken into account in calculating the provision.

The loan balance is presented net of a £3.6 million provision (2018: £3.1 million); see also Note 12. The movement in the impairment provision will reflect utilisation of the existing provision during the year, but the overall cost of business loans to Partners (including new provisions) recognised within administration expenses in the Statement of Comprehensive Income during the year was a charge of £5.4 million (2018: £3.0 million).

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

17. Financial risk continued

Contractual maturity and liquidity analysis

The following table sets out the contractual maturity analysis of the Group's financial assets and financial liabilities. All balances are undiscounted:

31 December 2019	Up to 1 year £'Million	1–5 years £'Million	Over 5 years £'Million	Total £'Million
Financial assets				
Fixed income securities	5.2	–	–	5.2
Investment in Collective Investment Schemes	1,131.8	–	–	1,131.8
Other receivables				
– Business loans to Partners	42.7	135.5	298.3	476.5
– Renewal income	17.0	39.9	28.8	85.7
– Other	405.3	–	–	405.3
Total other receivables	*465.0*	*175.4*	*327.1*	*967.5*
Cash and cash equivalents	292.8	–	–	292.8
Total financial assets	1,894.8	175.4	327.1	2,397.3
Financial liabilities				
Borrowings	2.1	356.6	48.4	407.1
Other payables				
– Lease liabilities	11.9	46.5	84.5	142.9
– Other	812.3	42.3	40.0	894.6
Total other payables	*824.2*	*88.8*	*124.5*	*1,037.5*
Total financial liabilities	826.3	445.4	172.9	1,444.6

31 December 2018	Up to 1 year £'Million	1–5 years £'Million	Over 5 years £'Million	Total £'Million
Financial assets				
Fixed income securities	5.4	–	–	5.4
Investment in Collective Investment Schemes	1,297.0	–	–	1,297.0
Other receivables				
– Business loans to Partners	47.4	123.4	223.7	394.5
– Renewal income	13.3	28.5	30.3	72.1
– Other	75.1	–	–	75.1
Total other receivables	*135.8*	*151.9*	*254.0*	*541.7*
Cash and cash equivalents	248.5	–	–	248.5
Total financial assets	1,686.7	151.9	254.0	2,092.6
Financial liabilities				
Borrowings	1.0	279.7	71.2	351.9
Other payables	816.7	41.8	50.0	908.5
Total financial liabilities	817.7	321.5	121.2	1,260.4

Sensitivity analysis to market risks

Financial assets and liabilities held outside unitised funds primarily consist of fixed interest securities, units in money market funds, cash and cash equivalents, and other accounting assets and liabilities. The fixed interest securities are short-term and are held as an alternative to cash. Similarly, cash held in unitised money market funds and at bank is valued at par and is unaffected by movement in interest rates. Other assets and liabilities are similarly unaffected by market movements.

As a result of these combined factors, the Group's financial assets and liabilities held outside unitised funds are not materially subject to market risk, and movements at the reporting date in interest rates and equity values have an immaterial impact on the Group's profit after tax and equity. Future profits from annual management charges may be affected by movements in interest rates and equity values.

Unit liabilities and associated assets

Categories of financial assets and financial liabilities

Assets held to cover unit liabilities are summarised in Note 11, and all are held at fair value through profit or loss. Equities, investments in unit trusts which sit within investment in Collective Investment Schemes and derivative financial assets are required to be held at fair value through profit or loss by IFRS 9, as they are equity instruments or derivatives. All other assets held to cover unit liabilities are elected to be held at fair value through profit or loss to match the fair value through profit or loss classification which is required for unit liabilities. They are designated as such upon initial recognition.

Income, expense, gains and losses arising from financial assets, investment properties and financial liabilities

The income, expense, gains and losses arising from financial assets, investment properties and financial liabilities are summarised in the table below:

	31 December 2019 £'Million	31 December 2018 £'Million
Financial assets and investment properties		
Investment properties	**11.8**	60.5
Other assets backing unit liabilities	**10,741.6**	(3,046.0)
Total financial assets and investment properties	**10,753.4**	(2,985.5)
Financial liabilities[1]		
Unit liabilities	**9,558.9**	(3,357.1)
Total financial liabilities	**9,558.9**	(3,357.1)

1 None of the change in the fair value of financial liabilities at fair value through profit or loss is attributable to changes in their credit risk.

Losses have been recognised within the investment return line in the Statement of Comprehensive Income.

Fair value estimation

As set out on page 176, financial assets and liabilities which are held at fair value in the Financial Statements are required to have disclosed their fair value measurements, split by level in the fair value measurement hierarchy. The following table presents the Group's unit liabilities and associated assets measured at fair value:

31 December 2019	Level 1 £'Million	Level 2 £'Million	Level 3 £'Million	Total balance £'Million
Financial assets and investment properties				
Investment property	–	–	1,750.9	1,750.9
Equities	72,524.8	–	169.4	72,694.2
Fixed income securities	7,297.4	18,891.3	81.7	26,270.4
Investment in Collective Investment Schemes	4,033.1	–	1.5	4,034.6
Derivative financial instruments	–	1,342.9	–	1,342.9
Cash and cash equivalents	6,720.8	–	–	6,720.8
Total financial assets and investment properties	**90,576.1**	**20,234.2**	**2,003.5**	**112,813.8**
Financial liabilities				
Investment contract benefits	–	83,558.5	–	83,558.5
Derivative financial instruments	–	948.8	–	948.8
Net asset value attributable to unit holders	27,830.0	–	–	27,830.0
Total financial liabilities	**27,830.0**	**84,507.3**	**–**	**112,337.3**

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

17. Financial risk continued

31 December 2018	Level 1 £'Million	Level 2 £'Million	Level 3 £'Million	Total balance £'Million
Financial assets and investment properties				
Investment property	–	–	1,820.7	1,820.7
Equities	56,077.9	–	–	56,077.9
Fixed income securities	6,322.3	15,638.3	–	21,960.6
Investment in Collective Investment Schemes	3,457.3	–	1.8	3,459.1
Derivative financial instruments	–	508.8	–	508.8
Cash and cash equivalents	6,629.1	–	–	6,629.1
Total financial assets and investment properties	72,486.6	16,147.1	1,822.5	90,456.2
Financial liabilities				
Investment contract benefits	–	67,796.1	–	67,796.1
Derivative financial instruments	–	517.4	–	517.4
Net asset value attributable to unit holders	22,502.9	–	–	22,502.9
Total financial liabilities	22,502.9	68,313.5	–	90,816.4

In respect of the derivative financial liabilities, £226.1 million of collateral has been posted at 31 December 2019 (31 December 2018: £387.5 million), comprising cash and treasury bills, in accordance with the terms and conditions of the derivative contracts.

The fair value of financial instruments traded in active markets is based on quoted bid prices at the reporting date. These instruments are included in Level 1.

The Group closely monitors the valuation of assets in markets that have become less liquid. Determining whether a market is active requires the exercise of judgement and is determined based upon the facts and circumstances of the market for the instrument being measured. Where it is determined that there is no active market, fair value is established using a valuation technique. The techniques applied incorporate relevant information available and reflect appropriate adjustments for credit and liquidity risks. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. The relative weightings given to differing sources of information and the determination of non-observable inputs to valuation models can require the exercise of significant judgement.

If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Note that all of the resulting fair value estimates are included in Level 2, except for certain equities, fixed income securities, investments in CIS and investment properties as detailed below.

Specific valuation techniques used to value Level 2 financial assets and liabilities include:

- the use of observable prices for identical current arm's length transactions, specifically:
  - the fair value of unit-linked liabilities is assessed by reference to the value of the underlying net asset value of the Group's unitised investment funds, determined on a bid value basis, at the reporting date; and
  - the Group's derivative financial instruments are valued using valuation techniques commonly used by market participants. These consist of discounted cash flow and option pricing models, which typically incorporate observable market data, principally interest rates, basis spreads, foreign exchange rates, equity prices and counterparty credit.

Specific valuation techniques used to value Level 3 financial assets and liabilities include:

- the use of unobservable inputs, such as expected rental values and equivalent yields; and
- other techniques, such as discounted cash flow and historic lapse rates, which are used to determine fair value for the remaining financial instruments.

There were no transfers between Level 1 and Level 2 during the year.

Transfers into and out of Level 3 portfolios

Transfers out of Level 3 portfolios arise when inputs that could have a significant impact on the instrument's valuation become market-observable; conversely, transfers into the portfolios arise when consistent sources of data cease to be available.

Transfers in of certain investments in CIS occur when asset valuations can no longer be obtained from an observable market price; i.e. where they have become illiquid, in liquidation, suspended etc. The converse is true if an observable market price becomes available.

The following table presents the changes in Level 3 financial assets and liabilities at fair value through the profit and loss:

2019	Investment property £'Million	Fixed income securities £'Million	Equities £'Million	CIS £'Million
Opening balance	1,820.7	–	–	1.8
Transfer into Level 3	–	–	–	(0.1)
Additions during the year	56.9	78.7	162.7	–
Disposed during the year	(52.5)	–	–	(0.2)
(Losses)/gains recognised in the income statement	(74.2)	3.0	6.7	–
Closing balance	1,750.9	81.7	169.4	1.5
Unrealised (losses)/gains	(89.9)	3.0	6.7	–
Realised gains	15.7	–	–	–
(Losses)/gains recognised in the income statement	(74.2)	3.0	6.7	–

2018	Investment property £'Million	CIS £'Million
Opening balance	1,630.9	2.9
Transfer into Level 3	–	0.5
Additions during the year	277.3	–
Disposed during the year	(64.7)	(1.6)
Gains recognised in the income statement	(22.8)	–
Closing balance	1,820.7	1.8
Realised losses	(36.3)	–
Unrealised gains	13.5	–
Losses recognised in the income statement	(22.8)	–

No 2018 movement schedule is provided for fixed income securities or equities, as the Group held no Level 3 assets in these categories at any point during that year.

Unrealised and realised gains/(losses) for all Level 3 assets are recognised within investment return in the Statement of Comprehensive Income.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

17. Financial risk continued

Level 3 valuations

Investment property

At 31 December 2019 the Group held £1,750.9 million (2018: £1,820.7 million) of investment property, all of which is classified as Level 3 in the fair value hierarchy. It is initially measured at cost including related acquisition costs and subsequently valued monthly by professional external valuers at their respective fair values at each reporting date. The fair values derived are based on anticipated market values for the properties in accordance with the guidance issued by The Royal Institution of Chartered Surveyors, being the estimated amount that would be received from a sale of the assets in an orderly transaction between market participants. The valuation of investment property is inherently subjective as it requires, among other factors, assumptions to be made regarding the ability of existing tenants to meet their rental obligations over the entire life of their leases, the estimation of the expected rental income into the future, an assessment of a property's potential to remain as an attractive technical configuration to existing and prospective tenants in a changing market and a judgement to be reached on the attractiveness of a building, its location and the surrounding environment.

	Investment property classification			
31 December 2019	**Office**	**Industrial**	**Retail and leisure**	**All**
Gross ERV (per sq ft)[1]				
Range	**£14.66–£97.55**	**£4.13–£17.50**	**£2.50–£159.96**	**£2.50–£159.96**
Weighted average	**£36.02**	**£8.28**	**£15.47**	**£15.12**
True equivalent yield				
Range	**4.1%–8.5%**	**4.1%–6.3%**	**4.7%–13.9%**	**4.1%–13.9%**
Weighted average	**5.3%**	**4.6%**	**6.7%**	**5.5%**

	Investment property classification			
31 December 2018	Office	Industrial	Retail and leisure	All
Gross ERV (per sq ft)[1]				
Range	£14.66–£99.97	£4.00–£29.39	£4.50–£159.96	£4.00–£159.96
Weighted average	£34.03	£8.17	£15.92	£14.89
True equivalent yield				
Range	4.1%–8.6%	4.1%–6.7%	4.6%–13.7%	4.1%–13.7%
Weighted average	5.2%	4.9%	6.2%	5.5%

1 Equivalent rental value (per square foot).

Fixed income securities and equities

At 31 December 2019 the Group held £169.4 million (2018: nil) in private credit investments, and £81.7 million (2018: nil) in private equity investments through the St. James's Place Diversified Assets (FAIF) Unit Trust. These are recognised within fixed income securities and equities on the Consolidated Statement of Financial Position respectively. They are initially measured at cost and are subsequently remeasured to fair value following a monthly valuation process which includes verification by suitably qualified professional external valuers, who are members of various industry bodies including the British Private Equity and Venture Capital Association (BVCA).

The fair values of the private credit investments are principally determined using two valuation methods:

1. the shadow rating method, which assigns a shadow credit rating to the debt issuing entity and determines an expected yield with reference to observable yields for comparable companies with public credit rating in the loan market; and
2. the weighted average cost of capital (WACC) method, which determines the debt issuing entity's WACC with reference to observable market comparatives.

The expected yield and WACC are used as the discount rates to calculate the present value of the expected future cash flows under the shadow rating and WACC methods respectively, which is taken to be the fair value.

The fair values of the private equity investments are principally determined using two valuation methods:

1. a market approach with reference to suitable market comparatives; and
2. an income approach using discounted cash flow analysis which assesses the fair value of each asset based on its expected future cash flows.

The output of each method for both the private credit and private equity investments is a range of values, from which the mid-point is selected to be the fair value in the majority of cases. The mid-point would not be selected if further information is known about an investment which cannot be factored into the valuation method used. A weighting is assigned to the values determined following each method to determine the final valuation.

The valuations are inherently subjective as they require a number of assumptions to be made, such as determining which entities provide suitable market comparatives and their relevant performance metrics (for example earnings before interest, tax, depreciation and amortisation), determining appropriate discount rates and cash flow forecasts to use in models, the weighting to apply to each valuation methodologies and the point in the range of valuations to select as the fair value.

Sensitivity of Level 3 valuations

Investment in Collective Investment Schemes
The valuation of certain investments in CIS are based on the latest observable price available. Whilst such valuations are sensitive to estimates, it is believed that changing the price applied to a reasonably possible alternative would not change the fair value significantly.

Investment property
As set out on the previous page, investment property is initially measured at cost including related acquisition costs and subsequently valued monthly by professional external valuers at their respective fair values at each reporting date. The following table sets out the effect of applying reasonably possible alternative assumptions, being a 5% movement in estimated rental value and a 25 bps movement in relative yield, to the valuation of the investment properties. Any change in the value of investment property is matched by an associated movement in the policyholder liability, and therefore would not impact on the shareholder net assets.

			Effect of reasonable possible alternative assumptions	
		Carrying value	Favourable changes	Unfavourable changes
	Investment property significant unobservable inputs	£'Million	£'Million	£'Million
31 December 2019	**Expected rental value/Relative yield**	**1,750.9**	**1,917.0**	**1,602.3**
31 December 2018	Expected rental value/Relative yield	1,820.7	1,994.9	1,665.2

Fixed income securities and equities
As set out on the previous page, the fair values of the Level 3 fixed income securities and equities are selected from the valuation range determined through the monthly valuation process. The following table sets out the effect of valuing each of the assets at the high and low point of the range. As for investment property, any change in the value of these fixed income securities or equities is matched by an associated movement in the policyholder liability, and therefore would not impact on the shareholder net assets. No sensitivity is provided for 31 December 2018 as each of the Group's investments into these assets were made during 2019.

			Effect of reasonable possible alternative assumptions	
		Carrying value	Favourable changes	Unfavourable changes
		£'Million	£'Million	£'Million
31 December 2019	**Fixed income securities**	**81.7**	**82.9**	**80.2**
	Equities	**169.4**	**191.3**	**147.9**

Credit risk
Credit risk relating to unit liabilities is borne by the unit holders.

Contractual maturity and liquidity analysis
Unit liabilities (and the associated assets) are deemed to have a maturity of up to one year since they are repayable and transferable on demand. In practice the contractual maturities of the assets may be longer than one year, but the majority of assets held within the unit-linked and unit trust funds are highly liquid and the Group also actively monitors fund liquidity.

Sensitivity analysis to market risks
The majority of the Group's business is unitised and the direct associated market risk is therefore borne by unit holders. For completeness, we note that there is an indirect risk associated with market performance as future shareholder income is dependent upon markets; however, the direct risk has been mitigated through the Group's approach to matching assets and liabilities.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

18. Capital management and allocation

The Group's Capital Management policy, set by the Board, is to maintain a strong capital base in order to:

- protect clients' interests;
- meet regulatory requirements;
- protect creditors' interests; and
- create shareholder value through support for business development.

The policy requires that each subsidiary manages its own capital, in particular to maintain regulatory solvency, in the context of a Group capital plan. Any capital in excess of planned requirements is returned to the Group's Parent Company, St. James's Place plc, normally by way of dividends. The Group capital position is monitored by the Audit Committee on behalf of the St. James's Place plc Board.

Regulatory capital

The Group's capital management policy is, for each subsidiary, to hold the higher of:

- the capital required by any relevant supervisory body uplifted by a specified margin to absorb changes; or
- the capital required based on the Company's internal assessment.

For our insurance companies, we hold capital based on our own internal assessment, recognising the regulatory requirement. For other regulated companies we generally hold capital based on the regulatory requirement uplifted by a specified margin.

The following entities are subject to regulatory supervision and have to maintain a minimum level of regulatory capital:

Entity	Regulatory body and jurisdiction
St. James's Place UK plc	PRA and FCA: Long-term insurance business
St. James's Place International plc	Central Bank of Ireland: Life insurance business
St. James's Place Unit Trust Group Limited	FCA: UCITS Management Company
St. James's Place Investment Administration Limited	FCA: Investment Firm
St. James's Place Wealth Management plc	FCA: Personal Investment Firm
St. James's Place Partnership Services Limited	FCA: Consumer Credit Firm
BFS Financial Services Limited	FCA: Personal Investment Firm
Linden House Financial Services Limited	FCA: Personal Investment Firm
St. James's Place (Hong Kong) Limited	Securities and Futures Commission (Hong Kong): A Member of The Hong Kong Confederation of Insurance Brokers
St. James's Place International (Hong Kong) Limited	Insurance Authority (Hong Kong)
St. James's Place (Singapore) Private Limited	Monetary Authority Singapore: A Member of the Association of Financial Advisers
Rowan Dartington & Co Limited	FCA: Investment Firm

In addition, the St. James's Place Group is regulated as an insurance group under Solvency II, with the PRA as the lead regulator.

As an insurance group, St. James's Place is subject to the Solvency II regulations, which were implemented on 1 January 2016. More information about capital position of the Group under Solvency II regulations is set out in the separate Solvency and Financial Condition Report document. The overall capital position for the Group at 31 December 2019, assessed on the standard formula basis, is presented in the following table:

	31 December 2019	31 December 2018
	£'Million	£'Million
IFRS total assets	**117,292.0**	94,827.0
Less Solvency II valuation adjustments and unit-linked liabilities	**(116,235.2)**	(93,719.0)
Solvency II net assets	**1,056.8**	1,108.0
Solvency II VIF	**4,303.5**	3,388.8
Risk margin	**(1,213.3)**	(989.4)
Own funds (A)	**4,147.0**	3,507.4
Standard formula SCR (B)	**3,148.0**	2,447.3
Solvency II free assets (A-B)	**999.0**	1,060.1
Solvency II ratio (A/B)	**132%**	143%

	31 December 2019 £'Million	31 December 2018 £'Million
Solvency II net assets	**1,056.8**	1,108.0
Less: management solvency buffer (MSB)	**(476.2)**	(491.0)
Excess of free assets over MSB	**580.6**	617.0

An overall internal capital assessment is required for insurance groups. This is known as an ORSA (Own Risk and Solvency Assessment) and is described in more detail in the ORSA section of the Risk and Risk Management report; refer to page 61.

The regulatory capital requirements of companies within the Group, and the associated solvency of the Group, are assessed and monitored by the Finance Executive Committee, a Committee of the Executive Board, with oversight by the Audit Committee on behalf of the Group Board. Ultimate responsibility for individual companies' regulatory capital lies with the relevant subsidiary boards.

There has been no material change in the level of capital requirements of individual companies during the year, nor in the Group's management of capital. All regulated entities exceeded the minimum solvency requirements at the reporting date and during the year.

IFRS capital composition

The principal forms of capital are included in the following balances on the Consolidated Statement of Financial Position:

	31 December 2019 £'Million	31 December 2018 £'Million
Share capital	**80.2**	79.4
Share premium	**182.4**	174.5
Shares in trust reserve	**(16.4)**	(23.7)
Miscellaneous reserves	**2.5**	2.5
Retained earnings	**699.4**	787.3
Shareholders' equity	**948.1**	1,020.0
Non-controlling interests	**(0.9)**	(0.9)
Total equity	**947.2**	1,019.1

The above assets do not all qualify as regulatory capital. The required minimum regulatory capital and analysis of the assets that qualify as regulatory capital are outlined in Section 3 of the Financial Review on page 58, which demonstrates that the Group has met its internal capital objectives. The Group and its individually regulated operations have complied with all externally and internally imposed capital requirements throughout the year.

19. Share capital, earnings per share and dividends

Share capital

	Number of ordinary shares	Called-up share capital £'Million
At 1 January 2018	529,077,896	79.4
– Exercise of options	375,501	–
At 31 December 2018	**529,453,397**	**79.4**
– Issue of shares	**388,783**	**0.1**
– Exercise of options	**4,958,446**	**0.7**
At 31 December 2019	**534,800,626**	**80.2**

Ordinary shares have a par value of 15 pence per share (2018: 15 pence per share) and are fully paid.

Included in the issued share capital are 2,894,530 (2018: 3,505,217) shares held in the shares in trust reserve with a nominal value of £0.4 million (2018: £0.5 million). The shares are held by the SJP Employee Share Trust and the St. James's Place 2010 SIP Trust to satisfy certain share-based payment schemes. The trustees of the SJP Employee Share Trust retain the right to dividends on the shares held by the Trust but have chosen to waive their entitlement to the dividends on 438,105 shares at 31 December 2019 and 845,897 shares at 31 December 2018. No dividends have been waived on shares held in the St. James's Place 2010 SIP Trust in 2019 or 2018.

Share capital increases are included within the 'exercise of options' row of the table above where they relate to the Group's share-based payment schemes. Other share capital increases are included within the 'issue of shares' row.

The number of shares reserved for issue under options and contracts for sale of shares, including terms and conditions, is included within Note 20.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

19. Share capital, earnings per share and dividends continued

Earnings per share

	Year ended 31 December 2019	Year ended 31 December 2018
	£'Million	£'Million
Earnings		
Profit after tax attributable to equity shareholders (for both basic and diluted EPS)	**146.6**	173.5
	Million	Million
Weighted average number of shares		
Weighted average number of ordinary shares in issue (for basic EPS)	**531.3**	526.0
Adjustments for outstanding share options	**2.7**	8.7
Weighted average number of ordinary shares (for diluted EPS)	**534.0**	534.7
	Pence	Pence
Earnings per share (EPS)		
Basic earnings per share	**27.6**	33.0
Diluted earnings per share	**27.5**	32.4

Dividends

The following dividends have been paid by the Group:

	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2018
	Pence per share	Pence per share	£'Million	£'Million
Final dividend in respect of previous financial year	**29.73**	27.45	**157.5**	145.0
Interim dividend in respect of current financial year	**18.49**	18.49	**98.5**	97.7
Total dividends	**48.22**	45.94	**256.0**	242.7

The Directors have recommended a final dividend of 31.22 pence per share (2018: 29.73 pence). This amounts to £167.0 million (2018: £157.4 million) and will, subject to shareholder approval at the Annual General Meeting, be paid on 22 May 2020 to those shareholders on the register as at 17 April 2020.

20. Share-based payments

During the year ended 31 December 2019, the Group operated a number of different equity and cash-settled share-based payment arrangements, which are aggregated as follows:

Share option schemes

- Save As You Earn (SAYE) Plan – this is an equity-settled scheme that is available to all employees where individuals may contribute up to £250 per month over the three-year vesting period to purchase shares at a price not less than 80% of the market price at the date of the invitation to participate. 684,968 (2018: 563,553) SAYE options were granted on 22 March 2019 (2018: 23 March 2018 and 21 September 2018). There are no other vesting conditions.
- Partner Performance Share Plan – under this plan Partners are entitled to purchase shares in the future at nominal value (15 pence). The number of shares the Partners are entitled to purchase will depend on their personal business volumes in a specified 12-month period and validation over the following three years. The first award under the scheme was made on 29 July 2016, when 3,456,281 shares were granted. Due to the performance of the Partners over the vesting period, a further 2,618,574 shares were granted in 2019 (2018: nil) in relation to the original grants made in 2016.
- Partner and Adviser Chartered Plan – the scheme was launched during 2015 as part of the Partner Performance Share Plan whereby Partners and advisers are entitled to purchase shares in the future at nominal value (15 pence). The number of shares the Partners are entitled to purchase will depend upon achieving specific professional qualifications and a threshold new business level in a specified 12-month period and validation over the following three years. The first award under the scheme was made on 29 July 2016, when 2,019,000 shares were granted. No grants were made in 2019 (2018: nil).
- Associate Partner Plan – an equity-settled scheme was launched during 2017 whereby Partners and advisers are entitled to purchase a set number of shares in the future at the market price at the date of the invitation if they meet the required business volumes over the following three years. No grants were made in 2019 (2018: 1,422,500 shares granted on 19 March 2018).

Share awards

- Share Incentive Plan (SIP) – this is an equity-settled scheme, available to all employees, where individuals may invest up to an annual limit of £1,800 of pre-tax salary in St. James's Place plc shares, to which the Group will add a further 10%. The vesting period is three years, however if the shares are held for five years they may be sold free of income tax or capital gains tax. There are no other vesting conditions. 7,346 (2018: 8,166) shares were granted under the SIP on 25 March 2019 (2018: 29 March 2018).
- Executive Deferred Bonus Schemes – under these plans the deferred element of the annual bonus is used to purchase shares at market value in the Company. The shares are held in trust over the three-year vesting period and may be subject to further non-market-based performance conditions. The plans are predominantly equity-settled. 578,709 (2018: 794,750) shares were granted under the deferred bonus schemes on 25 March 2019 (2018: 26 March 2018).
- Executive Performance Share Plan – the Remuneration Committee of the Group Board may make awards of performance shares to the Executive Directors and other senior managers. Two-thirds of shares awarded to Directors are subject to an earnings growth condition of the Group and one-third of shares awarded to Directors are subject to a comparative total shareholder return condition, both measured over a three-year vesting period. Further information regarding the vesting conditions of the earnings growth and total shareholder return dependent portions of the award is given in the Directors' Remuneration Report on page 108. Awards made to senior managers are largely only subject to the earnings growth condition of the Group. This is predominantly an equity-settled scheme. 3,129,039 (2018: 1,101,308) shares were granted under the Executive Performance Share Plan across 3 grants made on 27 February 2019, 25 March 2019 and 23 September 2019 (2018: two grants made on 26 March 2018 and 21 September 2018).
- Restricted Share Plan – upon acquisition of the Rowan Dartington Group a new scheme was launched for eligible employees. Employees were granted shares, 50% of which vest after 18 months, and the remaining 50% vest after three years providing the individual remains in employment within the Group and maintains any applicable professional qualifications. The plan is predominantly equity-settled. 323,300 shares were granted under the Restricted Share Plan on 29 July 2016. No grants were made in 2019 (2018: nil).

Share options and awards outstanding under the various share-based payment schemes set out above at 31 December 2019 amount to 17.5 million shares (2018: 18.2 million). Of these, 8.5 million (2018: 11.2 million) are under option to advisers of the St. James's Place Partnership, 7.7 million (2018: 5.4 million) are under option to executives and senior management (including 1.1 million (2018: 1.1 million) under option to Directors as disclosed in the Directors' Remuneration Report on page 108 to 111), nil (2018: 0.2 million) are under option to employees who became employees of the Group on acquisition of the Rowan Dartington Group and 1.3 million (2018: 1.4 million) are under option through the SAYE and SIP schemes. These are exercisable on a range of future dates.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

20. Share-based payments continued

Financial assumptions underlying the calculation of fair value

The fair value expense has been based on the fair value of the instruments granted, as calculated using appropriate derivative pricing models. The table below shows the weighted average assumptions and models used to calculate the grant-date fair value of each award:

	SAYE Plan	Share Incentive Plan	Executive Deferred Bonus	Executive Performance Share Plan[5]	Associate Partner Plan[6]
Valuation model	Black-Scholes	Black-Scholes	Black-Scholes	Monte Carlo	Black-Scholes
Awards in 2019					
Fair value (pence)	**201.4**	**992.4**	**992.4**	**498.2/992.4[4]**	**N/A**
Share price (pence)	**1,007.0**	**992.4**	**992.4**	**992.4**	**N/A**
Exercise price (pence)	**771.0**	**0.0**	**0.0**	**0.0**	**N/A**
Expected volatility (% pa)[1]	**24**	**N/A**	**N/A**	**24**	**N/A**
Expected dividends (% pa)[2]	**4.6**	**0.0**	**0.0**	**4.8**	**N/A**
Risk-free interest rate (% pa)	**0.7**	**N/A**	**N/A**	**N/A**	**N/A**
Expected life (years)	**3.5**	**3**	**3**	**3**	**N/A**
Volatility of competitors (% pa)	**N/A**	**N/A**	**N/A**	**13–47**	**N/A**
Correlation with competitors (%)	**N/A**	**N/A**	**N/A**	**20.0**	**N/A**
Awards in 2018					
Fair value (pence)	230.7/235.6[3]	1,090.0	1,092.0	565.7/1,092.0[4]	227.3
Share price (pence)	1,109.0/1,138.5[3]	1,090.0	1,092.0	1,092.0	1,142.0
Exercise price (pence)	911.0/906.0[3]	0.0	0.0	0.0	1,135.0
Expected volatility (% pa)[1]	27/25[3]	N/A	N/A	27	27.0
Expected dividends (% pa)[2]	3.9/4.0[3]	0.0	0.0	0.0	0.0
Risk-free interest rate (% pa)	0.95/0.94[3]	N/A	N/A	N/A	0.9
Expected life (years)	3.5	3	3	3	3
Volatility of competitors (% pa)	N/A	N/A	N/A	14–57	N/A
Correlation with competitors (%)	N/A	N/A	N/A	20.0	N/A

1 Expected volatility is based on an analysis of the Company's historic share price volatility over a period which is commensurate with the expected term of the options or the awards.

2 For schemes where dividends are payable on the shares during the vesting period, the dividend yield assumption in the Black-Scholes option pricing model is set at zero.

3 Two SAYE awards were made during 2018 on 23 March and 21 September, the assumptions for which are shown in the table above as the first and second figures, respectively.

4 The awards made under the Executive Performance Share Plan are dependent upon earnings growth in the Company (two-thirds of the award) and a total shareholder return of a comparator group of companies (one-third of the award). This results in having two fair values for each of the awards made in the table above, the first being in relation to the comparator total shareholder return which is a market-based performance condition and so valued using a Monte-Carlo simulation, and the second relating to the Company's earnings growth, which is a non-market-based performance condition and so valued using the Black-Scholes model.

5 The awards made under the Executive Performance Share Plan for members of the Executive Board Committee (ExBo) are subject to a two-year holding period once the award has vested. This results in discounted fair values for the ExBo population of 462.8/921.9 (2018: 519.8/1,002.5) to reflect the reduced marketability of the awards.

6 The fair value of the grants made under the Associate Partner Plan has been determined using the Black-Scholes valuation model. This is the most appropriate valuation method because the value of the services that the Partners and advisers are providing, for which they are being remunerated via the plan, cannot be readily separated from the overall value of the services provided by the Partners and advisers.

Share option schemes

	Year ended 31 December 2019 Number of options	Year ended 31 December 2019 Weighted average exercise price	Year ended 31 December 2018 Number of options	Year ended 31 December 2018 Weighted average exercise price
SAYE Plan				
Outstanding at start of year	**1,342,066**	**£8.27**	1,148,540	£7.73
Granted	**684,968**	**£8.06**	563,553	£8.97
Forfeited	**(308,670)**	**£8.89**	(89,718)	£8.30
Exercised	**(437,765)**	**£6.93**	(280,309)	£7.34
Outstanding at end of year	**1,280,599**	**£8.33**	1,342,066	£8.27
Exercisable at end of year	**3,116**	**£6.87**	66,005	£7.24
Partner Performance Share Plan				
Outstanding at start of year	**3,327,396**	**£0.15**	3,380,289	£0.15
Granted	**2,618,574**	**£0.15**	–	–
Forfeited	**(744,264)**	**£0.15**	(52,893)	£0.15
Exercised	**(3,075,341)**	**£0.15**	–	–
Outstanding at end of year	**2,126,365**	**£0.15**	3,327,396	£0.15
Exercisable at end of year	**2,126,365**	**£0.15**	–	–
Partner and Adviser Chartered Plan				
Outstanding at start of year	**1,888,000**	**£0.15**	1,947,000	£0.15
Granted	**–**	**–**	–	–
Forfeited	**(745,650)**	**£0.15**	(59,000)	£0.15
Exercised	**(642,961)**	**£0.15**	–	–
Outstanding at end of year	**499,389**	**£0.15**	1,888,000	£0.15
Exercisable at end of year	**499,389**	**£0.15**	–	–
Associate Partner Plan				
Outstanding at start of year	**5,980,000**	**£10.95**	4,725,000	£10.83
Granted	**–**	**–**	1,422,500	£11.35
Forfeited	**(182,500)**	**£10.95**	(167,500)	£10.92
Exercised	**–**	**–**	–	–
Outstanding at end of year	**5,797,500**	**£10.95**	5,980,000	£10.95
Exercisable at end of year	**–**	**–**	–	–

The average share price during the year was 1,032.8 pence (2018: 1,121.9 pence).

The SAYE Plan options outstanding at 31 December 2019 had exercise prices of 687 pence (3,116 options), 844 pence (293,368 options), 771 pence (683,471 options), 906 pence (114,842 options), 911 pence (185,802 options), and a weighted average remaining contractual life of 1.7 years.

The options outstanding under the Partner Performance Share Plan and the Partner and Adviser Chartered Plan at 31 December 2019 were all exercisable with an exercise price of 15 pence, hence their weighted average remaining contractual life was nil.

The options outstanding under the Associate Partner Plan at 31 December 2019 had an exercise price of 1,083 pence (4,455,000 options) and 1,135 pence (1,342,500 options) and a weighted average remaining contractual life of 0.4 years.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

20. Share-based payments continued

Share awards

All shares awards under the below schemes have exercise prices of nil.

	Year ended 31 December 2019 Number of options	Year ended 31 December 2018 Number of options
Share Incentive Plan		
Outstanding at start of year	**35,009**	30,283
Granted	**7,346**	8,166
Forfeited	**(1,079)**	(716)
Exercised	**(4,203)**	(2,724)
Outstanding at end of year	**37,073**	35,009
Exercisable at end of year	**8,990**	8,858
Executive Deferred Bonus Scheme		
Outstanding at start of year	**2,132,414**	2,034,801
Granted	**578,709**	794,750
Forfeited	**(5,320)**	(33,063)
Exercised	**(684,101)**	(664,074)
Outstanding at end of year	**2,021,702**	2,132,414
Exercisable at end of year	**–**	–
Executive Performance Share Plan		
Outstanding at start of year	**3,250,646**	2,973,806
Granted	**3,129,039**	1,101,308
Forfeited	**(178,643)**	(137,997)
Exercised	**(509,288)**	(686,471)
Outstanding at end of year	**5,691,754**	3,250,646
Exercisable at end of year	**521,006**	349,380
Restricted Share Plan		
Outstanding at start of year	**155,316**	158,916
Granted	**–**	–
Forfeited	**(6,912)**	(3,600)
Exercised	**(148,404)**	–
Outstanding at end of year	**–**	155,316
Exercisable at end of year	**–**	–

Early exercise assumptions

An allowance has been made for the impact of early exercise once options have vested in the SAYE Plan where all option holders are assumed to exercise half-way through the six-month exercise window.

Allowance for performance conditions

The Executive Performance Share Plan includes a market-based performance condition based on the Company's total shareholder return relative to an index of comparator companies. The impact of this performance condition has been modelled using Monte Carlo simulation techniques, which involve running many thousands of simulations of future share price movements for both the Company and the comparator index. For the purpose of these simulations it is assumed that the share price of the Company and the comparator index are 20% (2018: 20%) correlated and that the comparator index has volatilities ranging between 13% p.a. and 47% p.a. (2018: 14% p.a. and 57% p.a.).

The performance condition is based on the Company's performance relative to the comparator index over a three-year period commencing on 1 January each year. The fair value calculations for the awards that were made in 2019 therefore include an allowance for the actual performance of the Company's share price relative to the index over the period between 1 January 2019 and the various award dates.

Charge to the Consolidated Statement of Comprehensive Income

The table below sets out the charge to the Consolidated Statement of Comprehensive Income in respect of the share-based payment awards:

	Year ended 31 December 2019 £'Million	Year ended 31 December 2018 £'Million
Equity-settled share-based payment expense	**28.7**	33.4
Cash-settled share-based payment expense	**0.5**	0.7
Total share-based payment expense	**29.2**	34.1

Liabilities recognised in the Statement of Financial Position

The liabilities recognised in the Statement of Financial Position in respect of the cash-settled share-based payment awards, and national insurance obligations arising from share-based payment awards, are as follows. These liabilities are included within other payables on the face of the Statement of Financial Position. None of the liability in respect of cash-settled share-based payment awards at 31 December 2019 or 31 December 2018 is in respect of vested cash-settled share-based payments.

	Year ended 31 December 2019	Year ended 31 December 2018
	£'Million	£'Million
Liability for cash-settled share-based payments	**1.3**	1.3
Liability for employer national insurance contributions on cash-settled and equity-settled share-based payments	**5.3**	4.8

21. Interests in unconsolidated entities

Unconsolidated structured entities

The Group operates investment vehicles, such as unit trusts. Clients are able to invest in these directly, but also indirectly through products offered by SJPUK and SJPI. As a result, the Group's insurance companies can be significant investors in the unit trusts. Note 2 sets out the judgements inherent in determining when the Group controls, and therefore consolidates, the relevant investment vehicles.

The majority of the risk from a change in the value of the Group's investment in unconsolidated unit trusts is matched by a change in unit holder liabilities. The maximum exposure to loss, prior to considering unit holder liabilities, is equal to the carrying value of the investment. This is recognised within investments in Collective Investment Schemes.

The following unit trusts are not consolidated within the Group Financial Statements; however, the Group does act as the fund manager of these unit trusts.

	Percentage of ownership interest		Nature of relationship	Measurement method	Net asset value as at 31 December	
	2019	2018			2019	2018
Name of entity					£'Million	£'Million
St. James's Place Property Unit Trust	**0.00%**	0.00%	Manager of unit trust	N/A	**1,303.8**	1,325.5
St. James's Place UK High Income Unit Trust	**11.24%**	10.91%	Manager of unit trust	Fair value through profit or loss	**1,244.9**	1,312.5
					2,548.7	2,638.0

As at 31 December 2019 the value of the Group's interests in the individual unconsolidated unit trusts were nil (2018: nil) in St. James's Place Property Unit Trust and £139.9 million (2018: £143.2 million) in St. James's Place UK High Income Unit Trust.

Associates

The St. James's Place UK High Income Unit Trust, registered in England and Wales, is not consolidated within the Group Financial Statements; however, it does meet the criteria of an associate. Details are provided in the table above. The registered address of the unit trust manager, St. James's Place Unit Trust Group Limited, is St. James's Place House, 1 Tetbury Road, Cirencester, Gloucestershire GL7 1FP.

22. Subsidiary undertakings

Principal subsidiaries:	
Investment Holding Companies	St. James's Place Wealth Management Group Limited[1]
	St. James's Place DFM Holdings Limited[1]
Life Assurance	St. James's Place UK plc
	St. James's Place International plc (incorporated in Ireland)[2]
Unit Trust Management	St. James's Place Unit Trust Group Limited
Unit Trust Administration and ISA Management	St. James's Place Investment Administration Limited
Distribution	St. James's Place Wealth Management plc
Management Services	St. James's Place Management Services Limited[3]
Treasury Company	St. James's Place Partnership Services Limited
IFA Acquisitions	St. James's Place Acquisition Services Limited
Asia Distribution	St. James's Place International Distribution Limited
Discretionary Fund Management	Rowan Dartington & Co. Limited

1 Directly held by St. James's Place plc.

2 The Company also operates a branch in Singapore.

3 The Company also operates a branch in the Republic of Ireland.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

22. Subsidiary undertakings continued

The Company owns either directly or indirectly 100% of the voting ordinary equity share capital of the subsidiaries listed on the previous page; as such they have been appropriately consolidated. Ongoing solvency requirements within the life assurance, unit trust and financial services companies of the Group restrict their ability to distribute all their distributable reserves.

Included below is a full list of the entities within the St. James's Place plc Group at 31 December 2019:

Entity	Company number	Registered office	Country of incorporation	Principal activity	Audit exemption
Arbor Wealth Management Limited *(name changed from SJP Interim Services Limited on 7 May 2019)*	10735786	*	England and Wales	Non-trading	Yes
Baxter Holding Company Limited	09805128	*	England and Wales	Financial Advice	Yes
Baxter & Lindley Financial Services Limited	02307706	*	England and Wales	Financial Advice	Yes
BFS Financial Services Limited *(name changed to Perennial Financial Management Limited on 13 January 2020)*	04609753	*	England and Wales	Financial Advice	Yes
Cabot Portfolio Nominees Limited	03636010	Temple Point, Redcliffe Way, Bristol, BS1 6NL, United Kingdom	England and Wales	Nominee Company	Yes
CGA Financial & Investment Services Limited	02666180	*	England and Wales	Financial Advice	Yes
Cirenco Limited	01773177	*	England and Wales	Holding Company	Yes
Dartington Portfolio Nominees Limited	01489542	Temple Point, Redcliffe Way, Bristol, BS1 6NL, United Kingdom	England and Wales	Nominee Company	Yes
Future Proof Limited	07608319	*	England and Wales	Financial Advice	Yes
Hale Financial Solutions Limited	04373946	*	England and Wales	Financial Advice	Yes
Lansdown Place Group Holdings Limited	06390547	2 Oakfield Road, Clifton, Bristol, BS8 2AL, United Kingdom	England and Wales	Holding Company	Yes
Lansdown Place Wealth Management Limited	05458948	2 Oakfield Road, Clifton, Bristol, BS8 2AL, United Kingdom	England and Wales	Financial Advice	Yes
Lifestyle Financial Solutions Limited	05411977	2 Oakfield Road, Clifton, Bristol, BS8 2AL, United Kingdom	England and Wales	Financial Advice	Yes
Linden House Financial Services Limited	02990295	*	England and Wales	Financial Advice	Yes
Linden House Group Limited	08464570	*	England and Wales	Holding Company	Yes
LP Auto Enrolment Solutions Limited	08257531	2 Oakfield Road, Clifton, Bristol, BS8 2AL, United Kingdom	England and Wales	Pension Auto-enrolment	Yes
LP Financial Management Limited	02195886	2 Oakfield Road, Clifton, Bristol, BS8 2AL, United Kingdom	England and Wales	Financial Advice	Yes
LP Holdco Limited	08323278	*	England and Wales	Holding Company	No
M.H.S. (Holdings) Limited	00559995	*	England and Wales	Non-trading	Yes
M.S. Estates and Financial Services Limited	02224813	*	England and Wales	Financial Advice	Yes
Rowan Dartington & Co. Limited	02752304	*	England and Wales	Stockbroker and Investment Manager	No
Rowan Dartington Holdings Limited	07470226	*	England and Wales	Holding Company	Yes
SJP AESOP Trustees Limited	04089795	*	England and Wales	Nominee Company	Yes
SJP Partner Loans No.1 Limited	11390901	Level 37, 25 Canada Square, Canary Wharf, London, E14 5LQ, United Kingdom	England and Wales	Securitisation	No
St. James's Place (Hong Kong) Limited	275275	1st Floor, Henley Building, 5 Queen's Road Central, Hong Kong	Hong Kong	Overseas Distribution	No
St. James's Place (PCP) Limited	02706684	*	England and Wales	Transacts and Services SJP Income Streams	Yes

Entity	Company number	Registered office	Country of incorporation	Principal activity	Audit exemption
St. James's Place (Shanghai) Limited	913100005 66573326L	Suite 2006-2007, 20th Floor, Tower 1 (North), Jing An Kerry Centre, 1515 West Nanjing Road, Shanghai, China 200040	China	Overseas Distribution	No
St. James's Place (Singapore) Private Limited	200406398R	1 Raffles Place, #15-61 One Raffles Place, Singapore 048616, Singapore	Singapore	Financial Advice	No
St. James's Place Acquisition Services Limited	07730835	*	England and Wales	IFA Acquisitions	Yes
St. James's Place Client Solutions Limited	05487108	*	England and Wales	Policy Administration	Yes
St. James's Place Corporate Secretary Limited	09131866	*	England and Wales	Corporate Secretary	Yes
St. James's Place DFM Holdings Limited	09687687	*	England and Wales	Non-trading	Yes
St. James's Place International (Hong Kong) Limited	2207694	Unit 201, 2nd Floor Henley Building, 5 Queen's Road Central, Hong Kong	Hong Kong	Life Assurance	No
St. James's Place International Assurance Group Limited	02727326	*	England and Wales	Holding Company	No
St. James's Place International Distribution Limited	08798683	*	England and Wales	Holding Company	Yes
St. James's Place International plc	185345	Fleming Court, Flemings Place, Dublin 4, Ireland	Ireland	Life Assurance	No
St. James's Place Investment Administration Limited	08764231	*	England and Wales	Unit Trust Administration and ISA Manager	No
St. James's Place Management Services Limited	02661044	*	England and Wales	Management Services	No
St. James's Place Nominees Limited	08764214	*	England and Wales	Nominee Company	Yes
St. James's Place Partnership Services Limited	08201211	*	England and Wales	Treasury Company	No
St. James's Place UK plc	02628062	*	England and Wales	Life Assurance	No
St. James's Place Unit Trust Group Limited	00947644	*	England and Wales	Unit Trust Management	No
St. James's Place Wealth Management (PCIS) Limited[1]	06604824	*	England and Wales	Securities and Futures Firm	No
St. James's Place Wealth Management (Shanghai) Limited	1511517	1st Floor, Henley Building, 5 Queen's Road Central, Hong Kong	Hong Kong	Overseas Distribution	No
St. James's Place Wealth Management Group Limited	02627518	*	England and Wales	Holding Company	No
St. James's Place Wealth Management International Pte. Ltd	201323453N	1 Raffles Place, #15-61 One Raffles Place, Singapore 048616, Singapore	Singapore	Holding Company	No
St. James's Place Wealth Management plc	04113955	*	England and Wales	UK Distribution	No
Stafford House Investments Limited	03866935	*	England and Wales	Financial Advice	Yes
Technical Connection Limited	03178474	*	England and Wales	Tax and Advisory Services	Yes

* Indicates that the registered office is St. James's Place House, 1 Tetbury Road, Cirencester, Gloucestershire GL7 1FP, United Kingdom.

1 St. James's Place Wealth Management (PCIS) Limited was dissolved on 18 February 2020.

Baxter Holding Company Limited (09805128) and Baxter & Lindley Financial Services Limited (02307706) were acquired by the Group on 28 February 2019. Lifestyle Financial Solutions Limited (05411977) was acquired by the Group on 4 November 2019. CGA Financial & Investment Services Limited (02666180) was acquired by the Group on 23 December 2019.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

22. Subsidiary undertakings continued

The following wholly-owned subsidiary company was dissolved during the year:

- SJPC Corporate Investments Limited (on 6 August 2019).

Where indicated on the previous page, subsidiaries of St. James's Place plc have taken advantage, or are expected to take advantage, of the exemption from statutory audit granted by section 479A of the Companies Act 2006. In accordance with section 479C, St. James's Place plc has guaranteed all the outstanding liabilities as at 31 December 2019 of these companies, with the exception of Lansdown Place Group Holdings Limited, LP Financial Management Limited, Lansdown Place Wealth Management Limited, Lifestyle Financial Solutions Limited and LP Auto Enrolment Solutions Limited where LP Holdco Limited has guaranteed all the outstanding liabilities as at 31 December 2019.

All Group companies have an accounting reference date of 31 December. Unless otherwise stated, the tax residency of each subsidiary is the same as the country of incorporation.

100% of the equity share capital is held for the subsidiaries listed on the previous page with the exception of:

a) LP Holdco Limited (08323278), where 43.14% of equity share capital is held (comprising 100% of the nominal value of the Class A ordinary shares, which confer 52.83% of voting rights along with a 75.62% holding of the nominal value of the Class C ordinary shares, which carry voting rights but are not defined as equity);

b) All subsidiaries of LP Holdco Limited (being Lansdown Place Group Holdings Limited (06390547), Lansdown Place Wealth Management Limited (05458948), Lifestyle Financial Solutions Limited (05411977), LP Auto Enrolment Solutions Limited (08257531) and LP Financial Management Limited (02195886)), where 100% of the equity share capital is owned by LP Holdco Limited. As detailed above, the Group holds 43.14% of the equity share capital for this entity. Note that during the year, LP Holdco Limited purchased the remaining 7.6% shareholding in Lansdown Place Group Holdings Limited, increasing its shareholding from 92.4% to 100%; and

c) SJP Partner Loans No.1 Limited (11390901), where 100% of the equity share capital is held by a third-party entity outside of the Group. Despite this, following an assessment of control in accordance with IFRS 10 it was determined that SJP Partner Loans No.1 Limited is controlled by the Group and thus is consolidated. For further information, refer to Note 2. Note that all assets and liabilities of SJP Partner Loans No.1 Limited are restricted and ring-fenced from the other assets and liabilities of the Group.

In addition, the Group Financial Statements consolidate the following unit trusts, all of which are registered in England and Wales. The registered address of the unit trust manager, St. James's Place Unit Trust Group Limited, is St. James's Place House, 1 Tetbury Road, Cirencester, Gloucestershire GL7 1FP:

St. James's Place Adventurous Growth Unit Trust
St. James's Place Adventurous International Growth Unit Trust
St. James's Place Allshare Income Unit Trust
St. James's Place Alternative Assets Unit Trust
St. James's Place Asia Pacific Unit Trust
St. James's Place Balanced Growth Unit Trust
St. James's Place Balanced International Growth Unit Trust
St. James's Place Balanced Managed Unit Trust
St. James's Place Conservative Growth Unit Trust
St. James's Place Conservative International Growth Unit Trust
St. James's Place Continental European Unit Trust
St. James's Place Corporate Bond Unit Trust
St. James's Place Diversified Assets (FAIF) Unit Trust
St. James's Place Diversified Bond Unit Trust
St. James's Place Emerging Markets Equity Unit Trust
St. James's Place Equity Income Unit Trust
St. James's Place Equity A Unit Trust
St. James's Place Equity B Unit Trust
St. James's Place Equity C Unit Trust
St. James's Place Gilts Unit Trust
St. James's Place Global Emerging Markets Unit Trust
St. James's Place Global Equity Income Unit Trust
St. James's Place Global Equity Unit Trust
St. James's Place Global Growth Unit Trust
St. James's Place Global Smaller Companies Unit Trust
St. James's Place Global Unit Trust
St. James's Place Greater European Progressive Unit Trust
St. James's Place Index Linked Gilts Unit Trust
St. James's Place International Corporate Bond Unit Trust
St. James's Place International Equity Unit Trust
St. James's Place Investment Grade Corporate Bond Unit Trust
St. James's Place Japan Unit Trust
St. James's Place Managed Growth Unit Trust
St. James's Place Money Market Unit Trust
St. James's Place Multi Asset Unit Trust
St. James's Place North American Unit Trust
St. James's Place Strategic Income Unit Trust
St. James's Place Strategic Managed Unit Trust
St. James's Place Sustainable & Responsible Equity Unit Trust
St. James's Place UK & General Progressive Unit Trust
St. James's Place UK & International Income Unit Trust
St. James's Place UK Absolute Return Unit Trust
St. James's Place UK Growth Unit Trust
St. James's Place UK Income Unit Trust
St. James's Place Worldwide Income Unit Trust
St. James's Place Worldwide Opportunities Unit Trust

23. Related party transactions

Transactions with St. James's Place unit trusts

In respect of the non-consolidated St. James's Place managed unit trusts that are held as investments in the St. James's Place life and pension funds, there were gains recognised of £12.3 million (2018: losses of £36.2 million) and the total value of transactions with those non-consolidated unit trusts was £28.0 million (2018: £26.1 million). Net management fees receivable from these unit trusts amounted to £11.3 million (2018: £12.2 million). The value of the investment into the non-consolidated unit trusts at 31 December 2019 was £139.9 million (2018: £143.2 million). These transactions are all with the Group's associate, as set out in Note 21.

Transactions with key management personnel

Key management personnel have been defined as the Board of Directors and members of the Executive Board. The remuneration paid to the Board of Directors of St. James's Place plc is set out in the Directors' Remuneration Report on pages 104 to 118, in addition to the disclosure below.

The Remuneration Report also sets out transactions with the Directors under the Group's share-based payment schemes, together with details of the Directors' interests in the share capital of the Company.

Compensation of key management personnel is as follows:

	Year ended 31 December 2019 £'Million	Year ended 31 December 2018 £'Million
Short-term employee benefits	**4.6**	5.9
Post-employment benefits	**0.4**	0.5
Share-based payment	**2.3**	4.5
Total	**7.3**	10.9

The total value of Group FUM held by related parties of the Group as at 31 December 2019 was £27.1 million (2018: £24.7 million). The total value of St. James's Place plc dividends paid to related parties of the Group during the year was £0.9 million (2018: £1.2 million).

Commission, advice fees and remuneration of £4.2 million (2018: £3.6 million) was paid, under normal commercial terms, to St. James's Place advisers and employees who were related parties by virtue of being connected persons with key management personnel. The outstanding amount payable at 31 December 2019 was £0.3 million (2018: £0.5 million).

Outstanding at the year-end were Partner loans of £4.9 million (2018: £4.2 million) due from St. James's Place advisers who were related parties by virtue of being connected persons with key management personnel. The Group either advanced, or guaranteed, these loans. During the year £1.2 million (2018: £3.2 million) was advanced and £0.6 million (2018: £0.5 million) was repaid by advisers who were related parties.

Business loans to Partners are interest-bearing (linked to Bank of England base rate plus a margin), repayable on demand and secured against the future renewal income streams of that adviser. Interest of £0.2 million was received during 2019 (2018: £0.1 million).

At the start of the year, related parties of key management personnel held 33,517 (2018: 31,017) shares and options under various St. James's Place plc share option schemes. During the year 35,988 (2018: 2,500) shares and options were granted, 3,142 (2018: nil) options lapsed and 2,500 (2018: nil) options were exercised.

Following his appointment to the Executive Board in May 2019, Robert Gardner became a member of the Group's key management personnel and hence a related party. As a result Redington Limited, a company under his joint control which provides the Group with investment consultancy services, also became a related party. During 2019, £6.0 million was expensed for these services, of which £0.5 million remains outstanding as a payable at 31 December 2019.

Parent Company Financial Statements under Financial Reporting Standard 101

Parent Company Statement of Financial Position

Registered number: 03183415

	Note	As at 31 December 2019 £'Million	As at 31 December 2018 £'Million
Investment in subsidiaries	2	**384.8**	508.0
Current assets			
Amounts owed by Group undertakings	6	**846.0**	793.7
Cash and cash equivalents		**0.1**	0.1
Current liabilities			
Corporation tax liabilities		**(2.9)**	(2.0)
Amounts owed to Group undertakings	6	**–**	(189.4)
Other payables		**(0.1)**	(0.1)
Net current assets		**843.1**	602.3
Net assets		**1,227.9**	1,110.3
Equity			
Share capital	3	**80.2**	79.4
Share premium		**182.4**	174.5
Share option reserve		**222.6**	193.9
Miscellaneous reserves		**0.1**	0.1
Retained earnings		**742.6**	662.4
Total shareholders' funds		**1,227.9**	1,110.3

In publishing the Parent Company Financial Statements, the Company has taken advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form part of these Parent Company Financial Statements. The Company is not required to present a Statement of Comprehensive Income. The Company's profit after tax for the financial year was £336.2 million (2018: £495.5 million) which can be seen in the Statement of Changes in Equity on page 198.

The Parent Company Financial Statements on pages 197 to 202 were approved by the Board of Directors on 26 February 2020 and signed on its behalf by:

ANDREW CROFT
Chief Executive

CRAIG GENTLE
Chief Financial Officer

The Notes and information on pages 199 to 202 form part of these Parent Company Financial Statements.

Parent Company Statement of Changes in Equity

	Note	Share capital £'Million	Share premium £'Million	Share option reserve £'Million	Miscellaneous reserves £'Million	Retained earnings £'Million	Total shareholders' funds £'Million
At 1 January 2018		79.4	171.7	160.5	0.1	409.6	821.3
Profit and total comprehensive income for the year		–	–	–	–	495.5	495.5
Dividends	5	–	–	–	–	(242.7)	(242.7)
Exercise of options	3	–	2.8	–	–	–	2.8
Cost of share options expensed in subsidiaries		–	–	33.4	–	–	33.4
At 31 December 2018		**79.4**	**174.5**	**193.9**	**0.1**	**662.4**	**1,110.3**
Profit and total comprehensive income for the year		**–**	**–**	**–**	**–**	**336.2**	**336.2**
Dividends	5	**–**	**–**	**–**	**–**	**(256.0)**	**(256.0)**
Issue of share capital	3	**0.1**	**3.9**	**–**	**–**	**–**	**4.0**
Exercise of options	3	**0.7**	**4.0**	**–**	**–**	**–**	**4.7**
Cost of share options expensed in subsidiaries		**–**	**–**	**28.7**	**–**	**–**	**28.7**
At 31 December 2019		**80.2**	**182.4**	**222.6**	**0.1**	**742.6**	**1,227.9**

As at 31 December 2019 the total distributable reserves of the Company were £742.6 million (2018: £662.4 million). Information on the Company's dividend policy can be found within Note 5 on page 201.

The Notes and information on pages 199 to 202 form part of these Parent Company Financial Statements.

Notes to the Parent Company Financial Statements

1. Accounting policies

Basis of preparation

St. James's Place plc (the Company) is a limited liability company incorporated in England and Wales, domiciled in the United Kingdom and whose shares are publicly traded. The Company offers a range of insurance, investment and other wealth management services through its subsidiaries, which are incorporated in the UK, Ireland and Asia.

The Financial Statements have been prepared under the historical cost convention, on a going concern basis and in accordance with Financial Reporting Standard 101 (FRS 101) 'Reduced Disclosure Framework' and the Companies Act 2006 as applicable to companies using FRS 101.

The preparation of Financial Statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. No significant accounting judgements have been made.

Adoption of amended accounting standards

The Annual Improvements 2015-2017 cycle were adopted by the Company as of 1 January 2019. This has not had any material impact on the Company's Financial Statements.

Adoption of new accounting standards

There were no relevant new accounting standards adopted during the year.

FRS 101 – Reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets, provided that equivalent disclosures are included in the Consolidated Financial Statements of the group in which the entity is consolidated.

Going concern

The Company is a non-trading investment holding company which has positive net assets. The Board believes the Company will continue to be in business, with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations for a period of at least 12 months from the date of approval of the Company Financial Statements. As a result, the Company continues to adopt the going concern basis in preparing these Financial Statements.

Significant accounting policies

The following principal accounting policies have been applied consistently to all the years presented.

(a) Investment return

Investment return comprises dividends from subsidiaries, which are accounted for when received.

(b) Taxation

Taxation is based on profits and income for the year as determined in accordance with the relevant tax legislation, together with adjustments to provisions for prior years.

(c) Investment in subsidiaries

Investments in subsidiaries are carried at cost stated after any impairment losses, plus the cost of equity-settled share awards granted by the Company of its own shares.

(d) Receivables

Receivables are initially recognised at fair value and subsequently held at amortised cost less impairment losses.

Notes to the Parent Company Financial Statements continued

1. Accounting policies continued

(e) Amounts owed to Group undertakings

Amounts owed to Group undertakings initially are recognised at fair value and subsequently held at amortised cost, as the business model for these assets is hold to collect contractual cash flows, which consistent solely of payments of principal and interest.

2. Investment in subsidiaries

	Cost	Share awards	Impairment provision	Net book value
	£'Million	£'Million	£'Million	£'Million
At 1 January 2018	269.4	160.5	(23.9)	406.0
Share awards granted	–	33.4	–	33.4
Share capital injection	68.6	–	–	68.6
At 31 December 2018	**338.0**	**193.9**	**(23.9)**	**508.0**
Share awards granted	**–**	**28.7**	**–**	**28.7**
Share capital injection	**6.0**	**–**	**–**	**6.0**
Impairment expense	**–**	**–**	**(157.9)**	**(157.9)**
At 31 December 2019	**344.0**	**222.6**	**(181.8)**	**384.8**

The carrying value of the investments has been tested for impairment. The investments are supported by the value in use of the subsidiaries. The investment in subsidiaries net book value is broken down as follows:

	31 December 2019	31 December 2018
	£'Million	£'Million
St. James's Place Wealth Management Group Limited	***87.6***	*87.6*
Cirenco Limited	***–***	*157.9*
St. James's Place DFM Holdings Limited	***74.6***	*68.6*
Directly held investments	**162.2**	314.1
St. James's Place Management Services Limited	***156.8***	*145.3*
St. James's Place Wealth Management plc	***61.8***	*45.0*
St. James's Place International plc	***0.2***	*0.1*
Rowan Dartington & Co Limited	***3.6***	*3.3*
Stafford House Investments Limited	***0.2***	*0.2*
Investments held due to share awards granted	**222.6**	193.9
Total	**384.8**	508.0

3. Share capital

	Number of ordinary shares	Called-up share capital
		£'Million
At 1 January 2018	529,077,896	79.4
– Exercise of options	375,501	–
At 31 December 2018	**529,453,397**	**79.4**
– Issue of shares	**388,783**	**0.1**
– Exercise of options	**4,958,446**	**0.7**
At 31 December 2019	**534,800,626**	**80.2**

The total authorised number of ordinary shares is 605 million (2018: 605 million), with a par value of 15 pence per share (2018: 15 pence per share). All issued shares are fully paid.

The Company received consideration of £4.7 million (2018: £2.8 million) for the shares issued during the year, including those issued to satisfy the exercise of options.

4. Auditors' remuneration

The total audit fee in respect of the Group is set out in Note 5 to the Consolidated Financial Statements on page 154. The audit fee charged to the Company for the year ended 31 December 2019 is £22,400 (2018: £1,120), which is borne by another entity within the Group.

5. Dividends

The following dividends have been paid by the Company:

	Year ended 31 December 2019 Pence per share	Year ended 31 December 2018 Pence per share	Year ended 31 December 2019 £'Million	Year ended 31 December 2018 £'Million
Final dividend in respect of previous financial year	**29.73**	27.45	**157.5**	145.0
Interim dividend in respect of current financial year	**18.49**	18.49	**98.5**	97.7
Total dividends	**48.22**	45.94	**256.0**	242.7

The Directors have recommended a final dividend of 31.22 pence per share (2018: 29.73 pence). This amounts to £167.0 million (2018: £157.5 million) and will, subject to shareholder approval at the Annual General Meeting, be paid on 22 May 2020 to those shareholders on the register as at 17 April 2020.

Dividend resources

The Company's expected dividend policy over the medium term is based on a pay-out ratio to Underlying cash of 80%. The capacity of the Company to make dividend payments to shareholders is determined by the availability of distributable reserves and cash resources. The actual pay-out ratio for 2019 is 97% based on the total proposed dividend of £265.5 million.

Distributable reserves

The Company is a non-trading investment holding company which derives its distributable reserves from dividends paid by its subsidiaries. The primary subsidiary which pays dividends to the Company is St. James's Place Wealth Management Group Limited, an intermediate holding company which in turn receives dividends primarily from St. James's Place UK plc, St. James's Place Unit Trust Group Limited and St. James's Place Investment Administration Limited. Ongoing solvency requirements within the life assurance, unit trust and financial services companies of the Group limit their ability to distribute all their distributable reserves. Analysis of solvency requirements is included in the Solvency section of the Financial Review on page 58 and further information about regulation and capital requirements is included in Note 18 to the Consolidated Financial Statements on pages 184 and 185.

The Directors review the distributable reserves of the Company ahead of each interim and final dividend being proposed to ensure the Company has sufficient distributable reserves to allow a lawful dividend to be paid. As at 31 December 2019, the total distributable reserves of the Company were £742.6 million (2018: £662.4 million). The Directors are satisfied that this is sufficient to support the proposed final dividend of £167.0 million.

Cash resources

The shareholder cash resources within the Group at 31 December 2019 were £292.8 million (2018: £248.5 million) as set out in Note 11 to the Consolidated Financial Statements. These cash resources are held by the operating entities within the Group. The cash generated by the Group during the year was £273.1 million on an Underlying cash basis (2018: £309.0 million) and £229.4 million on a Cash basis (2018: £268.7 million) as set out in the Financial Review on page 48. The total proposed dividend for 2019 of £265.5 million represents 97% of the Underlying cash result.

The Cash and Underlying cash bases should not be confused with the IFRS Statement of Cash Flows, which is presented in accordance with IAS 7 on page 141.

6. Related party transactions and balances

At the year end the following related party balances existed, in addition to the investments in subsidiaries which are set out in Note 2 to the Parent Company Financial Statements.

	31 December 2019 £'Million	31 December 2018 £'Million
Amounts owed by Group undertakings		
St. James's Place Partnership Services Limited	**846.0**	793.7
Total	**846.0**	793.7

	31 December 2019 £'Million	31 December 2018 £'Million
Amounts owed to Group undertakings		
Cirenco Limited	**–**	189.4
Total	**–**	189.4

Notes to the Parent Company Financial Statements continued

6. Related party transactions and balances continued

The amounts owed by Group undertakings are loans granted by the Company which are unsecured and repayable on demand. The loans incur interest at an agreed rate above the Bank of England's base rate, as stated in the loan agreements.

During the year, the Company received £480.0 million (2018: £483.8 million) of dividends from subsidiary undertakings. The total value of St. James's Place FUM held by related parties of the Company as at 31 December 2019 was £27.1 million (2018: £24.7 million). The total value of dividends paid to related parties of the Company during the year was £0.9 million (2018: £1.2 million).

The following wholly-owned subsidiaries of St. James's Place plc have taken advantage of the exemption from statutory audit granted by section 479A of the Companies Act 2006. In accordance with section 479C, St. James's Place plc has therefore guaranteed all the outstanding liabilities as at 31 December 2019 of:

Arbor Wealth Management Limited (name changed from SJP Interim Services Limited on 7 May 2019)	10735786
Baxter Holding Company Limited	09805128
Baxter & Lindley Financial Services Limited	02307706
BFS Financial Services Limited (name changed to Perennial Financial Management Limited on 13 January 2020)	04609753
Cabot Portfolio Nominees Limited	03636010
CGA Financial & Investment Services Limited	02666180
Cirenco Limited	01773177
Dartington Portfolio Nominees Limited	01489542
Future Proof Limited	07608319
Hale Financial Solutions Limited	04373946
Linden House Financial Services Limited	02990295
Linden House Group Limited	08464570
M.H.S. (Holdings) Limited	00559995
M.S. Estates and Financial Services Limited	02224813
Rowan Dartington Holdings Limited	07470226
SJP AESOP Trustees Limited	04089795
St. James's Place (PCP) Limited	02706684
St. James's Place Acquisition Services Limited	07730835
St. James's Place Client Solutions Limited	05487108
St. James's Place Corporate Secretary Limited	09131866
St. James's Place DFM Holdings Limited	09687687
St. James's Place International Distribution Limited	08798683
St. James's Place Nominees Limited	08764214
Stafford House Investments Limited	03866935
Technical Connection Limited	03178474

7. Directors' emoluments

The Directors' responsibilities relate primarily to the trading companies of the Group and accordingly their costs are charged to those companies and none are met by the Parent Company. Disclosure of the Directors' emoluments is made within the Directors' Remuneration Report on pages 104 to 118.

8. Company information

In the opinion of the Directors there is not considered to be any ultimate controlling party. Copies of the Consolidated Financial Statements of St. James's Place plc may be obtained from the Company Secretary, St. James's Place plc, St. James's Place House, 1 Tetbury Road, Cirencester, Gloucestershire, GL7 1FP.

Supplementary Information: Consolidated Financial Statements on a Cash Result Basis (unaudited)

Consolidated Statement of Comprehensive Income on a Cash Result Basis (unaudited)

	Note	Year ended 31 December 2019 £'Million	Year ended 31 December 2018 £'Million
Fee and commission income		**2,355.4**	1,523.6
Investment return	6	**37.6**	7.6
Net income		**2,393.0**	1,531.2
Expenses		**(1,600.8)**	(1,540.5)
Profit/(loss) before tax		**792.2**	(9.3)
Tax attributable to policyholders' returns		**(521.8)**	296.5
Tax attributable to shareholders' returns		**(41.0)**	(18.5)
Total Cash result for the year		**229.4**	268.7

		Pence	Pence
Cash result basic earnings per share	III	**43.2**	51.1
Cash result diluted earnings per share	III	**43.0**	50.2

The Note references above cross refer to the Notes to the Consolidated Financial Statements under IFRS on pages 142 to 195, except where denoted in Roman numerals.

Consolidated Statement of Changes in Equity on a Cash Result Basis (unaudited)

		Equity attributable owners of the Parent Company						Non-controlling interests	Total equity
		Share capital	Share premium	Shares in trust reserve	Retained earnings	Misc. reserves	Total		
	Note	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
At 1 January 2018		79.4	171.7	(26.7)	869.1	2.5	1,096.0	(0.9)	1,095.1
Cash result for the year		–	–	–	268.7	–	268.7	–	268.7
Dividends	19	–	–	–	(242.7)	–	(242.7)	–	(242.7)
Exercise of options	19	–	2.8	–	–	–	2.8	–	2.8
Consideration paid for own shares		–	–	(6.0)	–	–	(6.0)	–	(6.0)
Shares sold during the year		–	–	9.0	(9.0)	–	–	–	–
Change in deferred tax		–	–	–	(31.8)	–	(31.8)	–	(31.8)
Change in tax discounting		–	–	–	23.4	–	23.4	–	23.4
Change in goodwill and intangibles		–	–	–	(1.5)	–	(1.5)	–	(1.5)
At 31 December 2018		**79.4**	**174.5**	**(23.7)**	**876.2**	**2.5**	**1,108.9**	**(0.9)**	**1,108.0**
Cash result for the year		**–**	**–**	**–**	**229.4**	**–**	**229.4**	**–**	**229.4**
Dividends	19	**–**	**–**	**–**	**(256.0)**	**–**	**(256.0)**	**–**	**(256.0)**
Issue of share capital	19	**0.1**	**3.9**	**–**	**–**	**–**	**4.0**	**–**	**4.0**
Exercise of options	19	**0.7**	**4.0**	**–**	**–**	**–**	**4.7**	**–**	**4.7**
Consideration paid for own shares		**–**	**–**	**(0.1)**	**–**	**–**	**(0.1)**	**–**	**(0.1)**
Shares sold during the year		**–**	**–**	**7.4**	**(7.4)**	**–**	**–**	**–**	**–**
Proceeds from exercise of shares held in trust		**–**	**–**	**–**	**0.2**	**–**	**0.2**	**–**	**0.2**
Change in deferred tax		**–**	**–**	**–**	**(10.4)**	**–**	**(10.4)**	**–**	**(10.4)**
Change in tax discounting		**–**	**–**	**–**	**(10.0)**	**–**	**(10.0)**	**–**	**(10.0)**
Change in goodwill and intangibles		**–**	**–**	**–**	**(13.0)**	**–**	**(13.0)**	**–**	**(13.0)**
At 31 December 2019		**80.2**	**182.4**	**(16.4)**	**809.0**	**2.5**	**1,057.7**	**(0.9)**	**1,056.8**

The Note references above cross refer to the Notes to the Consolidated Financial Statements under IFRS on pages 142 to 195, except where denoted in Roman numerals.

Consolidated Statement of Financial Position on a Cash Result Basis (unaudited)

	Note	31 December 2019 £'Million	31 December 2018 £'Million
Assets			
Property and equipment	9	**166.3**	28.5
Fixed income securities	17	**5.2**	5.4
Investment in Collective Investment Schemes	17	**1,131.8**	1,297.0
Cash and cash equivalents	17	**292.8**	248.5
Other receivables		**1,391.9**	890.1
Income tax assets		**–**	9.7
Deferred tax assets		**98.5**	111.6
Total assets		**3,086.5**	2,590.8
Liabilities			
Borrowings	16	**403.7**	348.6
Other provisions	15	**40.6**	22.7
Other payables		**1,033.7**	956.9
Income tax liabilities		**115.4**	–
Deferred tax liabilities		**436.2**	154.5
Preference shares		**0.1**	0.1
Total liabilities		**2,029.7**	1,482.8
Net assets		**1,056.8**	1,108.0
Shareholders' equity			
Share capital	19	**80.2**	79.4
Share premium		**182.4**	174.5
Shares in trust reserve		**(16.4)**	(23.7)
Miscellaneous reserves		**2.5**	2.5
Retained earnings		**809.0**	876.2
Shareholders' equity		**1,057.7**	1,108.9
Non-controlling interests		**(0.9)**	(0.9)
Total shareholders' equity on a Cash Result Basis		**1,056.8**	1,108.0

	Pence	Pence
Net assets per share	**197.6**	209.3

The Note references above cross refer to the Notes to the Consolidated Financial Statements under IFRS on pages 142 to 195, except where denoted in Roman numerals.

Notes to the Consolidated Financial Statements on a Cash Result Basis (unaudited)

I. Basis of preparation

The Consolidated Financial Statements on a Cash Result Basis have been prepared by adjusting the Financial Statements prepared in accordance with International Financial Reporting Standards as adopted by the EU (adopted IFRSs) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) for items which do not reflect the cash emerging from the business. The adjustments are as follows:

1. Unit liabilities and net assets held to cover unit liabilities, as set out in Note 11 to the Consolidated Financial Statements, are policyholder balances which are removed in the Statement of Financial Position on a Cash Result Basis. No adjustment for payments in or out is required in the Statement of Comprehensive Income as this business is subject to deposit accounting, which means that policyholder deposits and withdrawals are recognised in the Statement of Financial Position under IFRS, with only marginal cash flows attributable to shareholders recognised in the Statement of Comprehensive Income. However, adjustment is required for the investment return and the movement in investment contract liabilities, which are offsetting and are both zero-ised.
2. Deferred acquisition costs, the purchased value of in-force business and deferred income assets and liabilities are removed from the Statement of Financial Position on a Cash Result Basis, and the amortisation of these balances is removed in the Statement of Comprehensive Income on a Cash Result Basis. The assets, liabilities and amortisation are set out in Note 8 to the Consolidated Financial Statements.
3. Share-based payment expense is removed from the Statement of Comprehensive Income on a Cash Result Basis, and the equity and liability balances for equity-settled and cash-settled share-based payment schemes respectively are removed from the Statement of Financial Position on a Cash Result Basis. Share-based payment balances are set out in Note 20 to the Consolidated Financial Statements.
4. Non-unit-linked insurance contract liabilities and reinsurance assets, as set out in Note 14 to the Consolidated Financial Statements, are removed in the Statement of Financial Position on a Cash Result Basis. The movement in these balances is removed from the Statement of Comprehensive Income on a Cash Result Basis.
5. Goodwill, computer software intangible assets and some other assets and liabilities which are inadmissible under the Solvency II regime are removed from the Statement of Financial Position on a Cash Result Basis, however the movement in these figures are included in the Statement of Comprehensive Income on a Cash Result Basis.
6. Deferred tax assets and liabilities are adjusted in the Statement of Financial Position on a Cash Result Basis to reflect the adjustments noted above and other discounting differences between tax charges and IFRS accounting. However, the impact of movements in deferred tax assets and liabilities are not included in the Statement of Comprehensive Income on a Cash Result Basis.

Notes to the Consolidated Financial Statements on a Cash Result Basis (unaudited) continued

II. Reconciliation of the IFRS Balance Sheet to the Cash Balance Sheet

The Solvency II Net Assets (or Cash) balance sheet is based on the IFRS Consolidated Statement of Financial Position (on page 140), with adjustments made to accounting assets and liabilities to reflect the Solvency II regulations and the provision for insurance liabilities set equal to the associated unit liabilities.

The reconciliation between the IFRS and Solvency II Net Assets Balance Sheet as at 31 December 2019 is set out on page 52. The reconciliation as at 31 December 2018 is set out below.

31 December 2018	IFRS Balance Sheet £'Million	Adjustment 1 £'Million	Adjustment 2 £'Million	Solvency II Net Assets Balance Sheet £'Million
Assets				
Goodwill	15.6	–	(15.6)	–
Deferred acquisition costs	558.5	–	(558.5)	–
Purchased value of in-force business	24.0	–	(24.0)	–
Computer software	1.4	–	(1.4)	–
Property and equipment	28.5	–	–	28.5
Deferred tax assets	147.1	–	(35.5)	111.6
Reinsurance assets	82.8	–	(82.8)	–
Other receivables	1,952.3	(1,059.1)	(3.1)	890.1
Income tax assets	9.7	–	–	9.7
Investment property	1,820.7	(1,820.7)	–	–
Equities	56,077.9	(56,077.9)	–	–
Fixed income securities	21,966.0	(21,960.6)	–	5.4
Investment in Collective Investment Schemes	4,756.1	(3,459.1)	–	1,297.0
Derivative financial instruments	508.8	(508.8)	–	–
Cash and cash equivalents	6,877.6	(6,629.1)	–	248.5
Total assets	94,827.0	(91,515.3)	(720.9)	2,590.8
Liabilities				
Borrowings	348.6	–	–	348.6
Deferred tax liabilities	172.9	–	(18.4)	154.5
Insurance contract liabilities	508.1	(421.2)	(86.9)	–
Deferred income	648.3	–	(648.3)	–
Other provisions	22.7	–	–	22.7
Other payables	1,290.8	(277.7)	(56.2)	956.9
Investment contract benefits	67,796.1	(67,796.1)	–	–
Derivative financial instruments	517.4	(517.4)	–	–
Net asset value attributable to unit holders	22,502.9	(22,502.9)	–	–
Income tax liabilities	–	–	–	–
Preference shares	0.1	–	–	0.1
Total liabilities	93,807.9	(91,515.3)	(809.8)	1,482.8
Net Assets	1,019.1	–	88.9	1,108.0

Adjustment 1 nets out the policyholder interest in unit-linked assets and liabilities.

Adjustment 2 comprises adjustment to the IFRS Statement of Financial Position in line with Solvency II requirements, including removal of DAC, DIR, PVIF and their associated deferred tax balances, goodwill and other intangibles.

III. Earnings per share

	Year ended 31 December 2019	Year ended 31 December 2018
	£'Million	£'Million
Earnings		
Cash result after tax attributable to equity shareholders (for both basic and diluted EPS)	229.4	268.7
	Million	Million
Weighted average number of shares		
Weighted average number of ordinary shares in issue (for basic EPS)	531.3	526.0
Adjustments for outstanding share options	2.7	8.7
Weighted average number of ordinary shares (for diluted EPS)	534.0	534.7
	Pence	Pence
Earnings per share (EPS)		
Basic earnings per share	43.2	51.1
Diluted earnings per share	43.0	50.2

04

Other Information

We listen and respond

The business has a broad range of stakeholders, and its duties to them are reflected in our strategy which has a fundamental and clear focus on each stakeholder, including our workforce, the Partnership, our clients, shareholders, third-party suppliers, regulators and wider society. This section provides information of particular interest to shareholders, such as the financial calendar, information about our locations and how stakeholders can contact us, and two glossaries which provide further information on our alternative performance measures and key terms to assist stakeholders in understanding the Annual Report and Accounts.

Shareholder Information

Analysis of number of shareholders

Analysis by number of shares	Holders	Percentage	Shares held	Percentage
1–999	2,326	45.90%	831,899	0.15%
1,000–9,999	1,868	36.87%	5,545,395	1.04%
10,000–99,999	548	10.82%	18,498,648	3.46%
100,000 and above	325	6.41%	509,924,684	95.35%
	5,067	**100.00%**	**534,800,626**	**100.00%**

2020 financial calendar

Ex-dividend date for final dividend	16 April 2020
Record date for final dividend	17 April 2020
Announcement of first-quarter new business	30 April 2020
Annual General Meeting	7 May 2020
Payment date for final dividend	22 May 2020
Announcement of Interim Results and second-quarter new business	28 July 2020
Ex-dividend date for interim dividend	27 August 2020
Record date for interim dividend	28 August 2020
Payment date for interim dividend	25 September 2020
Announcement of third-quarter new business	27 October 2020

The above dates are subject to change and further information on the 2020 financial calendar can be found on the Company's website, **www.sjp.co.uk**.

Dividend Reinvestment Plan

If you would prefer to receive new shares instead of cash dividends, please complete a Dividend Reinvestment Plan (DRIP) form, which is available from our Registrars, Computershare Investor Services PLC. Their contact details are on page 213.

Dividend mandate

Shareholders can arrange to have their dividends paid directly into their bank or building society account by completing a bank mandate form. The advantages to using this service are: the payment is more secure than sending a cheque through the post; it avoids the inconvenience of paying in a cheque and reduces the risk of lost, stolen or out-of-date cheques. A mandate form can be obtained from Computershare or you will find one on the reverse of your last dividend confirmation.

Share dealing

A telephone share dealing service has been established with the Registrars, Computershare Investor Services PLC, which provides shareholders with a simple way of buying or selling St. James's Place plc shares on the London Stock Exchange. If you are interested in this service, telephone 0370 703 0084.

An internet share dealing service is also available. Further information about share dealing services can be obtained by logging on to: **www.computershare.trade**.

Electronic communications

If you would like to have access to shareholder communications such as the Annual Report and the Notice of General Meeting through the internet rather than receiving them by post, please register at **www.investorcentre.co.uk/ecomms**.

How to Contact us and Advisers

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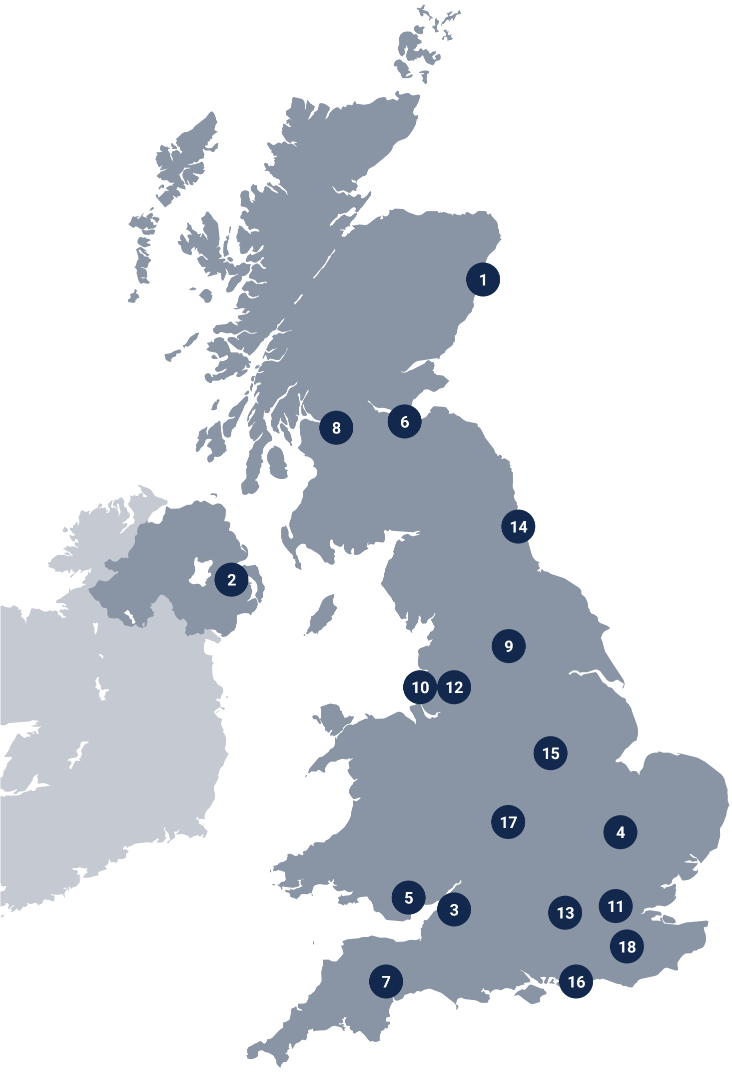

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Glossary of Alternative Performance Measures

Within the Annual Report and Accounts various alternative performance measures (APMs) are disclosed.

An APM is a measure of financial performance, financial position or cash flows which is not defined by the relevant financial reporting framework, which for the Group is International Financial Reporting Standards (IFRS) as adopted by the European Union. APMs are used to provide greater insight into the performance of the Group and the way it is managed by the Directors. The table below defines each APM, explains why it is used and, if applicable, where the APM has been reconciled to IFRS:

Financial position related APMs

APM	Definition	Why is this measure used?	Reconciliation to the Financial Statements
Solvency II net assets	Based on IFRS Net Assets, but with the following adjustments: 1. Reflection of the recognition requirements of the Solvency II regulations for assets and liabilities. In particular this removes deferred acquisition costs (DAC), deferred income (DIR), purchased value of in-force (PVIF) and their associated deferred tax balances, other intangibles and some other small items which are treated as inadmissible from a regulatory perspective; and 2. Adjustment to remove the matching client assets and the liabilities as these do not represent shareholder assets. No adjustment is made to deferred tax, except for that arising on DAC, DIR and PVIF, as this is treated as an allowable asset in the Solvency II regulation.	Our ability to satisfy our liabilities to clients, and consequently our solvency, is central to our business. By removing the liabilities which are fully matched by assets, this presentation allows the reader to focus on the business operation. It also provides a simpler comparison with other wealth management companies.	Refer to page 52.
Total embedded value	A discounted cash flow valuation methodology, assessing the long-term economic value of the business. Our embedded value is determined in line with the EEV principles, originally set out by the Chief Financial Officers (CFO) Forum in 2004, and amended for subsequent changes to the principles, including those published in April 2016, following the implementation of Solvency II.	Life business and wealth management business differ from most other businesses, in that the expected shareholder income from the sale of a product emerges over a long period in the future. We therefore supplement the IFRS and Cash results by providing additional disclosure on an embedded value basis, which brings into account the net present value of expected future cash flows, as we believe that a measure of total economic value of the Group is useful to investors.	Not applicable.
EEV net asset value (NAV) per share	EEV net asset value per share is calculated as the EEV net assets divided by the year end number of ordinary shares.	Total embedded value provides a measure of total economic value of the Group, and assessing the NAV per share allows analysis of the overall value of the Group by share.	Not applicable.
IFRS NAV per share	IFRS net asset value per share is calculated as the IFRS net assets divided by the year-end number of ordinary shares.	Total IFRS net assets provides a measure of value of the Group, and assessing the NAV per share allows analysis of the overall value of the Group by share.	Not applicable.

Financial performance related APMs

APM	Definition	Why is this measure used?	Reconciliation to the Financial Statements
Operating cash result, Underlying cash result and Cash result	The Cash result is defined as the movement between the opening and closing Solvency II net assets adjusted for the following items: 1. The movement in deferred tax is removed to reflect just the cash realisation from the deferred tax position; 2. The movements in goodwill and other intangibles are included; and 3. Other changes in equity, such as dividends paid in the year and non-cash-settled share option costs, are excluded. The Operating cash result reflects the regular emergence of cash from the business operations. The Underlying cash results additionally reflects the cash impact of the strategic investments we are making. Finally, the Cash result reflects all other cash items, including those whose emergence is volatile, varying over time and often influenced by markets, together with the short-term costs associated with the back-office infrastructure project. Neither the Cash result nor the underlying cash result should be confused with the IFRS Consolidated Statement of Cash Flows which is prepared in accordance with IAS 7.	IFRS income statement methodology recognises non-cash items such as deferred tax and non-cash-settled share options. By contrast, dividends can only be paid to shareholders from appropriately fungible assets. The Board therefore uses the Cash results to monitor the level of cash generated by the business. While the Cash result gives an absolute measure of the cash generated in the year, the Underlying and Operating cash results are particularly useful for monitoring the expected long-term rate of cash emergence, which supports dividends and sustainable dividend growth.	Refer to pages 47, 48 and also see Note 3 – Segment Profit to the Consolidated Financial Statements
Underlying cash basic and diluted earnings per share (EPS)	These EPS measures are calculated as Underlying cash divided by the number of shares used in the calculation of IFRS basic and diluted EPS.	As Underlying cash is the best reflection of the cash generated by the business, Underlying cash EPS measures allow analysis of the shareholder cash generated by the business by share.	Not applicable.
EEV profit	Derived as the movement in the total EEV during the year.	Both the IFRS and Cash results reflect only the cash flows in the year. However our business is long-term, and activity in the year can generate business with a long-term value. We therefore believe it is helpful to understand the full economic impact of activity in the year, which is the aim of the EEV methodology.	See Note 3 – Segment Profit to the Consolidated Financial Statements
EEV operating profit	A discounted cash flow valuation methodology, assessing the long-term economic value of the business. Our embedded value is determined in line with the EEV principles, originally set out by the Chief Financial Officers (CFO) Forum in 2004, and amended for subsequent changes to the principles, including those published in April 2016, following the implementation of Solvency II. The EEV operating profit reflects the total EEV result with an adjustment to strip out the impact of stock market and other economic effects during the year. Within EEV operating profit is new business contribution, which is the change in embedded value arising from writing new business during the year.	Both the IFRS and Cash results reflect only the cash flows in the year. However, our business is long-term, and activity in the year can generate business with a long-term value. We therefore believe it is helpful to understand the full economic impact of activity in the year, which is the aim of the EEV methodology. Within the EEV, many of the future cash flows derive from fund charges, which change with movements in stock markets. Since the impact of these changes is typically unrelated to the performance of the business, we believe that the EEV operating profit (reflecting the EEV profit, adjusted to reflect only the expected investment performance and no change in economic basis) provides the most useful measure of embedded value performance in the year.	See Note 3 – Segment Profit to the Consolidated Financial Statements
EEV operating profit basic and diluted earnings per share (EPS)	These EPS measures are calculated as EEV operating profit after tax divided by the number of shares used in the calculation of IFRS basic and diluted EPS.	As EEV operating profit is the best reflection of the EEV generated by the business, EEV operating profit EPS measures allow analysis of the long-term value generated by the business by share.	Not applicable.

Glossary of Alternative Performance Measures continued

Financial performance related APMs continued

APM	Definition	Why is this measure used?	Reconciliation to the Financial Statements
Policyholder and shareholder tax	Shareholder tax is estimated by making an assessment of the effective rate of tax that is applicable to the shareholders on the profits attributable to the shareholders. This is calculated by applying the appropriate effective corporate tax rates to the shareholder profits. The remainder of the tax charge represents tax on policyholders' investment returns. This calculation method is consistent with the legislation relating to the calculation of the tax on shareholders' profits.	The UK tax regime facilitates the collection of tax from life insurance policyholders by making an equivalent charge within the corporate tax of the Company. The total tax charge for the insurance companies therefore comprises both this element and an element more closely related to normal corporation tax. Life insurance business impacted by this tax typically includes policy charges which align with the tax liability, to mitigate the impact on the corporate. As a result, when policyholder tax increases, the charges also increase. Given these offsetting items can be large, and typically do not perform in line with the business, it is beneficial to be able to identify the two elements separately. We therefore refer to that part of the overall tax charge, which is deemed attributable to policyholders, as policyholder tax, and the rest as shareholder tax.	Disclosed as separate line items in the Statement of Comprehensive Income on page 138.
Profit before shareholder tax	A profit measure which reflects the IFRS result adjusted for policyholder tax, but before deduction of shareholder tax. Within the Consolidated Statement of Comprehensive Income the full title of this measure is 'Profit before tax attributable to shareholders' returns'.	The IFRS methodology requires that the tax recognised in the Financial Statements should include the tax incurred on behalf of policyholders in our UK life assurance company. Since the policyholder tax charge is unrelated to the performance of the business, we believe it is also useful to separately identify the profit before shareholder tax, which reflects the IFRS profit before tax, adjusted only for tax paid on behalf of policyholders.	Disclosed as a separate line item in the Statement of Comprehensive Income on page 138.
Underlying profit	A profit measure which reflects the IFRS result adjusted to remove the DAC, DIR and PVIF adjustments.	The IFRS methodology promotes recognition of profits in line with the provision of services and so, for long-term business, some of the initial cash flows are spread over the life of the contract through the use of intangible assets and liabilities (DAC and DIR). Due to the Retail Distribution Review (RDR) regulation change in 2013, there was a step change in the progression of these items in our accounts, which resulted in significant accounting presentation changes despite the fundamentals of our vertically-integrated business remaining unchanged. We therefore believe it is useful to consider the IFRS result having removed the impact of movements in these intangibles as it better reflects the underlying performance of the business.	Refer to page 46.

Glossary of Terms

Adviser or financial adviser
An individual who is authorised by an appropriate regulatory authority to provide financial advice. In the UK our advisers are authorised by the FCA.

Administration platform, also Bluedoor
A new client-centric administration system, which has been developed in conjunction with our third-party outsourced administration provider, SS&C. The system is owned by SS&C.

Capita
A provider of business process outsourcing and integrated professional support service solutions, which is our third-party outsourced provider, responsible for the administration of our Dublin-based life insurance company, SJPI.

Chief Operating Decision Maker (CODM)
The Executive Committee of the Board (Executive Board), which is responsible for allocating resources and assessing the performance of the operating segments.

Client advocacy
The Company requests feedback from clients biennially through a survey distributed alongside the Wealth Account. Advocacy is measured by the response to the question 'Would you recommend SJP services to others?'. The potential responses distinguish between 'Yes, and have done so already', 'Yes, but have yet to do so' and 'No'.

Client numbers
The number of individuals who have received advice from a St. James's Place Partner and own a St. James's Place wrapper.

Client retention
Client retention is assessed by calculating the proportion of clients at 1 January in the year who remain as a client throughout the year and are still a client on 31 December of the same year.

Company
The Company refers to St. James's Place plc, which is also referred to as 'St. James's Place', 'St. James's Place plc' and 'SJP' throughout the Annual Report and Accounts.

Deferred acquisition costs (DAC)
An intangible asset required to be established through the application of IFRS to our long-term business. The value of the asset is equal to the amount of all costs which accrue in line with new business volumes. The asset is amortised over the expected lifetime of the business.

Deferred income (DIR)
Deferred income, which arises from the requirement in IFRS that initial charges on long-term financial instruments, should only be recognised over the lifetime of the business. The initial amount of the balance is equal to the charge taken.

Discretionary Fund Management (DFM)
A generic term for a form of investment management in which buy and sell decisions are made (or assisted) by a portfolio manager for a client's account. Within St. James's Place, the services provided by Rowan Dartington (including investment management, advisory stockbroking and wealth planning) are collectively referred to as Discretionary Fund Management, distinguishing them from the services provided by our Partners and from the Investment Management Approach (IMA).

European Embedded Value (EEV)
EEV reflects the fact that the expected shareholder income from the sale of wealth management products emerges over a long period of time by bringing into account the net present value of the expected future cash flows. EEV is calculated in accordance with the EEV principles originally issued in May 2004 by the Chief Financial Officers Forum (CFO Forum), supplemented in both October 2005 and, following the introduction of Solvency II, in April 2016.

Field management team (FMT)
The team of managers within St. James's Place with day-to-day responsibility for support and supervision of the Partnership.

Financial Conduct Authority (FCA)
The FCA is a company limited by guarantee and is independent of the Bank of England. It is responsible for the conduct of business regulation of all firms (including those firms subject to prudential regulation by the Prudential Regulation Authority (PRA)) and the prudential regulation of all firms not regulated by the PRA. The FCA has three statutory objectives: securing an appropriate degree of protection for consumers, protecting and enhancing the integrity of the UK financial system, and promoting effective competition in the interests of consumers.

Financial Services Compensation Scheme (FSCS)
The FSCS is the UK's statutory compensation scheme for customers of authorised financial services firms. This means that the FSCS can pay compensation if a firm is unable, or is likely to be unable, to pay claims against it. The FSCS is an independent body, set up under the Financial Services and Markets Act 2000 (FSMA), and funded by a levy on 'authorised financial services firms'. The scheme covers deposits, insurance policies, insurance brokering, investments, mortgages and mortgage arrangement.

Funds under management (FUM)
Represents all assets actively managed or administered by or on behalf of the Group, including all life insurance and unit trust assets, but not assets managed by third parties where we have only introduced or advised on the business. Assets managed by Rowan Dartington count as FUM from the date of acquisition.

Gestation FUM
This represents FUM on which no annual management charges are taken. Most of our investment and pension business enters a six-year gestation period following initial investment. FUM which is not gestation FUM is known as mature FUM, which is defined overleaf.

Gross inflows
Total new funds under management accepted in the period. New funds accepted by Rowan Dartington count for Gross inflows from the date of acquisition.

Glossary of Terms continued

Group
The Group refers to the Company together with its subsidiaries as listed in Note 22 to the Consolidated Financial Statements.

International Financial Reporting Standards (IFRS)
These are accounting regulations issued by the International Accounting Standards Board (IASB) designed to ensure comparable preparation and disclosure of statements of financial position, and are the standards that all publicly listed companies in the European Union are required to use.

Investment Management Approach (IMA)
The IMA is how St. James's Place manages clients' investments. It is managed by the St. James's Place Investment Committee, which in turn is advised by respected independent investment research consultancies, including Stamford Associates, Redington and Aon Consulting. The Investment Committee is responsible for identifying fund managers for our funds, selecting from fund management firms all around the world. It is also responsible for monitoring the performance of our fund managers, and, if circumstances should change and it becomes necessary, then it is responsible for changing the fund manager as well.

Mature FUM
This represents FUM on which annual product management charges are taken. ISA and unit trust business flows into mature FUM from initial investment, but most of our investment and pension business only becomes mature FUM after the six-year gestation period, during which time it is known as gestation FUM.

Maturities
Those sums paid out where a plan has reached the intended, pre-selected, maturity event (e.g. retirement).

Net inflows
Net inflows are Gross inflows less the amount of FUM withdrawn by clients during the same period. The net inflows are the growth in FUM not attributable to investment performance.

Paraplanner
Staff in a Partner practice who support the advisers in that practice.

Policyholder and shareholder tax
The UK tax regime facilitates the collection of tax from life insurance policyholders by making an equivalent charge within the corporate tax of the Company. This part of the overall tax charge, which is attributable to policyholders, is called policyholder tax. The rest is shareholder tax.

Prudential Regulation Authority (PRA)
The PRA is a part of the Bank of England and is responsible for the prudential regulation of deposit-taking institutions, insurers and major investment firms. The PRA has two statutory objectives: to promote the safety and soundness of these firms and, specifically for insurers, to contribute to the securing of an appropriate degree of protection for policyholders.

Purchased value of in-force (PVIF)
An intangible asset established on takeover or acquisition, reflecting the present value of the expected emergence of profits from a portfolio of long-term business. The asset is amortised in line with the emergence of profits.

Registered Individuals
An individual who is registered by the FCA, particularly an individual who is registered to provide financial advice. See also Adviser and St. James's Place Partner.

Regular income withdrawals
Those amounts, pre-selected by clients, which are paid out by way of periodic income.

Responsible investment (RI)
Principles and practices that consider broader sustainability themes and specific environmental, social and corporate governance (ESG) factors within the investment process.

Retirement Account (RA)
A pension product, launched during 2016, which incorporates both pre-retirement pension saving and post-retirement benefit receipts in the same investment product.

Rowan Dartington (RD)
A wealth management business providing investment management, advisory stockbroking and wealth planning services acquired by St. James's Place during 2016.

Solvency II
Insurance regulations designed to harmonise EU insurance regulation which became effective on 1 January 2016. The key concerns of the regulation are to ensure robust risk management in insurance companies and to use that understanding of risk to help determine the right amount of capital for European insurance companies to hold to ensure their ongoing viability in all but the most severe stressed scenarios.

SS&C Technologies Inc (SS&C)
A provider of investor and policyholder, administration and technology services, formerly known as DST Systems. SS&C is our third-party outsourced provider, responsible for the administration of our UK life insurance company SJPUK, our unit trust manager SJPUTG, and our investment administration company SJPIA.

St. James's Place Charitable Foundation
The independent grant-making charity established at the same time as the Company in 1992. More information about the Charitable Foundation can be found on pages 68 to 71 or on the website **www.sjpfoundation.co.uk**.

St. James's Place International plc (SJPI)
A life insurance entity in the Group which is incorporated in the Republic of Ireland.

St. James's Place Investment Administration Limited (SJPIA)

An entity in the Group which is responsible for unit trust administration and ISA management, which is incorporated in England and Wales.

St. James's Place Partner

A member of the St. James's Place Partnership. Specifically, the individual or business that is registered as an Appointed Representative of St. James's Place on the FCA website. St. James's Place Partner practices vary in size and structure. Many are sole traders but there are also a growing number of businesses employing many advisers.

St. James's Place Partnership

The collective name for all of our advisers, who are Appointed Representatives of St. James's Place.

St. James's Place UK plc (SJPUK)

A life insurance entity in the Group which is incorporated in England and Wales.

St. James's Place Unit Trust Group Limited (SJPUTG)

An entity in the Group which is responsible for unit trust management, which is incorporated in England and Wales.

St. James's Place Wealth Management plc (SJPWM)

The UK distribution entity within the Group, which is responsible for the St. James's Place Partnership and the advice they provide to clients. It is incorporated in England and Wales.

State Street

State Street is a global financial services holding company offering custodian services, investment management services, and investment research and trading services. State Street is responsible for the custody of the majority of the St. James's Place assets, and also provides other investment management services.

Surrenders and part-surrenders

Those amounts of money which clients have chosen to withdraw from their plan, which were not pre-selected regular income withdrawals or maturities.

Vertically integrated

When we describe St. James's Place as being vertically integrated, we are referring to the fact its distribution capability (the Partnership) and the manufacturers of the its investment products are both part of the Group.

Designed and produced by Instinctif Partners **creative.instinctif.com**

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