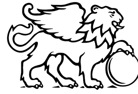

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PRESS RELEASE

25 February 2021

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

ROBUST NEW BUSINESS AND FINANCIAL PERFORMANCE

St. James's Place plc ("SJP"), the wealth management group, today issues its annual results for the year ended 31 December 2020:

Financial Highlights

- Underlying cash result £264.7 million (2019: £273.1 million)
- Underlying cash basic earnings per share of 49.6 pence (2019: 51.4 pence per share)
- EEV operating profit £919.0 million (2019: £952.0 million)
- EEV net asset value per share £14.49 (2019: £13.20)
- IFRS profit before shareholder tax £327.6 million (2019: £187.1 million)
- IFRS profit after tax £262.0 million (2019: £146.6 million)

Dividend

- 2019 withheld final dividend of 11.22 pence per share to be paid as an interim dividend during Q1 2021
- Proposed final dividend of 38.49 pence per share (2019: nil); full year dividend of 38.49 pence per share (2019: 49.71 pence per share)

Other Highlights

- Gross inflows of £14.3 billion (2019: £15.1 billion)
- Net inflow of funds under management of £8.2 billion (2019: £9.0 billion)
- Funds under management of £129.3 billion (2019: £117.0 billion)
- We are now represented by 4,338 qualified advisers across the Partnership
- Achieved rapid and successful transition to remote working practices, aided by pace of technology investment
- Ambitious set of five year planning assumptions published today together with revised forward-looking dividend guidance

Andrew Croft, Chief Executive Officer, commented:

"2020 was an extraordinary year for individuals, families, businesses and broader societies across the globe, with events shaped by the COVID-19 pandemic that began early in the year. Our lives have been disrupted and we have all had to adapt to protect the physical, mental and financial health of ourselves, our friends and loved ones, our colleagues, and the vulnerable.

Our operations and performance during 2020 were inevitably disrupted by the lockdowns and social distancing. However I am very pleased to report that our business has demonstrated real resilience and made further progress with net inflows of £8.2 billion for the year and funds under management closing at a record £129.3 billion. This outcome was possible because of high client engagement levels, our recent major investment in technology platforms, and the agility of our advisers and employees. Overall, I am very pleased with both our new business and financial results for 2020.

At the outset of the pandemic the Board made the difficult decision to withhold 11.22 pence of the 2019 final dividend, until such time when the financial and economic impact of COVID-19 became clearer. I am pleased to report that we have not needed to utilise those funds and, whilst the pandemic is still on-going, we now have the confidence to pay this withheld amount as a further interim dividend during the first quarter.

The Board has also proposed a final and full year dividend for 2020 of 38.49 pence per share, in line with our existing guidance which is to pay out around 80% of the underlying cash result.

Given the attractive market outlook for our face to face advisory business model, the scale of the business today, and the progress we have made in developing our technology infrastructure, we look to the future with confidence and in our results announcement have set out some of our key new planning assumptions for the next five years. I would highlight our ambition to deliver growth in new business of around 10% per annum which, with modest help from investment markets and continued high retention rates, would see

funds under management grow to in excess of £200 billion by the end of 2025. Growth on this scale will require continued investment but given the success of our technology initiatives in recent years, we believe overall expense growth can be held to around 5% per annum thereby delivering additional value for shareholders through operational leverage in the cash result. In turn, we are intending to pay-out around 70% of the underlying cash result in dividends annually over the period.

In the near term, whilst we are encouraged by the moderate growth in new business we have seen in the early weeks of 2021, the external environment remains challenging. There remain difficult months ahead but as COVID-19 restrictions ease, we are hopeful there will be an economic recovery and we will see a return to more normal growth in new client investments. The demand for trusted advice is stronger than ever and I am confident that given the quality of The Partnership, the strength of our client proposition, and the resilience of the St. James's Place community, we are ideally placed to continue to grow and deliver on our new five year planning assumptions."

The details of the announcement are attached.

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Analyst results presentation webcast to be hosted at 8:30am GMT
Please click on the link below to join:

https://www.investis-live.com/st-jamess-place/60056d11dd22a114004129c1/poka [investis-live.com]

Following the presentation, a live Q&A session will commence at 9:20am GMT
This can be viewed via the webcast but if you wish to ask questions during this session please dial-in using the details below:

United Kingdom: 0800 640 6441
United Kingdom (Local): 020 3936 2999
All other locations: +44 20 3936 2999

Participant access code: 501438

You will have the opportunity to ask a question. To register, press *1 on your telephone keypad. To remove the question, press *2

Please note that the conference call facility is only available for the live Q&A session.

Replay information:

A recording will be available until Thursday 4th March 2021
UK: 020 3936 3001
All other locations: +44 203 936 3001
Access Code: 397683

Chief Executive's Report

Introduction
2020 was an extraordinary year for individuals, families, businesses and broader societies across the globe, with events shaped by the COVID-19 pandemic that began early in the year. Our lives have been disrupted and we have all had to protect the physical, mental and financial health of ourselves, our friends and loved ones, our colleagues, and the vulnerable. All of us have had to be agile and adapt to a rapidly changing environment. Some detail on how we at St. James's Place adapted through 2020 is provided on pages 8 and 9.

Our operations and performance during 2020 were inevitably disrupted by the lockdowns and social distancing. However, amidst this most challenging of years, I am very pleased to report that our business has demonstrated real resilience and made further progress, supported by our engagement with our clients, our recent major investment in technology platforms, and the agility of our advisers and employees.

Our people, together with the broader St. James's Place community, have worked commendably in the most trying of circumstances. They have demonstrated once again the core values and behaviours that we hold dear so I would like to thank them all for their hard work, dedication and commitment.

Operating performance
After a strong start to 2020 with 12% growth in gross investments during the first quarter, the impact of the COVID-19 related restrictions in the second and third quarters resulted in gross inflows that were lower than the same periods in 2019. Encouragingly, fourth quarter gross inflows underscored the resilience of our business with a modest improvement on 2019, providing for full year gross inflows of £14.3 billion – 5% lower year on year.

The position for net investments followed a similar pattern, with a full year total of £8.2 billion – 8% lower than in 2019 but still equivalent to 7% of opening funds under management. The ability to attract and retain investments in 2020 is a great demonstration of the strength of relationships our advisers enjoy with their clients.

These strong net flows, together with robust markets, increased funds under management by 11% to a record £129.3 billion at the end of the year.

Financial performance
Whilst the growth in funds under management bodes well for future income, our income in 2020 was impacted by the more challenging new business and investment markets. Despite a more difficult external environment we continued to invest in the business, albeit at a more modest pace.

Once again, the outcome for the year was significantly impacted by the Financial Services Compensation Scheme (FSCS) levy we incurred. Our contribution to the levy in 2020 was £36.7 million some 33% higher than a year ago. Whilst we continue to support an industry safety net for consumers, the increasing size of the levy is a real concern and source of frustration. Good companies are having to continue to fund a significant cost over which they have no control or influence.

Taking all this together, the underlying cash result for 2020 was £264.7 million versus £273.1 million in 2019. Given the unprecedented and challenging conditions during the year, we see this as a very robust outcome.

As we look forward, we must ensure we are an agile and dynamic business, one that is able to flex to the changing needs of both the Partnership and clients. To ensure we have our investment, our resources, and our people in the right areas to drive our business forward, in early 2020 we began a review of how we're organised to deliver against our strategic priorities.

During 2021 we are therefore simplifying our operations where we can, removing duplication of work and stopping those tasks that are now no longer needed. Unfortunately, this streamlining of the business means a loss of around 200 roles from across the St. James's Place business. We hope, however, that a combination of filling vacant roles across the business and a voluntary redundancy programme in appropriate areas, will mitigate the number of individuals impacted by this difficult decision.

2019 withheld dividend
At the outset of the pandemic the Board made the decision to withhold 11.22 pence of the 2019 final dividend, until such time when the financial and economic impact of COVID-19 became clearer. This prudent decision provided the funds to ensure we had the ability and flexibility to continue to provide clients with the quality of service they would need through the Partnership in scenarios that had the potential to become significantly more challenging.

I am pleased to report that those potential scenarios did not come to pass and therefore we have not needed to utilise those funds. Whilst the pandemic is still on-going, we now have greater visibility on the financial and economic impact to-date and a vaccination programme is being rolled out across the UK. These developments, together with the proven financial resilience of the business, gives us confidence to now pay the withheld amount as a further 2019 interim dividend of 11.22 pence per share on 24 March 2021 to shareholders on the register at the close of business on 5 March 2021.

2020 dividend
The dividend for 2020 has been determined under our existing dividend policy which is to pay out circa 80% of the underlying cash result. No interim dividend for 2020 was declared and the Board is therefore proposing a final dividend of 38.49 pence per share to be paid, subject to approval of shareholders at our AGM, on 21 May 2021 to shareholders on the register at the close of business on 16 April 2021. A Dividend Reinvestment Plan continues to be available for shareholders.

Supporting clients
We seek to give clients the confidence to create the futures they wish for and we recognise that supporting long-term, trusted relationships between our advisers and their clients is critical to achieving that. The value of having a trusted financial adviser was evident in this most challenging of years when market volatility was heightened, economic uncertainty reigned, and concerns over personal health and wealth will have been front of mind for many. In these circumstances, the careful, guiding hand of our advisers will have brought reassurance, comfort and confidence for clients and helped to ensure they remained on track to meet their long-term objectives.

The nature of client engagement did of course change from the physical to the virtual, so it has been important that we and our advisers adapt and evolve our service proposition accordingly. We know, for example, that advisers increased the frequency of their client interactions, making use of virtual meeting platforms to stay in touch with them at a much needed time. We naturally supported this shift and made available to advisers other technological capability to support their client engagement, including the launch of Qwil, a secure messaging app, and DocuSign, an electronic signature tool.

While we look to client and adviser satisfaction as being key yardsticks for the success of our client relationships it is nonetheless pleasing that St. James's Place continues to gain external recognition in the shape of industry awards. The highlight was once again being voted by clients as the 'Wealth Manager of the Year' in the City of London Awards for the sixth successive year, recognition of the consistent quality of our service and client proposition.

We have long recognised that financial advice provides not only financial benefits for clients, but non-financial benefits too, so we were delighted to work with the International Longevity Centre (ILC) in preparing their report that was published in 2020. This report explored the non-financial benefits of financial advice and it found that 'people who take advice are more confident about their financial future and better prepared for retirement' and that 'advice improves financial literacy, confidence, and delivers greater control, reassurance and peace of mind.'

Supporting the St. James's Place Partnership
The Partnership performed tremendously well during a very difficult operating environment in 2020. Our advisers adapted quickly to rapidly changing circumstances, demonstrating real agility and flexibility in order to maintain their support for their clients and keep their businesses healthy. Their efforts have been aided by the investments we have made over time in strengthening our overall support proposition for them, not least in technology and infrastructure.

In 2020 we safely decommissioned our legacy back-office administration systems following completion of migration to our new Bluedoor platform in 2019. The investment we have made into building this new, modern IT platform has already served the business well, providing us with a much greater degree of operational resilience through the pandemic. It has also been key to enabling the rapid deployment of complementary technologies to better service the Partnership and clients during lockdown.

Our collaboration with Salesforce gathered pace through the year and together with Bluedoor we now have a leading, scalable technology infrastructure that will benefit all stakeholders in the years ahead. We will continue to build additional functionality into our back-office systems and broader technology infrastructure, ensuring that we optimise our systems and processes.

Supporting and developing the Partnership has been critical to our success over time and we are pleased to have made further progress in 2020. In addition to the core programmes noted above, we have sought to invest in other ways to make it easier for our advisers to engage with clients and manage their businesses. We believe there is considerable potential for further growth in Partner productivity in the coming years and 'making it easier to do business' will be a key foundation to this outcome.

We retain a strong commitment to growing the Partnership so that we can provide value-added financial advice and services to more clients over time. However, during the COVID-19 crisis we took the deliberate step of slowing experienced recruitment activity. We were mindful that in the face of the challenging external environment, financial advisers across the UK will have rightly been focused on supporting their existing clients and keeping their businesses secure and we therefore did not wish to distract them from this important work.

We also made changes to our Academy programmes, pausing new intakes during the early period of the pandemic and moved all existing cohorts of 'students' to virtual learning environments.

These deliberate actions naturally resulted in lower growth in the Partnership than normal and we ended the year with a total of 4,338 advisers, 1.6% higher than at the end of 2019.

Our proposition for advisers and clients is stronger than ever, so we remain confident in our ability to attract advisers of the highest calibre to our business. With both the recruitment of experienced advisers and new Academy intakes having now restarted, 2021 will see us getting back to building the Partnership with a recovery in growth to some 3-5% for the year.

Looking further ahead the external market of experienced advisers has not been growing materially and, taking account of the average age of these advisers, we expect the size of the adviser market to reduce in coming years. Consequently, the importance and success of the Academy will be critical to our success in future years. It is therefore pleasing that we start 2021 with 244 'students' in the Academy and we expect to see a further 350 entrants to financial advice join the Academy this year in one form or another.

Investment markets and investment management approach (IMA)

2020 was an extraordinary period for investment markets, with the first half of the year in particular characterised by extreme volatility and the second half seeing strong recovery across many investment markets. Against this backdrop the returns of our portfolios proved resilient helping to keep our clients on track towards their long-term financial goals.

We made a number of changes to our fund range during the year, including the appointment of Somerset Capital Management as the new manager of our Global Emerging Markets fund and the appointment of Pzena Investment Management, Sanders Capital and Artisan Partners to manage our Global Value fund. Later in the year, we strengthened our global equity offering through the redesign of our Global Quality fund. Alongside our Global Growth fund, these multi-manager strategies are a key pillar of global strategic asset allocation within our Growth and Income portfolios and seek to drive client returns by utilising complementary investment styles.

In December, we also evolved our fixed income range with the addition of BlueBay Asset Management to our Global High Yield Bond fund. This provides greater diversification within the fund through increased exposure to emerging market credit.

We were also very pleased to launch an innovative range of funds designed to provide investment solutions around the challenge of decumulation. Our three InRetirement funds are market leading offerings that allow clients, with the guidance of their St. James's Place adviser, to map out their objectives and find a suitable investment solution that is able to support a specific withdrawal profile, according to their specific needs.

St. James's Place has a responsibility to support positive client outcomes through our IMA but also the need to do so in a way that has a positive impact on the world we live in. We are therefore pleased to have delivered on our commitment to have all 39 of our external fund management houses as signatories to the United Nations Principles for Responsible Investment (UNPRI). We have also progressed our client disclosures around responsible investing, launching in July the first of our quarterly Portfolio Carbon Emissions Reports. This level of transparency helps us, advisers and clients consider how the carbon footprint of our portfolios compare to equivalent benchmarks. In line with our goal of greater transparency, in July we also published our first Value Assessment Statements, a detailed review of the value offered by our broad range of unit trust funds.

We strongly believe the developments we implemented in 2020 will continue the on-going journey to future proof our investment proposition and ensure we continue to offer a compelling fund range to our clients.

Asia

Our Asian operations have faced some considerable external challenges over the last two years firstly with the US/China trade rhetoric and the demonstrations in Hong Kong during 2019, and then the COVID-19 pandemic in 2020.

Whilst these challenges naturally impacted our planned growth trajectory, it is nonetheless pleasing to report gross inflows for the year of £321 million, growth of some 27% year on year whilst net inflows were 15% higher at £257 million. Funds under management ended the year 26% higher at £1.2 billion.

We remain confident about the long-term potential for St. James's Place in Asia given both the fundamental attractiveness of the opportunity for high quality wealth management businesses in those markets, and the investment we have already made to develop our scale and capabilities in our chosen territories.

Having reached more than £1bn in FUM, we have moved to prioritise a focus on accelerating the path to cash result profitability. As part of this journey we took the decision to reduce the number of new adviser entrants in the business and therefore ended 2020 with 132 remaining but experienced advisers.

This shift in focus meant that the annual net investment cost for our Asian operations peaked in 2019 with the 2020 net investment reduced. As the income from existing funds under management starts to flow through, we expect the future net investment cost to reduce year by year with the operations becoming cash result positive in 2025.

Rowan Dartington

Rowan Dartington continues to play an important role in complementing the investment capabilities of our IMA, providing an attractive and differentiated proposition that supports our ability to attract advisers to the Partnership and for our advisers to attract and retain clients.

In 2020, the difficult trading conditions caused by the pandemic also impacted new business for Rowan Dartington with gross inflows some 17% lower at £426 million and net inflows 24% lower at £278 million. Funds under management ended 2020 at £2.9 billion which was 3% higher than the start of the year.

The combination of lower flows and volatile markets reduced the planned income of the business. However, strong expense discipline resulted in a lower net investment cost in 2020 compared to 2019. We expect the investment cost to continue to decline in coming years with the operations becoming cash generative in 2024.

Responsible Business

We aspire to be a leading responsible business, one that demonstrates positive social impact from our core business activities. It was therefore a really proud moment when SJP achieved the Business In The Community - Community Mark, one of only 37 companies worldwide who currently enjoy this status.

A key value of St. James's Place is to give back to those who are less fortunate through the work of the St. James's Place Charitable Foundation. The pandemic had a significant impact on the charity sector, with many fundraising events cancelled. The Foundation was not immune from these challenges, but I'm delighted to announce that our community still raised a fantastic £9 million (including matching) which enabled the Foundation to provide more than £10.5 million of grants to support many great causes through a difficult year. We were also able to advance future commitments and increase the flexibility of our grant giving.

As well as helping those charities with whom the Foundation had an existing relationship, a special Foundation appeal to our community raised £550,000 (including matching) for the National Emergencies Trust and NHS Charities Together, two leading charities involved in the Country's frontline COVID-19 response. The fundraising supplemented a donation of £200,000 by the Foundation to the National Emergencies Trust and a combined Corporate and Foundation donation of £150,000 to the Trussell Trust.

Of equal importance to providing financial support, was providing the time and effort of our people, so during the pandemic we allowed all employees to take unlimited volunteering days.

As covered earlier in my statement, as the custodian of £129.3 billion of our clients' savings and pensions, it is important that we invest this money in a responsible manner, ensuring that we have a positive impact on the world around us. We have developed our approach to responsible investing over time and we are also progressing our reporting frameworks with our Task Force on Climate-related Financial Disclosures (TCFD) report for 2020 to become available on our website. In 2020 we took the important step of joining the Net Zero Asset Owners Alliance (NZAOA), making a public commitment that all our investment portfolios will be carbon neutral by 2050. We have the desire for both ambition and action in order to drive positive change.

New Chair

I am delighted to welcome Paul Manduca to the Board as a Non-executive Director and, subject to regulatory approval, Chair designate. Paul brings a wealth of expertise and experience to the Board and I look forward to working with him in the years ahead.

I would like to take the opportunity to express my sincere thanks to Iain Cornish who will be stepping down from the Board as Chairman at the 2021 AGM. Iain has provided wise and valuable counsel to the Board since joining in 2011 and we wish him well for the future.

Outlook

2020 was an extraordinary year that will be etched on our memories for many years to come and will have changed how individuals choose to live their lives and set their future aspirations. Against that backdrop, we were delighted with the resilience of the St. James's Place business which again delivered for its clients, Partners shareholders and employees.

During 2020, despite the disruption caused by COVID-19, we continued with our 5 year business planning cycle although we were able to factor in the lessons we have learned from navigating the pandemic. As part of this review, we have tested and refined our planning assumptions for St. James's Place in the light of the attractive market outlook for our face to face advisory business model, the scale of the business we have achieved today with funds under management of £129.3 billion at 31 December 2020, and the ongoing developments we have made to our technology infrastructure. The key planning assumptions for the five-year period are now:

- We believe that the demand for trusted advice and helping individuals' financial wellbeing, is stronger than ever. As the largest wealth manager in the UK, with the quality of The Partnership and the strength of our client proposition, together with the resilience of our community, we are ideally placed to continue to grow gross flows at some 10% per annum.

- This growth will be supported by the continued recruitment of experienced advisers, Academy graduations and an increase in productivity through supporting Partners to grow their businesses and making St. James's Place easier to do business with.

- The advice and service provided to clients by the Partnership, together with their strong relationships and our client proposition, will provide for continued strong retention.

- This continued growth in gross flows and strong retention should see funds under management increase to in excess of £200 billion by the end of 2025. This will, however, be influenced by investment returns.

- Whilst we will continue to invest in the business to support our continued growth and maintain our market leading position, the technological foundations that we have in put in place provide us with greater operating flexibility and efficiency such that our annual expense growth going forward will be around 5%.

- Year by year, growth in the cash income emerging from the release of funds in gestation will support significant growth in the underlying cash result.

- A dividend pay-out ratio set at 70% of the underlying cash result, balancing cash distributions to shareholders and retention in the business, in particular given the change in mix towards pensions business; future interim dividends will be set at 30% of the full year dividend for the prior year.

Clearly the external environment will be important but achievement of these planning assumptions would see St. James's Place continue to deliver attractive new business growth over the next five years and, underpinned by the release of cash from funds in gestation, significant growth in the cash result and therefore dividends per share.

In the near term, whilst we are encouraged by the moderate growth in new business we have seen in the early weeks of 2021, the external environment remains challenging. There remain difficult months ahead but as COVID-19 restrictions ease, we are hopeful there will be an economic recovery and we will see a return to more normal growth in new client investments.

ANDREW CROFT
Chief Executive

24 February 2021

COVID-19 Update

The COVID-19 pandemic had an impact across all areas of our business in 2020. Andrew Croft, Chief Executive Officer, answers here some key questions around how the business responded to the pandemic and what lessons have been learned for the future.

What were the key priorities for St. James's Place as the COVID-19 pandemic escalated in early 2020?
Given the speed with which the pandemic escalated here in the UK, our initial focus was on three priorities: first, ensuring the safety and wellbeing of all our people, whether employees or the Partnership; second, optimising our operating systems and processes so that we and our advisers could continue to provide uninterrupted support to clients throughout these difficult and unique times; and third, extending our financial support through the grants provided by the St. James's Place Charitable Foundation to those charities we support.

What steps did you take to address these priority areas?
Having set these priorities in place, we were then able to respond quickly and with clarity of focus. For example, we transitioned rapidly to remote working practices for our people, leveraging the flexibility that already existed within our technology estate. This meant that within a matter of days of the initial national lockdown we had all but a handful of our employees performing critical roles (for example managing the post) working from home. We also recognised the need to consider the physical and mental health of our people in this new environment so we provided staff and their families with access to online 24/7 GP services, mobilised our Mental Health First Aiders to help support our people, and increased the frequency of our communication and engagement with employees to ensure that social distancing did not result in emotional distancing.

From the perspective of our business operations, we have benefited enormously from our investment in re-platforming our UK back-office administration systems to Bluedoor. As well as facilitating electronic straight through processing, Bluedoor enabled us to accelerate the roll out of complementary technology to help advisers continue to support their clients. For example, we launched DocuSign, a secure e-signature system that streamlines document verification, and we launched Qwil, a professional and secure messaging platform that facilitates conversations between advisers and clients. The Partnership naturally seeks to remain close to clients at these times of uncertainty, providing them with continuity of advice and service. Our deployment of these innovative tools has proved helpful to our advisers in achieving this.

We know that we are in a fortunate position to have benefited from such resilience and we do not take this for granted. We have therefore continued to do our best to provide help those for those who need it, particularly through support and funding for charities that are able to make a real difference in people's lives. This has been particularly important during 2020 when the charitable sector has been hit hard by funding challenges. The St. James's Place Charitable Foundation has responded by forward funding its financial commitments to the charities with which it is associated, and by launching a special fundraising appeal, which raised £550,000 from our community, for the National Emergencies Trust and NHS Charities Together. In addition, we allowed our employees to take unlimited volunteering time in support charitable causes.

How did your approach alter as the pandemic evolved over time?
Our aim throughout has been to remain focused on our key priority areas while acting with agility and flexibility to changing circumstances over time. For example, we took heed of Government advice and guidelines to quickly close all of our corporate offices early on in the pandemic, but we were able to re-open them in a COVID-19 safe way and on a case by case basis as and when the Government advice changed accordingly. This was important for us as while we know that our colleagues can work remotely, this will not have been appropriate for all of them.

Another example is the way in which we utilised the breadth of skills and expertise across our business in a more flexible manner during the year. Recognising the need to pivot towards areas of critical business dependency during March and April 2020, we commenced Project Switch, a program to redeploy some staff to those areas for a limited period of time. This proved invaluable in ensuring we continued to deploy appropriate levels of resource into those areas of most pressing operational priority.

How has the pandemic impacted the operating performance of the business during 2020?
Overall, our business has proved resilient in the face of the challenges presented by the COVID-19 pandemic. Having sought to adapt quickly to the new operating environment, we saw the Partnership working hard to support their clients at a time of heightened uncertainty and market volatility. Virtual client meetings replaced physical ones, allowing our advisers to remain in face-to-face contact with their clients at a time when their need for a guiding hand was more important than ever. This meant that retention of client investments remained strong through 2020, and clients continued to invest in order to support their long-term financial objectives.

We have though seen some impact on the ability of advisers to attract new clients as result of lockdowns, tiering systems and general social distancing measures. Technology has played an important role in helping advisers maintain face-to-face contact with existing clients, but there is no substitute for personal, physical introductions in helping to build the levels of trust for new adviser-client relationships.

During 2020, we attracted gross inflows of £14.3 billion, highlighting the enduring attractiveness of our overall proposition for clients, while the retention of over 96% of existing client investments resulted in net inflows of £8.2 billion. We think this is a very creditable outcome given the context of the operating environment we have faced.

Growth in the Partnership was also impacted by the COVID-19 pandemic in 2020. Sensitive to the challenging external environment for many financial advice businesses across the UK, we decided to slow the pace of our experienced adviser recruitment activity and allow financial advisers to focus fully on looking after their clients and businesses during this time.

We also paused all new intakes to our Academy programmes and moved all existing cohorts of student to virtual learning and assessment. Despite this, continued strong adviser retention coupled with modest recruitment resulted in net adviser growth to 4,338 advisers.

What has been the impact of the COVID-19 pandemic on financial performance during 2020?
From a financial perspective, our fee income was impacted by lower investment market levels, particularly in the first half of the year, as well as more modest new business volumes. We continued to invest into the business in order to underpin future growth and we also accelerated investment into technology in order to facilitate remote client engagement and servicing. However, recognising the more challenging environment we also took measures to limit, postpone or cancel discretionary expenditure where possible and where we could be confident this would not impact on our ability to service clients or the Partnership, nor our ability to accommodate new business growth. Whilst we continue to be a very profitable business, our Underlying cash result has therefore decreased from £273.1 million in 2019 to £264.7 million in 2020.

Importantly, our financial position has remained strong throughout, with the resilience of our solvency position providing protection and comfort for all stakeholders. This reflects the fundamental simplicity of our business model and therefore the way in which we manage our balance sheet, which is to do so prudently in order to ensure we can safeguard our clients' assets and protect our business. We recognise too that in order to be able to ensure our clients' interests are protected, it is important that the Partnership remains in good financial health. During 2020 and in light of the pandemic, we undertook work to consider not only the potential stresses to our solvency and liquidity that could emerge from COVID-19, but also what stresses our Partner businesses might face and therefore what support we might need to extend to them in extremis. This thinking was an important input into the Board's decision, in April, to withhold 11.22p of the proposed 2019 final dividend.

While 2020 was a very challenging year for the Partnership, I am pleased that it has entered 2021 in good shape, both operationally and financially. The COVID-19 pandemic has not ended so we will continue to carefully monitor the risk its presents to our business and the Partnership over time.

What key lessons have you learned from operating during the pandemic?
2020 has been a very challenging year but one in which we have learned numerous lessons. We would highlight the following as being especially important:

First, that an engaged workforce allied to excellent technological capability, means we have been able to work remotely very effectively. While we look forward to the time when we can all come together as colleagues once more, we see the holistic benefits of operating more flexible working practices going forward.

Second, that the Partnership represents a remarkably resilient and agile collective of businesses that really do go the extra mile to support their clients. The challenges of 2020 have been considerable, but the Partnership has adapted admirably to the circumstances, displaying true entrepreneurial spirit.

Third, that we have a community of people within St. James's Place who really do care about helping those who need it. The time and funds that out people have donated to support the St. James's Place Charitable Foundation and other good causes, highlights this key aspect of our shared culture and one that we should be proud to preserve.

How has the outlook for the business changed as a result of COVID-19?
While the COVID-19 pandemic has had a significant economic impact for the UK as a whole and for the personal finances of individuals, it has if anything increased the need for people to seek advice to help them achieve financial wellbeing.
Social distancing and lockdown restrictions have resulted in individuals of all ages becoming even more comfortable with the use of technology, whether to access data and information, or as a channel for communications. We can leverage our scale and the investment we have made into these areas in order to enhance our leading proposition as a wealth management business built on the strength of personal, trusted relationships supported by leading technology.

Providing face-to-face advice in the UK has been increasingly challenging in recent years, with industry advisers facing pressures from increased regulation, economic volatility, changing client expectations and higher professional indemnity costs. The effects of operating during the COVID-19 pandemic have made this environment even more challenging, so St. James's Place remains an attractive proposition for advisers and clients alike. We are therefore confident in our growth prospects.

Chief Financial Officer's Report

As already stated in the Chief Executive's Report, 2020 was an extraordinary year with events shaped by the COVID-19 pandemic. Despite the disruption the business exhibited resilience, with the Partnership attracting gross inflows of £14.3 billion (2019: £15.1 billion) and net inflows of £8.2 billion (2019: £9.0 billion). The level of economic and financial 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. We did though continue to see positive net inflows throughout the year as clients, prompted by their advisers, took the appropriate actions in order to ensure they remain well positioned to achieve their long-term financial objectives. As we have seen in periods of market volatility 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 £129.3 billion (31 December 2019: £117.0 billion), up some 11% over the year and boding well for the development of our financial results in the years ahead.

The resilience in our new business performance, together with growth in funds under management, has contributed to a robust outcome for our financial results for 2020 as set out below. Despite the challenges of operating during the COVID-19 pandemic, our financial position has also proven resilient with the solvency position of our life companies and the Group as whole exhibiting considerable stability in the face of extreme market volatility. This is attributable to the simplicity of our business and our approach to managing solvency.

Although the COVID-19 pandemic is ongoing, we remain confident in our ongoing prospects and the strength of our balance sheet.

Our financial results are presented in more detail on pages 15 to 33 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 £262.0 million in 2020 (2019: £146.6 million). As at half-year, this result has benefited from significant temporary but favourable effects linked to life insurance tax that have arisen as a result of movements in investment markets. We expect this benefit to unwind over time. Further detail on this effect, which we refer to as the **impact of policyholder tax asymmetry**, is included in the Financial Review on page 19.

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. However, for 2020 this metric is also impacted by the effect of policyholder tax asymmetry referred to above. Therefore on this basis the result was significantly higher at £327.6 million for the year (2019: £187.1 million).

The IFRS result also includes 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 £455.9 million (2019: £424.9 million), representing a margin of 0.63% (2019: 0.63%) on average mature FUM, excluding DFM and Asia FUM, in line with prior guidance. It is only this mature FUM excluding DFM and Asia 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 2020, the balance of gestation FUM stood at £43.4 billion (31 December 2019: £40.2 billion). Once this current stock of gestation FUM has all matured, it will (assuming no market movements or withdrawals) contribute in excess of £365 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 levied on gross inflows exceed new business-related expenses. The reduction in margin arising from new business in 2020 largely reflects the decline in gross flows over the period, although the relationship between the two is not linear.

Establishment expenses in 2020 were £200.0 million (2019: £186.2 million), up 7% over the year and some £3 million below the guidance that we provided last year, reflecting management actions taken as the external environment deteriorated during the year. Management will continue to take a disciplined approach to expense management, deferring or delaying expenditure where possible and where long-term growth and our ability to respond to ongoing challenges presented by COVID-19 will not be compromised.

Operational development costs were £30.7 million (2019: £22.3 million) reflecting a period of considerable investment in the business, laying the foundations for long-term growth. This included developing our collaboration with Salesforce as previously announced. In addition, we accelerated the development of certain projects and technologies to ensure the Group and the Partnership were able to adapt effectively to the remote working environment.

For example, we invested in providing seamless electronic data capture systems, electronic signature capability, and in digital platforms to enable safe and secure virtual interactions between the Partnership and clients. These investments will benefit the business in both the short and long-term. It is worth noting that we are also mindful of increasing cyber risk so continue to take appropriate action to mitigate such risks.

Our contribution to the **FSCS levy** increased substantially and disappointingly during the year, to £29.7 million, up from £22.3 million in 2019. This reflected a significantly increased rate of levy, over and above the 15% increase we expected at the beginning of the year, exacerbated by a supplementary levy announced in November 2020 and by our growth as a proportion of the FSCS funding classes in which we operate.

Although we are fundamentally supportive of a mechanism that protects consumers, we agree with the comment made by the FCA chair Charles Randell when he said *"…all too often, the polluter doesn't pay. The cost of bad behaviour by firms which then fail is usually mutualised through the FSCS, rather than borne by the wrongdoers".* We welcome the goal that has been outlined by the FCA of redesigning the system to make the polluters pay.

Reflecting its critical role in providing a source of future organic growth in our adviser population, we continue to invest into building our **Academy** programmes in order to accommodate additional capacity with greater geographic reach. Academy operations adapted well to COVID-19, with the programme being delivered online for existing participants. However, given the uncertainty and logistical challenges we deferred a number of new entrants into the programmes until 2021, which has resulted in Academy costs decreasing by 13% year-on-year.

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 growth plans for both of these businesses have been adversely impacted by the financial uncertainties during the year, but both have still managed increases in revenues and disciplined expense management. Our investment for the future also extends to our **strategic development costs**, with one such example being the costs associated with reconfiguring more than 2,500 Partner websites during the year.

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 £264.7 million (2019: £273.1 million).

Recognised below the Underlying cash result, our **back-office infrastructure** activity has been a critical multi-year project. In 2019, the final smooth migration of business was completed which means that all of our core UK business is safely on the Bluedoor platform. We continued to incur decommissioning expenses relating to our legacy systems, and so our back-office infrastructure costs were £10.0 million for the year (2019: £38.8 million) but having sufficiently completed these exercises no further back-office infrastructure costs are anticipated for 2021.

The **Cash result** in 2020 was therefore £254.7 million (2019: £229.4 million).

EEV

The **EEV operating profit** is sensitive to new business written within the year and the 5% reduction in gross flows year-on-year is the main factor behind a reduced EEV operating profit of £919.0 million (2019: £952.0 million).

The **EEV profit before tax** for the period has been significantly impacted by the positive but lower **investment return variance** of £304.4 million compared to the prior year (2019: £768.6 million). The positive return reflects increased market values across our FUM as a result of stronger markets at year end, following the recovery in the second half of the year.

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 25 of the Financial Review. There are several areas that are worthy of note.

Movements in business loans to Partners

Facilitating business loans to Partners is a key way in which we are able to support growing Partner businesses. Such loans are principally used to enable Partners to take on those businesses of retiring or downsizing Partners, and this process creates broad stakeholder benefits. First, clients benefit from enhanced continuity of St. James's Place advice and service over time; second, Partners are able to build and ultimately realise value in the high-quality and sustainable businesses they have created; and finally, the Group and, in turn, shareholders, benefit from high levels of adviser and client retention.

In addition to recognising a strong business case for facilitating such lending, we recognise too the fundamental strength and credit quality of business loans to Partners. Over more than ten years, cumulative write-offs have totalled less than 5bps of gross loans advanced, with such low impairment experience attributable to a number of factors that help to mitigate the inherent credit risk in lending. These include taking a cautious approach to Group credit decisions, with lending secured against prudent business valuations. Demonstrating this, key loan-to-value (LTV) information is set out in the table below.

	31 December 2020	31 December 2019
Aggregate LTV across the total Partner lending book	**31%**	32%
Proportion of the book where LTV is over 75%	**12%**	15%
Net exposure to loans where LTV is over 100% (£'Million)	**9.2**	9.4

If FUM were to decrease by 10%, the Net exposure to loans where LTV is over 100% at 31 December 2020 would increase to £11.3 million.

Our credit experience also benefits from the structure of business loan to Partner repayments. The Group collects advice charges from clients. Prior to making the associated payment to Partners, we deduct loan capital and interest payments from the amount due. This means the Group is able to control repayments.

During the year we have continued to facilitate business loans to Partners, however the balance has remained stable year-on-year as new loans advanced have approximately matched repayments received.

	31 December 2020	31 December 2019
	£'Million	£'Million
Total business loans to Partners	**476.7**	476.5
Split by funding type:		
Business loans to Partners directly funded by the Group	**319.6**	316.0
Securitised business loans to Partners	**157.1**	160.5

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 in the previous 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 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 2020	31 December 2019
	£'Million	£'Million
Total borrowings	**341.8**	403.7
Split by borrowing type:		
Senior unsecured corporate borrowings	**226.5**	287.1
Senior tranche of non-recourse securitisation loan notes	**115.3**	116.6

After adjusting for this non-recourse debt, borrowings have been increasing broadly in line with the scale of the business over recent years, and we remain comfortable not only with our level of borrowings, but also with the headroom we have within our range of facilities. At 31 December 2020 the Total borrowings is temporarily reduced as a result of the with-held dividend payments during the year.

Solvency, capital and liquidity
We continue to manage the balance sheet prudently to ensure the Group's solvency is safely maintained.

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 2020 we held surplus assets over the MSB of £717.3 million (2019: £580.6 million). We also ensure that our approach meets the requirements of the Solvency II regime where we have an approach, agreed with the Prudential Regulation 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 2020, the solvency ratio for our Life businesses after payment of the year-end intra-Group dividend was 112%, unchanged from the position at the start of the year. For further details, refer to page 32.

Corroborating our prudent approach to managing the balance sheet, the UK Life company has received an A+ rating from Fitch Ratings during the year.

Taking into account entities in the rest of the Group, the Group solvency ratio at 31 December 2020 was 132% (2019: 132%).

The Group has £1,527.1 million of liquid assets (2019: £1,429.8 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 2020	31 December 2019
	£'Million	£'Million
Fixed interest securities	**7.4**	5.2
Investment in Collective Investment Schemes (AAA-rated money market funds)	**1,264.8**	1,131.8
Cash and cash equivalents	**254.9**	292.8
Total liquid assets	**1,527.1**	1,429.8

Dividends

In April 2020 we announced a decision to retain 11.22 pence per share of the 2019 Final Dividend. As we said at the time the decision to retain this amount was a prudent response to a number of very challenging potential scenarios that could have materialised. 2020 was a very challenging year but these scenarios, which were put together at the point of greatest uncertainty, have not played out and the business has shown resilience throughout. The Board therefore no longer sees a need to continue with this retention and the withheld amount of 11.22 pence per share will be paid as a further 2019 interim dividend on 24 March 2021.

The dividend in respect of 2020 has been determined under our existing dividend policy with a proposal of 38.49 pence per share providing for a pay-out ratio of 78% against the underlying cash result.

During 2020, the Board also considered the way in which future dividends should emerge from the group. Shareholders will recall that there is a dynamic within the IFRS result which defers the recognition of initial cash margin on new business, and that the quantum of this deferral is greater for investment bonds and pensions. Whilst this has always been the case, given the scale of the business and combined investment bond and pension flows today, we expect in a sustained growth scenario, to see a timing gap between the IFRS and the cash result going forward, with cash continuing to emerge ahead of IFRS and therefore distributable profit.

As we look forward, this dynamic of cash earnings emerging faster than distributable profit means that we will be moving to a pay-out ratio of around 70% of the underlying cash result starting in 2021. This move accommodates the timing mismatch between the emergence of cash and distributable profit, allows for continuing investment in the business, and provides certainty and sustainability to our pay-out ratio throughout our planning horizon.

We are also simplifying our approach to Interim Dividends which will now be based on a formulaic approach and will be calculated as being equal to 30% of the prior year ordinary dividend. For 2021, this would be calculated with reference to the 38.49p proposed dividend for 2020.

These moves will provide certainty to the pay-out ratio throughout and beyond our planning horizon.

CRAIG GENTLE
Chief Financial Officer
24 February 2021

Summary financial information

	Page reference	**Year ended 31 December 2020**	Year ended 31 December 2019
FUM-based metrics			
Gross inflows (£'Billion)	16	**14.3**	15.1
Net inflows (£'Billion)	16	**8.2**	9.0
Total FUM (£'Billion)	16	**129.3**	117.0
Total FUM in gestation (£'Billion)	17	**43.4**	40.2
IFRS-based metrics			
IFRS profit after tax (£'Million)	20	**262.0**	146.6
IFRS profit before shareholder tax (£'Million)	20	**327.6**	187.1
Underlying profit before shareholder tax (£'Million)	20	**359.9**	218.9
IFRS basic earnings per share (EPS) (Pence)		**49.1**	27.6
IFRS diluted EPS (Pence)		**48.6**	27.5
IFRS net asset value per share (Pence)		**207.0**	177.1
Dividend per share (Pence)		**38.49**	49.71[1]
Cash result-based metrics			
Operating cash result (£'Million)	22	**302.7**	310.7
Underlying cash result (£'Million)	22	**264.7**	273.1
Cash result (£'Million)	22	**254.7**	229.4
Underlying cash result basic EPS (Pence)		**49.6**	51.4
Underlying cash result diluted EPS (Pence)		**49.1**	51.1
EEV-based metrics			
EEV operating profit before tax (£'Million)	28	**919.0**	952.0
EEV operating profit after tax basic EPS (Pence)		**139.0**	148.8
EEV operating profit after tax diluted EPS (Pence)		**137.5**	148.0
EEV net asset value per share (Pence)		**1,448.8**	1,320.1
Solvency-based metrics			
Solvency II net assets (£'Million)	32	**1,218.6**	1,056.8
Management solvency buffer (£'Million)	32	**501.3**	476.2
Solvency II free assets (£'Million)	32	**1,110.8**	999.0
Solvency ratio (Percentage)	32	**132%**	132%

1 The dividend per share disclosed in 2019 was 49.71 pence, which was prior to the Board's decision in April 2020 to withhold 11.22 pence per share until such a time as the financial and economic impacts of COVID-19 became clearer. The withheld amount of 11.22 pence per share has now been reinstated as a further 2019 interim dividend and will be paid on 24 March 2021 to shareholders on the register on 5 March 2021. For further information, refer to page 3.

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 in our financial business model 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 16 to 18.

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 19 to 31.

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 32 and 33.

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 on our website: www.sjp.co.uk/charges. 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 50.

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 FUM and the fees we earn on it can be found in Sections 1 and 2 of the Financial Review on pages 16 and 22.

Initial and ongoing advice charges, and initial product charges levied when a client first invests into one of our products, are not major drivers of the Group's profitability, because:

- most advice charges received are offset by corresponding remuneration for Partners, so an increase in these revenue streams will correspond with an increase in the associated expense and vice versa.
- under IFRS, initial product charges are spread over the expected life of the investment through deferred income (DIR – see page 21 for further detail). 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.

Our income is used to meet overheads, pay the ongoing product expenses and to invest in the business. Overhead expenditure is carefully managed with clear 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 attract 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.

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 2020 and 2019. Investment return is presented net of charges.

	2020				2019
	Investment	**Pension**	**UT/ISA and DFM**	**Total**	Total
	£'Billion	**£'Billion**	**£'Billion**	**£'Billion**	£'Billion
Opening FUM	**31.22**	**52.84**	**32.93**	**116.99**	95.55
Gross inflows	**1.77**	**8.44**	**4.12**	**14.33**	15.10
Net investment return	**0.75**	**2.61**	**0.74**	**4.10**	12.45
Regular income withdrawals and maturities	**(0.25)**	**(1.37)**	–	**(1.62)**	(1.89)
Surrenders and part-surrenders	**(1.27)**	**(1.21)**	**(1.98)**	**(4.46)**	(4.22)
Closing FUM	**32.22**	**61.31**	**35.81**	**129.34**	116.99
Net inflows	**0.25**	**5.86**	**2.14**	**8.25**	8.99
Implied surrender rate as a percentage of average FUM	**4.0%**	**2.1%**	**5.8%**	**3.6%**	4.0%

Included in the above table is Rowan Dartington Group and St. James's Place Asia FUM of £4.03 billion at 31 December 2020 (2019: £3.74 billion), gross inflows of £0.74 billion for the year (2019: £0.77 billion) and outflows of £0.21 billion (2019: £0.19 billion).

The following table shows the significant net inflows over the past six years, which combined with strong retention have resulted in consistent growth in FUM. FUM has more than doubled over the last five years.

	FUM as at 1 January	**Net inflows**	**Investment return**	**Other movements[1]**	**FUM as at 31 December**
Year	**£'Billion**	**£'Billion**	**£'Billion**	**£'Billion**	**£'Billion**
2020	117.0	8.2	4.1	–	129.3
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

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 2020		31 December 2019	
	£'Billion	**Percentage of total**	£'Billion	Percentage of total
North American Equities	**31.3**	**24%**	25.1	21%
Fixed Income Securities	**22.7**	**18%**	20.9	18%
Asia and Pacific Equities	**19.9**	**15%**	13.6	12%
UK Equities	**18.7**	**14%**	20.2	17%
European Equities	**13.9**	**11%**	13.8	12%
Alternative Investments	**10.3**	**8%**	9.5	8%
Cash	**7.0**	**5%**	7.5	6%
Property	**2.5**	**2%**	2.9	3%
Other	**3.0**	**3%**	3.5	3%
Total	**129.3**	**100%**	117.0	100%

1.2 Gestation

As explained in our financial business model on page 15, 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. Approximately 55% of gross inflows for 2020, after initial charges, move into gestation FUM (2019: 56%).

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. The value of both mature and gestation FUM is impacted by investment return as well as net inflows.

	Mature FUM contributing to the Cash result	**Gestation FUM that will contribute to the Cash result in the future**	**Total FUM**
Position as at	**£'Billion**	**£'Billion**	**£'Billion**
31 December 2020	85.9	43.4	129.3
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

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 £43.4 billion at 31 December 2020 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.

	Gestation FUM future contribution to the Cash result
Year	**£'Million**
2021	38.9
2022	86.3
2023	148.8
2024	226.1
2025	298.0
2026 onwards	366.9

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 £126.0 billion of policyholder assets and liabilities recognised in our IFRS Statement of Financial Position, which represented over 97% of our IFRS total assets and liabilities at 31 December 2020.

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 68 to 70, 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 for the year was £262.0 million (2019: £146.6 million), with the result significantly higher year-on-year primarily due to the impact of an exceptional life insurance tax-related effect arising from the market conditions that prevailed in 2020.

Life insurance tax incorporates a policyholder tax element, and the financial statements of a life insurance group need to reflect the liability to HMRC and the corresponding deductions incorporated into policy charges. In particular, the tax liability to HMRC is assessed using IAS 12 Income Taxes, which does not allow discounting, whereas the policy charges are designed to ensure fair outcomes between clients and so reflect a wide range of possible outcomes. This gives rise to different assessments of the current value of future cash flows and hence an asymmetry in the Condensed Consolidated Statement of Financial Position between the deferred tax position and the offsetting client balance. The positive effect of the asymmetry will be eliminated over time as future cash flows become less uncertain and are ultimately realised. Movement in the asymmetry is recognised in the Condensed Consolidated Statement of Comprehensive Income and analysed in Note 4 Fee and commission income. We refer to it in this Report as the impact of policyholder tax asymmetry.

Under normal conditions this asymmetry is small, but market conditions have resulted in a positive movement of £61.7 million for 2020 (2019: negative movement of £10.0 million), which increases both IFRS profit after tax and IFRS profit before shareholder tax. Ultimately the effect will be eliminated from the Condensed Consolidated Statement of Financial Position, and so it is temporary and we expect it will reverse as markets increase.

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 page 20.

Profit before shareholder tax

This is a profit measure based on IFRS which aims to remove the impact of policyholder tax. The policyholder tax expense or credit is generally matched by an equivalent deduction or credit from the relevant funds, which is recorded within fee and commission income in the IFRS Condensed Consolidated Statement of Comprehensive Income. Policyholder tax does not therefore normally impact the Group's overall profit after tax. As a result, profit before shareholder tax, but after policyholder tax, is typically a useful metric, although it has been distorted by policyholder tax asymmetry in 2020. The following table demonstrates the way in which profit before shareholder tax is presented in the IFRS Consolidated Statement of Comprehensive Income on page 42.

	Year ended 31 December 2020	Year ended 31 December 2019
	£'Million	£'Million
IFRS profit before tax	**426.4**	708.9
Policyholder tax	**(98.8)**	(521.8)
IFRS profit before shareholder tax	**327.6**	187.1
Shareholder tax	**(65.6)**	(40.5)
IFRS profit after tax	**262.0**	146.6

Profit before shareholder tax has increased significantly year-on-year. As with the increase in profit after tax, this reflects the impact of policyholder tax asymmetry, as well as an increase in wealth management fees and a reduction 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 6 Income and deferred taxes.

Underlying profit

This is profit before shareholder tax (as calculated above) 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 2020	Year ended 31 December 2019
	£'Million	£'Million
IFRS profit before shareholder tax	**327.6**	187.1
Remove the impact of movements in DAC/DIR/PVIF	**32.3**	31.8
Underlying profit before shareholder tax	**359.9**	218.9

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 7, which are presented before both policyholder and shareholder tax.

	Year ended 31 December 2020	Year ended 31 December 2019
	£'Million	£'Million
Amortisation of DAC	**(92.6)**	(96.6)
DAC on new business for the year	**27.1**	28.1
Net impact of DAC	**(65.5)**	(68.5)
Amortisation of DIR	**160.5**	179.6
DIR on new business for the year	**(124.1)**	(139.7)
Net impact of DIR	**36.4**	39.9
Amortisation of PVIF	**(3.2)**	(3.2)
Movement in year	**(32.3)**	(31.8)

Net impact of DAC
The scale of the £65.5 million negative overall impact of DAC on the IFRS result (2019: negative £68.5 million) is largely due to changes arising from the 2013 Retail Distribution Review (RDR). After these changes, 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 four to five 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
The reduction in new business in the year means income deferred in 2020 is lower than it was in 2019. Income released from the deferred income liability has reduced slightly reflecting a reduced opening balance. Together, these effects mean that DIR has had a positive £36.4 million impact on the IFRS result in 2020 (2019: £39.9 million positive).

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 68 to 70. 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 2020		Year ended 31 December 2019	
	Before shareholder tax	**After tax**	Before shareholder tax	After tax
	£'Million	**£'Million**	£'Million	£'Million
Underlying profit	**359.9**	**291.6**	218.9	172.8
Non-cash-settled share-based payments	**10.6**	**10.6**	28.7	28.7
Impact of deferred tax	**-**	**8.2**	–	10.4
Impact of policyholder tax asymmetry[1]	**(61.7)**	**(61.7)**	10.0	10.0
Other[1]	**10.0**	**6.0**	12.8	7.5
Cash result	**318.8**	**254.7**	270.4	229.4

1 The impact of policyholder tax asymmetry has been separated from other for 2020. As a result, other has decreased by £10.0 million from those amounts disclosed in 2019. Further information on the impact of policyholder tax asymmetry can be found on page 19.

The decrease in **non-cash-settled share-based payments** reflects the reduction in expense for adviser share schemes and the impact on employee schemes of the Group's performance during the year.

The most significant **impact of deferred tax** is recognition in the Cash result of the benefit from realising tax relief. 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 6.

The **impact of policyholder tax asymmetry** is a temporary effect due to the market losses experienced during the year. For further explanation, refer to page 19.

Other represents a number of other small items, including the difference between the lease expense recognised under IFRS 16 Leases and lease payments made.

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.

Consolidated cash result (presented post-tax)

		Year ended 31 December 2020			Year ended 31 December 2019
		In-force	**New business**	**Total**	Total
	Note	**£'Million**	**£'Million**	**£'Million**	£'Million
Net annual management fee	1	**773.0**	**49.8**	**822.8**	781.2
Reduction in fees in gestation period	1	**(366.9)**	**-**	**(366.9)**	(356.3)
Net income from FUM	1	**406.1**	**49.8**	**455.9**	424.9
Margin arising from new business	2	**-**	**116.8**	**116.8**	127.5
Establishment expenses	3	**(20.0)**	**(180.0)**	**(200.0)**	(186.2)
Operational development expenses	3	**-**	**(30.7)**	**(30.7)**	(22.3)
Regulatory fees and FSCS levy	3	**(3.9)**	**(35.0)**	**(38.9)**	(31.2)
Academy	3	**-**	**(9.5)**	**(9.5)**	(10.9)
Shareholder interest	5	**8.7**	**-**	**8.7**	12.9
Tax relief from capital losses	6	**13.7**	**-**	**13.7**	10.3
Miscellaneous	7	**(13.3)**	**-**	**(13.3)**	(14.3)
Operating cash result		**391.3**	**(88.6)**	**302.7**	310.7
Asia	8	**-**	**(17.4)**	**(17.4)**	(19.9)
DFM	8	**-**	**(9.2)**	**(9.2)**	(9.8)
Strategic development costs	3	**-**	**(11.4)**	**(11.4)**	(7.9)
Underlying cash result		**391.3**	**(126.6)**	**264.7**	273.1
Back-office infrastructure development costs	3			**(10.0)**	(38.8)
Variance	9			**-**	(4.9)
Cash result				**254.7**	229.4

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 17 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. This is known as the 'gestation period' and is reflected in the reduction in fees in gestation period line. Further information is provided on page 17.

Net income from FUM reflects Cash result income from FUM that has reached maturity, including FUM which has emerged from the gestation period during the year, and 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 2020, our net income is 0.63% (post tax) of FUM (2019: 0.63%). In 2021, 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 initial charges levied on gross inflows and new business-related expenses. The majority of these expenses vary with new business levels, such as the incremental third-party administration costs of setting up a new policy on our back-office systems and payments to Partners for the initial advice provided to secure the clients' investment. As a result, gross inflows are a key driver behind this line.

However, the margin arising from new business also contains some fixed expenses, and elements which do not vary exactly in line with gross inflows. For example, our third-party administration tariff structure includes a fixed fee, and to provide some stability for Partner businesses, elements of our support for them are linked to prior-year new business levels.

Therefore, whilst the margin arising from new business tends to move directionally with the scale of gross inflows generated during the year, the relationship between the two is not linear.

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 2020			Year ended 31 December 2019		
	Before tax	**Tax rate**	**After tax**	Before tax	Tax rate	After tax
	£'Million	**Percentage**	**£'Million**	£'Million	Percentage	£'Million
Overhead expenses						
Establishment expenses	**247.0**	**19.0%**	**200.0**	229.9	19.0%	186.2
Regulatory fees and FSCS levy	**47.9**	**19.0%**	**38.9**	38.5	19.0%	31.2
Academy	**11.8**	**19.0%**	**9.5**	13.4	19.0%	10.9
Total overhead expenses	**306.7**		**248.4**	281.8		228.3
Development expenses						
Operational development costs	**37.7**	**19.0%**	**30.7**	27.5	19.0%	22.3
Strategic development costs	**14.0**	**19.0%**	**11.4**	9.8	19.0%	7.9
Back-office infrastructure costs	**12.4**	**19.0%**	**10.0**	47.9	19.0%	38.8
Total development expenses	**64.1**		**52.1**	85.2		69.0
Total expenses presented separately on the face of the Cash result	**370.8**		**300.5**	367.0		297.3

Overhead expenses

Overhead expenses represent the cost of running the Group.

Establishment expenses have increased by 7% year-on-year, reflecting the continued growth in the scale of the business.

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 2020	Year ended 31 December 2019
	£'Million	£'Million
FSCS levy	**29.7**	22.3
Regulatory fees	**9.2**	8.9
FSCS levy and regulatory fees	**38.9**	31.2

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 by the FSCS increasing the levy by more than 20% for the current funding year, the announcement of a supplementary levy in November 2020 and the continued relative growth of the Group in the sectors in which we operate.

Academy expenses represent the cost of running our Academy and Next Generation Academy. They have decreased by 13% year-on-year as a result of new intakes into the programme being deferred to 2021 following the onset of COVID-19, partially offset by the costs involved in moving delivery of the programme online for those students currently enrolled.

Development expenses

Operational development costs have increased in 2020 due to further investment, laying the foundations for long-term growth. This includes developing our collaboration with Salesforce as previously announced. In addition, we enhanced our capability to support the Partnership and enable them to service our clients effectively in a remote working environment.

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 the reconfiguration of 2,500 Partner websites.

Costs associated with our Bluedoor **back-office infrastructure** programme relate to final decommissioning work of our legacy systems, following the final smooth migration of our core UK business onto Bluedoor in 2019. No further back-office infrastructure costs are anticipated for 2021.

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 42, 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 2020	Year ended 31 December 2019
	£'Million	£'Million
Total expenses presented separately on the face of the Cash result before tax	**370.8**	367.0
Expenses which vary with business volumes		
Other performance-related costs	**107.5**	120.4
Payments to Partners	**827.0**	814.7
Investment expenses	**90.1**	89.8
Third-party administration	**119.7**	110.6
Other	**37.4**	48.2
Expenses relating to investment in specific areas of the business		
Asia expenses	**22.1**	23.4
DFM expenses	**26.7**	26.7
Total expenses included in the Cash result	**1,601.3**	1,600.8
Expenses which are not included in the Cash result		
Amortisation of DAC and PVIF, net of additions	**68.8**	71.7
Non-cash-settled share-based payments expenses	**10.6**	28.7
Other	**7.3**	6.6
Total IFRS Group expenses before tax	**1,688.0**	1,707.8

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 significantly.

Each of these items is 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** both reflect disciplined expense control during the year, whilst continuing to invest to support growth. Such investment will continue going forward.

In the Cash result, Asia and DFM expenses are presented net of the income they generate.

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 £13.7 million tax value (2019: £10.3 million) was slightly ahead of guidance provided at 2020 half-year that gave the expected utilisation for the year of approximately £10 million. While dependent on market performance, we continue to expect utilisation of £8 - £10 million per year.

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. The growth plans for both of these businesses have been adversely impacted by the financial uncertainties during the year, but both have still managed increases in revenues and disciplined expense management We have continued to invest to support their growth hence their contribution to the Cash result is currently a net expense.

9. Variance

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

Derivation of the Cash result

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 at 31 December 2020.

		IFRS Balance Sheet	Adjustment 1	Adjustment 2	Solvency II Net Assets Balance Sheet	Solvency II Net Assets Balance Sheet: 2019
31 December 2020	**Note**	**£'Million**	**£'Million**	**£'Million**	**£'Million**	£'Million
Assets						
Goodwill		**31.0**	**–**	**(31.0)**	**–**	–
Deferred acquisition costs		**424.5**	**–**	**(424.5)**	**–**	–
Purchased value of in-force business		**17.6**	**–**	**(17.6)**	**–**	–
Computer software		**23.5**	**–**	**(23.5)**	**–**	–
Property and equipment	1	**174.4**	**–**	**–**	**174.4**	166.3
Deferred tax assets	2	**14.4**	**–**	**(13.7)**	**0.7**	98.5
Reinsurance assets		**92.3**	**–**	**(92.3)**	**–**	–
Other receivables	3	**2,579.2**	**(1,030.2)**	**(2.8)**	**1,546.2**	1,391.9
Investment property		**1,526.7**	**(1,526.7)**	**–**	**–**	–
Equities		**83,359.2**	**(83,359.2)**	**–**	**–**	–
Fixed income securities	4	**27,701.4**	**(27,694.0)**	**–**	**7.4**	5.2
Investment in Collective Investment Schemes	4	**5,890.2**	**(4,625.4)**	**–**	**1,264.8**	1,131.8
Derivative financial instruments		**1,386.8**	**(1,386.8)**	**–**	**–**	–
Cash and cash equivalents	4	**6,660.1**	**(6,405.2)**	**–**	**254.9**	292.8
Total assets		**129,881.3**	**(126,027.5)**	**(605.4)**	**3,248.4**	3,086.5
Liabilities						
Borrowings	5	**341.8**	**–**	**–**	**341.8**	403.7
Deferred tax liabilities	2	**378.1**	**–**	**(0.1)**	**378.0**	436.2
Insurance contract liabilities		**562.6**	**(466.1)**	**(96.5)**	**–**	–
Deferred income		**579.9**	**–**	**(579.9)**	**–**	–
Other provisions		**34.3**	**–**	**–**	**34.3**	40.6
Other payables	1, 3	**2,038.0**	**(759.7)**	**(35.4)**	**1,242.9**	1,033.7
Investment contract benefits		**93,132.7**	**(93,132.7)**	**–**	**–**	–
Derivative financial instruments		**749.9**	**(749.9)**	**–**	**–**	–
Net asset value attributable to unit holders		**30,919.1**	**(30,919.1)**	**–**	**–**	–
Income tax liabilities	6	**32.7**	**–**	**–**	**32.7**	115.4
Preference shares		**0.1**	**–**	**–**	**0.1**	0.1
Total liabilities		**128,769.2**	**(126,027.5)**	**(711.9)**	**2,029.8**	2,029.7
Net assets		**1,112.1**	**–**	**106.5**	**1,218.6**	1,056.8

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 9 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**

£133.7 million (2019: £126.6 million) of the property and equipment balance represents the right to use leased assets. It has increased period-on-period as our office footprint has grown. Lease liabilities of £132.7 million are recognised within the other payables line (2019: £118.6 million).

Notes 8 and 11 to the IFRS Financial Statements provide further detail on property and equipment, leases and other payables.

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 6 Income and deferred taxes of the IFRS Financial Statements. The current year presentation of deferred tax assets and liabilities reflects a reassessment of the requirements of IAS 12 Income Taxes, with reference to the netting of certain deferred tax balances. This has resulted in some reallocation of balances between deferred tax liabilities and assets. Prior year comparatives have not been restated, as the changes are not material. Further information is set out in Note 6.

3. Other receivables and other payables

Detailed breakdowns of other receivables and other payables can be found in Note 10 Other receivables and Note 11 Other payables of the IFRS Financial Statements.

Other receivables on the Solvency II Net Assets Balance Sheet have increased from £1,391.9 million at 31 December 2019 to £1,546.2 million at 31 December 2020, principally reflecting an increase in market trade settlements in the life unit-linked funds and consolidated unit trusts.

One of the items within other receivables is the operational readiness prepayment asset. This has arisen from the investment we have made into our back-office infrastructure project, which 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 IFRS Statement of Financial Position. The asset, which stood at £313.9 million at 31 December 2020 (2019: £299.2 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 2020 is 13 years, following a five-year contract extension agreed with our back-office administration provider during the year.

The movement schedule below demonstrates how the operational readiness prepayment has built up over the past two years.

	2020	2019
	£'Million	£'Million
Cost		
At 1 January	**360.1**	268.3
Additions during the year	**46.5**	91.8
At 31 December	**406.6**	360.1
Accumulated amortisation		
At 1 January	**(60.9)**	(31.9)
Amortisation during the year	**(31.8)**	(29.0)
At 31 December	**(92.7)**	(60.9)
Net book value	**313.9**	299.2

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 monthly amortisation charge decreased during the year following the agreement of the five-year contract extension with our back-office administration provider. The charge will remain constant year-on-year following the final operational readiness spend planned for 2021. However, the tariff-saving benefits will grow as the business grows, benefiting both the IFRS and Cash results.

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 as follows.

	31 December 2020	31 December 2019
	£'Million	£'Million
Fixed interest securities	**7.4**	5.2
Investment in Collective Investment Schemes (AAA-rated money market funds)	**1,264.8**	1,131.8
Cash and cash equivalents	**254.9**	292.8
Total liquid assets	**1,527.1**	1,429.8

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 guidance 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 £406.6 million of development spend on Bluedoor in our operational readiness prepayment asset. This is in addition to £196.3 million of internal project costs that we have expensed as incurred. The total cash outflow on the project is £602.9 million.

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 2020	31 December 2019
	£'Million	£'Million
Corporate borrowings: bank loans	**112.7**	173.3
Corporate borrowings: loan notes	**113.8**	113.8
Total senior unsecured corporate borrowings	**226.5**	287.1
Senior tranche of non-recourse securitisation loan notes	**115.3**	116.6
Total borrowings	**341.8**	403.7

Further information is provided in Note 12 Borrowings and financial commitments to the IFRS Financial Statements.

6. Income tax liabilities

The Group has an income tax liability of £32.7 million at 31 December 2020 compared to £115.4 million at 31 December 2019. This is due to a current tax charge of £165.4 million and tax paid of £248.1 million during the year. Further detail on the current tax charge and tax paid is provided in Note 6 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 2020	Year ended 31 December 2019
	£'Million	£'Million
Opening Solvency II net assets	**1,056.8**	1,108.0
Dividend paid	**(107.1)**	(256.0)
Issue of share capital and exercise of options	**3.3**	8.7
Consideration paid for own shares	**(3.9)**	(0.1)
Proceeds from exercise of shares held in trust	**-**	0.2
Change in deferred tax	**(8.2)**	(10.4)
Impact of policyholder tax asymmetry	**61.7**	(10.0)
Change in goodwill, intangibles and other non-cash movements	**(38.7)**	(13.0)
Cash result	**254.7**	229.4
Closing Solvency II net assets	**1,218.6**	1,056.8

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 both in 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, and we have sought to align them as closely as possible. The table below and accompanying notes summarise the profit before tax of the combined business.

		Year ended 31 December 2020	Year ended 31 December 2019
	Note	**£'Million**	£'Million
Funds management business	1	**1,077.8**	1,121.2
Distribution business	2	**(75.7)**	(55.6)
Back-office infrastructure development		**(12.4)**	(47.9)
Other		**(70.7)**	(65.7)
EEV operating profit		**919.0**	952.0
Investment return variance	3	**304.4**	768.6
Economic assumption changes	4	**(47.4)**	(27.0)
EEV profit before tax		**1,176.0**	1,693.6
Tax		**(226.6)**	(286.8)
Corporation tax rate change	5	**(126.9)**	-
EEV profit after tax		**822.5**	1,406.8

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 £1,077.8 million (2019: £1,121.2 million) and a full analysis of the result is shown below.

	Year ended 31 December 2020	Year ended 31 December 2019
	£'Million	£'Million
New business contribution	**766.3**	793.0
Profit from existing business		
– unwind of the discount rate	**279.6**	248.5
– experience variance	**16.9**	82.1
– operating assumption change	**10.5**	(9.9)
Investment income	**4.5**	7.5
Funds management EEV operating profit	**1,077.8**	1,121.2

The **new business contribution** for the year at £766.3 million (2019: £793.0 million) was 3% lower than the prior year, primarily reflecting the decrease in new business volumes.

The **unwind of the discount rate** for the year increased to £279.6 million (2019: £248.5 million). This reflects the higher opening value of in-force business.

The **experience variance** during the year was £16.9 million (2019: £82.1 million). This reflects positive retention experience offset by increased development expenses during the year.

The impact of **operating assumption changes** in the year was a positive £10.5 million (2019: negative £9.9 million), reflecting a small reduction in the level of future expenses assumed.

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 and building the distribution capabilities in Asia. The gross margin has reduced year-on-year due to the fall in gross inflows during 2020. In addition, FSCS levy expenses increased to £25.2 million for the year (2019: £18.9 million), increasing the reported loss.

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 5.5% after charges, compared to the assumed investment return of positive 1.4%. This resulted in a positive investment return variance of £304.4 million (2019: positive £768.6 million).

4. Economic assumption changes

The negative variance of £47.4 million arising in the year (2019: negative £27.0 million) reflects the impact of the decrease in the economic basis arising from reduction in the 10 year Gilt yields over the year.

5. Corporation tax rate change

In the Finance Act 2016, a reduction to the UK main rate of corporation tax to 17% effective from 1 April 2020 was enacted, with the impact incorporated into the deferred tax balances in 2016. However, in the UK Budget of 11 March 2020 it was announced that the rate will remain at 19%, rather than the previously enacted reduction to 17%. This change was substantively enacted on 17 March 2020 and as a result the impact of remeasuring the relevant deferred tax balances has been recognised as a corporation tax rate change in 2020.

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 2020	Year ended 31 December 2019
Investment		
New business contribution (£'Million)	**104.1**	123.0
Gross inflows (£'Billion)	**1.77**	2.28
Margin (%)	**5.9**	5.4
Pension		
New business contribution (£'Million)	**439.6**	434.0
Gross inflows (£'Billion)	**8.44**	8.66
Margin (%)	**5.2**	5.0
Unit Trust and DFM		
New business contribution (£'Million)	**222.6**	236.0
Gross inflows (£'Billion)	**4.12**	4.16
Margin (%)	**5.4**	5.7
Total business		
New business contribution (£'Million)	**766.3**	793.0
Gross inflows (£'Billion)	**14.33**	15.10
Margin (%)	**5.3**	5.3
Post-tax margin (%)	**4.3**	4.4

The overall margin for the year was consistent with 2019 at 5.3%. The change in margin for different business types reflects a reallocation of expenses.

Economic assumptions

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

	Year ended 31 December 2020	Year ended 31 December 2019
Risk-free rate	**0.3%**	0.9%
Inflation rate	**3.3%**	3.3%
Risk discount rate (net of tax)	**3.4%**	4.0%
Future investment returns:		
– Gilts	**0.3%**	0.9%
– Equities	**3.3%**	3.9%
– Unit-linked funds	**2.6%**	3.2%
Expense inflation	**3.7%**	3.7%

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 2020		766.3	622.4	7,785.2
100bp reduction in risk-free rates, with corresponding change in fixed interest asset values	1	(28.7)	(23.5)	(149.6)
10% increase in withdrawal rates	2	(55.0)	(44.6)	(397.7)
10% reduction in market value of equity assets	3	-	-	(779.9)
10% increase in expenses	4	(20.0)	(16.3)	(96.8)
100bp increase in assumed inflation	5	(28.7)	(23.5)	(148.2)

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	92.7	75.2	584.6

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 2020	31 December 2019
	£'Million	£'Million
Value of in-force business	**6,566.6**	6,003.0
Solvency II net assets	**1,218.6**	1,056.8
Total embedded value	**7,785.2**	7,059.8
	Pence	Pence
Net asset value per share	**1,448.8**	1,320.1

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 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 at 31 December 2020 and 31 December 2019.

Section 3: Solvency

St. James's Place has a business model and risk appetite that result in underlying assets being held that fully match 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 2020 we reviewed the level of our MSB and increased the MSB for the Life businesses to £345 million, reflecting business growth and market conditions.

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

	Life[1]	**Other regulated**	**Other[2]**	**Total**	31 December 2019 Total
31 December 2020	**£'Million**	**£'Million**	**£'Million**	**£'Million**	£'Million
Solvency II net assets	**424.6**	**281.5**	**512.5**	**1,218.6**	1,056.8
MSB	**345.0**	**156.3**	**–**	**501.3**	476.2
Management solvency ratio	**123%**	**180%**	**–**	**–**	**–**

1 After payment of year-end intra-group dividend.
2 Before payment of the Group final dividend.

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.

	Life[1]	**Other regulated**	**Other[2]**	**Total**	31 December 2019 Total
31 December 2020	**£'Million**	**£'Million**	**£'Million**	**£'Million**	£'Million
Solvency II net assets	**424.6**	**281.5**	**512.5**	**1,218.6**	1,056.8
Value of in-force (VIF)	**4,756.3**	**–**	**–**	**4,756.3**	4,303.5
Risk margin	**(1,357.5)**	**–**	**–**	**(1,357.5)**	(1,213.3)
Own funds (A)	**3,823.4**	**281.5**	**512.5**	**4,617.4**	4,147.0
Solvency capital requirement (B)	**(3,407.0)**	**(99.6)**	**–**	**(3,506.6)**	(3,148.0)
Solvency II free assets	**416.4**	**181.9**	**512.5**	**1,110.8**	999.0
Solvency ratio (A/B)	**112%**	**283%**		**132%**	132%

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 124% at the year-end. The solvency ratio after payment of the Group second interim dividend for the period to 31 December 2019 was 128%.

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. The combined solvency ratio for our Life companies, after payment of the year-end intra-Group dividend, is 112% at 31 December 2020, unchanged from the position at the start of the year.

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	Solvency II capital requirement	Solvency ratio
		£'Million	£'Million	%
Value at 31 December 2020		1,110.8	3,506.6	132%
100bps reduction in risk free rates, with corresponding change in fixed interest asset values	1	968.1	3,517.1	128%
10% increase in withdrawal rates	2	1,159.8	3,301.6	135%
10% reduction in market value of equity assets	3	1,016.3	3,152.5	132%
10% increase in expenses	4	1,042.3	3,501.2	130%
100bp increase in assumed inflation	5	1,005.6	3,509.6	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 sensitivity all expenses are increased by 10%.
5. This reflects a 100bps 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 exposed to a number of current and emerging external factors and trends, including the impacts from COVID-19, 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 strategic objectives.

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 therefore is 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 management and controls 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 function to form a 'three lines of defence' model.

The risk management and controls 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 monitoring of the effectiveness of the internal control model throughout the year. The systems have been in place for the year under review and up to the date of approval of the annual report and accounts.

The Board receives regular reports from the Board Risk Committee and Audit Committee and approves key aspects of the Group's Risk Management Framework including the Risk Appetite Statement and Group ORSA.

Our risk appetite
The Board carefully sets its appetite for taking risk against the Group's strategic objectives. These choices are set out in detail in our Risk Appetite Statement, which is reviewed at least annually by the Risk Committee, senior risk owners and the Executive Board risk owners before being 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 depending on individual risk scenarios.

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 the Group.

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

The solvency capital requirement (SCR) for insurers allows for at least a '1 in 200-year' risk event over a one-year time horizon. In addition, 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 it would be possible to maintain regulatory capital across the Group under all stresses 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 our pension and investment products we do not earn annual management fees in the first six years. As a result, considering a five-year projection period, which is less than the gestation period, is a prudent view of the Group's viability as we consider ongoing revenues generated on existing business only. The ORSA is particularly useful in assessing viability as it involves a comprehensive assessment of risk and capital requirements for 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.

Current risk environment
Over the past year, the emergence and impact of COVID-19 has been a major external risk event. No event of this nature can be precisely forecast and planned for, however, through our approach to the fundamentals of risk management the Group has been able to demonstrate resilience, from a financial and operational perspective, against COVID-19. We remain confident in our ability to withstand further challenges that may or may not emerge.

The Board has been actively involved in defining the Group's strategic response to COVID-19. Timely and targeted risk-based information has been provided to the Board to support decision-making and help understanding of key issues. We remain acutely aware of the changing threat to health, further restrictions and the longer-term potential macro-economic impacts, however, whilst these could further impact profitability, we continue to be confident of the ongoing resilience to risk and the viability of the Group.

Some of the key risk considerations around COVID-19 for the Group have been and continue to be:

- Safety and wellbeing of employees, Partners, clients and others in our value chain
- Maintaining operational continuity whilst working remotely and social distancing
- The impact on financial markets
- Changes in investor sentiment impacting new business inflows and retention
- Managing risks to client outcomes
- Supporting Partner businesses
- Managing operational risks

When the risk considerations from COVID-19 are broken down in this way, we can recognise that these are risks that the Group is familiar with (and are included in the Principal Risk section) and shown to be resilient through our ongoing stress and scenario testing, as well as financial and operational risk assessments.

The primary financial impact of the pandemic on the Group has been the impact on funds under management due to market performance and the reduction in new business caused by the surrounding uncertainty. However, these financial impacts have not been as severe as our more extreme stress and scenario tests. Our market risk exposure is limited because we hold matching assets for policyholder liabilities and a significant portion of our expenses are variable with the level of funds under management and new business. The Group earns income from funds under management, and although the income varies as funds under management move with markets, this provides financial resilience as it is a reliable income stream even in challenging market conditions. Our clients tend to have medium to long-term investment objectives and so our lapse experience tends to improve as market uncertainty increases; this feature of our experience also helps to provide resilience against challenging market conditions.

The nature of these extreme circumstances also presents increased operational challenges. The primary operational risks are those associated with remote working, particularly since we are an advice-led, face-to-face business. The use of technology has enabled both employees and advisers to maintain the face-to-face element of our operations whilst allowing the flexibility to work remotely, recognising that face-to-face meetings can be carried out virtually through video conferencing tools. However, we acknowledge that remote working has introduced or increased the likelihood of other risks crystallising, such as cyber security for example. The 'first line' in general has taken steps to address new risks or risks that have increased in likelihood as result of remote working. Using cyber security as example, we conduct regular phishing email tests to ensure employees remain vigilant. In most instances our internal controls continue to remain appropriately robust. Where new processes have been created in response to remote working, separate controls have been created and documented to help reduce the risk of an operational failure, with assurance provided by the internal audit function.

The management decision-making necessary during this time has been appropriately informed by consideration of risks and we are confident that the Group continues to appropriately manage risks including those heightened due to COVID-19. The situation continues to be monitored carefully and we remain focused on understanding the degree to which the various outcomes might impact the operations of the business.

In addition to the uncertainties surrounding COVID-19, the short and longer-term consequences of Brexit impact upon investor sentiment and the wider external environment in which the Group operates. Stress and scenario testing has been performed which demonstrates that the business is resilient and we continually monitor the changing environment, to ensure our analysis and scenario testing remain appropriate.

Principal risks and uncertainties
Whilst the external risk landscape has changed dramatically over the course of the year, causing certain risks to materialise and making further downside risk more likely, the types of principal risks that the Group faces have not changed from the previous 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.

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
Grow and develop the Partnership
Achieve sustainable growth in profits
Enhance our investment proposition
Attract, retain and develop talent
Deliver positive outcomes to clients

	Risk description	Strategy	Key risks	Example controls
Administration service	We fail to deliver good quality administration services to clients and advisers.	Deliver positive outcomes to clients	• Clients and advisers receive poor policy administration • Failure of key administration system change projects • Administrative complexity	• Management of administration 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 and ensure operational resilience
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.	Deliver positive outcomes to clients	• 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 fund managers around principles of responsible investment
Conduct	We fail to provide quality, suitable advice or service to clients.	Deliver positive outcomes to clients	• Advisers 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
Financial	We fail to effectively manage the business finances.	Achieve sustainable growth in profits	• Failure to meet client liabilities • 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 • Reinsurance of insurance risks • Ongoing monitoring of all risk exposures and experiences

	Risk description	Strategy	Key risks	Example controls
				• Acceptance of market and persistency risk impact on profit • Setting and monitoring budgets • Implementing new systems to allow for future cost reductions • Monitoring and management of individual entities' solvency to minimise Group interdependency
Outsourcing	Third party outsourcers' activities impact our performance and risk management.	Deliver positive outcomes to clients	• Operational failures by material outsourcers • Failure of critical service, significant areas include: • Investment administration • Fund 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, including assessments of operational resilience • Due diligence on key suppliers
Partner proposition	Our proposition solution fails to meet the needs, objectives and expectations of our current and potential future Partners.	Grow and develop the Partnership	• Failure to attract new members to 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.	Attract, retain and develop talent	• 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 • Whistleblowing hotline
Regulatory	We fail to meet current, changing or new regulatory and legislative expectations.	Achieve sustainable growth in profits	• 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.	Achieve sustainable growth in profits	• 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 St. James's Place 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
Strategy, competition and brand	Challenge from competitors and the impact of reputational damage.	Enhance our investment proposition	• Increased competitive pressure from traditional and	• Clear demonstration of value delivered to clients through advice, service and products • Investment in improving positive brand recognition

Risk description	Strategy	Key risks	Example controls
		disruptive (non-traditional) competitors • Cost and charges pressure • Negative media coverage	• Ongoing development of client and Partner propositions • Proactive engagement with external agencies including media, industry groups and regulators

Emerging risks

Emerging risks are identified through conversations and workshops with stakeholders throughout the business, reviewing academic papers, attending industry events (webinars and in person), 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 resulting from a failure to demonstrate value for money to clients;
- risks associated with the wider macro-economic environment;
- risks associated with failing to keep our business model relevant to clients' needs;
- risks resulting from failing to adapt to the 'new working world' and the operational challenges it presents;
- risks resulting from a failure to embrace a more digital world;
- risks relating to changes in tax regimes;
- risks relating to changes in regulations;
- risks relating to climate change;
- risks resulting from geo-political events that are unforeseen; and
- risks resulting from a failure to invest in a sustainable manner.

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's prospects.

When considering how the principal risks previously described might impact the business, we consider our ability to deal with particular events such as COVID-19, which may impact one or more of 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. Most recently we have considered the 2021 Bank of England scenario for stress testing banks. Whilst this scenario contains many elements which are not directly relevant to the Group, we have considered how the scenario might impact the business and we believe this would have a less onerous financial impact than the scenarios which we regularly consider.

As an example of a scenario which the business developed and was considered in March 2020, we assessed the direct financial implications of COVID-19 under a range of economic recovery scenarios. Within these scenarios, we modelled and allowed for adverse market movements, a decrease in new business, increased lapses, allowances for large one-off expenses and a reduction in the yield curve (in anticipation of a reduction in base rate).

In our more pessimistic scenario we looked at the immediate impacts and the impact over five years, where we further assumed there was an "L" shaped recovery for new business and market performance over the projection period. That is to say, in this pessimistic scenario, we assumed both the market performance and the impact on new business do not fully recover. As a result, we believe that our 'pessimistic COVID-19' scenario is sufficiently extreme to adequately stress the viability of the business for all plausible impacts on

the Group which could arise due to COVID-19. In all scenarios, the Group is expected to remain adequately capitalised with sufficient liquid resources and therefore we remain confident of the Group's viability. While we remain viable in these more extreme scenarios, the Group's profits and therefore the dividend diminish.

It is also worth noting that when extreme events materialise, or the level of uncertainty in the external environment increases, management react accordingly by taking appropriate and measured actions. For example, following the initial uncertainty around COVID-19, the Board decided to withhold around one-third of the proposed 2019 final dividend until such a time as the financial and economic impacts of COVID-19 become clearer. This prudent judgement ensured we were able to protect clients and long-term value for shareholders, as it enabled continued investment in the business so we are well placed to benefit from the growth opportunity that will undoubtedly emerge on the other side of the crisis. The Board has since concluded that while 2020 was a very challenging year, the more extreme downside scenarios we had planned for did not materialise and the business has shown resilience throughout. The Board therefore no longer sees a need to continue with this retention and the withheld amount of 11.22 pence per share will be paid as an interim dividend to shareholders.

As a result, we remain confident that the Group is able to respond to any unforeseen events to ensure it remains viable.

Resilience over different time horizons

The table below provides an indication of which risks 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 2025
Risks The key risks to business resilience in the short term are likely to be operational in nature, such as data loss or increased cyber crime as a result of remote working. It is not expected that solvency will be an issue in the short-term due to our matching approach for client liabilities. Liquidity risks would be relevant for this time window since liquidity risks tend to be short-term in nature. However, we do not anticipate there being any liquidity risks given the Group's approach to paying the external and subsidiary dividends. These risks are also relevant for the longer time periods.	**Risks** Investor sentiment, market impacts, changes to regulation following Brexit and tax changes following the UK Government's relief strategy for COVID-19 continue to provide uncertainty. Aside from COVID-19 and 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.	**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 learning on both the investment management and advice spaces 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 many of our clients.
Resilience The Group generates relatively steady cash profits on new business and existing funds under management which we would expect to increase each year as funds in gestation 'mature'. 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 and business continuity are also important and risks which might cause severe business disruption are carefully managed. There are not considered to be any material uncertainties over the ability of the Group to survive over the one-year 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 (such as the COVID-19 scenario) takes place which provides comfort over the Group's ability to weather storms over a five-year time horizon and adapt. 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.	**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 the 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 Group's 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 has assessed the Group's going concern status. Further information is provided in the Directors' Report in our annual report and accounts.

Chair's Report

IAIN CORNISH, Chair

Introduction

Last year was a tumultuous one for all of us and I would like to begin my final Chair's review by paying tribute to all the members of the St. James's Place community for their outstanding efforts throughout 2020. Over a sustained period and in circumstances as demanding from a professional and personal perspective as any of us are likely to experience, colleagues throughout the partnership, the business and our key suppliers, performed magnificently to ensure we adapted safely to the challenges of operating in a COVID-19 environment and continued to serve our clients in a highly uncertain environment, as well as support our wider communities in a myriad of different ways. It was humbling to be a part of this and on behalf of the Board my thanks go out to everyone for their efforts during the year.

The Board

The Board significantly adapted its own operations during the year. Our meetings became virtual and they were held with significantly greater frequency as the circumstances required. Our first priority during the year was naturally to the health, safety and support of all members of the St. James's Place community. Beyond this, our focus was on ensuring the resilience of our service to the Partnership and through them to our clients. This is the core of our proposition and the ultimate driver of value to shareholders.

Performance

I am pleased to report that the business and the Partnership responded with agility and adapted rapidly to the transformed operating environment. Whilst the impact of various phases of lockdown on our core face to face proposition was of course considerable, the significant investment we have made in technology over recent years meant we were well placed for our employees, advisers and their support staff to be able to work from home. We did, however, rapidly and safely deploy additional technological functionality, which together with the creative and entrepreneurial approach of the Partnership ensured a personal touch was maintained at a point when it was needed most.

Some aspects of our operations were inevitably impacted; for example we took the decision to moderate adviser recruitment and engaging with new clients was undoubtedly challenging, particularly during the initial lockdown. Our financial results were also impacted by exceptional market volatility during the year. Under these circumstances the Board believes that the 2020 outturn represents a highly creditable performance that shows the underlying resilience of our business. During 2020, net inflows of £8.25 billion represented 7% of opening funds under management, contributing to 11% growth in total funds management for the year and boding well for future financial returns. Given the severity of the external backdrop, we believe too that the underlying cash result for 2020 of £264.7 million is a robust outcome.

In late April the Board took the difficult decision to withhold the previously declared but unpaid 2019 final dividend and not to pay an interim dividend. This decision was taken at a time when uncertainty was at its greatest and was motivated by an abundance of caution. The decision was based on consideration of a number of extremely severe, but not implausible scenarios. Had those circumstances materialised, the Board believed that it would have been in shareholders' interests to ensure that the business remained in a position to fully support the Partnership, and withholding the dividend provided this flexibility. The Board is pleased that these funds have not had to be deployed and that we remain some distance from the extreme scenarios on which the decision was based. The Board therefore no longer sees a need to continue with this retention and the withheld amount of 11.22 pence per share will be paid as an interim dividend to shareholders.

The Board is also pleased to propose a final and full year dividend for 2020 of 38.49 pence per share.

Looking to the future, in light of our planning and growth assumptions as we look out to 2025 and factoring in the likelihood of a sustained timing difference between the emergence of cash and IFRS profits, the Board considers a pay-out ratio of 70% of the underlying cash result as appropriate and sustainable for the duration of our planning horizon and beyond.

Clients

2020 was of course a difficult year for clients with heightened volatility leading to significant uncertainty in global markets, particularly at the outset of the COVID-19 pandemic worldwide. Over the course of the full year, investment market performance varied hugely with the S&P500 and Nikkei 225 for example both in strong positive territory while the FTSE 100 index declined by 14%. This highlights the importance for clients of having globally diversified investment portfolios and why we have evolved and broadened our Investment Management Approach over time.

The Board spent significant time during the year considering the performance and development of the investment proposition in support of our ambition to give clients the confidence to create the futures they want. We published our first Value Assessment Statement and put great emphasis on ensuring that it was set out clearly and transparently in a form that is accessible to clients. The statement demonstrated that the vast majority of client investments are in funds that meet their objectives, but it also highlighted a number of watchlist funds where further action was required. Clear plans have been established to address any issues identified and progress is actively monitored by the board of the Group's unit trust manager as well as the Board.

Further strong progress was made on our approach to responsible investing and we are proud that all of our fund managers are now signatories to the United Nations Principles for Responsible Investment. The Board also spent time considering the future target operating model for investment governance to ensure that it remains fit for purpose for future growth in funds under management.

The value of advice to our clients goes well beyond narrowly measured investment performance, however, as the professionalism and expertise of our Partnership in helping clients navigate through the turmoil of the year clearly demonstrated.

Colleagues, workforce engagement and culture

I have already talked about the exceptional demands that were placed on colleagues last year, and colleague welfare and wellbeing was central to the Board's deliberations. The Executive placed tremendous emphasis on communication, support, additional technology deployment and adapting ways of working to ensure that the business could continue to operate effectively and to ensure that colleagues could remain connected in a remote working environment - an issue which the Board recognises as having increased importance the longer the pandemic continues. Whilst an immense amount of corporate support has been put in place, the culture of St. James's Place has also come very much to the fore, with colleagues and the Partnership community looking out for each other.

The Board, under the direction of Patience Wheatcroft, continued to operate a full, albeit adapted, programme of employee engagement. A key measure for the Board was the 95% response rate to the biennial employee engagement survey, which recorded staff satisfaction levels at 83%. Notwithstanding the high levels of overall satisfaction, the employee engagement programme did identify a number of themes, principally those associated with a protracted period of homeworking and how future working patterns will evolve, which will be addressed in due course. After nine years on our Board, Patience Wheatcroft will step down at the conclusion of our Annual General Meeting on 17 May 2021. Lesley-Ann Nash has been selected by the Board and has agreed to take on the role as our designated Non-executive Director for Workforce Engagement following the Annual General Meeting. I would like to take this opportunity to thank Patience for her counsel and her effective and valuable contributions to the Board and its Committees during her tenure and wish her every success for the future.

The Board continued its focus on how culture is embedded through the Company's operations. The importance of our unique culture has been fundamental to our success over time but as a business grows it can prove more challenging to transmit the culture consistently. To help us with this we have codified our culture to include everything that has made us successful today and also those aspects of our culture that we wish to evolve. A core element of our culture is giving back, which manifests itself in support for wider the societies in which our business operates. The impact of COVID-19 has illustrated forcefully how much we are part of a wider community and must play our part as an exemplary corporate citizen. Like every other aspect of the business the ways in which we have done this have had to be adapted to the new environment. In recognition of the importance of supporting the efforts of our people, who commit a considerable amount of their own time and money to support local communities, we temporarily released employees with a medical or military background to the NHS, medical organisations, emergency services or armed forces, and we also extended our volunteer allowance from two days to unlimited. The Board and Executive management also chose to donate a proportion of their salaries/fees to the National Emergencies Trust and NHS Charities.

Strategy

Notwithstanding the immediate demands of the environment, we have continued to ensure that focus remains on the long-term development of the business, with a clear focus on delivering sustainable long-term value to shareholders.

The Board remains confident in the fundamental strength of the business and the structural opportunities that exist to drive continued growth. It therefore believes that it is in shareholders' interests that we continue to invest in the business. Early in the year the Board recognised that a period of slower growth coupled with inevitable further uncertainty over the short term necessitated a review of our target operating model. Substantial work has taken place in reviewing the organisational design, and the scope for improving client and adviser service and organisational efficiency, all through the application of technology facilitated by the successful migration to the Bluedoor administration platform in 2019. These reviews have emphasised the importance of ensuring our resource is focused in the right areas and, regrettably, this has meant that we have had to make the tough decision to lose some existing roles from the business. The Board is clear that it is essential that the cost base is managed rigorously and that investment decisions continue to be taken in a disciplined way.

Concluding Remarks

In the most difficult of circumstances St. James's Place delivered a solid performance in 2020 at the same time as taking significant steps to ensure that it remains well positioned for future growth. At the forthcoming Annual General Meeting I will be retiring after nearly a decade on the Board, during the last two years of which I have been privileged to serve as Chair. I am delighted that Paul Manduca has joined the Board and will take over as Chair following the AGM. I would like to thank all my colleagues for the support which they have given me throughout my time on the Board. I wish the entire St. James's Place community all the very best for the future and have no doubt that the Company will continue to prosper.

IAIN CORNISH
Chair

24 February 2021

Consolidated Statement of Comprehensive Income

	Note	**Year ended 31 December 2020 £'Million**	Year ended 31 December 2019 £'Million
Insurance premium income		**40.1**	42.6
Less premiums ceded to reinsurers		**(25.1)**	(26.8)
Net insurance premium income		**15.0**	15.8
Fee and commission income	4	**2,096.4**	2,374.1
Investment return	5	**5,949.6**	14,173.6
Net income		**8,061.0**	16,563.5
Policy claims and benefits			
– Gross amount		**(54.0)**	(56.0)
– Reinsurers' share		**20.4**	22.4
Net policyholder claims and benefits incurred		**(33.6)**	(33.6)
Change in insurance contract liabilities			
– Gross amount		**(5.9)**	(48.5)
– Reinsurers' share		**3.6**	5.9
Net change in insurance contract liabilities		**(2.3)**	(42.6)
Movement in investment contract benefits	5	**(5,910.7)**	(14,070.6)
Expenses		**(1,688.0)**	(1,707.8)
Profit before tax	3	**426.4**	708.9
Tax attributable to policyholders' returns	6	**(98.8)**	(521.8)
Profit before tax attributable to shareholders' returns		**327.6**	187.1
Total tax expense	6	**(164.4)**	(562.3)
Less: tax attributable to policyholders' returns	6	**98.8**	521.8
Tax attributable to shareholders' returns	6	**(65.6)**	(40.5)
Profit and total comprehensive income for the year		**262.0**	146.6
Loss attributable to non-controlling interests		–	–
Profit attributable to equity shareholders		**262.0**	146.6
Profit and total comprehensive income for the year		**262.0**	146.6

		Pence	Pence
Basic earnings per share	14	**49.1**	27.6
Diluted earnings per share	14	**48.6**	27.5

The results relate to continuing operations.

Consolidated Statement of Changes in Equity

		Equity attributable to owners of the Parent Company							
		Share capital	Share premium	Shares in trust reserve	Retained earnings	Misc. reserves	Total	Non-controlling interests	Total equity
	Note	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
At 1 January 2019		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	14	–	–	–	(256.0)	–	(256.0)	–	(256.0)
Issue of share capital	14	0.1	3.9	–	–	–	4.0	–	4.0
Exercise of options	14	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**
Profit and total comprehensive income for the year		**–**	**–**	**–**	**262.0**	**–**	**262.0**	**–**	**262.0**
Dividends	14	**–**	**–**	**–**	**(107.1)**	**–**	**(107.1)**	**–**	**(107.1)**
Exercise of options	14	**0.4**	**2.9**	**–**	**–**	**–**	**3.3**	**–**	**3.3**
Consideration paid for own shares		**–**	**–**	**(3.9)**	**–**	**–**	**(3.9)**	**–**	**(3.9)**
Shares sold during the year		**–**	**–**	**5.5**	**(5.5)**	**–**	**–**	**–**	**–**
Retained earnings credit in respect of share option charges		**–**	**–**	**–**	**10.6**	**–**	**10.6**	**–**	**10.6**
At 31 December 2020		**80.6**	**185.3**	**(14.8)**	**859.4**	**2.5**	**1,113.0**	**(0.9)**	**1,112.1**

Consolidated Statement of Financial Position

	Note	**As at 31 December 2020 £'Million**	As at 31 December 2019 £'Million
Assets			
Goodwill	7	**31.0**	15.6
Deferred acquisition costs	7	**424.5**	490.0
Intangible assets			
– Purchased value of in-force business	7	**17.6**	20.8
– Computer software	7	**23.5**	8.9
Property and equipment	8	**174.4**	166.3
Deferred tax assets	6	**14.4**	131.1
Reinsurance assets		**92.3**	88.6
Other receivables	10	**2,579.2**	2,127.1
Investments			
– Investment property	9	**1,526.7**	1,750.9
– Equities	9	**83,359.2**	72,694.2
– Fixed income securities	9	**27,701.4**	26,275.6
– Investment in Collective Investment Schemes	9	**5,890.2**	5,166.4
– Derivative financial instruments	9	**1,386.8**	1,342.9
Cash and cash equivalents	9	**6,660.1**	7,013.6
Total assets		**129,881.3**	117,292.0
Liabilities			
Borrowings	12	**341.8**	403.7
Deferred tax liabilities	6	**378.1**	493.7
Insurance contract liabilities		**562.6**	556.6
Deferred income	7	**579.9**	614.7
Other provisions		**34.3**	40.6
Other payables	11	**2,038.0**	1,782.7
Investment contract benefits	9	**93,132.7**	83,558.5
Derivative financial instruments	9	**749.9**	948.8
Net asset value attributable to unit holders	9	**30,919.1**	27,830.0
Income tax liabilities		**32.7**	115.4
Preference shares		**0.1**	0.1
Total liabilities		**128,769.2**	116,344.8
Net assets		**1,112.1**	947.2
Shareholders' equity			
Share capital	14	**80.6**	80.2
Share premium		**185.3**	182.4
Shares in trust reserve		**(14.8)**	(16.4)
Miscellaneous reserves		**2.5**	2.5
Retained earnings		**859.4**	699.4
Equity attributable to owners of the Parent Company		**1,113.0**	948.1
Non-controlling interests		**(0.9)**	(0.9)
Total equity		**1,112.1**	947.2

	Pence	Pence
Net assets per share	**207.0**	177.1

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2020 £'Million	Year ended 31 December 2019 £'Million
Cash flows from operating activities			
Profit before tax for the year		**426.4**	708.9
Adjustments for:			
Amortisation of purchased value of in-force business	7	**3.2**	3.2
Amortisation of computer software	7	**4.2**	1.4
Depreciation	8	**24.1**	20.7
Loss on disposal of property and equipment, including leased assets	8	**1.9**	–
Share-based payment charge		**10.6**	29.2
Interest income		**(33.1)**	(45.4)
Interest expense		**11.6**	12.6
(Decrease)/increase in provisions		**(6.3)**	6.7
Exchange rate losses		**–**	0.4
Changes in operating assets and liabilities			
Decrease in deferred acquisition costs	7	**65.5**	68.5
Decrease in investment property		**224.2**	69.8
Increase in other investments		**(12,858.5)**	(22,170.3)
Increase in reinsurance assets		**(3.7)**	(5.8)
Increase in other receivables		**(443.0)**	(169.3)
Increase in insurance contract liabilities		**6.0**	48.5
Increase in financial liabilities (excluding borrowings)		**9,375.3**	16,193.8
Decrease in deferred income	7	**(34.8)**	(33.6)
Increase in other payables		**239.8**	369.0
Increase in net assets attributable to unit holders		**3,089.1**	5,327.1
Cash inflow from operating activities		**102.5**	435.4
Interest received		**33.1**	45.4
Interest paid		**(11.6)**	(12.6)
Income taxes paid	6	**(248.1)**	(102.8)
Net cash (outflow)/inflow from operating activities		**(124.1)**	365.4
Cash flows from investing activities			
Acquisition of property and equipment	8	**(8.0)**	(17.3)
Acquisition of intangible assets	7	**(18.8)**	(8.9)
Acquisition of subsidiaries and other business combinations, net of cash acquired		**(22.4)**	(3.0)
Net cash outflow from investing activities		**(49.2)**	(29.2)
Cash flows from financing activities			
Proceeds from the issue of share capital and exercise of options		**3.3**	8.7
Consideration paid for own shares		**(3.9)**	(0.1)
Proceeds from exercise of shares held in trust		**–**	0.2
Additional borrowings	12	**270.0**	390.0
Repayment of borrowings	12	**(332.1)**	(334.8)
Principal lease payments		**(10.0)**	(8.1)
Dividends paid	14	**(107.1)**	(256.0)
Net cash outflow from financing activities		**(179.8)**	(200.1)
Net (decrease)/increase in cash and cash equivalents		**(353.1)**	136.1
Cash and cash equivalents at 1 January	9	**7,013.6**	6,877.6
Exchange losses on cash and cash equivalents		**(0.4)**	(0.1)
Cash and cash equivalents at 31 December	9	**6,660.1**	7,013.6

Notes to the Consolidated Financial Statements under International Financial Reporting Standards

1. Accounting policies

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 accounting standards in conformity with the requirements of the Companies Act 2006, and in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union (adopted IFRSs).

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 adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union (adopted IFRSs). 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 68 to 70 defines each APM, explains why it is used and, where applicable, explains how the measure can be reconciled to the IFRS Financial Statements.

Other accounting polices

The other accounting policies used by the Group in preparing the results are consistent with those applied in preparing the statutory accounts for the year ended 31 December 2019.

2. Critical accounting estimates and judgements in applying accounting policies

Judgements

The primary areas in which the Group has applied judgement are as follows:

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 its ability to influence 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 and where an orderly settlement of debt is considered to be in question.

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 2020 and expected rates in 2021 and over 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.

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 remeasures 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 (RICS), 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, the 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 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.

During the year COVID-19 has impacted the valuations, particularly retail and leisure assets which have fallen in value. The valuations have been prepared in accordance with the version of the RICS Valuation – Global Standards (incorporating the International Valuation Standards) and the UK national supplement ("the Red Book"). The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, the valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation - Global Standards.

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 remeasured to fair value at the reporting date.

During 2019 and 2020, a number of investments were made into private credit and private equity assets, which are recognised within fixed income securities and within equities, respectively, on the Consolidated Statement of Financial Position. 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 methodology 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.

During the year the impact of COVID-19 has been considered by undertaking sensitivity analysis to look at both favourable and unfavourable impacts. 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.

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 21 to 25 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 2020	Year ended 31 December 2019
	£'Million	£'Million
Underlying cash result after tax	**264.7**	273.1
Non-cash-settled share-based payments	**(10.6)**	(28.7)
Impacts of deferred tax	**(8.2)**	(10.4)
Back-office infrastructure	**(10.0)**	(38.8)
Impact in the year of DAC/DIR/PVIF	**(29.6)**	(26.2)
Impact of policyholder tax asymmetry (see Note 4)[1]	**61.7**	(10.0)
Other[1]	**(6.0)**	(12.4)
IFRS profit after tax	**262.0**	146.6
Shareholder tax	**65.6**	40.5
Profit before tax attributable to shareholders' returns	**327.6**	187.1
Tax attributable to policyholder returns	**98.8**	521.8
IFRS profit before tax	**426.4**	708.9

1 The impact of policyholder tax asymmetry has been separated from Other for the first time for the year ended 31 December 2020. As a result, Other has decreased by £10.0 million from the amount disclosed at 31 December 2019. Further information on the impact of policyholder tax asymmetry can be found on page 50.

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 2020	Year ended 31 December 2019
	£'Million	£'Million
EEV operating profit before tax	**919.0**	952.0
Investment return variance	**304.4**	768.6
Economic assumption changes	**(47.4)**	(27.0)
EEV profit before tax	**1,176.0**	1,693.6
Adjustments to IFRS basis		
Deduct: amortisation of purchased value of in-force business	**(3.2)**	(3.2)
Movement of balance sheet life value of in-force business (net of tax)	**(465.7)**	(946.6)
Movement of balance sheet unit trust and DFM value of in-force business (net of tax)	**(91.9)**	(310.9)
Tax of movement in value of in-force business	**(287.6)**	(245.8)
Profit before tax attributable to shareholders' returns	**327.6**	187.1
Tax attributable to policyholder returns	**98.8**	521.8
IFRS profit before tax	**426.4**	708.9

The movement in life, unit trust and DFM value of in-force business 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 16, is the measure of segment assets which is monitored on a monthly basis by the Board.

	31 December 2020	31 December 2019
	£'Million	£'Million
Investment	**32,220.0**	31,220.0
Pension	**61,310,0**	52,840.0
UT/ISA and DFM	**35,810.0**	32,930.0
Total FUM	**129,340.0**	116,990.0
Exclude client and third-party holdings in non-consolidated unit trusts and DFM	**(4,864.4)**	(5,185.1)
Other	**1,551.9**	1,742.0
Gross assets held to cover unit liabilities	**126,027.5**	113,546.9
IFRS intangible assets (see page 25 adjustment 2) including goodwill, DAC, PVIF, reinsurance and deferred tax	**605.4**	658.6
Shareholder gross assets (see page 25)	**3,248.4**	3,086.5
Total assets	**129,881.3**	117,292.0

4. Fee and commission income

	Year ended 31 December 2020	Year ended 31 December 2019
	£'Million	£'Million
Advice charges (post-RDR)	**767.4**	749.7
Third-party fee and commission income	**112.2**	120.8
Wealth management fees[1]	**812.4**	734.8
Investment management fees	**70.4**	71.6
Fund tax deductions	**98.8**	521.8
Impact of policyholder tax asymmetry[1]	**61.7**	(10.0)
Discretionary fund management fees	**17.5**	16.2
Fee and commission income before DIR amortisation	**1,940.4**	2,204.9
Amortisation of DIR	**156.0**	169.2
Total fee and commission income	**2,096.4**	2,374.1

1 Wealth management fees recognise charges levied on manufactured business (Investment, Pensions and UT/ISA) which are not separately identified elsewhere. These include some temporary effects relating to life insurance tax.

Life insurance tax incorporates a policyholder tax element, and the Financial Statements of a life insurance Group need to reflect the liability to HMRC and the corresponding deductions incorporated into policy charges (see "Fund tax deductions" below). In particular, the tax liability to HMRC is assessed using IAS 12 Income Taxes, which does not allow discounting, whereas the policy charges are designed to ensure fair outcomes between clients and so reflect a wide range of possible outcomes. This gives rise to different assessments of the current value of future cash flows and hence an asymmetry in the Consolidated Statement of Financial Position between the overall tax position and the offsetting client balance. The positive effect of the asymmetry will be eliminated over time as future cash flows become less uncertain and are ultimately realised, so the current effect is temporary.

As previously commented, the exceptional market circumstances in 2020 from the COVID-19 pandemic saw significant market movements throughout the year. Whilst strong recoveries were experienced in the later part of 2020, certain markets did not recover as strongly which resulted in some of our funds having significant losses at year end. The asymmetry is calculated on a fund by fund basis before consolidation and the predominate reason for the large asymmetry movement in 2020 are these losses. We would expect this to reverse as markets increase. We also consider that anticipated fund changes in 2021 under our Investment Management Approach will accelerate in part the timing of this realisation. In 2021, we expect several fund mergers to take place which will have the resulting impact of unwinding and accelerating some of the asymmetry experienced in 2020.

Under normal conditions this asymmetry is small, but the market conditions in 2020 have resulted in a significant positive movement during the year, benefitting both profit before shareholder tax and profit after tax. The impact of policyholder tax asymmetry has therefore been separated from wealth management fees for the first time for 2020. As a result, wealth management fees are higher by £10.0 million from the amount disclosed at 31 December 2019.

For all post-Retail Distribution Review (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 credited to, or deducted from, the life insurance business to match policyholder tax credits or charges.

Discretionary fund management fees are received from clients for the provision of DFM services.

5. 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 2020	Year ended 31 December 2019
	£'Million	£'Million
Investment return on net assets held to cover unit liabilities:		
Rental income	**86.3**	94.1
Loss on revaluation of investment properties	**(109.7)**	(74.2)
Net investment return on financial instruments classified as fair value through profit and loss	**4,832.4**	10,741.6
	4,809.0	10,761.5
Attributable to unit-linked insurance contract liabilities	***25.4***	*65.4*
Attributable to unit-linked investment contract benefits	***4,783.6***	*10,696.1*
	4,809.0	10,761.5
Income attributable to third-party holdings in unit trusts	**1,127.1**	3,374.5
	5,936.1	14,136.0
Investment return on shareholder assets:		
Net investment return on financial instruments classified as fair value through profit and loss	**(4.2)**	18.7
Interest income on financial instruments held at amortised cost	**17.7**	18.9
	13.5	37.6
Total investment return	**5,949.6**	14,173.6

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 £1,017.4 million (2019: £1,285.6 million).

Movement in investment contract benefits

	2020	2019
	£'Million	£'Million
Balance at 1 January	**83,558.5**	67,796.1
Deposits	**10,215.4**	10,852.9
Withdrawals	**(4,586.4)**	(4,641.4)
Movement in unit-linked investment contract benefits	**4,783.6**	10,696.1
Fees and other adjustments	**(838.4)**	(1,145.2)
Balance at 31 December	**93,132.7**	83,558.5
Current	**4,841.0**	5,316.4
Non-current	**88,291.7**	78,242.1
	93,132.7	83,558.5
Movement in unit liabilities		
Unit-linked investment contract benefits	**4,783.6**	10,696.1
Third-party unit trust holdings	**1,127.1**	3,374.5
Movement in investment contract benefits in the Consolidated Statement of Comprehensive Income	**5,910.7**	14,070.6

6. Income and deferred taxes

Tax for the year

	Year ended 31 December 2020	Year ended 31 December 2019
	£'Million	£'Million
Current tax		
UK corporation tax		
– Current year charge	**157.9**	215.7
– Adjustment in respect of prior year	**(1.0)**	1.0
Overseas taxes		
– Current year charge	**8.5**	11.0
– Adjustment in respect of prior year	**–**	0.2
	165.4	227.9
Deferred tax		
Unrealised capital (losses)/gains in unit-linked funds	**(4.0)**	333.8
Unrelieved expenses		
– Additional expenses recognised in the year	**(10.4)**	(11.6)
– Utilisation in the year	**11.8**	12.9
Capital losses		
– Revaluation in the year	**–**	1.1
– Utilisation in the year	**13.7**	10.3
– Adjustment in respect of prior year	**0.8**	(0.3)
DAC, DIR and PVIF	**(10.0)**	(11.0)
Other items	**(1.9)**	1.1
Overseas losses	**(0.5)**	(0.7)
Adjustment for change in tax rate	**(1.4)**	–
Adjustments in respect of prior periods	**0.9**	(1.2)
	(1.0)	334.4
Total tax charge for the year	**164.4**	562.3
Attributable to:		
– policyholders	**98.8**	521.8
– shareholders	**65.6**	40.5
	164.4	562.3

The prior year adjustment of £1.0 million in current tax above represents a credit of £1.4 million in respect of policyholder tax (2019: £0.1 million credit) and a charge of £0.4 million in respect of shareholder tax (2019: £1.3 million charge). The prior year adjustment of £0.9 million in deferred tax above represents a charge of £1.3 million in respect of policyholder tax and a credit of £0.4 million in respect of shareholder tax (2019: deferred tax prior year adjustment related entirely to shareholder tax).

Included within the deferred tax on 'other items' is £nil (2019: £1.5 million charge) relating to 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 2020 £'Million		Year ended 31 December 2019 £'Million	
Profit before tax	**426.4**		708.9	
Tax attributable to policyholders' returns	**(98.8)**		(521.8)	
Profit before tax attributable to shareholders' return	**327.6**		187.1	
Shareholder tax charge at corporate tax rate of 19% (2019: 19%)	**62.2**	**19%**	35.5	19%
Adjustments:				
Lower rates of corporation tax in overseas subsidiaries	**(1.3)**	**0.0%**	(0.5)	(0.3%)
Expected shareholder tax	**60.9**	**18.6%**	35.0	18.7%
Effects of:				
Non-taxable income	**(0.9)**		(1.3)	
Revaluation of historic capital losses in the Group	–		1.1	
Adjustment for change in tax rates	**(1.4)**		–	
Adjustment in respect of prior year				
– Current tax	**0.4**		1.3	
– Deferred tax	**0.4**		(1.5)	
Differences in accounting and tax bases in relation to employee share schemes	**(0.3)**		1.2	
Disallowable expenses	**3.8**		2.3	
Provision for future liabilities	**1.7**		–	
Other	**0.2**		(0.2)	
Tax losses not recognised	**0.8**		2.6	
	4.7	**1.4%**	5.5	2.9%
Shareholder tax charge	**65.6**	**20.0%**	40.5	21.6%
Policyholder tax charge	**98.8**		521.8	
Total tax charge for the year	**164.4**		562.3	

Tax calculated on profit/(loss) before tax at 19% (2019: 19%) would amount to £81.0 million (2019: £134.7 million). The difference of £83.4 million (2019: £427.6 million) between this number and the total tax of £164.4 million (2019: £562.3 million) is made up of the reconciling items above which total £3.4 million (2019: £5.0 million) and the effect of the apportionment methodology on tax applicable to policyholder returns of £80.0 million (2019: £422.6 million).

Tax paid in the year

	Year ended 31 December 2020 £'Million	Year ended 31 December 2019 £'Million
Current tax charge for the year	**165.4**	227.9
Payments to be made due to be received in future years in respect of current year	**(30.3)**	(115.4)
Payments/(refunds received) made in current year in respect of prior years	**113.6**	(7.9)
Other	**(0.6)**	(1.8)
Tax paid	**248.1**	102.8
Tax paid can be analysed as:		
– Taxes paid in UK	**233.1**	91.2
– Taxes paid in overseas jurisdictions	**2.4**	1.9
– Withholding taxes suffered on investment income received	**12.6**	9.7
Total	**248.1**	102.8

Deferred tax balances

Deferred tax assets

	Unrelieved expenses on life insurance business	Deferred acquisition costs (DAC)	Deferred income (DIR)	Capital losses (available for future relief)	Renewal income assets	Share-based payments	Fixed asset temporary differences	Other temporary differences	Total
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
At 1 January 2019	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**
Reanalysis to deferred tax liabilities	(41.2)	(19.5)	–	(44.6)	(10.9)	–	–	(0.7)	(116.9)
(Charge)/credit to the Statement of Comprehensive Income:									
- Utilised and created in year	–	2.3	(3.0)	–	2.3	(0.1)	0.1	0.1	1.7
- Impact of tax rate change	–	(2.2)	3.5	–	(1.6)	0.4	0.6	(0.1)	0.6
Total credit	–	*0.1*	*0.5*	–	*0.7*	*0.3*	*0.7*	–	*2.3*
Impact of acquisition	–	–	–	–	(2.1)	–	–	–	(2.1)
At 31 December 2020	–	**(19.4)**	**33.1**	–	**(12.3)**	**6.8**	**5.6**	**0.6**	**14.4**

Expected utilisation period									
As at 31 December 2019	6 years	14 years	14 years	7 years	20 years	3 years	6 years		
As at 31 December 2020	**6 years**	**14 years**	**14 years**	**6 years**	**20 years**	**3 years**	**6 years**		

Deferred tax liabilities

	Unrelieved expenses on life insurance business	Deferred acquisition costs (DAC)	Capital losses (available for future relief)	Renewal income assets	Unrealised capital gains on life insurance (BLAGAB) assets backing unit liabilities	Purchased value of in-force business (PVIF)	Other temporary differences	Total
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
At 1 January 2019	–	70.9	–	10.4	86.3	4.1	1.2	172.9
Charge/(credit) to the Statement of Comprehensive Income	–	(13.4)	–	(1.7)	333.8	(0.6)	0.3	318.4
Impact of acquisitions	–	–	–	2.4	–	–	–	2.4
At 31 December 2019	–	**57.5**	–	**11.1**	**420.1**	**3.5**	**1.5**	**493.7**
Reanalysis from deferred tax assets	(41.2)	(19.5)	(44.6)	(11.1)	–	–	(0.5)	(116.9)
Charge/(credit) to the Statement of Comprehensive Income:								
- Utilised and created in year	1.4	(10.1)	14.5	–	(2.8)	(0.6)	(0.3)	2.1
- Impact of tax rate change	–	4.2	(5.4)	–	–	0.4	–	(0.8)
Total charge/(credit)	*1.4*	*(5.9)*	*9.1*	–	*(2.8)*	*(0.2)*	*(0.3)*	*1.3*
At 31 December 2020	**(39.8)**	**32.1**	**(35.5)**	–	**417.3**	**3.3**	**0.7**	**378.1**

Expected utilisation period								
As at 31 December 2019	6 years	14 years	7 years	20 years	7 years	6 years		
As at 31 December 2020	**6 years**	**14 years**	**6 years**	**20 years**	**6 years**	**6 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 was extended during 2019. This increase reflected the impact of the extension of the existing loss restriction rules to also cover capital losses, which took effect from 1 April 2020.

The current year presentation of the allocation between deferred tax liabilities and assets reflects a reassessment of the requirements of IAS 12, with reference to the netting off of certain deferred tax balances. This has resulted in some reallocation of the prior year balances between deferred tax liabilities and assets. The prior year balances have not been restated, as the changes are not material.

At the reporting date there were unrecognised deferred tax assets of £16.3 million (2019: £12.0 million) in respect of £96.5 million (2019: £71.5 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.

In the Finance Act 2016, a reduction to the UK main rate of corporation tax to 17% effective from 1 April 2020 was enacted, with the impact incorporated into the deferred tax balances in 2016. However, in the UK Budget of 11 March 2020 it was announced that the rate will remain at 19%, rather than reducing to 17% as previously enacted. This change was substantively enacted on 17 March 2020 and as a result the relevant deferred tax balances have been remeasured. The total impact of this remeasurement in the deferred tax shown above is £1.4 million split as £9.8 million in respect of deferred tax assets and £8.4 million in respect of deferred tax liabilities.

7. 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 2019[1]	15.6	73.4	16.1	1,346.7	(1,464.0)
Additions	–	–	8.9	28.1	(135.6)
Disposals[1]	–	–	–	(65.0)	61.0
At 31 December 2019[1]	**15.6**	**73.4**	**25.0**	**1,309.8**	**(1,538.6)**
Additions	**15.4**	**–**	**18.8**	**27.1**	**(121.2)**
Disposals	**–**	**–**	**–**	**(103.0)**	**90.6**
At 31 December 2020	**31.0**	**73.4**	**43.8**	**1,233.9**	**(1,569.2)**
Accumulated amortisation					
At 1 January 2019[1]	–	49.4	14.7	788.2	(815.7)
Charge for the year	–	3.2	1.4	96.6	(169.2)
Eliminated on disposal[1]	–	–	–	(65.0)	61.0
At 31 December 2019[1]	**–**	**52.6**	**16.1**	**819.8**	**(923.9)**
Charge for the year	**–**	**3.2**	**4.2**	**92.6**	**(156.0)**
Eliminated on disposal	–	**–**	**–**	**(103.0)**	**90.6**
At 31 December 2020	**–**	**55.8**	**20.3**	**809.4**	**(989.3)**
Carrying value					
At 1 January 2019	15.6	24.0	1.4	558.5	(648.3)
At 31 December 2019	15.6	20.8	8.9	490.0	(614.7)
At 31 December 2020	**31.0**	**17.6**	**23.5**	**424.5**	**(579.9)**
Current	**–**	3.2	3.4	85.7	(160.4)
Non-current	31.0	14.4	20.1	338.8	(419.5)
	31.0	**17.6**	**23.5**	**424.5**	**(579.9)**
Outstanding amortisation period					
At 31 December 2019	n/a	6 years	2-5 years	14 years	6–14 years
At 31 December 2020	**n/a**	**5 years**	**5 years**	**14 years**	**6–14 years**

1 The opening cost and accumulated amortisation positions at 1 January 2019 for DAC and DIR have been revised downwards by £373.7 million and £350.0 million respectively to remove business after it reaches the end of its expected life. At this point the net book value of these adjustments is £nil, and so there is no impact on the carrying values presented on the face of the Consolidated Statement of Financial Position. Balances associated with business reaching the end of its expected life in each year disclosed, are presented as disposals.

8. 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 2019	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**
Additions	**6.6**	**1.4**	**26.1**	**34.1**
Disposals	**(2.3)**	**(4.3)**	**(3.6)**	**(10.2)**
At 31 December 2020	**72.4**	**5.5**	**164.0**	**241.9**
Accumulated depreciation				
At 1 January 2019	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**
Charge for the year	**5.5**	**1.4**	**17.2**	**24.1**
Eliminated on disposal	**(2.2)**	**(4.3)**	**(1.8)**	**(8.3)**
At 31 December 2020	**33.9**	**3.3**	**30.3**	**67.5**
Net book value				
At 1 January 2019	25.4	3.1	–	28.5
At 31 December 2019	37.5	2.2	126.6	166.3
At 31 December 2020	**38.5**	**2.2**	**133.7**	**174.4**
Depreciation period (estimated useful life)				
At 31 December 2019	5–15 years	3 years	1–23 years	
At 31 December 2020	**5–15 years**	**3 years**	**1–22 years**	

Leased assets: properties were recognised for the first time on 1 January 2019, upon adoption of IFRS 16 Leases.

9. 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 25.

	31 December 2020	31 December 2019
	£'Million	£'Million
Assets		
Investment property	**1,526.7**	1,750.9
Equities	**83,359.2**	72,694.2
Fixed income securities	**27,694.0**	26,270.4
Investment in Collective Investment Schemes	**4,625.4**	4,034.6
Cash and cash equivalents	**6,405.2**	6,720.8
Other receivables	**1,030.2**	733.1
Derivative financial instruments		
– Currency forwards	**999.9**	588.2
– Interest rate swaps	**58.5**	76.7
– Index options	**49.7**	23.3
– Contracts for differences	**11.8**	359.3
– Equity rate swaps	**6.1**	8.1
– Foreign currency options	**0.1**	7.0
– Total return swaps	**135.5**	129.0
– Fixed income options	**79.5**	41.4
– Credit default swaps	**45.7**	109.9
Total derivative financial assets	**1,386.8**	1,342.9
Total assets	**126,027.5**	113,546.9
Liabilities		
Other payables	**759.7**	745.4
Derivative financial instruments		
– Currency forwards	**472.9**	295.2
– Interest rate swaps	**79.5**	81.5
– Index options	**43.6**	49.1
– Contracts for differences	**7.2**	357.7
– Equity rate swaps	**11.2**	40.1
– Foreign currency options	–	6.1
– Total return swaps	**87.3**	88.3
– Fixed income options	**33.2**	6.6
– Credit default swaps	**15.0**	24.2
Total derivative financial liabilities	**749.9**	948.8
Total liabilities	**1,509.6**	1,694.2
Net assets held to cover linked liabilities	**124,517.9**	111,852.7
Investment contract benefits	**93,132.7**	83,558.5
Net asset value attributable to unit holders	**30,919.1**	27,830.0
Unit-linked insurance contract liabilities	**466.1**	464.2
Net unit-linked liabilities	**124,517.9**	111,852.7

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.

Investment property

	2020 £'Million	2019 £'Million
Balance at 1 January	**1,750.9**	1,820.7
Additions	–	42.5
Capitalised expenditure on existing properties	**27.5**	14.4
Disposals	**(142.0)**	(52.5)
Changes in fair value	**(109.7)**	(74.2)
Balance at 31 December	**1,526.7**	1,750.9

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 advisers 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 2020 is £1,655.0 million (2019: £1,726.7 million). This represents the price paid for investment properties, prior to any subsequent revaluation.

The rental income and direct operating expenses recognised in the Consolidated 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 2020 £'Million	Year ended 31 December 2019 £'Million
Rental income	**86.3**	94.1
Direct operating expenses	**21.1**	8.1

At the year-end contractual obligations to purchase, construct or develop investment property amounted to £10.6 million (2019: £24.5 million). The most significant contractual obligation at 31 December 2020 was £3.4 million for the ongoing funding of a pre-let hotel development, which is scheduled for completion in 2021.

Contractual obligations to dispose of investment property amounted to £39.0 million (2019: £nil).

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 2020 £'Million	31 December 2019 £'Million
Undiscounted contractual rental income to be received in:		
Year 1	**76.0**	86.8
Year 2	**72.3**	83.4
Year 3	**67.1**	77.3
Year 4	**61.8**	71.7
Year 5	**53.2**	65.0
Year 6 onwards	**276.6**	339.1
Total undiscounted contractual rental income to be received	**607.0**	723.3

Cash and cash equivalents

	31 December 2020	31 December 2019
	£'Million	£'Million
Cash and cash equivalents not held to cover unit liabilities	**254.9**	292.8
Balances held to cover unit liabilities	**6,405.2**	6,720.8
Total cash and cash equivalents	**6,660.1**	7,013.6

All cash and cash equivalents are considered current.

10. Other receivables

	31 December 2020	31 December 2019
	£'Million	£'Million
Receivables in relation to unit liabilities excluding policyholder interests	**479.3**	313.6
Other receivables in relation to insurance and unit trust business	**64.3**	83.6
Operational readiness prepayment	**313.9**	299.2
Advanced payments to Partners	**54.2**	59.8
Other prepayments	**70.3**	67.6
Business loans to Partners	**476.7**	476.5
Renewal income assets	**87.4**	85.7
Miscellaneous	**0.1**	5.9
Total other receivables on the Solvency II Net Assets Balance Sheet	**1,546.2**	1,391.9
Policyholder interests in other receivables (see Note 9)	**1,030.2**	733.1
Miscellaneous (see adjustment 2 on page 25)	**2.8**	2.1
Total other receivables	**2,579.2**	2,127.1
Current[1]	**1,804.8**	1,370.1
Non-current[1]	**774.4**	757.0
	2,579.2	2,127.1

1 Business Loans to Partners have been re-presented to correct the classification of when repayments are expected to be received. The reclassification totalled £59.2 million from Current to Non-current.

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 platform. It is believed that any reasonably possible change in the assumptions applied within this assessment, notably 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 2020	31 December 2019
	£'Million	£'Million
Business loans to Partners directly funded by the Group	**319.6**	316.0
Securitised business loans to Partners	**157.1**	160.5
Total business loans to Partners	**476.7**	476.5

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 £157.1 million (2019: £160.5 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 12 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 2020	**459.7**	**12.9**	**7.5**	**480.1**
Business loans to Partners classification changes:				
– Transfer to underperforming	**(16.5)**	**17.1**	**(0.6)**	–
– Transfer to non-performing	**(2.7)**	–	**2.7**	–
– Transfer to performing	**5.4**	**(4.5)**	**(0.9)**	–
New lending activity during the year	**166.6**	**2.9**	**1.4**	**170.9**
Interest charged during the year	**12.8**	**0.8**	**0.2**	**13.8**
Repayments activity during the year	**(174.5)**	**(6.9)**	**(2.7)**	**(184.1)**
Gross balance at 31 December 2020	**450.8**	**22.3**	**7.6**	**480.7**

	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

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 as at 31 December 2020 was £4.0 million (2019: £3.6 million). During the year, £1.3 million of the provision was released (2019: £0.2 million), £0.3m was utilised (2019: £nil) whilst new provisions and adjustments to existing provisions increased the total by £2.0 million (2019: £0.7 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 2020	31 December 2019
	£'Million	£'Million
Gross business loans to Partners	**480.7**	480.1
Provision	**(4.0)**	(3.6)
Net business loans to Partners	**476.7**	476.5

Renewal income assets

Movement in renewal income assets

	2020	2019
	£'Million	£'Million
At 1 January	**85.7**	72.1
Additions	**16.5**	17.1
Revaluation	**(14.8)**	(3.5)
Total renewal income assets at 31 December	**87.4**	85.7

The key assumptions used for the assessment of the fair value of the renewal income are as follows:

	31 December 2020	31 December 2019
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%–10.1%**	5.8%–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.

11. Other payables

	31 December 2020	31 December 2019
	£'Million	£'Million
Payables in relation to unit liabilities excluding policyholder interests	**233.6**	106.8
Other payables in relation to insurance and unit trust business	**488.1**	411.0
Accrual for ongoing advice fees	**124.0**	118.1
Other accruals	**66.8**	72.1
Contract payment	**118.1**	77.9
Lease liabilities	**132.7**	118.6
Miscellaneous	**79.6**	129.2
Total other payables on the Solvency II Net Assets Balance Sheet	**1,242.9**	1,033.7
Policyholder interests in other payables (see Note 9)	**759.7**	745.4
Miscellaneous (see adjustment 2 on page 25)	**35.4**	3.6
Total other payables	**2,038.0**	1,782.7
Current	**1,800.7**	1,605.7
Non-current	**237.3**	177.0
	2,038.0	1,782.7

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 £118.1 million (2019: £77.9 million) represents payments made by a third-party service provider to the Group as part of a service agreement, which are non-interest bearing and repayable over the life of the service agreement. It increased by £60.0 million during the year due to an additional payment being received as part of contract negotiations to extend the life of this agreement by five years. The contract payment received in previous years is repayable on a straight-line basis over the original 12-year term, with repayments commencing on 1 January 2017. The contract payment received in 2020 is repayable on a straight-line basis over 13 years and 4 months, with repayments commencing on 1 September 2020.

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.

Included within Miscellaneous is £72.5 million (2019: £68.6 million) relating to the monthly Partner payment paid in arrears.

The fair value of financial instruments held at amortised cost within other payables is not materially different from amortised cost.

12. 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 10 Other receivables.

Senior unsecured corporate borrowings

	31 December 2020	31 December 2019
	£'Million	£'Million
Corporate borrowings: bank loans	**112.7**	173.3
Corporate borrowings: loan notes	**113.8**	113.8
Senior unsecured corporate borrowings	**226.5**	287.1

The primary senior unsecured corporate borrowings are:

- a £340 million revolving credit facility which is repayable at maturity in 2023 with a variable interest rate. At 31 December 2020 the undrawn credit available under this facility was £230 million (2019: £170 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 in instalments over ten years, ending in 2025 and 2027 respectively, with variable interest rates.

The Group has a number of covenants within the terms of its senior unsecured corporate borrowing facilities. These covenants are monitored on a regular basis and reported to lenders on a bi-annual basis. During the course of the year all covenants were complied with and the Group did not require waivers or alteration of covenant terms as a result of the economic conditions arising from the COVID-19 pandemic.

As at the 31 December 2020 and 31 December 2019 the Group had sufficient headroom available under its covenants to fully draw the remaining commitment under its senior unsecured corporate borrowing facilities. As a result of the Group's business model and cash-flow profile, no additional borrowing facilities were required due to the economic conditions arising from the pandemic.

Total borrowings

	31 December 2020	31 December 2019
	£'Million	£'Million
Senior unsecured corporate borrowings	**226.5**	287.1
Senior tranche of non-recourse securitisation loan notes	**115.3**	116.6
Total borrowings	**341.8**	403.7
Current	**11.0**	–
Non-current	**330.8**	403.7
	341.8	403.7

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 £157.1 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 10 to the Consolidated Financial Statements. 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 2020	31 December 2019
	£'Million	£'Million
Junior tranche of non-recourse securitisation loan notes	**48.1**	49.9
Senior tranche of non-recourse securitisation loan notes	**115.3**	116.6
Total non-recourse securitisation loan notes	**163.4**	166.5
Backed by:		
Securitised business loans to Partners (see Note 10)	**157.1**	160.5
Other net assets of SJP Partner Loans No.1 Limited	**6.3**	6.0
Total net assets held by SJP Partner Loans No.1 Limited	**163.4**	166.5

Movement in borrowings

Borrowings are liabilities arising from financing activities. The cash and non-cash movements 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 45.

	Senior unsecured corporate borrowings	**Senior tranche of securitisation loan notes**	**Total borrowings**	Senior unsecured corporate borrowings	Senior tranche of securitisation loan notes	Total borrowings
	2020	**2020**	**2020**	2019	2019	2019
	£'Million	**£'Million**	**£'Million**	£'Million	£'Million	£'Million
Borrowings at 1 January	**287.1**	**116.6**	**403.7**	278.6	70.0	348.6
Additional borrowing during the year	**270.0**	**–**	**270.0**	340.0	50.0	390.0
Repayment of borrowings during the year	**(331.1)**	**(1.0)**	**(332.1)**	(332.0)	(2.8)	(334.8)
Costs on additional borrowings during the year	**–**	**(0.8)**	**(0.8)**	–	(1.0)	(1.0)
Unwind of borrowing costs (non-cash movement)	**0.5**	**0.5**	**1.0**	0.5	0.4	0.9
Borrowings at 31 December	**226.5**	**115.3**	**341.8**	287.1	116.6	403.7

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.

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 2020	31 December 2019	**31 December 2020**	31 December 2019
	£'Million	£'Million	**£'Million**	£'Million
Bank of Scotland	**63.3**	57.7	**70.0**	70.0
Clydesdale Bank	–	–	**25.0**	–
Investec	**25.9**	18.5	**50.0**	25.0
Metro Bank	**39.8**	45.7	**61.0**	61.0
NatWest	**22.1**	15.1	**50.0**	25.0
Santander	**49.6**	44.5	**50.0**	50.0
Total loans	**200.7**	181.5	**306.0**	231.0

The fair value of these guarantees has been assessed as £nil (2019: £nil).

13. 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
Linden House Financial Services Limited	FCA: Personal Investment Firm
Perennial Financial Management Limited (known as BFS Financial Services Limited until 13 January 2020)	FCA: Personal Investment Firm
Policy Services Limited	FCA: Personal Investment Firm
Rowan Dartington & Co Limited	FCA: 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 International plc	Central Bank of Ireland: Life insurance business
St. James's Place Investment Administration Limited	FCA: Investment Firm
St. James's Place Partnership Services Limited	FCA: Consumer Credit Firm
St. James's Place (Singapore) Private Limited	Monetary Authority Singapore: A Member of the Association of Financial Advisers
St. James's Place UK plc	PRA and FCA: Long-term insurance business
St. James's Place Unit Trust Group Limited	FCA: UCITS Management Company
St. James's Place Wealth Management plc	FCA: Personal 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 the 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 2020, assessed on the standard formula basis, is presented in the following table:

	31 December 2020	31 December 2019
	£'Million	£'Million
IFRS total assets	**129,897.0**	117,292.0
Less Solvency II valuation adjustments and unit-linked liabilities	**(128,678.4)**	(116,235.2)
Solvency II net assets	**1,218.6**	1,056.8
Solvency II VIF	**4,756.3**	4,303.5
Risk margin	**(1,357.5)**	(1,213.3)
Own funds (A)	**4,617.4**	4,147.0
Standard formula SCR (B)	**3,506.6**	3,148.0
Solvency II free assets (A-B)	**1,110.8**	999.0
Solvency II ratio (A/B)	**132%**	132%

	31 December 2020	31 December 2019
	£'Million	£'Million
Solvency II net assets	**1,218.6**	1,056.8
Less: management solvency buffer (MSB)	**(501.3)**	(476.2)
Excess of free assets over MSB	**717.3**	580.6

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 34.

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.

For the year ended 31 December 2020, the level of the MSB was reviewed for the Life businesses and, as a result, increased by £25.0 million, reflecting business growth and market conditions. There has been no other 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 2020	31 December 2019
	£'Million	£'Million
Share capital	**80.6**	80.2
Share premium	**185.3**	182.4
Shares in trust reserve	**(14.8)**	(16.4)
Miscellaneous reserves	**2.5**	2.5
Retained earnings	**859.4**	699.4
Shareholders' equity	**1,113.0**	948.1
Non-controlling interests	**(0.9)**	(0.9)
Total equity	**1,112.1**	947.2

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 32, 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.

14. Share capital, earnings per share and dividends

Share capital

	Number of ordinary shares	**Called-up share capital**
		£'Million
At 1 January 2019	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**
– Exercise of options	**2,542,840**	**0.4**
At 31 December 2020	**537,343,466**	**80.6**

Ordinary shares have a par value of 15 pence per share (2019: 15 pence per share) and are fully paid.

Included in the issued share capital are 2,913,822 (2019: 2,894,530) shares held in the Shares in trust reserve with a nominal value of £0.4 million (2019: £0.4 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 663,769 shares at 31 December 2020 and 438,105 shares at 31 December 2019. No dividends have been waived on shares held in the St. James's Place 2010 SIP Trust in 2020 or 2019.

Share capital increases are included within the 'exercise of options' line 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' line.

Earnings per share

	Year ended 31 December 2020	Year ended 31 December 2019
	£'Million	£'Million
Earnings		
Profit after tax attributable to equity shareholders (for both basic and diluted EPS)	**262.0**	146.6

	Million	Million
Weighted average number of shares		
Weighted average number of ordinary shares in issue (for basic EPS)	**533.5**	531.3
Adjustments for outstanding share options	**5.8**	2.7
Weighted average number of ordinary shares (for diluted EPS)	**539.3**	534.0

	Pence	Pence
Earnings per share (EPS)		
Basic earnings per share	**49.1**	27.6
Diluted earnings per share	**48.6**	27.5

Dividends

The following dividends have been paid by the Group:

	Year ended 31 December 2020	Year ended 31 December 2019	**Year ended 31 December 2020**	Year ended 31 December 2019
	Pence per share	Pence per share	**£'Million**	£'Million
Final dividend in respect of 2018	–	29.73	–	157.5
Interim dividend in respect of 2019	–	18.49	–	98.5
Second interim dividend in respect of 2019	**20.00**	–	**107.1**	–
Total dividends	**20.00**	48.22	**107.1**	256.0

In the Annual Report and Accounts 2019 the Directors recommended a final dividend of 31.22 pence, which amounted to £167.0 million. Following the escalation of the COVID-19 pandemic in the UK, the Board announced that 11.22 pence per share of this proposed dividend would be withheld until such a time as the financial and economic impacts of COVID-19 become clearer. As a result, a 2019 second interim dividend of 20.00 pence, which amounted to £107.1 million, was paid on 27 May 2020 to those shareholders on the register as at close of business on 11 May 2020. Following further review, the Board has determined that it no longer needs to continue with this retention and the withheld amount of 11.22 pence per share has now been declared as a further 2019 interim dividend. This amounts to £60.3 million, to be paid on 24 March 2021 to those shareholders on the register as at 5 March 2021.

In respect of 2020 the Directors have recommended a 2020 final dividend of 38.49 pence per share. This amounts to £206.8 million and will, subject to shareholder approval at the Annual General Meeting, be paid on 21 May 2021 to those shareholders on the register as at 16 April 2021.

15. 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 losses recognised of £18.2 million (2019: gains of £12.3 million) and the total value of transactions with those non-consolidated unit trusts was £35.1 million (2019: £28.0 million). Net management fees receivable from these unit trusts amounted to £8.0 million (2019: £11.3 million). The value of the investment into the non-consolidated unit trusts at 31 December 2020 was £101.1 million (2019: £139.9 million).

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 in our annual report and accounts, 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 2020	Year ended 31 December 2019
	£'Million	£'Million
Short-term employee benefits	**4.3**	4.6
Post-employment benefits	**0.5**	0.4
Share-based payment	**2.0**	2.3
Total	**6.8**	7.3

The total value of Group FUM held by related parties of the Group as at 31 December 2020 was £31.9 million (2019: £27.1 million). The total value of St. James's Place plc dividends paid to related parties of the Group during the year was £0.4 million (2019: £0.9 million).

16. Non-statutory accounts

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2020 or 2019 but is derived from those accounts. Statutory accounts for 2019 have been delivered to the registrar of companies, and those for 2020 will be delivered in due course. The auditors have reported on those accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 of the Companies Act 2006.

17. Annual Report

The Company's annual report and accounts for the year ended 31 December 2020 is expected to be posted to shareholders by 8 April 2021. Copies of both this announcement and the annual report and accounts will be available to the public through the Company's website at www.sjp.co.uk.

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 adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union (adopted IFRSs). 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, details 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 25.
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
Cash result, Operating cash result and Underlying cash result	The Cash result is defined as the movement between the opening and closing Solvency II net assets adjusted as follows: 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 21, 22 and also see Note 3 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 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 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.
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.	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	Disclosed as separate line items in the Statement of Comprehensive Income on page 42.

APM	Definition	Why is this measure used?	Reconciliation to the Financial Statements
	This calculation method is consistent with the legislation relating to the calculation of the tax on shareholders' profits.	result, when policyholder tax increases, the charges also increase. Since 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.	
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 42.
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 20.

Responsibility Statement of the Directors in respect of the Annual Financial Report

The Directors confirm to the best of their knowledge that:

- The financial statements have been prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union (adopted IFRSs) and give a true and fair view of the assets, liabilities, financial position and profit for the Company and the undertakings included in the consolidation as a whole; and

- Pursuant to Disclosure and Transparency Rules Chapter 4, the Directors' report of the Company's annual report and accounts includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties faced by the business.

On behalf of the Board

Andrew Croft Chief Executive	Craig Gentle Chief Financial Officer

24 February 2021

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

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 2020 £'Million**	Year ended 31 December 2019 £'Million
Fee and commission income		**2,011.3**	2,355.4
Investment return	5	**13.5**	37.6
Net income		**2,024.8**	2,393.0
Expenses		**(1,601.3)**	(1,600.8)
Profit before tax		**423.5**	792.2
Tax attributable to policyholders' returns		**(98.8)**	(521.8)
Tax attributable to shareholders' returns		**(70.0)**	(41.0)
Total Cash result for the year		**254.7**	229.4

		Pence	Pence
Cash result basic earnings per share	III	**47.7**	43.2
Cash result diluted earnings per share	III	**47.2**	43.0

The Note references above cross refer to the Notes to the Consolidated Financial Statements under IFRS on pages 46 to 67, except where denoted in Roman numerals.

Consolidated Statement of Changes in Equity on a Cash Result Basis (unaudited)

		Equity attributable to owners of the Parent Company							
		Share capital	**Share premium**	**Shares in trust reserve**	**Retained earnings**	**Misc. reserves**	**Total**	**Non-controlling interests**	**Total equity**
	Note	**£'Million**	**£'Million**	**£'Million**	**£'Million**	**£'Million**	**£'Million**	**£'Million**	**£'Million**
At 1 January 2019		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	14	–	–	–	(256.0)	–	(256.0)	–	(256.0)
Issue of share capital	14	0.1	3.9	–	–	–	4.0	–	4.0
Exercise of options	14	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, intangibles and other non-cash movements		–	–	–	(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**
Cash result for the year		–	–	–	**254.7**	–	**254.7**	–	**254.7**
Dividends	14	–	–	–	**(107.1)**	–	**(107.1)**	–	**(107.1)**
Exercise of options	14	**0.4**	**2.9**	–	–	–	**3.3**	–	**3.3**
Consideration paid for own shares		–	–	**(3.9)**	–	–	**(3.9)**	–	**(3.9)**
Shares sold during the year		–	–	**5.5**	**(5.5)**	–	–	–	–
Change in deferred tax		–	–	–	**(8.2)**	–	**(8.2)**	–	**(8.2)**
Change in tax discounting		–	–	–	**62.5**	–	**62.5**	–	**62.5**
Change in goodwill, intangibles and other non-cash movements		–	–	–	**(39.5)**	–	**(39.5)**	–	**(39.5)**
At 31 December 2020		**80.6**	**185.3**	**(14.8)**	**965.9**	**2.5**	**1,219.5**	**(0.9)**	**1,218.6**

The Note references above cross refer to the Notes to the Consolidated Financial Statements under IFRS on pages 46 to 67, except where denoted in Roman numerals.

Consolidated Statement of Financial Position on a Cash Result Basis (unaudited)

	Note	31 December 2020 £'Million	31 December 2019 £'Million
Assets			
Property and equipment	8	**174.4**	166.3
Deferred tax assets		**0.7**	98.5
Other receivables	10	**1,546.2**	1,391.9
Fixed income securities		**7.4**	5.2
Investment in Collective Investment Schemes		**1,264.8**	1,131.8
Cash and cash equivalents	9	**254.9**	292.8
Total assets		**3,248.4**	3,086.5
Liabilities			
Borrowings	12	**341.8**	403.7
Deferred tax liabilities		**378.0**	436.2
Other provisions		**34.3**	40.6
Other payables	11	**1,242.9**	1,033.7
Income tax liabilities		**32.7**	115.4
Preference shares		**0.1**	0.1
Total liabilities		**2,029.8**	2,029.7
Net assets		**1,218.6**	1,056.8
Shareholders' equity			
Share capital	14	**80.6**	80.2
Share premium		**185.3**	182.4
Shares in trust reserve		**(14.8)**	(16.4)
Miscellaneous reserves		**2.5**	2.5
Retained earnings		**965.9**	809.0
Shareholders' equity		**1,219.5**	1,057.7
Non-controlling interests		**(0.9)**	(0.9)
Total shareholders' equity on a Cash Result Basis		**1,218.6**	1,056.8

		Pence	Pence
Net assets per share		**226.8**	197.6

The Note references above cross refer to the Notes to the Consolidated Financial Statements under IFRS on pages 46 to 67, 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 adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union (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 9 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 from the Statement of Comprehensive Income on a Cash Result Basis. The assets, liabilities and amortisation are set out in Note 7 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.

4. Non-unit-linked insurance contract liabilities and reinsurance assets are removed from 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 movements 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.

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 44), 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 2020 is set out on page 25. The reconciliation as at 31 December 2019 is set out below.

31 December 2019	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	490.0	–	(490.0)	–
Purchased value of in-force business	20.8	–	(20.8)	–
Computer software	8.9	–	(8.9)	–
Property and equipment	166.3	–	–	166.3
Deferred tax assets	131.1	–	(32.6)	98.5
Reinsurance assets	88.6	–	(88.6)	–
Other receivables	2,127.1	(733.1)	(2.1)	1,391.9
Income tax assets	–	–	–	–
Investment property	1,750.9	(1,750.9)	–	–
Equities	72,694.2	(72,694.2)	–	–
Fixed income securities	26,275.6	(26,270.4)	–	5.2
Investment in Collective Investment Schemes	5,166.4	(4,034.6)	–	1,131.8
Derivative financial instruments	1,342.9	(1,342.9)	–	–
Cash and cash equivalents	7,013.6	(6,720.8)	–	292.8
Total assets	117,292.0	(113,546.9)	(658.6)	3,086.5
Liabilities				
Borrowings	403.7	–	–	403.7
Deferred tax liabilities	493.7	–	(57.5)	436.2
Insurance contract liabilities	556.6	(464.2)	(92.4)	–
Deferred income	614.7	–	(614.7)	–
Other provisions	40.6	–	–	40.6
Other payables	1,782.7	(745.4)	(3.6)	1,033.7
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	115.4	–	–	115.4
Preference shares	0.1	–	–	0.1
Total liabilities	116,344.8	(113,546.9)	(768.2)	2,029.7
Net Assets	947.2	–	109.6	1,056.8

Adjustment 1 nets out the policyholder interest in unit-linked assets and liabilities.

Adjustment 2 comprises adjustments 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 2020	Year ended 31 December 2019
	£'Million	£'Million
Earnings		
Cash result after tax attributable to equity shareholders (for both basic and diluted EPS)	**254.7**	229.4
	Million	Million
Weighted average number of shares		
Weighted average number of ordinary shares in issue (for basic EPS)	**533.5**	531.3
Adjustments for outstanding share options	**5.8**	2.7
Weighted average number of ordinary shares (for diluted EPS)	**539.3**	534.0
	Pence	Pence
Earnings per share (EPS)		
Basic earnings per share	**47.7**	43.2
Diluted earnings per share	**47.2**	43.0