ST. JAMES'S PLACE

ST. JAMES'S PLACE PLC **HALF YEAR REPORT 2014**

ST. JAMES'S PLACE
WEALTH MANAGEMENT

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Registered No. 03183415

Summary Half Year Results

Dividend
(pence per share)

8.93p (+40%)

IFRS Net assets per share
(pence)

178.8p (+8%)

EEV Net assets per share
(pence)

604.9p (+15%)

FUNDS UNDER MANAGEMENT

£47.6 billion

+19%
2013: £39.9 billion

NET INFLOW OF FUNDS UNDER MANAGEMENT

£2.44 billion

+23%
2013: £1.99 billion

GROSS INFLOW OF FUNDS UNDER MANAGEMENT

£3.8 billion

+15%
2013: £3.3 billion

PARTNERSHIP NUMBERS

2,007

+5.4%
2013: 1,905

PROFIT BEFORE SHAREHOLDER TAX

£82.4 million

+1%
2013: £81.2 million (excluding one-off items)

EEV NEW BUSINESS PROFIT

£181.3 million

+19%
2013: £152.4 million

EEV OPERATING PROFIT

£260.7 million

+12%
2013: £233.6 million

UNDERLYING CASH RESULT

£78.5 million

+17%
2013: £66.9 million

Registered No. 03183415

St. James's Place Wealth Management New Business Figures

For the Six Months to 30 June 2014

	Unaudited 3 Months to 30 June			Unaudited 6 Months to 30 June		
	2014	2013		**2014**	2013	
	£' M	£' M		**£' M**	£' M	
New single investments						
Investment	**595.7**	537.5		**1,219.6**	1,035.8	
Pension	**549.3**	506.7		**1,064.4**	997.5	
Unit trust and ISA	**961.0**	710.7		**1,632.4**	1,200.1	
	2,106.0	1,754.9	**+20%**	**3,916.4**	3,233.4	**+21%**
New annualised regular investments						
Investment	**5.4**	3.0		**8.6**	6.3	
Pension	**25.8**	24.3		**46.5**	43.1	
Protection	**0.7**	0.6		**1.2**	1.2	
	31.9	**27.9**	**+14%**	**56.3**	50.6	**+11%**
Total new business (APE)*						
Investment	**161.1**	127.8		**293.8**	229.9	
Pension	**80.7**	74.9		**152.9**	142.8	
Protection	**0.7**	0.6		**1.2**	1.2	
	242.5	**203.3**	**+19%**	**447.9**	373.9	**+20%**

* *Calculated as 1/10th single investments plus the annualised regular investments*

St. James's Place Wealth Management Third Party New Business Figures

For the Six Months to 30 June 2014

In addition to SJP new business, the Partnership also advises on the products and services of a number of selected third party providers.

– Investment into various schemes (e.g. VCT and EIS etc)
– Pensions: Group Personal Pension Schemes, Annuities and SIPPs
– Protection and general insurance

For the three month period to 30 June 2014, the total third party single new business was £167.6 million (2013: £172.0 million) and total annualised new regular business was £14.6 million (2013: £6.8 million).

For the six month period to 30 June 2014, the total third party single new business was £334.1 million (2013: £294.9 million) and total annualised new regular business was £24.1 million (2013: £23.1 million).

Interim Management Statement

Registered No. 03183415

Interim Management Statement

Chief Executive's Statement

I am very pleased to report another strong performance from St. James's Place.

As I have commented previously, we believe that there is a growing market for trustworthy, personal advice in the UK marketplace and the results shown below once again demonstrate that fact. They also demonstrate that the scale and quality of the Company's relationship based approach to wealth management, twinned with our distinct investment management proposition, which has been positioned to serve this market, is doing so.

New Business and Funds Under Management

The new single investments of £3.92 billion in the first six months, represent a 21% increase, over the same period last year, with clients continuing to invest pretty evenly across our life, pension and unit trust/ISA investment tax wrappers.

Alongside those new investments, our Partners once again did an excellent job of looking after clients and this is demonstrated by the continued strong retention of existing funds which enabled us to report net inflows of £2.44 billion, up 23% on the previous year.

Whilst equity markets have been relatively flat in the first six months, our strong net inflow of £2.44 billion enable us report a 7% growth in funds under management to £47.6 billion since the start of the year. This represents an increase in our funds under management of 19% p.a. compound growth over the last 5 years and 23% p.a. compound growth over 10 years.

Clients

What sits at the heart of this sustained growth is the importance we place on building and maintaining long lasting relationships with our Partners and clients and serving them well.

We are very clear that if we do this well, we will maintain our strong retention record and attract new clients and investments through referrals and introductions. That was evidenced last year by the introduction of 48,000 new clients to St. James's Place and reinforced in the first six months with a further 27,000 clients investing with St. James's Place for the first time.

Investment Management

An essential element of maintaining long term relationships with clients is our ability to manage their investments well. We believe our distinctive approach, giving us access often exclusively in the UK, to some of the best investment managers in the world, gives us an excellent platform to do that.

Over the last 6 months, the Investment Committee, supported by Stamford Associates, has overseen a number of significant changes involving some £7 billion of funds under management. We have retained the services of Neil Woodford through the seamless transfer of the investment mandate to Woodford Investment Management; renewed our relationship with Paul Boyne & Doug McGraw, now at Manulife Asset Management in Boston and appointed Wasatch Advisors in Utah and Threadneedle Investments in the UK.

Alongside these changes to fund managers, the Investment Committee has itself undergone a couple of changes. Vivian Bazalgette stood down from the Board and the Committee due to family reasons and we have appointed Davina Curling and Steven Daniels as the new independent members. Davina and Steven bring considerable investment management experience to the Committee and I'm confident they will add value to the Committee's ongoing work.

Against a backdrop of more muted returns generally, St. James's Place funds and portfolios have made steady progress in the first half of the year, following the strong returns seen in 2013.

In a complex and changing investment world, I believe our Partners remain well-positioned to provide the highly personalised advice and service needed to help investors achieve their financial goals.

Interim Management Statement

Chief Executive's Statement *continued*

The St. James's Place Partnership

As anticipated, following two years of disruption in the adviser marketplace, growth in the size of the Partnership has returned to what we regard as a more normalised level. However, we are increasingly attracting larger businesses that consist of more than one qualified adviser and consequently, the growth in total qualified adviser numbers is up a little higher than Partner numbers at 4.6% year on year.

In order to complement our normal recruitment, since 2012 we have also been investing in the development of new advisers though the St. James's Place Academy and I'm pleased to welcome our first 'graduate' advisers to the Partnership this year. Alongside that, the recently completed acquisition of the Henley Group means we will soon be welcoming a new team of advisers enabling us to extend our advisory approach to UK expatriates living in the Far East.

Financial Performance

The Chief Financial Officer's Report and Financial Review, which can be found on pages 8 to 32, provides a comprehensive presentation of the financial results and detail of the Group's performance for the year.

On a European Embedded Value (EEV) basis, new business profit were 19% higher at £181.3 million (2013: £152.4 million), in line with the strong growth in new business and operating profits were up 12% at £260.7 million (2013: £233.6 million).

Whilst the IFRS (International Financial Reporting Standards) profit before shareholder tax was only marginally higher than last year at £82.4 million (2013: £81.2 million, excluding one-off items), the underlying post tax cash result, which the Board considers when setting the dividend, was some 17% higher at £78.5 million (2013: £66.9 million).

Dividend

The scale, growth and maturity of our funds under management has resulted in a growing underlying post tax result in recent years which has supported the significant increase in dividends. This growth has continued in 2014 and given this performance and our confidence about the future, the Board has agreed an increase in the interim dividend at the top end of the range signalled earlier in the year of 40% and anticipate a similar increase in the full year dividend.

We fully intend to continue with a progressive dividend policy, growing the future dividend in line with the underlying performance of the business.

The interim dividend for 2014 will be paid on 24 September to shareholders on the register at the close of business on 29 August. A Dividend Reinvestment Plan ("DRP") continues to be available for shareholders.

Interim Management Statement

Chief Executive's Statement *continued*

Partners, Employees and the St. James's Place Foundation

I'd like to once again thank the entire St. James's Place community for these results. There is no doubt in my mind that the strength and continued growth of the business is due to their hard work, dedication and commitment to clients and each other.

The St. James's Place Foundation has always been an important part of the Group's culture and we aim to make a significant difference to the lives of those less fortunate than us.

We were delighted to celebrate the 21st anniversary of the Foundation in 2013 by raising a further £4.5 million, enabling us to support over 600 charitable projects. For 2014, we set ourselves an objective to raise in the region of £4.75 million and I'm delighted to say that we are very much on track to exceed this sum, having already raised £3.7 million in the first six months of the year.

This is very much a collective effort by the whole SJP community, including employees, Partners, suppliers and others connected to SJP.

I would like to thank everyone, including our shareholders, for their continued support in helping to raise such impressive sums.

Outlook

We are encouraged by the pension and savings initiatives announced in the budget earlier this year and indeed we fully support steps that simplify the current regime and encourage savings for the future. We expect our advisers to play an increasingly important role in helping their clients to understand the options available to them leading up to, at and post retirement, to make the right decisions and to plan accordingly.

We are also encouraged by the early indications following our acquisition in the Far East and the early success from the Academy. These initiatives, together with the continued growth in the Partnership, bode really well for the future.

David Bellamy
Chief Executive
28 July 2014

Interim Management Statement

Chief Financial Officer's Report

I am pleased to report a strong financial performance in the first half of the year.

In particular I would highlight the continued growth in the underlying cash result enabling the board to announce a fifth successive year of significant dividend growth, at the top end of our previous guidance.

We have previously commented on the 20% growth in new investments business, an even stronger 23% growth in net inflow, the record funds under management and the continued growth in the Partnership. In this statement I will comment on the other financial measures.

Financial Results

Shareholders are aware that we report our results on both an IFRS and EEV basis as well as providing further detail on the cash emergence from the business. Further explanation and analysis of these measures is provided on pages 10 and 11.

It is worth noting that, whilst the EEV result is primarily driven by the current year events (particularly new business and investment performance), the IFRS and cash results are the cumulative effect of all previous years.

IFRS Profit before Shareholder Tax

The Board regards the profit before shareholder tax as the most appropriate measure of the performance of the business on an IFRS basis.

Profit for the six months was £82.4 million, compared with £90.1 million for the six months to 30 June 2013.

The 2013 result benefitted from a one off amount of £8.9 million arising from a reinsurance treaty associated with a closed book of protection business. By contrast the 2014 half year result has been negatively impacted by a change in an accounting requirement (IFRS IC Interpretation 21 – Levies) which requires the FSCS levy to be recognised in full immediately, rather than being phased evenly throughout the year. Consequently, the 2014 first half year result reflects an expected full year FSCS levy of £6.9 million, whereas the 2013 half year result reflected a six month charge of just £2.4 million.

EEV Result

The EEV result is primarily driven by the current year new business, retention, expenses and investment returns.

The EEV new business profit at £181.3 million (30 June 2013: £152.4 million) was up 19% during the period, in line with the growth in new business.

The operating profit for the period at £260.7 million was some 12% higher than the £233.6 million for the same period last year. It is pleasing to note that we continue to experience a positive variance from the better than assumed retention of client funds.

It should also be noted that the 2013 result included a £32.0 million positive from the recognition of identified capital losses and, if this item was to be excluded from the comparative, then the growth in the operating profit would have been 29%.

It is also worth noting that the 2014 result was also negatively impacted by the earlier recognition of the FSCS levy noted above.

The net asset value per share on an EEV basis at the end of the period is 604.9 pence, up 5% since the start of the year.

Interim Management Statement

Chief Financial Officer's Report *continued*

Cash Result

The underlying cash result for the six months at £78.5 million (30 June 2013: £66.9 million) was up 17% which reflects the growing income from the funds under management added in earlier years. Like the IFRS and EEV result, the current year cash result was negatively impacted by the earlier recognition of the FSCS levy.

Whilst the overall cash result at £60.1 million (30 June 2013: £82.6 million) was lower than last year, it reflects an anticipated reversal of a positive tax variance built up in earlier years, whilst the prior year also included the positive contribution of £18.3 million from the reinsurance treaty.

Dividend

At the time of the 2013 final results we increased the final dividend by 50% and also indicated that we anticipated increasing the 2014 dividend by a further significant amount, within a range of 30-40%.

Given the continued strong growth in the underlying cash result in the six months, the Board resolved to increase the interim dividend at the top end of this range with a 40% increase to 8.93p. Furthermore, the Board anticipate an increase to the full year dividend of a similar amount.

Thereafter, we intend to continue with our progressive dividend policy by growing the dividend in line with the underlying performance of the business.

Capital

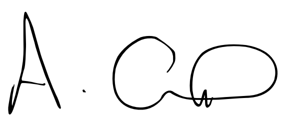
We continue to manage the balance sheet prudently to ensure the Group's solvency is maintained safely through the economic cycle. This is important not only for the safeguarding of our clients' assets, but also to ensure we can maintain returns to shareholders.

Concluding Remarks

2014 has started as another strong year of financial performance for the Group across all measures.

The post-tax cash result was particularly strong in the six months and benefitted from the growth and retention of funds under management, not only in the current year, but more importantly from that experienced in earlier years.

The business and financials are in good shape. In particular, we anticipate continued growth in the underlying cash result which should lead to continued growth in the dividend.



Andrew Croft
Chief Financial Officer
28 July 2014

Interim Management Statement

Financial Review

The Financial Model

The Group's strategy is to attract and retain retail funds under management on which we receive an annual management fee for as long as we retain the funds. This is the principal source of income for the Group out of which we meet the overheads of the business, invest in growing the Partnership and invest in acquiring new funds under management.

The level of income is dependent on the level of client funds and the level of asset values. In addition, since much of our business does not generate net cash in the first six years, the level of income will increase as a result of new business from six years ago becoming cash generative. This deferral of cash generation means the business always has six years' worth of funds in the 'gestation' period.

Group expenditure is carefully managed with clear targets set for growth in establishment expenses in the year. Other expenses increase with business levels and are met from margins in the products (see page 30). In addition, the Group incurs development expenditure through investment in new client services, computer systems and other corporate initiatives. Currently the Group, in conjunction with one of its major outsourced providers, is investing significantly in a new back office system.

A small proportion of Group expenditure is required to support management of existing funds, but the majority of expenditure is investment in growing the Partnership and acquiring new funds. The resulting new business is expected to generate income for an average of 14 years, and is expected to provide a good return on the investment (see page 26).

As the business matures, the proportion of the cash emerging from the existing business required to support the acquisition of new business is reducing. This has resulted in strong growth in cash emergence which has allowed the Board to significantly increase the dividend to shareholders.

Given the high level of investment in new business generation each year, neither the cash emergence nor the IFRS profit provide a good guide to the profits likely to emerge in the future or the total economic value of the business. However, consideration of the contribution to profits from just the in-force business does provide a good indication of the underlying value being generated by the business and, therefore, the results using the EEV methodology (described below) are also useful in assessing the economic value of our business.

Presentation of Financial Results

Management believes it is important for investors to appreciate not only the short term net income position of our business, but also the full, long-term potential. We therefore complement our statutory IFRS reporting with additional disclosure on an embedded value basis (using EEV principles). This measure assesses the discounted value of all future cash flows and we believe it better reflects the full economic value of the performance of the business. We also provide analysis of the sources of post tax cash emergence in the year, which we refer to as the cash result.

These three measures, which are described in more detail below, provide investors with different perspectives on the performance of the business in a particular year. We believe the additional disclosure will assist them in making their own assessment of the value of the business.

The **IFRS** result is the approach required for statutory reporting purposes. The standards require that profits are recognised in line with the provision of services and therefore broadly in line with the cash emergence from a contract. However, for long term business it seeks to spread some of the initial cash flows over the whole duration of the contract through the use of intangible assets and liabilities (known as DAC – Deferred Acquisition Costs, and DIR – Deferred Income). The method also recognises the value of certain future cash flows, particularly deferred tax.

Interim Management Statement

Financial Review *continued*

One point of note in the IFRS methodology is the requirement that the tax recognised in the accounts 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, management believes it is useful to provide additional disclosure of the **profit before shareholder tax**. This measure reflects the profit before tax adjusted for tax in respect of policyholders. We believe this method provides the most useful measure of IFRS operating performance in the period.

In arriving at the profit before shareholder tax, 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, with the balance being treated as tax in respect of policyholders.

The **embedded value result** is particularly useful for investors seeking to assess the full value of the long-term emergence of shareholder cash returns, since it includes an asset in the valuation, reflecting the net present value of the expected future cash flows from the business currently in force. This type of presentation is also commonly referred to as a 'discounted cash flow' valuation. Our embedded value is based on the EEV principles, which were set out as an industry standard by the Chief Financial Officers (CFO) Forum in 2004.

Many of the future cash flows derive from fund charges, which change with movements in stock markets. Since the impact of these changes is unrelated to the performance of the business, management believes that the **EEV operating profit** (reflecting the EEV profit before tax adjusted to reflect only the expected investment performance and no change in economic basis) provides the most useful measure of performance in the period.

Finally, the **cash result** measure has been developed with the aim of assisting investors seeking to understand the post tax sources of cash emergence. It is based on IFRS, but removes non-cash items such as DAC, DIR and deferred tax. It is also adjusted to reflect a level of regulatory solvency constraint on profits emerging from regulated companies such as our insurance businesses in line with that required by UK regulators. The effect is to create a measure which more reflects the cash generated by the business.

Since the cash result can be impacted by timing variances and capitalised impacts of changes in solvency requirements, management believes it is also useful to present an **underlying cash result** excluding these effects, which the Board reviews in determining the proposed dividend payments to shareholders.

Neither of these cash result measures should be confused with the IFRS cash flow statement which is prepared in accordance with IAS 7 and disclosed on page 49.

Sections 1-3 below provide a commentary on the performance of the business on these bases, whilst Section 4 covers other matters of interest to shareholders.

Interim Management Statement

Financial Review *continued*

SECTION 1: INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

As noted above, the Board regard the IFRS profit before shareholder tax as the best measure of the IFRS operating performance for the year. It provides a measure of performance which recognises the emergence of profits in line with the provision of services, and is comparable with other businesses. The detailed IFRS result is shown on pages 46 to 68 and is summarised in the table below.

	6 Months Ended 30 June 2014	6 Months Ended 30 June 2013	12 Months Ended 31 December 2013
	£'Million	£'Million	£'Million
Profit before shareholder tax	**82.4**	90.1	190.7
Shareholder tax	**(16.3)**	18.1	(0.4)
IFRS profit after tax	**66.1**	108.2	190.3

An analysis of the movement in the profit before shareholder tax and shareholder tax is provided below.

Profit before Shareholder Tax

The profit before shareholder tax for the six months was £82.4 million compared with £90.1 million.

The 2013 result benefitted from a one-off amount of £8.9 million, arising from a reinsurance treaty associated with the UK life company's closed book of Protection business. By contrast, the 2014 result has been negatively impacted by the phasing effect of a change in accounting requirements, leading to recognition of the full FSCS levy for the whole year in the period (see also Distribution business below).

A breakdown of the profit before shareholder tax by segment is provided in the following table:

	6 Months Ended 30 June 2014	6 Months Ended 30 June 2013	12 Months Ended 31 December 2013
	£'Million	£'Million	£'Million
Life business	**77.6**	81.1	170.6
Unit Trust business	**29.4**	25.3	53.9
Distribution business	**(8.8)**	(2.1)	(6.1)
Other	**(15.8)**	(14.2)	(27.7)
Profit before shareholder tax	**82.4**	90.1	190.7

Life business

The Life business profit for the six months to 30 June 2014 was £77.6 million (30 June 2013: £81.1 million) which was 7.5% higher than the prior period after taking into account the one-off positive of £8.9 million resulting from the UK life company entering into a reinsurance agreement in the previous period. The increase mainly reflects higher income from funds under management.

Unit Trust business

The Unit Trust business profit for the six months was £29.4 million (30 June 2013: £25.3 million), up 16.2% over the same period last year. As above, the principal contributor to this rise in profit was the higher income from funds under management.

Interim Management Statement

Financial Review *continued*

Distribution business

The impact of distribution activity is separately identified from 'Other' operations. St. James's Place is a vertically integrated firm, allowing it to benefit from the synergies of combined management of funds with distribution. Therefore, as well as the income generated on the funds under management, there is a further margin from the distribution activity. In any one period this result will depend upon the level of new business and expenses.

The 2014 half year result has been negatively impacted by a change in an accounting requirement (IFRS IC Interpretation 21 – Levies) which requires the FSCS levy to be recognised in full immediately rather than being phased evenly throughout the year. Consequently the 2014 first half year result reflects an expected full year FSCS levy of £6.9 million, whereas the 2013 half year result reflected a six month charge of just £2.4 million.

Other

Other operations made a negative contribution of £15.8 million (30 June 2013: loss of £14.2 million). Included within this figure is the £11.2 million (30 June 2013: £5.3 million) development costs related to our investment proposition, corporate initiatives, systems improvements and back-office infrastructure. It also includes £5.3 million (30 June 2013: £3.2 million) for the cost of expensing share options. The comparative figure included one-off costs in relation to the reduction in the Lloyds Banking Group ('LBG') shareholding on 11 March 2013 of £6.0 million.

Shareholder Tax

The actual tax rate in each of the periods may be impacted by significant one-off items and events such as a change in corporation tax rate. Therefore, to assist shareholders, the table below provides a high level analysis of shareholder tax, and a more detailed analysis is included in Note 4 to the condensed half year financial statements.

	6 Months Ended 30 June 2014	6 Months Ended 30 June 2013	12 Months Ended 31 December 2013
	£'Million	£'Million	£'Million
Expected shareholder tax	**(17.1)**	(19.5)	(41.9)
Recognition of capital losses	**0.8**	38.4	27.9
Other tax adjustments	**–**	(0.8)	1.6
Corporation tax rate change	**–**	–	12.0
Actual shareholder tax	**(16.3)**	18.1	(0.4)
Expected shareholder tax rate	**20.8%**	21.6%	22.0%
Actual shareholder tax rate	**19.8%**	(20.1)%	0.2%

The **expected shareholder tax** principally reflects the current UK corporation tax and overseas rates applicable and will vary from year to year depending upon the emergence of profit between the different tax regimes which apply to the St. James's Place Group companies. More detail is included in Note 4 to the condensed half year financial statements.

During the current and prior half year periods, there was no impact of **corporation tax rate changes**. However, in the prior period to 31 December 2013, corporation tax rate changes did impact on deferred tax which reduced the tax charge. This isn't reflected in the period to 30 June 2013 as the announced rate changes had not been enacted at that point.

Interim Management Statement

Financial Review *continued*

Capital losses of £0.8 million have been recognised at 30 June 2014. In the prior half year period, recognition of the future effect of Group capital losses reduced the shareholder tax recognised in the period by £38.4 million (£27.4 million at 31 December 2013).

The overall impact of these effects is to increase the tax charge on an IFRS basis to £16.3 million at 30 June 2014 (30 June 2013 of £18.1 million credit; 31 December 2013 £0.4 million charge).

IFRS Profit after Tax

The following additional analysis of the IFRS profit after tax result identifies the different contributions from the business in-force at the start of the year, and the new business added during the period. It starts from the cash result, which can be found on pages 22 to 25.

Six Months Ended 30 June 2014

	Notes	In-Force	New Business	Total
		£'Million	£'Million	£'Million
Cash result	1	100.2	(40.1)	60.1
Variance	1	14.7	–	14.7
		114.9	(40.1)	74.8
DIR amortisation	2	53.9	0.9	54.8
DAC amortisation	3	(41.6)	(0.9)	(42.5)
PVIF amortisation	4	(1.3)	–	(1.3)
Deferred tax asset amortisation:	5			
– unrelieved expenses		(10.2)	–	(10.2)
– capital losses		(4.2)	–	(4.2)
DIR on new business	2	–	(19.4)	(19.4)
DAC on new business	3	–	11.4	11.4
New deferred tax asset:				
– unrelieved expenses		6.1	–	6.1
– capital losses		0.8	–	0.8
Share options	6	(5.3)	–	(5.3)
Other IFRS impacts offsetting variance	7	1.1	–	1.1
IFRS profit after tax		114.2	(48.1)	66.1

Interim Management Statement

Financial Review *continued*

Six Months Ended 30 June 2013

	Notes	In-Force	New Business	Total
		£'Million	£'Million	£'Million
Cash result	1	107.6	(25.0)	82.6
Variance	1	2.6	–	2.6
		110.2	(25.0)	85.2
DIR amortisation	2	56.9	2.9	59.8
DAC amortisation	3	(50.3)	(2.9)	(53.2)
PVIF amortisation	4	(1.2)	–	(1.2)
Deferred tax asset amortisation:	5			
– unrelieved expenses		(10.2)	–	(10.2)
– capital losses		–	–	–
DIR on new business	2	–	(26.1)	(26.1)
DAC on new business	3	–	20.2	20.2
New deferred tax asset:				
– unrelieved expenses		6.1	–	6.1
– capital losses		38.4	–	38.4
Share options	6	(3.2)	–	(3.2)
Other IFRS impacts offsetting variance	7	(7.6)	–	(7.6)
IFRS profit after tax		139.1	(30.9)	108.2

Twelve Months Ended 31 December 2013

	Notes	In-Force	New Business	Total
		£'Million	£'Million	£'Million
Cash result	1	221.1	(52.3)	168.8
Variance	1	(14.6)	–	(14.6)
		206.5	(52.3)	154.2
DIR amortisation	2	113.7	1.8	115.5
DAC amortisation	3	(91.5)	(1.8)	(93.3)
PVIF amortisation	4	(2.5)	–	(2.5)
Deferred tax asset amortisation:	5			
– unrelieved expenses		(20.3)	–	(20.3)
– capital losses		–	–	–
DIR on new business	2	–	(48.9)	(48.9)
DAC on new business	3	–	31.5	31.5
New deferred tax asset:				
– unrelieved expenses		18.1	–	18.1
– capital losses		27.9	–	27.9
Share options	6	(7.8)	–	(7.8)
Other IFRS impacts offsetting variance	7	3.9	–	3.9
Corporation tax rate change	8	12.0	–	12.0
IFRS profit after tax		260.0	(69.7)	190.3

The IFRS profit after tax from the business in-force at the start of the year decreased to £114.2 million (30 June 2013: £139.1 million).

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This reduction is primarily because of the establishment of a £38.4 million deferred tax asset in the prior period reflecting the value placed on capital losses within the Group. The prior period also benefitted from a new reinsurance treaty entered into by the UK life company. Ignoring these one-off impacts, there has been continued growth in the IFRS profit after tax from the in-force business.

The loss associated with the new business activities during the six months was £48.1 million (30 June 2013: £30.9 million) and should be viewed as an investment for future profits. The increase in the size of the investment compared to the previous period reflected increased expenses, particularly the FSCS levy and development expenses (see also Section 4).

Notes

1. These figures are explained in the analysis of the post-tax cash result in Section 3.
2. DIR: IFRS requires any initial profit from a long-term product which arises on new business (either through an initial charge or early withdrawal charge) to be deferred at the outset and then amortised over the life of the associated product or the early withdrawal period. This required treatment gives rise to two adjustments to arrive at the IFRS result.
   (a) The amortisation of the opening deferred income reserve, which increases profit for the period, was £53.9 million (30 June 2013: £56.9 million) in the first six months. The release in a particular year will depend upon the value of DIR at the start of the year and the remaining life of the policies to which the DIR relates or the remaining surrender penalty period. The expected release for the full year is £107.9 million.
   (b) The deferral of the initial profit associated with new business sales in the period, which in the first six months reduced the IFRS result by £19.4 million (30 June 2013: £26.1 million).
   The introduction at the start of 2013 of the new regulatory rules on adviser charges changed the nature of a number of cash flows. In particular, that part of the initial profit which was used to meet the adviser charges (including Partner remuneration), is no longer a cash flow associated with the long term business, but is instead a direct client payment for advice. However, a proportion of the business issued at the start of 2013 was advised on before that date and was therefore accounted for under the old method. If all the new business in the first half of 2013 had been advised on after the start of the new rules, we estimate that the DIR on new business in the first half of 2013 would have been c£21 million.
3. DAC: Specific new business acquisition expenses associated with a long-term product are required to be deferred in the year they arise and then amortised in future years over the life of the policies to which the costs relate. This treatment of these acquisition expenses gives rise to two adjustments to arrive at the IFRS result.
   (a) The amortisation of the opening DAC, which reduces profit for the period, was £41.6 million in the first six months of the year (30 June 2013: £50.3 million, which included an additional charge of £7.7 million associated with the impairment of the protection business following the reassurance treaty entered into). The charge in a particular period will depend upon the value of the DAC at the start of the year and the remaining life of the policies to which the DAC relates. The expected charge for the full year is now £82.3 million.
   (b) The deferral of the specific acquisition costs, which were incurred in the first six months of the year, increased IFRS profits by £11.4 million (30 June 2013: £20.2 million). The deferral of expenses in any particular year will be dependent upon the level of the acquisition costs which themselves will be determined by the level of new business.
   As described in note 2 above, the adoption of the new regulatory rules on adviser charging at the start of 2013 changed the nature of a number of cash flows. In particular, the adviser charge (including Partner remuneration) is no longer regarded as an expense associated with the long term business but is rather a direct client payment for advice. Consequently, in respect of the adviser charge there is no expense to defer. However, the 2013 charge included some business that was issued in 2013 but advised on before that date and therefore was accounted for under the old method. If all the new business in the first half of 2013 had been advised on after the start of the new rules we estimate the DAC on new business in the first half would have been c£13 million.
4. PVIF: The IFRS balance sheet includes an asset representing purchased value of in-force ('PVIF') business. This asset is amortised over the remaining life of the policies associated with this asset. The amortisation charge for the first six months was £1.3 million (30 June 2013: £1.2 million). The charge for the full year is expected to be £2.6 million.
5. Deferred tax asset amortisation: IFRS requires that an asset is established for any future tax benefits that are expected to emerge. The asset is then amortised as the benefits emerge in the cash result. Analysis of all the deferred tax assets (DTAs) is set out in Note 10 to the condensed half year financial statements. Since the DIR is presented net of tax in this analysis, the two most significant tax assets are:
   - Unrelieved expenses – arising from treatment of adviser remuneration on pre-RDR life business in the Life tax computation. The amortisation in the year is expected to be £20.3 million; and
   - Capital losses – arising from capital losses in other Group companies. The amortisation in any year depends on the tax outcome of the UK life company, which is market dependent, however we currently anticipate that the losses could be fully amortised within 6-7 years.
6. Share options: this figure is the notional cost that is associated with the various share option schemes.
7. Other IFRS impacts offsetting variances: In our cash result we identify a number of variances which are either timing impacts or result from external factors. Most of these effects are reversed through adjustments in the IFRS methodology, which leads to a less volatile IFRS result. We expect that this item will therefore normally be small in future years.
8. Corporation tax rate change: the above adjustments are all shown net of deferred tax rates prevailing at the end of each reporting period. In the 2013 Budget, reductions in the Corporation tax rate were announced, which were substantively enacted by the time of the year end reporting for 2013. There was no impact on the comparative half year figures or the current half year period.

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Whilst the Board considers the profit before shareholder tax is the best measure of the performance of the business, the total IFRS result is presented, grossed up for the inclusion of tax incurred on behalf of policyholders, in the table below:

IFRS Profit Before Tax

	6 Months Ended 30 June 2014	6 Months Ended 30 June 2013	12 Months Ended 31 December 2013
	£'Million	£'Million	£'Million
IFRS profit before tax	**110.4**	249.5	461.2
Policyholder tax	**(28.0)**	(159.4)	(270.5)
Profit before shareholder tax	**82.4**	90.1	190.7
Shareholder tax	**(16.3)**	18.1	(0.4)
IFRS profit after tax	**66.1**	108.2	190.3

In 2014, the **IFRS profit before tax** for the six months was £110.4 million (30 June 2013: £249.5 million) with the principal contribution to the change being the decrease in the amount of policyholder tax from £159.4 million in 2013 to £28.0 million in 2014.

Analysis of IFRS Assets and Net Assets per Share

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

	6 Months Ended 30 June 2014	6 Months Ended 30 June 2013	12 Months Ended 31 December 2013
	£'Million	£'Million	£'Million
Purchased value of in-force*	**30.7**	32.0	32.0
Deferred acquisition costs*	**690.8**	727.1	720.8
Deferred income*	**(432.2)**	(488.3)	(466.7)
Other IFRS net assets	**122.5**	118.1	112.4
Solvency net assets	**515.4**	462.7	507.6
Total IFRS net assets	**927.2**	851.6	906.1

* net of deferred tax

	6 Months Ended 30 June 2014	6 Months Ended 30 June 2013	12 Months Ended 31 December 2013
	Pence	Pence	Pence
Net asset value per share	**178.8**	165.8	175.9

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SECTION 2: EUROPEAN EMBEDDED VALUE (EEV)

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 complement the IFRS result by providing additional disclosure on an EEV basis. The EEV result brings into account the net present value of the expected future cash flows and we believe this measure is useful to investors when assessing the total economic value of the Group's operating performance.

The table below and accompanying notes summarise the profit before tax of the combined business. The detailed result is shown on pages 35 to 43.

	6 Months Ended 30 June 2014	6 Months Ended 30 June 2013	12 Months Ended 31 December 2013
	£'Million	£'Million	£'Million
Life business	**191.7**	184.2	365.7
Unit Trust business	**93.6**	65.7	130.8
Distribution business	**(8.8)**	(2.1)	(6.1)
Other	**(15.8)**	(14.2)	(27.7)
EEV operating profit	**260.7**	233.6	462.7
Investment return variance	**13.0**	209.5	344.2
Economic assumption changes	**(3.1)**	1.5	10.6
EEV profit before tax	**270.6**	444.6	817.5
Tax	**(53.1)**	(88.0)	(161.9)
Corporation tax rate change	**–**	18.9	18.9
EEV profit after tax	**217.5**	375.5	674.5

Total EEV operating profit for the first six months of the year, at £260.7 million, was 11.6% higher than the comparable 2013 result of £233.6 million.

The prior period result included a positive contribution of £32.0 million as a result of value placed on capital losses within the Group. Ignoring this item, the operating profit would have increased by 29.3%. Furthermore, as noted earlier in the IFRS section, the change in the recognition of the FSCS levy has also impacted the 2014 result.

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EEV Operating Profit

Life business

The life business operating profit has increased to £191.7 million (30 June 2013: £184.2 million) and a full analysis of the result is shown below:

	6 Months Ended 30 June 2014	6 Months Ended 30 June 2013	12 Months Ended 31 December 2013
	£'Million	£'Million	£'Million
New business contribution	**108.6**	97.6	213.6
Profit from existing business			
– unwind of the discount rate	**72.6**	45.0	89.4
– experience variance	**7.4**	40.1	53.9
– operating assumption change	**–**	–	4.6
Investment income	**3.1**	1.5	4.2
Life business EEV operating profit	**191.7**	184.2	365.7

The **new business contribution** for the six months at £108.6 million (30 June 2013: £97.6 million) was some 11% higher than the prior year reflecting the growth in new business.

The **unwind of the discount rate** for the six months was £72.6 million (30 June 2013: £45.0 million). The unwind is, as usual, calculated based on the opening discount rate.

The **experience variance** in the six month period was a positive £7.4 million (30 June 2013: £40.1 million positive variance) largely as a result of the continued strong retention of client funds which contributed a further positive variance of £19.5 million, partially offset by development expenses, with the balance made up by a number of smaller positive and negative variances. In the prior period, a significant contributor to the positive variance was a £32.0 million pre-tax value placed on capital losses within the Group.

There was no change made to the **operating assumptions** (30 June 2013: £nil).

The **investment income** for the six months was higher at £3.1 million (30 June 2013: £1.5 million), reflecting the increasing level of underlying assets.

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Unit Trust business

The unit trust operating profit was £93.6 million (30 June 2013: £65.7 million) and a full analysis of the result is shown in the following table:

	6 Months Ended 30 June 2014	6 Months Ended 30 June 2013	12 Months Ended 31 December 2013
	£'Million	£'Million	£'Million
New business contribution	**72.7**	54.8	113.6
Profit from existing business			
– unwind of the discount rate	**19.0**	11.5	22.7
– experience variance	**1.6**	(0.8)	(6.5)
– operating assumption change	**–**	–	–
Investment income	**0.3**	0.2	1.0
Unit Trust business EEV operating profit	**93.6**	65.7	130.8

New business contribution at £72.7 million (30 June 2013: £54.8 million) was 32.7% higher than the prior period as a result of the new business growth.

The **unwind of the discount rate** was £19.0 million (30 June 2013: £11.5 million). The unwind is, as usual, calculated based on the opening discount rate.

There was a small positive **experience variance** of £1.6 million (30 June 2013: £0.8 million negative) which is accounted for by a number of small positive and negative items in each year.

There was no change made to the **operating assumptions** (30 June 2013: £nil).

Distribution business and Other

The results from Distribution and Other operations have already been commented on in the IFRS section.

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 funds under management, a small difference between the actual and assumed investment return can result in a large positive or negative variance.

The investment return on our funds has marginally exceeded the assumed investment return, resulting in a small positive investment return variance of £13.0 million for the period.

In the comparative period there was a large positive investment variance of £209.5 million, reflecting the strong stock market growth in that period.

Economic Assumption Changes

There was a small negative variance of £3.1 million arising from changes in the economic basis adopted at the period end (30 June 2013: £1.5 million positive).

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EEV Profit before Tax

The total profit before tax for the six months at £270.6 million was less than the prior period (30 June 2013) figure of £444.6 million, with the growth in new business contribution offset by the lower investment return variance.

Tax

The tax charge at £53.1 million (30 June 2013: £88.0 million) was lower than 2013 reflecting the lower profit before tax.

EEV Profit after Tax

The EEV profit after tax was £217.5 million (30 June 2013: £375.5 million). The principal reason for the variation is the change in investment return variance.

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 ('Margin'). This is calculated as the new business contribution divided by a relevant new business measure, and is expressed as a percentage.

The table below presents margin of our own manufactured business based on each of the two main measures of new business performance used by the insurance sector:

– Annual Premium Equivalent (APE) – calculated as the sum of regular premiums plus 1/10th single premiums and also including APE from non-manufactured business.
– Present Value of New Business Premium (PVNBP) – calculated as single premiums plus the present value of expected premiums from regular premium business, allowing for lapses and other EEV assumptions, but excluding non-manufactured business.

	6 Months Ended 30 June 2014	6 Months Ended 30 June 2013	12 Months Ended 31 December 2013
Life business			
New business contribution (£'M)	**108.6**	97.6	213.6
APE (£'M)	**284.7**	253.9	532.9
Margin (%)	**38.1**	38.4	40.1
PVNBP (£'M)	**2,543.5**	2,270.0	4,758.0
Margin (%)	**4.3**	4.3	4.5
Unit Trust business			
New business contribution (£'M)	**72.7**	54.8	113.6
APE (£'M)	**163.2**	120.0	230.0
Margin (%)	**44.5**	45.7	49.4
PVNBP (£'M)	**1,632.5**	1,200.1	2,300.2
Margin (%)	**4.5**	4.6	4.9
Total business			
New business contribution (£'M)	**181.3**	152.4	327.2
APE (£'M)	**447.9**	373.9	762.9
Margin (%)	**40.5**	40.8	42.9
PVNBP (£'M)	**4,176.0**	3,470.1	7,058.2
Margin (%)	**4.3**	4.4	4.6

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The Life business margin is basically unchanged at 4.3% on a PVNBP basis and 38.1% (compared to 38.4% for the prior period) on the APE basis. The Unit Trust margin has reduced slightly from 4.6% to 4.5% on a PVNBP basis and from 45.7% to 44.5% on an APE basis. This reflects a minor variance in the underlying business mix.

As a result, the combined margin was marginally lower both on an APE basis and on a PVNBP basis, reflecting the underlying stability of the product pricing.

Analysis of the European Embedded Value and Net Assets per Share

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

	6 Months Ended 30 June 2014	6 Months Ended 30 June 2013	12 Months Ended 31 December 2013
	£'Million	£'Million	£'Million
Value of in-force			
– Life	**2,063.8**	1,776.2	1,950.2
– Unit Trust	**557.4**	453.8	506.3
Solvency net assets	**515.4**	462.7	507.6
Total embedded value	**3,136.6**	2,692.7	2,964.1

	6 Months Ended 30 June 2014	6 Months Ended 30 June 2013	12 Months Ended 31 December 2013
	Pence	Pence	Pence
Net asset value per share	**604.9**	524.1	575.3

SECTION 3: CASH RESULT AND CAPITAL

In addition to presenting the financial performance on the IFRS and EEV basis, we also provide an analysis of the post tax sources of cash emergence in the year which we refer to as the cash result. The cash result is based on the IFRS result, but removes non-cash items such as DAC, DIR and deferred tax. It is also adjusted to reflect a level of regulatory solvency constraint on profits emerging from regulated companies such as our insurance businesses in line with that required by UK regulators. The effect is to create a measure which more reflects the cash generated by the business.

Since the cash result can be impacted by timing variances and capitalised impacts of changes in solvency requirements, management believes it is also useful to present an **underlying cash result** excluding these effects, which the Board reviews in determining the proposed dividend payments to shareholders.

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	6 Months Ended 30 June 2014	6 Months Ended 30 June 2013	12 Months Ended 31 December 2013
	£'Million	£'Million	£'Million
Underlying cash result	**78.5**	66.9	139.9
Reinsurance transaction	**–**	18.3	18.3
Back-office infrastructure	**(3.7)**	–	(4.0)
Variance	**(14.7)**	(2.6)	14.6
Cash result	**60.1**	82.6	168.8

During the first six months of the year, the **underlying cash result** was £78.5 million (30 June 2013: £66.9 million) up 17.3%. This strong growth was driven by increased net income from funds under management. However, the current year has been negatively impacted by the recognition of the full year expected FSCS levy of £5.3 million post tax whilst the 2013 half year result reflects a six month charge of just £1.9 million post tax.

The overall reduction in the total cash results reflects the positive £18.3 million impact in 2013 of the reinsurance treaty entered into by the UK life company and the 2014 impacts of investment in the business through the back-office infrastructure programme, together with a number of tax variances, which are reversing positive variances reported in prior periods.

The impact of these one-off impacts is to reduce the overall **cash result** in the period to £60.1 million (30 June 2013: £82.6 million). The cash result is a combination of the cash emerging from the business in force at the start of the year less the cash flows associated with the new business activity during the period. The tables and commentary below provide an analysis of the cash result, identifying the different contributions from the business in-force at the start of the year, and the new business activity during the period.

Six Months Ended 30 June 2014

	Note	In-Force	New Business	Total
		£'Million	£'Million	£'Million
Net annual management fee	1	**172.7**	**7.6**	**180.3**
Unwind of early withdrawal charge	2	**(62.5)**	**(4.3)**	**(66.8)**
Net income from funds under management		**110.2**	**3.3**	**113.5**
Margin arising from new business	3	**–**	**18.1**	**18.1**
Establishment expenses	4	**(5.0)**	**(44.5)**	**(49.5)**
Development expenses	5	**–**	**(6.4)**	**(6.4)**
Regulatory fees	6	**(0.8)**	**(1.6)**	**(2.4)**
FSCS levy	7	**–**	**(5.3)**	**(5.3)**
Shareholder interest	8	**3.9**	**–**	**3.9**
Miscellaneous	9	**6.6**	**–**	**6.6**
Underlying cash result		**114.9**	**(36.4)**	**78.5**
Back office infrastructure		**–**	**(3.7)**	**(3.7)**
Variance	11	**(14.7)**	**–**	**(14.7)**
Post-tax cash result		**100.2**	**(40.1)**	**60.1**

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Six Months Ended 30 June 2013

	Note	In-Force	New Business	Total
		£'Million	£'Million	£'Million
Net annual management fee	1	146.2	7.0	153.2
Unwind of early withdrawal charge	2	(53.5)	(4.1)	(57.6)
Net income from funds under management		92.7	2.9	95.6
Margin arising from new business	3	–	18.5	18.5
Establishment expenses	4	(4.3)	(38.6)	(42.9)
Development expenses	5	–	(4.1)	(4.1)
Regulatory fees	6	(0.4)	(1.8)	(2.2)
FSCS levy	7	–	(1.9)	(1.9)
Shareholder interest	8	3.6	–	3.6
Miscellaneous	9	0.3	–	0.3
Underlying cash result		91.9	(25.0)	66.9
Reinsurance transaction	10	18.3	–	18.3
Variance	11	(2.6)	–	(2.6)
Post-tax cash result		107.6	(25.0)	82.6

Twelve Months Ended 31 December 2013

	Note	In-Force	New Business	Total
		£'Million	£'Million	£'Million
Net annual management fee	1	290.5	27.0	317.5
Unwind of early withdrawal charge	2	(103.4)	(15.9)	(119.3)
Net income from funds under management		187.1	11.1	198.2
Margin arising from new business	3	–	37.8	37.8
Establishment expenses	4	(8.6)	(78.4)	(87.0)
Development expenses	5	–	(10.8)	(10.8)
Regulatory fees	6	(0.9)	(3.8)	(4.7)
FSCS levy	7	–	(4.2)	(4.2)
Shareholder interest	8	7.4	–	7.4
Miscellaneous	9	3.2	–	3.2
Underlying cash result		188.2	(48.3)	139.9
Reinsurance transaction	10	18.3	–	18.3
Back office infrastructure		–	(4.0)	(4.0)
Variance	11	14.6	–	14.6
Post-tax cash result		221.1	(52.3)	168.8

Notes

Since all numbers are expressed after tax, they are impacted by the prevailing tax rate for each year.

1. The net annual management fee: This is the manufacturing margin the Group retains from the funds under management after payment of the associated costs (e.g. investment advisory fees and Partner remuneration).

   The level of net annual management fee was some 17% higher than the same period in 2013, reflecting the higher daily funds under management in the first six months of 2014.

   The average rate of net annual management fee depends on the mix of business and as can be seen from comparing the net annual management fee with the average funds under management during the period, the Group is currently earning a blended rate of around 0.77% p.a. post-tax.
2. Unwind of early withdrawal charge: This relates to the reserving methodology applied to the withdrawal charge within the structure of the single premium life and

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pensions business. At the outset of the product we establish a liability net of the outstanding withdrawal charge which would apply if the policy were to be encashed. As the withdrawal charge reduces to zero, so the liability to the policyholder is enhanced by increasing their funds by 1% per annum over the first six years of the product life. In other words there is a cost which offsets the annual management fee above. This is known as the 'unwind' of the withdrawal charge.
Like the net annual management fee, the unwind of the withdrawal charge has increased due to growth in funds under management. However, the increase is adjusted by the fact that the funds under management added six years ago have completed the withdrawal charge period.

3. Margin arising from new business: This is the cash impact of new business in the year reflecting growth in new business and also production related expenses.
4. Establishment expenses: These are the expenses of running the Group's infrastructure as shown in the table on page 30. In line with the rest of this table they are presented after allowance for tax.
   The post-tax figure in this analysis has increased at a slightly higher rate than shown on the aforementioned table due to the impact of differing tax rates between the two reporting periods.
5. Development expenses: These represent the sum of the other expenditure noted in the table on page 30 (e.g. developments, the cost of regulatory change and academy). The impact on the cash result in the period was £6.4 million (30 June 2013: £4.1 million).
6. Regulatory fees: This relates to the fees payable to the Regulatory bodies.
7. FSCS levy: This relates to the charge levied by the FSCS for the current year. Due to a change in the recognition requirement of the FSCS levy, the full annual charge has been recognised at 30 June 2014, compared with the prior year when the levy was phased evenly over the year.
8. Shareholder interest arising from regulated and non-regulated business: This is the assumed income accruing on the investments and cash held for regulatory purposes together with the interest received on the surplus capital held by the Group.
   The small increase in interest received reflects the increased level of assets invested.
9. Miscellaneous: This represents the cash flow of the business not covered in any of the other categories.
   An important element is the impact of structural timing differences in the life company tax computation. As a consequence of the loss of tax relief on advice costs (commented on in the previous accounts) this item reflects the benefit of the unwind of the outstanding tax relief on historic advice costs. There was a positive impact of £4.1 million in the period, although it is expected this will reduce over the next 6 years.
   The item also reflects the positive impact of utilisation of the Group capital losses, which contributed a positive impact of £4.2 million during the period. The level of benefit in any period depends on the UK insurance company tax position, but it is expected that the outstanding capital losses could be utilised in the next 6-7 years.
10. Reinsurance transaction: During the prior period a reinsurance treaty was entered into by the UK life company which reinsured the company's remaining insurance and persistency risk of its closed book of Protection business. As a result of the transaction there was a one-off impact on the cash result of £18.3 million, reflecting the release of the associated prudent solvency reserves together with the realisation of the capitalised value of expected future margins.
11. Variance: This reflects variances in the cash result in a year due to the impact of actual experience (including economic assumptions changes and investment performance) on insurance reserves, as well as variances in the settlement of tax related liabilities between the policyholders (unit-linked funds), the shareholder and HMRC.
    The overall variance was small in the prior period, but in 2014 there has been a significant unwind of prior year positive tax-related variances, which accounts for most of the £14.7 million impact.

Return on In-force Business

As shown in the tables above, the return on the in-force business is mainly driven by the level of the annual management fees, the unwind of the early withdrawal charge, and the level of expenses.

The vast majority of the return relates to the net income from funds under management (annual management fees less the unwind of the early withdrawal charge). Funds under management have been increasing and as they continue to develop, the future net income should also increase correspondingly.

In addition, a proportion of the new business has an early withdrawal charge which unwinds during the first six years and, consequently, this business does not make a meaningful contribution to the cash result until year seven. The table below provides an estimated breakdown of the single investment business over the last six years where these early withdrawal charges apply. These investments are not yet generating income within the cash result.

Year	With early withdrawal charge
	£'Billion
2008	0.7
2009	1.6
2010	2.1
2011	2.2
2012	2.4
2013	3.5
2014 Half Year	1.7
Total	**14.2***

Interim Management Statement

Financial Review *continued*

This £14.2 billion* not yet contributing to the cash result represents some 30% of the total funds under management at 30 June 2014. The potential for cash generation from this business will depend upon the retention of clients and the value of the client funds; however for illustration purposes, if all the business reached the end of the early withdrawal charge period then the annual post-tax cash result (based on 0.77% post-tax earnings from funds under management) would be some £109 million higher*.

*ignores stock market movements and outflows since the date of original client investment

The Board therefore expects the cash earnings from the in-force business to increase as funds under management grow and the business matures.

Return on Investment in New Business

As noted in the table on page 23, £36.4 million (30 June 2013: £25.0 million) of the cash arising from the in-force business has been re-invested in acquiring the new business during the year.

This investment in new business will generate income in the future that should significantly exceed the cost of investment and therefore provide positive returns for shareholders. The table below provides details of the new business added during the reporting periods and different measures of assessing the value from the new business activity.

	6 Months Ended 30 June 2014	6 Months Ended 30 June 2013	12 Months Ended 31 December 2013
Post-tax investment in new business (£'Million)	**(36.4)**	(25.0)	(48.3)
Post-tax present value of expected future cash returns (£'Million)	**181.7**	146.7	314.1
Post-tax present value of expected profit from investment (£'Million)	**145.0**	121.7	261.8
Gross inflow of funds under management (£'Billion)	**3.8**	3.3	6.8
Investment as % of gross inflow*	**1.0%**	0.8%	0.8%
New business margin (% of APE)	**40.5%**	40.8%	42.9%
Cash payback period (years)	**4**	4	4
Internal rate of return (net of tax)	**28.3 %**	28.3%	28.4%

* The investment as a percentage of net inflow of funds under management was 1.5% compared with 1.3% for the comparative period and 1.2% for the complete year

The level of investment to acquire new business is not expected to increase significantly in future years, and therefore the proportion of the cash generated from the in-force business that will be available to pay dividends to shareholders is expected to continue expanding.

Capital Position

In addition to presenting an IFRS balance sheet (on page 48) and an EEV balance sheet (on page 37) we believe it is beneficial to provide a balance sheet using the approach underlying our cash result. This is because the cash result is adjusted for non-cash items such as DAC, DIR and deferred tax. The Board therefore considers this cash result balance sheet provides the best indication of the free capital of the Group which could be available to pay dividends.

The following table analyses the differences between the IFRS balance sheet and the cash result balance sheet. These adjustments include netting out assets and liabilities of the policyholder interest in unit-linked funds, and removal of a number of significant 'non-cash' adjustments (in particular DAC, DIR and deferred tax).

Interim Management Statement

Financial Review *continued*

30 June 2014

	IFRS Balance Sheet	Adjustment[1]	Adjustment[2]	Cash Balance Sheet	30 June 2013	31 December 2013
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
Assets						
Deferred acquisition costs	849.9	–	(849.9)	–	–	–
Acquired value of in-force business	38.4	–	(38.4)	–	–	–
Developments	7.3	–	–	7.3	11.2	8.7
Goodwill	10.1	–	–	10.1	–	–
Property and equipment	6.6	–	–	6.6	4.0	5.8
Deferred tax assets	170.5	–	(170.5)	–	–	–
Investment property	848.5	(848.5)	–	–	–	–
Equities	31,671.9	(31,671.9)	–	–	–	–
Fixed income securities	6,066.7	(5,997.4)	–	69.3	83.2	67.7
Investment in CIS	3,295.0	(2,794.4)	–	500.6	404.1	522.3
Derivative financial instruments	125.6	(125.6)	–	–	–	–
Reinsurance assets	75.6	–	–	75.6	70.9	64.2
Insurance & investment contract receivables	53.3	–	–	53.3	53.9	49.9
Income tax assets	–	–	–	–	–	–
Other receivables	706.8	(420.3)	(6.3)	280.2	231.7	226.0
Cash & cash equivalents	4,799.4	(4,527.9)	–	271.5	216.8	197.1
Total assets	**48,725.6**	**(46,386.0)**	**(1,065.1)**	**1,274.5**	1,075.8	1,141.7
Liabilities						
Insurance contract liabilities	485.0	(402.9)	9.5	91.6	85.8	79.3
Other provisions	9.7	–	–	9.7	9.6	9.7
Investment contracts	35,812.9	(35,777.9)	–	35.0	42.6	6.6
Borrowings	96.6	–	–	96.6	80.3	98.7
Derivative financial instruments	69.2	(69.2)	–	–	–	–
Deferred tax liabilities	462.3	(69.2)	(188.4)	204.7	174.2	246.6
Insurance & investment contract payables	34.7	–	–	34.7	48.4	38.1
Deferred income	500.4	–	(500.4)	–	–	–
Income tax liabilities	53.8	–	–	53.8	16.8	4.9
Other payables	675.7	(468.8)	–	206.9	139.2	125.0
NAV attributable to unit holders	9,598.0	(9,598.0)	–	–	–	–
Preference shares	0.1	–	–	0.1	0.1	0.1
Total liabilities	**47,798.4**	**(46,386.0)**	**(679.3)**	**733.1**	597.0	609.0
Net assets	**927.2**	**–**	**(385.8)**	**541.4**	478.8	532.7

1 Nets out the policyholder interest in unit-linked assets and liabilities.
2 Removal of IFRS non-cash adjustments.

Interim Management Statement

Financial Review *continued*

The movement in the cash result net assets is equal to the cash result adjusted for dividends paid in the year and other changes in equity excluding the cost of share options (see page 47 – Condensed Consolidated Statement of Changes in Equity).

The table above provides an analysis of the differences between the IFRS balance sheet and the cash result balance sheet. As in previous years, we also provide an analysis of the Solvency position. The key difference between the cash result net assets (above) and the Solvency net assets is an amount of additional reserves arising from the Irish solvency regulations. These reserves include additional prudential reserves over that required by the UK regulator. As a result, the Solvency position is £515.4 million, which is £26.0 million lower than the cash result net assets of £541.4 million (30 June 2013: £462.7 million and £478.8 million, respectively).

The Solvency position can be further analysed between regulated and non-regulated entities, and can be assessed against the solvency capital requirement as noted in the table below:

	Life Regulated	Other Regulated	Non-Regulated	Total
	£'Million	£'Million	£'Million	£'Million
Solvency position				
Solvency net assets	233.6	48.1	233.7	515.4
Solvency requirement	48.8	16.5		
Solvency ratio	479%	292%		

Comparison with previous valuations would show that the Group solvency position remains resilient, reflecting the Group's low appetite for market, credit and liquidity risk in relation to solvency.

A further measure of solvency for an insurance group is the IGD surplus. This is calculated by considering the level of net assets in the Group (outside the Life insurance companies) that could be available to support the solvency of the insurance company (and other regulated entities). It therefore represents additional solvency cover over the £233.6 million Life company solvency assets identified in the table above. At 31 December 2013 the IGD surplus was calculated as £260 million.

Finally, included within the 'other' capital resources is an implied reserve that is being built up to cover one year's dividend cost. At 30 June 2014 the amount set aside to date was £80 million.

Interim Management Statement

Financial Review *continued*

Analysis of Liquid Assets

The Group continues to be capitalised well in excess of regulatory solvency requirements with over 70% of cash result and solvency assets invested prudently in cash, AAA rated money market funds and UK government securities. Other assets (principally other receivables) are less liquid. An analysis of the liquid asset holdings is provided below.

Holding Name	£'Million	£'Million
UK government gilts		
5% UK Treasury 07/09/2014	7.4	
2.75% UK Treasury 22/01/2015	9.6	
5.8% UK Treasury 26/07/2016	11.9	
2.5% UK Treasury Index Linked 17/07/2024	17.8	
2% UK Treasury Index Linked 26/01/2035	22.6	69.3
AAA rated money market funds		
BlackRock	125.2	
HSBC	80.8	
Insight	83.8	
Legal & General	74.3	
Scottish Widows	57.5	
JP Morgan	74.0	
Santander	5.0	500.6
Bank balances		
UK banks*	269.6	
Others	1.9	271.5
		841.4

* HSBC, Barclays, Lloyds, Bank of Scotland, RBS, Santander, NatWest and Metro Bank

Solvency II

National Regulators are required to implement the Solvency II regulations on 1 January 2016 and the European Parliament is working hard to finalise the rules and guidance.

Whilst we do not yet have all the final rules and guidance, given the unit linked nature of our business, with no exposure to options, guarantees or longevity risk, the Group will not be adversely impacted by the new requirements and indeed we expect to see a reduction in the capital currently required for solvency purposes.

Our project to develop reporting to meet the internal, regulatory and external requirements is progressing well and we are confident of being able to meet the new requirements in line with the regulators' timetable.

Interim Management Statement

Financial Review *continued*

Share Options Maturity

At 30 June 2014, there were 6.1 million share options outstanding under the various share option schemes which, if exercised, will provide up to £17.2 million (30 June 2013: £22.6 million), of future capital for the Company.

The table below provides a breakdown by date and exercise price.

Earliest date of exercise	Average exercise price	Number of share options outstanding	Potential proceeds
	£	Million	£'Million
Prior to Jun 2014	2.54	4.6	11.6
2015	2.81	1.0	2.8
2015	3.88	0.2	0.9
2016	6.77	0.3	1.9
		6.1	17.2

SECTION 4: OTHER MATTERS

The final section covers a number of additional areas that will be of interest to shareholders.

Expenses

The table below provides the usual breakdown of the expenditure (before tax) for the combined financial services activities.

	Note	**6 Months Ended 30 June 2014**	6 Months Ended 30 June 2013	12 Months Ended 31 December 2013
		£'Million	£'Million	£'Million
Paid from policy margins				
Partner remuneration	1	**215.9**	177.7	407.1
Investment expenses	1	**58.7**	49.5	101.8
Third party administration	1	**18.0**	17.7	37.7
		292.6	244.9	546.6
Direct expenses				
Other new business related costs	2	**40.9**	32.4	69.0
Establishment costs	3	**63.5**	54.7	113.4
Academy costs	4	**1.8**	1.3	2.7
Other development costs	5	**6.5**	3.9	8.5
Back office infrastructure costs	6	**4.7**	–	5.0
Regulatory fees	7	**3.1**	3.0	6.1
FSCS levy	8	**6.9**	2.4	5.5
Regulatory change costs	9	**–**	1.4	3.1
Contribution from third party new business	10	**(11.0)**	(8.8)	(20.4)
		116.4	90.3	192.9
		409.0	335.2	739.5

Interim Management Statement

Financial Review *continued*

Notes

1. These costs are met from corresponding policy margins and any variation in them from changes in the volumes of new business or the level of the stock markets does not directly impact the profitability of the Company.
2. The other new business related costs, such as Partner incentivisation, vary with the level of new business. As new business rises or falls these costs will move in the corresponding direction.
3. Establishment costs are the running costs of the Group's infrastructure and are relatively fixed in nature. These costs are subject to inflationary increases and also will increase as the infrastructure expands to manage the higher number of existing clients, the growth in the number of advisers and business volumes.
   The growth in establishment expenses during the period was higher than has ordinarily been the case due to the increased infrastructure added in 2013, as a consequence of the high level of adviser recruitment in that year, together with the costs associated with the higher business volumes.
   We expect the current absolute run rate to continue in the second half of 2014, albeit the comparative growth rate will be somewhat lower.
4. The additional cost of the Academy during the period, at £1.8 million (2013: £1.3 million), reflects the increasing scale of the programme. As we will continue to increase the scale of the Academy with, for instance, a regional intake during the second half of the year, we anticipate full year costs of some £4.0 million.
5. Other development costs represent the expenditure associated with the on-going development in our investment proposition, corporate initiatives, technology improvements and other system developments. In the first six months the development costs were £6.5 million and we anticipate full year costs of some £15 million.
6. As previously announced, we have commenced an investment programme working with our key outsourced provider to enhance our 'back office' systems, to prepare us for continued growth and to achieve future efficiency savings.
   In the first six months these costs were £4.7 million and we expect full year costs of some £10 million.
7. The regulatory costs represent the fees payable to the regulatory bodies, which at £3.1 million (30 June 2013: £3.0 million) were at a similar level to the prior year.
8. The FSCS levy represents our contribution to the Financial Services Compensation Scheme. Following a change in the recognition requirement, we are now obliged to expense the levy immediately it is notified rather than spreading the cost over the year. Consequently, the £6.9 million cost for the six months reflects the current full year levy, and is better compared to the prior year £5.5 million twelve month cost.
9. These were one-off costs in 2013 of changing our systems and process for the implementation of the adviser charging rules.
10. Contribution from third party product new business reflects the net income received from advice on non-manufactured business.

Movement in Funds Under Management

The table below shows the movement in the funds under management of the Group during the reporting period.

	6 Months Ended 30 June 2014	6 Months Ended 30 June 2013	12 Months Ended 31 December 2013
	£'Billion	£'Billion	£'Billion
Opening funds under management	**44.3**	34.8	34.8
New money invested	**3.8**	3.3	6.8
Investment return	**0.9**	3.2	5.2
	49.0	41.3	46.8
Regular withdrawals/maturities	**(0.4)**	(0.4)	(0.7)
Surrenders/part surrenders	**(1.0)**	(1.0)	(1.8)
Closing funds under management	**47.6**	39.9	44.3
Implied surrender rate as % of average funds under management*	**4.3%**	5.0%	4.7%
Net inflow of funds	**£2.44 bn**	£1.99 bn	£4.30 bn
Net inflow as % of opening funds under management	**5.5%**	5.7%	12.4%

* Annualised figures

Interim Management Statement

Financial Review *continued*

Shareholders will be pleased to note that the continued strong retention of funds under management, together with the level of new money invested, provides for **net inflow of funds** of £2.44 billion (30 June 2013: £1.99 billion).

This net inflow represents 5.5% (30 June 2013: 5.7%) of opening funds under management and can be viewed as the organic growth in funds.

Noted below is an explanation of regular withdrawals, maturities and surrenders.

The **regular withdrawals** represent those amounts selected by clients which are paid out by way of periodic income. The withdrawals have been assumed in the calculation of the embedded value new business profit.

Maturities are those sums paid out where the plan has reached the selected maturity date (e.g. retirement date). The expected maturities have been assumed in the calculation of the embedded value new business profit.

Surrenders and part surrenders are those amounts where clients have chosen to withdraw money from their plan. Surrenders are assumed to occur in the calculation of the embedded value new business profit based on actual experience, updated on an annual basis, by plan duration and the age of the client. The implied surrender rate shown in the table above is very much a simple average and reflects only recent experience. Whilst it could be compared with the long-term assumptions underlying the calculation of the embedded value, it should not be assumed that small movements in this rate will result in a change to the long term embedded value assumptions.

Analysis of Funds Under Management

The following table provides an analysis of the funds under management at each reporting date split by geographic and asset type.

	30 June 2014	30 June 2013	31 December 2013
	£'Billion	£'Billion	£'Billion
UK Equities	**14.2**	11.6	13.3
North American Equities	**9.2**	7.6	8.4
European Equities	**5.3**	4.3	5.0
Asia & Pacific Equities	**4.2**	3.9	3.9
Property	**1.4**	1.0	1.1
Fixed Interest	**6.1**	5.6	6.1
Alternative Investments	**1.4**	1.3	1.3
Cash	**4.3**	3.0	3.6
Other	**1.5**	1.6	1.6
Total	**47.6**	39.9	44.3

Related Party Transactions

The related party transactions during the first six month period are set out in Note 16 to the condensed half year statements.

Interim Management Statement

Principal Risks and Uncertainties

A comprehensive review of the principal risks and uncertainties facing the business, and the Group's approach to managing these risks and uncertainties, are outlined on pages 34 to 38 of the 2013 Annual Report under the Risk and Risk Management section. These principal risks and uncertainties have not changed materially since the 2013 Annual Report. A summary of those principal key risks and uncertainties which could impact the Group for the remainder of the current financial year are outlined below.

Risk/uncertainty	***Description***
Advice	Advice given by an individual Partner or authorised by the Group is deemed unsuitable leading to redress, costs, potential reputational damage and prospective/retrospective regulatory intervention.
Distribution capability	The Group's distribution strength may be eroded due to an inability to recruit and retain Partners of the appropriate quality.
Ethos	Changes to the SJP ethos and culture adversely impact the continuing success of the business.
Investment Management Approach	Our approach to investment management may fail to deliver expected returns to clients of the Group.
Market Changes	A new entrant or competitor in the adviser-based wealth management market has an impact on the success of SJP's business.
Outsourcing	The Group's dependence on outsourcing may come under threat should any of its key investment management or administration business partners decide to exit the market, significantly revise their strategy or fail.
Regulatory, legislative and tax environment	That changes in the wider regulatory, legislative or tax environment could have an adverse impact on the Group's business and/or the Group could face a fine or regulatory censure from failure to comply with applicable regulations.
Retail Distribution Review	Further changes to the market, following the completion of the regulators' review of outcomes and other thematic work, adversely impact the Group.

Financial Statements

European Embedded Value ('EEV') Basis

European Embedded Value ('EEV') Basis

Consolidated Statement of Income

The following information shows the result for the Group adopting a European European Embedded Value ('EEV') Basis for reporting the results of its wholly owned life and unit trust businesses.

	Note	**6 Months Ended 30 June 2014**	6 Months Ended 30 June 2013	12 Months Ended 31 December 2013
		£'Million	£'Million	£'Million
Life business		**191.7**	184.2	365.7
Unit Trust business		**93.6**	65.7	130.8
Distribution business		**(8.8)**	(2.1)	(6.1)
Other		**(15.8)**	(14.2)	(27.7)
Operating profit		**260.7**	233.6	462.7
Investment return variances		**13.0**	209.5	344.2
Economic assumption changes		**(3.1)**	1.5	10.6
EEV profit on ordinary activities before tax		**270.6**	444.6	817.5
Tax				
Life business		**(39.6)**	(69.4)	(127.5)
Unit Trust business		**(19.5)**	(22.8)	(42.3)
Distribution business		**1.8**	0.5	1.4
Other		**4.2**	3.7	6.5
Corporation tax rate change		**–**	18.9	18.9
		(53.1)	(69.1)	(143.0)
EEV profit on ordinary activities after tax		**217.5**	375.5	674.5
EEV profit attributable to non-controlling interests		**–**	(0.1)	–
EEV profit attributable to equity share holders		**217.5**	375.6	674.5
EEV profit on ordinary activities after tax		**217.5**	375.5	674.5
Dividends		**49.4**	32.6	65.3
		Pence	Pence	Pence
Basic earnings per share	V	**42.4**	74.0	132.4
Diluted earnings per share	V	**41.7**	73.0	130.1
Operating profit basic earnings per share	V	**40.9**	37.0	72.9
Operating profit diluted earnings per share	V	**40.2**	36.5	71.6

European Embedded Value ('EEV') Basis

Consolidated Statement of Changes in Equity

	6 Months Ended 30 June 2014	6 Months Ended 30 June 2013	12 Months Ended 31 December 2013
	£'Million	£'Million	£'Million
Opening equity on an EEV basis	**2,964.1**	2,336.3	2,336.3
Post-tax profit for the period	**217.5**	375.5	674.5
Issue of share capital	**4.2**	12.4	15.8
Retained earnings credit in respect of share option charges	**5.3**	3.2	7.8
Retained earnings credit in respect of proceeds from exercise of share options of shares held in trust	**–**	–	0.1
Dividends paid	**(49.4)**	(32.6)	(65.3)
Consideration paid for own shares	**(5.1)**	(2.3)	(5.3)
Non-controlling interests arising on purchase of subsidiaries during the year	**–**	0.2	0.2
Closing equity on an EEV basis	**3,136.6**	2,692.7	2,964.1

European Embedded Value ('EEV') Basis

Consolidated Statement of Financial Position

	30 June 2014	30 June 2013	31 December 2013
	£'Million	£'Million	£'Million
Assets			
Intangible assets			
- Deferred acquisition costs	**849.9**	928.7	888.8
- Value of long-term business in-force			
- long-term insurance	**1,682.7**	1,419.3	1,583.7
- unit trusts	**557.4**	453.8	506.3
- Computer software	**7.3**	11.2	8.7
- Goodwill	**10.1**	–	–
	3,107.4	2,813.0	2,987.5
Property and equipment	**6.6**	4.0	5.8
Deferred tax assets	**170.5**	221.1	181.8
Investment property	**848.5**	604.2	732.7
Investments	**41,159.2**	34,624.2	38,967.7
Reinsurance assets	**75.6**	70.9	64.2
Insurance and investment contract receivables	**53.3**	53.9	49.9
Income tax assets	**–**	225.1	–
Other receivables	**706.8**	602.0	554.0
Cash and cash equivalents	**4,799.4**	3,337.5	3,845.7
Total assets	**50,927.3**	42,555.9	47,389.3
Liabilities			
Insurance contract liability provisions	**485.0**	456.1	466.4
Other provisions	**9.7**	9.6	9.7
Financial liabilities	**35,978.7**	30,933.8	33,904.0
Deferred tax liabilities	**454.6**	419.2	488.6
Insurance and investment contract payables	**34.7**	48.4	38.1
Deferred income	**500.4**	579.0	538.6
Income tax liabilities	**53.8**	241.9	4.9
Other payables	**675.7**	365.8	439.4
Net asset value attributable to unit holders	**9,598.0**	6,809.3	8,535.4
Preference shares	**0.1**	0.1	0.1
Total liabilities	**47,790.7**	39,863.2	44,425.2
Net assets	**3,136.6**	2,692.7	2,964.1
Equity			
Share capital	**77.8**	77.1	77.3
Share premium	**145.9**	139.0	142.2
Treasury shares reserve	**(10.5)**	(7.5)	(10.2)
Miscellaneous reserves	**2.3**	2.3	2.3
Retained earnings	**2,921.1**	2,481.7	2,752.5
Shareholders' equity	**3,136.6**	2,692.6	2,964.1
Non-controlling interests	**–**	0.1	–
Total equity	**3,136.6**	2,692.7	2,964.1
	Pence	Pence	Pence
Net assets per share	**604.9**	524.1	575.3

European Embedded Value ('EEV') Basis

Notes to the EEV Basis Results

I. BASIS OF PREPARATION

The interim supplementary information on pages 35 to 43 shows the Group's results for the six months ended 30 June 2014 as measured on a European European Embedded Value ('EEV') Basis. For interim reporting purposes, the disclosure has been reduced from that which would be required under the EEV Principles. The results of the life, pension and investment business, including unit trust business, undertaken by the Group are measured on a basis determined in accordance with the EEV Principles issued in May 2004 by the Chief Financial Officers Forum, a group of chief financial officers from 19 major European insurers, as supplemented by the Additional Guidance on EEV disclosures issued in October 2005 (together 'the EEV Principles'), with the exception of:

- **New Business**
  Consistent with prior reporting periods, the value of contractual incremental premiums to existing business is treated as new business in the year of the increment, rather than at the outset of the policy. This approach better reflects the way the Group manages its business.

The treatment of all other transactions and balances is unchanged from the primary financial statements on an IFRS basis.

Under the EEV Methodology, profit is recognised as it is earned over the life of the products within the covered business. The embedded value of the covered business is the sum of the shareholders' net worth in respect of the covered business and the present value of the projected profit stream.

II. METHODOLOGY AND ASSUMPTIONS

The methodology used to derive the European Embedded Values at 30 June 2014 is unchanged from that used at the end of 2013 (and also from that used at 30 June 2013) and is set out in detail on pages 169 and 170 of the 2013 Report and Accounts.

Apart from the assumptions set out below, there have been no changes to assumptions from those used at the end of 2013 and set out in detail on pages 170 and 171 of the 2013 Report and Accounts.

Economic Assumptions

The principal economic assumptions used within the cash flows at 30 June 2014 are set out below.

	30 June 2014	30 June 2013	31 December 2013
Risk free rate	**2.9%**	2.5%	3.1%
Inflation rate	**3.1%**	2.8%	3.2%
Risk discount rate (net of tax)	**6.0%**	5.6%	6.2%
Future investment returns:			
– Gilts	**2.9%**	2.5%	3.1%
– Equities	**5.9%**	5.5%	6.1%
– Unit–linked funds:			
– Capital growth	**2.3%**	1.8%	2.5%
– Dividend income	**2.9%**	3.0%	2.9%
– Total	**5.2%**	4.8%	5.4%
Expense inflation	**3.9%**	3.6%	4.0%

The risk free rate is set by reference to the yield on 10 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 10 year index-linked gilts. This rate is increased to reflect higher increases in earnings related expenses.

European Embedded Value ('EEV') Basis

Notes to the EEV Basis Results *continued*

III. COMPONENTS OF EEV PROFIT

Life business

	6 Months Ended 30 June 2014	6 Months Ended 30 June 2013	12 Months Ended 31 December 2013
	£'Million	£'Million	£'Million
New business contribution	**108.6**	97.6	213.6
Profit from existing business			
– Unwind of discount rate	**72.6**	45.0	89.4
– Experience variances	**7.4**	40.1	53.9
– Operating assumption changes	**–**	–	4.6
Investment income	**3.1**	1.5	4.2
Operating profit before tax	**191.7**	184.2	365.7
Investment return variances	**11.1**	165.8	271.8
Economic assumption changes	**(3.0)**	–	7.7
Profit before tax	**199.8**	350.0	645.2
Attributed tax	**(39.6)**	(69.4)	(127.5)
Corporation tax rate change	**–**	15.2	15.2
Profit after tax	**160.2**	295.8	532.9

New business contribution after tax is £87.2 million (30 June 2013: £78.2 million and 31 December 2013: £171.4 million).

Unit Trust business

	6 Months Ended 30 June 2014	6 Months Ended 30 June 2013	12 Months Ended 31 December 2013
	£'Million	£'Million	£'Million
New business contribution	**72.7**	54.8	113.6
Profit from existing business			
– Unwind of discount rate	**19.0**	11.5	22.7
– Experience variances	**1.6**	(0.8)	(6.5)
– Operating assumption changes	**–**	–	–
Investment income	**0.3**	0.2	1.0
Operating profit before tax	**93.6**	65.7	130.8
Investment return variances	**1.9**	43.7	72.4
Economic assumption changes	**(0.1)**	1.5	2.9
Profit before tax	**95.4**	110.9	206.1
Attributed tax	**(19.5)**	(22.8)	(42.3)
Corporation tax rate change	**–**	3.7	3.7
Profit after tax	**75.9**	91.8	167.5

New business contribution after tax is £57.8 million (30 June 2013: £43.6 million and 31 December 2013: £90.3 million).

European Embedded Value ('EEV') Basis

Notes to the EEV Basis Results *continued*

III. COMPONENTS OF EEV PROFIT *continued*

Combined Life and Unit Trust business

	6 Months Ended 30 June 2014	6 Months Ended 30 June 2013	12 Months Ended 31 December 2013
	£'Million	£'Million	£'Million
New business contribution	**181.3**	152.4	327.2
Profit from existing business			
- Unwind of discount rate	**91.6**	56.5	112.1
- Experience variances	**9.0**	39.3	47.4
- Operating assumption changes	**–**	–	4.6
Investment income	**3.4**	1.7	5.2
Operating profit before tax	**285.3**	249.9	496.5
Investment return variances	**13.0**	209.5	344.2
Economic assumption changes	**(3.1)**	1.5	10.6
Profit before tax	**295.2**	460.9	851.3
Attributed tax	**(59.2)**	(92.2)	(169.8)
Corporation tax rate change	**–**	18.9	18.9
Profit after tax	**236.0**	387.6	700.4

New business contribution after tax is £145.0 million (30 June 2013: £121.8 million and 31 December 2013: £261.7 million).

European Embedded Value ('EEV') Basis

Notes to the EEV Basis Results *continued*

IV. SENSITIVITIES

The table below shows the estimated impact on the combined life and unit trust 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.

	Note	Change in new business contribution		Change in European Embedded Value
		Pre-tax	Post-tax	Post-tax
		£'Million	£'Million	£'Million
Value at 30 June 2014		181.3	145.0	3,136.6
100bp reduction in risk free rates, with corresponding change in fixed interest asset values	1	(2.8)	(2.3)	(6.1)
10% reduction in withdrawal rates	2	16.9	13.6	165.5
10% reduction in expenses		3.8	3.1	30.6
10% reduction in market value of equity assets	3	–	–	(295.3)
5% reduction in mortality and morbidity	4	–	–	–
100bp increase in equity expected returns	5	–	–	–
100bp increase in assumed inflation	6	(3.5)	(2.9)	(22.1)

Note 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.

Note 2: The 10% reduction is applied to the lapse rate. For instance, if the lapse rate is 8% then a 10% sensitivity reduction would reflect a change to 7.2%.

Note 3: For the purposes of this required 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%.

Note 4: Assumes the benefit of lower experience is passed on to clients and reassurers at the earliest opportunity.

Note 5: As a market consistent approach is used, equity expected returns only affect the derived discount rates and not the embedded value or contribution to profit from new business.

Note 6: Assumed inflation is set by reference to 10 year index linked gilt yields.

	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	23.4	18.8	218.5

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.

European Embedded Value ('EEV') Basis

Notes to the EEV Basis Results *continued*

V. EARNINGS PER SHARE

	6 Months Ended 30 June 2014	6 Months Ended 30 June 2013	12 Months Ended 31 December 2013
	Pence	Pence	Pence
Basic earnings per share	**42.4**	74.0	132.4
Diluted earnings per share	**41.7**	73.0	130.1
Operating profit basic earnings per share	**40.9**	37.0	72.9
Operating profit diluted earnings per share	**40.2**	36.5	71.6

The earnings per share calculations are based on the following figures:

	6 Months Ended 30 June 2014	6 Months Ended 30 June 2013	12 Months Ended 31 December 2013
	£'Million	£'Million	£'Million
Earnings			
Profit after tax (for both basic and diluted EPS)	**217.5**	375.5	674.5
Operating profit after tax (for both basic and diluted EPS)	**209.6**	187.7	371.5
	Million	Million	Million
Weighted average number of shares			
Weighted average number of ordinary shares in issue (for basic EPS)	**513.0**	507.3	509.4
Adjustments for outstanding share options	**8.9**	7.1	9.2
Weighted average number of ordinary shares (for diluted EPS)	**521.9**	514.4	518.6

European Embedded Value ('EEV') Basis

Notes to the EEV Basis Results *continued*

VI. RECONCILIATION OF IFRS AND EEV PROFIT BEFORE TAX AND NET ASSETS

	6 Months Ended 30 June 2014	6 Months Ended 30 June 2013	12 Months Ended 31 December 2013
	£'Million	£'Million	£'Million
IFRS profit before tax	**110.4**	249.5	461.2
Tax attributable to policyholder returns	**(28.0)**	(159.4)	(270.5)
Profit before tax attributable to shareholders' returns	**82.4**	90.1	190.7
Add back: amortisation of acquired value of in-force business	**1.6**	1.6	3.2
Movement in life value of in-force (net of tax)	**99.0**	195.7	360.1
Movement in unit trust value of in-force (net of tax)	**51.1**	70.3	122.8
Tax gross up of movement in value of in-force	**36.5**	86.9	140.7
EEV profit before tax	**270.6**	444.6	817.5

	30 June 2014	30 June 2013	31 December 2013
	£'Million	£'Million	£'Million
IFRS net assets	**927.2**	851.6	906.1
Less: acquired value of in-force	**(38.4)**	(41.6)	(40.0)
Add: deferred tax on acquired value of in-force	**7.7**	9.6	8.0
Add: life value of in-force	**1,682.7**	1,419.3	1,583.7
Add: unit trust value of in-force	**557.4**	453.8	506.3
EEV net assets	**3,136.6**	2,692.7	2,964.1

European Embedded Value ('EEV') Basis

Independent Review Report to St. James's Place plc – European Embedded Value

REPORT ON THE INTERIM SUPPLEMENTARY INFORMATION

Our conclusion

We have reviewed the interim supplementary information, defined below, in the half year report of St. James's Place plc for the six months ended 30 June 2014. Based on our review, nothing has come to our attention that causes us to believe that the interim supplementary information is not prepared, in all material respects, in accordance with the EEV basis set out in note I.

This conclusion is to be read in the context of what we say in the remainder of this report.

What we have reviewed

The interim supplementary information, which is prepared by St. James's Place plc, comprises:

– the EEV basis consolidated statement of financial position as at 30 June 2014;
– the EEV basis consolidated statement of income for the period then ended;
– the EEV basis consolidated statement of changes in equity for the period then ended; and
– the explanatory notes to the interim supplementary information.

As disclosed in note I the interim supplementary information has been prepared on the European Embedded Value ("EEV") basis.

What a review of interim supplementary information involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim supplementary information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the half year report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim supplementary information.

RESPONSIBILITIES FOR THE INTERIM SUPPLEMENTARY INFORMATION AND THE REVIEW

Our responsibilities and those of the directors

The half year report, including the interim supplementary information, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim supplementary information in accordance with the EEV basis set out in note I.

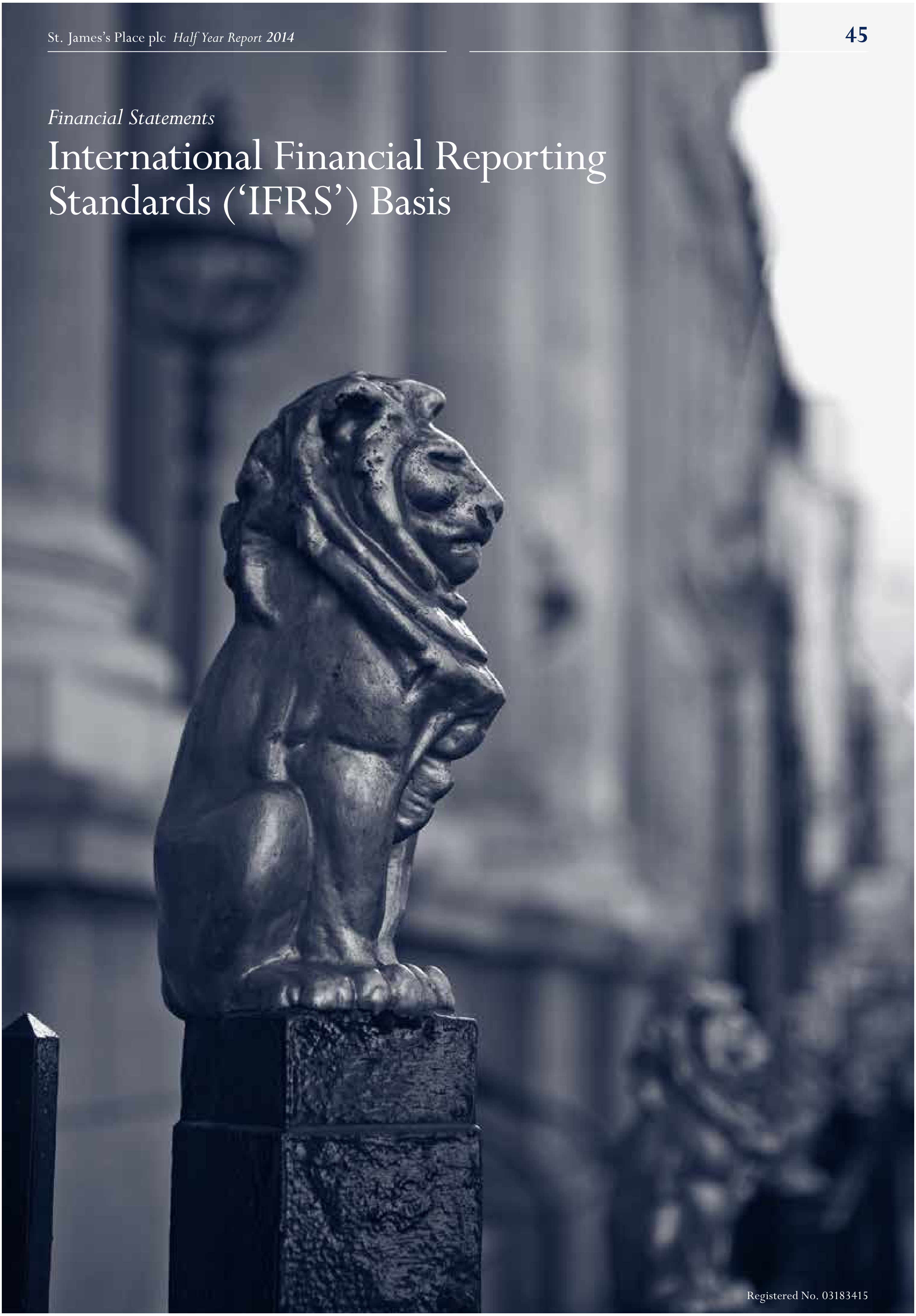
Our responsibility is to express to the company a conclusion on the interim supplementary information in the half year report based on our review. This report, including the conclusion, has been prepared for and only for the company and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
28 July 2014
London

Notes:
(a) The maintenance and integrity of the St. James's Place plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial information since it was initially presented on the website.
(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Financial Statements

International Financial Reporting Standards ('IFRS') Basis



Registered No. 03183415

International Financial Reporting Standards ('IFRS') Basis

Condensed Consolidated Statement of Comprehensive Income

	Note	**6 Months Ended 30 June 2014**	6 Months Ended 30 June 2013	12 Months Ended 31 December 2013
		£'Million	£'Million	£'Million
Insurance premium income		**27.4**	29.2	61.2
Less: premiums ceded to reinsurers		**(16.3)**	(35.9)	(54.3)
Net insurance premium income		**11.1**	(6.7)	6.9
Fee and commission income		**593.5**	477.2	1,013.3
Investment return		**1,150.5**	3,394.0	5,831.1
Other operating income		**0.6**	0.6	2.5
Net income	3	**1,755.7**	3,865.1	6,853.8
Policy claims and benefits				
– Gross amount		**(27.6)**	(25.7)	(50.2)
– Reinsurers' share		**9.8**	10.0	20.5
Net policyholder claims and benefits incurred		**(17.8)**	(15.7)	(29.7)
Change in insurance contract liabilities				
– Gross amount		**(18.7)**	(32.1)	(42.3)
– Reinsurers' share		**11.3**	32.2	25.6
Net change in insurance contract liabilities		**(7.4)**	0.1	(16.7)
Investment contract benefits		**(1,134.2)**	(3,192.9)	(5,449.4)
Fees, commission and other acquisition costs		**(393.3)**	(328.8)	(734.7)
Administration expenses		**(91.0)**	(76.7)	(158.9)
Other operating expenses		**(1.6)**	(1.6)	(3.2)
		(485.9)	(407.1)	(896.8)
Profit before tax	3	**110.4**	249.5	461.2
Tax attributable to policyholders' returns	4	**(28.0)**	(159.4)	(270.5)
Profit before tax attributable to shareholders' returns		**82.4**	90.1	190.7
Total tax (expense)		**(44.3)**	(141.3)	(270.9)
Less: tax attributable to policyholders' returns	4	**28.0**	159.4	270.5
Tax attributable to shareholders' returns	4	**(16.3)**	18.1	(0.4)
Profit and total comprehensive income for the period	3	**66.1**	108.2	190.3
Profit attributable to non–controlling interests		**–**	(0.1)	(0.2)
Profit attributable to equity shareholders		**66.1**	108.3	190.5
Profit and total comprehensive income for the period	3	**66.1**	108.2	190.3
		Pence	Pence	Pence
Basic earnings per share	6	**12.9**	21.3	37.4
Diluted earnings per share	6	**12.7**	21.0	36.7

The Group has no other gains or losses during the current or previous financial periods and therefore a separate consolidated statement of comprehensive income has not been presented.

Registered No. 03183415

International Financial Reporting Standards ('IFRS') Basis

Condensed Consolidated Statement of Changes in Equity

	Note	Attributable to equity shareholders							
	Note	Share Capital	Share Premium	Treasury Shares Reserve	Retained Earnings	Misc Reserves	Total	Non-controlling Interests	Total
		£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
At 1 January 2013		76.0	127.7	(8.9)	565.4	2.3	762.5	–	762.5
Non–controlling interests arising on the purchase of subsidiaries during the year								0.2	0.2
Profit and total comprehensive income for the year					108.3		108.3	(0.1)	108.2
– Dividends	7				(32.6)		(32.6)		(32.6)
– Exercise of options		1.1	11.3				12.4		12.4
Consideration paid for own shares				(2.3)			(2.3)		(2.3)
Own shares vesting charge				3.7	(3.7)		–		–
Retained earnings credit in respect of share option charges					3.2		3.2		3.2
At 30 June 2013		77.1	139.0	(7.5)	640.6	2.3	851.5	0.1	851.6
At 1 January 2014		77.3	142.2	(10.2)	694.5	2.3	906.1	–	906.1
Profit and total comprehensive income for the year					66.1		66.1	–	66.1
– Dividends	7				(49.4)		(49.4)		(49.4)
– Issue of share capital		0.2					0.2		0.2
– Exercise of options		0.3	3.7				4.0		4.0
Consideration paid for own shares				(5.1)			(5.1)		(5.1)
Own shares vesting charge				4.8	(4.8)		–		–
Retained earnings credit in respect of share option charges					5.3		5.3		5.3
At 30 June 2014		**77.8**	**145.9**	**(10.5)**	**711.7**	**2.3**	**927.2**	**–**	**927.2**

Miscellaneous reserves represent other non-distributable reserves.

International Financial Reporting Standards ('IFRS') Basis

Condensed Consolidated Statement of Financial Position

	Note	**30 June 2014**	30 June 2013	31 December 2013
		£'Million	£'Million	£'Million
Assets				
Intangible assets				
– Deferred acquisition costs	9	**849.9**	928.7	888.8
– Acquired value of in-force business		**38.4**	41.6	40.0
– Computer software		**7.3**	11.2	8.7
– Goodwill	5	**10.1**	–	–
		905.7	981.5	937.5
Property and equipment		**6.6**	4.0	5.8
Deferred tax assets	10	**170.5**	221.1	181.8
Investment property		**848.5**	604.2	732.7
Investments				
– Equities		**31,671.9**	25,745.4	29,614.8
– Fixed income securities		**6,066.7**	5,654.0	5,965.7
– Investment in Collective Investment Schemes		**3,295.0**	3,126.3	3,244.3
– Derivative financial instruments		**125.6**	98.5	142.9
Reinsurance assets		**75.6**	70.9	64.2
Insurance and investment contract receivables		**53.3**	53.9	49.9
Income tax assets		**–**	225.1	–
Other receivables		**706.8**	602.0	554.0
Cash and cash equivalents		**4,799.4**	3,337.5	3,845.7
Total assets	3	**48,725.6**	40,724.4	45,339.3
Liabilities				
Insurance contract liabilities		**485.0**	456.1	466.4
Other provisions	11	**9.7**	9.6	9.7
Financial liabilities				
– Investment contracts		**35,812.9**	30,733.1	33,717.5
– Borrowings		**96.6**	80.3	98.7
– Derivative financial instruments		**69.2**	120.4	87.8
Deferred tax liabilities	12	**462.3**	428.8	496.6
Insurance and investment contract payables		**34.7**	48.4	38.1
Deferred income	13	**500.4**	579.0	538.6
Income tax liabilities		**53.8**	241.9	4.9
Other payables		**675.7**	365.8	439.4
Net asset value attributable to unit holders		**9,598.0**	6,809.3	8,535.4
Preference shares		**0.1**	0.1	0.1
Total liabilities		**47,798.4**	39,872.8	44,433.2
Net assets		**927.2**	851.6	906.1
Equity				
Share capital	15	**77.8**	77.1	77.3
Share premium		**145.9**	139.0	142.2
Treasury shares reserves		**(10.5)**	(7.5)	(10.2)
Miscellaneous reserves		**2.3**	2.3	2.3
Retained earnings		**711.7**	640.6	694.5
Shareholders' equity		**927.2**	851.5	906.1
Non-controlling interests		**–**	0.1	–
Total equity		**927.2**	851.6	906.1
		Pence	Pence	Pence
Net assets per share		**178.8**	165.8	175.9

Registered No. 03183415

International Financial Reporting Standards ('IFRS') Basis

Condensed Consolidated Statement of Cash Flows

	6 Months Ended 30 June 2014	6 Months Ended 30 June 2013*	12 Months Ended 31 December 2013
	£'Million	£'Million	£'Million
Cash flows from operating activities			
Profit before tax for the period	**110.4**	249.5	461.2
Adjustments for:			
Depreciation	**0.7**	0.6	1.6
Revaluation	**(0.1)**	–	0.1
Amortisation of acquired value of in-force business	**1.6**	1.6	3.2
Amortisation of computer software	**1.4**	1.3	2.5
Share based payment charge	**5.3**	3.2	7.8
Interest income	**(9.5)**	(10.8)	(22.5)
Interest paid	**1.9**	1.2	2.8
Changes in operating assets and liabilities			
Decrease in deferred acquisition costs	**38.9**	42.9	82.8
Increase in investment property	**(115.8)**	(6.6)	(135.1)
Increase in investments	**(2,191.5)**	(5,038.7)	(9,382.2)
Increase in reinsurance assets	**(11.4)**	(32.3)	(25.6)
Increase in insurance and investment contract receivables	**(3.4)**	(7.4)	(3.4)
Increase in other receivables	**(167.3)**	(50.7)	(22.4)
Increase in insurance contract liabilities	**18.6**	32.1	42.4
Increase in provisions	**–**	0.4	0.5
Increase in financial liabilities (excluding borrowings)	**2,076.8**	3,653.1	6,605.0
(Decrease)/increase in insurance and investment contract payables	**(3.4)**	23.5	13.2
Decrease in deferred income	**(38.2)**	(37.5)	(77.9)
Increase/(decrease) in other payables	**236.3**	(70.0)	3.6
Increase in net assets attributable to unit holders	**1,062.6**	1,515.8	3,241.9
Cash generated from operations	**1,013.9**	271.2	799.5
Interest received	**9.5**	10.8	22.5
Interest paid	**(1.9)**	(1.2)	(2.8)
Income taxes paid	**(4.0)**	(12.0)	(14.8)
Net cash generated from operating activities	**1,017.5**	268.8	804.4
Cash flows from investing activities			
Acquisition of property and equipment	**(2.1)**	(1.0)	(3.8)
(Acquisition)/disposal of intangible assets and goodwill	**(10.1)**	2.2	0.5
Acquisition of subsidiaries and other business combinations, net of cash acquired	**0.8**	–	(9.1)
Net cash used in investing activities	**(11.4)**	1.2	(12.4)
Cash flows from financing activities			
Proceeds from the issue of share capital	**4.3**	12.4	15.8
Consideration paid for own shares	**(5.1)**	(2.3)	(5.3)
Proceeds from exercise of options over shares held in trust	**–**	–	0.1
Proceeds from issue of non-redeemable preference shares	**–**	0.1	0.1
Acquisition of non-controlling interests	**–**	0.1	0.2
Additional borrowings	**–**	10.0	30.0
Repayment of borrowings	**(2.2)**	(0.4)	(2.0)
Dividends paid	**(49.4)**	(32.6)	(65.3)
Net cash used in financing activities	**(52.4)**	(12.7)	(26.4)
Net increase in cash and cash equivalents	**953.7**	257.3	765.6
Cash and cash equivalents at beginning of period	**3,845.7**	3,080.1	3,080.1
Effect of exchange rate fluctuations	**–**	0.1	–
Cash and cash equivalents at end of period	**4,799.4**	3,337.5	3,845.7

* Represented to provide comparative information for additional disclosure included as of 31 December 2013

Exchange rate fluctuations result from cash held in the unit-linked funds.

International Financial Reporting Standards ('IFRS') Basis

Notes to the IFRS Basis Financial Statements

1. BASIS OF PREPARATION

This condensed set of consolidated half year financial statements for the six months ended 30 June 2014, which comprise the half year financial statements of St. James's Place plc (the 'Company') and its subsidiaries (together referred to as the 'Group'), has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority (previously the Financial Services Authority) and with IAS 34 'Interim Financial Reporting' as adopted by the European Union. The condensed consolidated half year financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with IFRSs as adopted by the European Union.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Interim Statement on pages 5 to 7. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 10 to 32.

As shown on page 28 of the Financial Review, the Group's capital position is strong and well in excess of regulatory requirements. The long-term nature of the business results in considerable positive cash flows, arising from existing business. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully.

The Directors confirm that they are satisfied that the Company and the Group have adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, this condensed set of financial statements has been prepared applying the accounting policies and standards that were applied in the preparation of the Group's published consolidated financial statements for the year ended 31 December 2013, with the exception of the introduction of the following policy for goodwill:

Accounting policy for goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired entity at the date of acquisition. Where the fair value of the Group's share of the identifiable net assets of the acquired entity is greater than the cost of acquisition, the excess is recognised immediately in the statement of comprehensive income.

Goodwill is recognised as an asset at cost and is reviewed at least annually for impairment or when circumstances or events indicate there may be uncertainty over this value. If an impairment is identified, the carrying value of the goodwill is written down immediately through the statement of comprehensive income and is not subsequently reversed. At the date of disposal of a subsidiary, the carrying value of attributable goodwill is included in the calculation of the profit or loss on disposal except where it has been written off directly to reserves in the past.

These condensed half year financial statements were prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU and interpretations issued by the International Financial Reporting Interpretations Committee.

In preparing these condensed half year financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2013.

International Financial Reporting Standards ('IFRS') Basis

Notes to the IFRS Basis Financial Statements *continued*

2. SIGNIFICANT ACCOUNTING POLICIES *continued*

The following amended standards and interpretation, which the Group have adopted as of 1 January 2014, have not had any material impact on the Group's reported results:

IAS 32 Amendment – Financial Instruments: Presentation
IAS 36 Amendment – Impairment of Assets
IFRS 39 Amendment – Financial Instruments Recognition and Measurement
IFRS IC Interpretation 21 – Levies

As at 30 June 2014, the following new and amended standards, which are relevant to the Group but have not been applied in the financial statements, were in issue but not yet effective:

IAS 16 and IAS 38 Amendments
IFRS 9 Financial Instruments - Classification and Measurement
IFRS 9 Amendment - Hedge Accounting
IFRS 15 Revenue from Contracts with Customers
Annual Improvements to IFRSs 2010 – 2012 Cycle
Annual Improvements to IFRSs 2011 – 2013 Cycle

The adoption of the above new and amended standards is not expected to have any material impact on the Group's results reported within the financial statements other than requiring additional disclosure or alternative presentation.

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 the segment and to assess its performance. The Group's reportable segments under IFRS 8 are therefore as follows:

1. Life business – offering pensions, protection and investment products through the Group's life assurance subsidiaries;

2. Unit Trust business – offering unit trust investment products, including ISAs, through the St. James's Place Unit Trust Group;

3. Distribution business – the distribution network for the St. James's Place life and unit trust products as well as financial products such as annuities, mortgages and stakeholder pensions, from third party providers.

The figures for segment income provided to the Board in respect of the distribution business relate to the distribution of the products of third party providers only. The figures for segment profit provided to the Board take account of fees and commissions payable by the life business and unit trust business to the distribution business.

4. Other – all other Group activities.

Separate geographical segmental information is not presented since the Group does not segment its business geographically, its customers being based and its assets managed predominantly in the United Kingdom.

The income, profit and assets of these segments are set out over the next few pages.

International Financial Reporting Standards ('IFRS') Basis

Notes to the IFRS Basis Financial Statements *continued*

3. SEGMENT REPORTING *continued*

Segment Income

Annual Premium Equivalents ('APE')

APE, being regular premiums plus one tenth of single premiums, is the income measure that is monitored on a monthly basis by the chief operating decision maker.

	6 Months Ended 30 June 2014	6 Months Ended 30 June 2013	12 Months Ended 31 December 2013
	£'Million	£'Million	£'Million
Life business	**284.7**	253.9	532.9
Unit Trust business	**163.2**	120.0	230.0
Distribution business	**57.5**	52.6	102.3
Total APE	**505.4**	426.5	865.2
Adjustments to IFRS basis			
Life business			
Exclude investment business APE	**(283.5)**	(252.7)	(530.5)
Difference between insurance business APE and premium receivable	**26.3**	28.0	58.8
Less: insurance premium income ceded to reinsurers	**(16.3)**	(35.9)	(54.3)
Fee income (management fees)	**270.1**	220.9	460.7
Net movement on deferred income	**33.5**	34.0	70.8
Investment income (primarily in unit linked funds)	**966.2**	2,873.0	4,886.3
Unit Trust business			
Exclude unit trust APE	**(163.2)**	(120.0)	(230.0)
Fee income (dealing profit and management fees)	**82.1**	72.7	150.9
Net movement on deferred income	**4.8**	3.5	7.1
Investment income	**0.1**	0.1	0.3
Distribution business			
Exclude distribution APE	**(57.5)**	(52.6)	(102.3)
Fee and commission income receivable	**200.3**	144.0	319.2
Other investment income	**0.1**	0.1	0.2
Other business			
Fee income receivable	**2.8**	2.1	4.6
Investment income on third party holdings in consolidated unit trusts	**181.0**	518.4	939.2
Other investment income	**2.9**	2.4	5.1
Other operating income	**0.6**	0.6	2.5
Total adjustments	**1,250.3**	3,438.6	5,988.6
Net income	**1,755.7**	3,865.1	6,853.8

All segment income is generated by external customers and there are no segment income transactions between operating segments as measured by APE.

International Financial Reporting Standards ('IFRS') Basis

Notes to the IFRS Basis Financial Statements *continued*

3. SEGMENT REPORTING *continued*

Segment Profit

Three separate measures of profit are monitored on a monthly basis by the Board. These are European Embedded Value ('EEV'), IFRS (both pre-tax) and the post-tax cash result.

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 EEV basis results section on pages 35 to 43 . A reconciliation of EEV operating profit to IFRS profit before tax is shown below.

	6 Months Ended 30 June 2014	6 Months Ended 30 June 2013	12 Months Ended 31 December 2013
	£'Million	£'Million	£'Million
Life business	**191.7**	184.2	365.7
Unit Trust business	**93.6**	65.7	130.8
Distribution business	**(8.8)**	(2.1)	(6.1)
Other business	**(15.8)**	(14.2)	(27.7)
EEV operating profit before tax	**260.7**	233.6	462.7
Investment return variance	**13.0**	209.5	344.2
Economic assumption changes	**(3.1)**	1.5	10.6
EEV profit before tax	**270.6**	444.6	817.5
Adjustments to IFRS basis			
Deduct: amortisation of acquired value of in-force	**(1.6)**	(1.6)	(3.2)
Movement in life value of in-force (net of tax)	**(99.0)**	(195.7)	(360.1)
Movement in unit trust value of in-force (net of tax)	**(51.1)**	(70.3)	(122.8)
Tax of movement in value of in-force	**(36.5)**	(86.9)	(140.7)
Profit before tax attributable to shareholders' returns	**82.4**	90.1	190.7
Tax attributable to policyholder returns	**28.0**	159.4	270.5
IFRS profit before tax	**110.4**	249.5	461.2

International Financial Reporting Standards ('IFRS') Basis

Notes to the IFRS Basis Financial Statements *continued*

3. SEGMENT REPORTING *continued*

Cash result

	6 Months Ended 30 June 2014	6 Months Ended 30 June 2013	12 Months Ended 31 December 2013
	£'Million	£'Million	£'Million
Life business	**49.2**	70.7	143.8
Unit Trust business	**24.5**	21.4	44.8
Distribution business	**(7.0)**	(1.6)	(4.7)
Other business	**(6.6)**	(7.9)	(15.1)
Cash result after tax	**60.1**	82.6	168.8
IFRS adjustments (after tax)			
Share option expense	**(5.3)**	(3.2)	(7.8)
Deferred acquisition costs (DAC)	**(30.2)**	(30.1)	(62.9)
Deferred income (DIR)	**34.5**	30.8	67.9
Acquired value of in-force (PVIF)	**(1.3)**	(1.2)	(2.6)
Sterling reserves	**1.5**	0.1	0.4
IFRS tax adjustments	**6.8**	29.2	26.5
IFRS profit after tax	**66.1**	108.2	190.3
Shareholder tax charge/(credit)	**16.3**	(18.1)	0.4
IFRS operating profit before tax	**82.4**	90.1	190.7
Policyholder tax charge	**28.0**	159.4	270.5
IFRS profit before tax	**110.4**	249.5	461.2

IFRS segment result

	6 Months Ended 30 June 2014	6 Months Ended 30 June 2013	12 Months Ended 31 December 2013
	£'Million	£'Million	£'Million
Life business			
– shareholder	**77.6**	81.1	170.6
– policyholder tax gross up	**28.0**	159.4	270.5
Unit Trust business	**29.4**	25.3	53.9
Distribution business	**(8.8)**	(2.1)	(6.1)
Other business	**(15.8)**	(14.2)	(27.7)
Profit before tax	**110.4**	**249.5**	**461.2**

International Financial Reporting Standards ('IFRS') Basis

Notes to the IFRS Basis Financial Statements *continued*

3. SEGMENT REPORTING *continued*

Included within both the EEV and IFRS profit before tax are the following:

	6 Months Ended 30 June 2014	6 Months Ended 30 June 2013	12 Months Ended 31 December 2013
	£'Million	£'Million	£'Million
Shareholder interest income	**4.3**	3.4	7.3
Depreciation	**0.7**	0.6	1.6

Segment Assets

Funds under Management ('FUM')

FUM within the St. James's Place Group, rounded to the nearest £0.1 billion, are monitored on a monthly basis by the Board.

	30 June 2014	30 June 2013	31 December 2013
	£'Million	£'Million	£'Million
Life business	**36,500.0**	31,000.0	34,100.0
Unit Trust business	**11,100.0**	8,900.0	10,200.0
Total FUM	**47,600.0**	39,900.0	44,300.0
Exclude external holdings in non-consolidated unit trusts	**(1,854.6)**	(1,982.4)	(1,665.6)
Add balance sheet liabilities in unit linked funds	**653.6**	435.5	545.6
Adjustments for other balance sheet assets excluded from FUM			
DAC	**849.9**	928.7	888.8
PVIF	**38.4**	41.6	40.0
Computer software	**7.3**	11.2	8.7
Goodwill	**10.1**	–	–
Property & equipment	**6.6**	4.0	5.8
Deferred tax assets	**170.5**	221.1	181.8
Fixed income securities	**69.3**	83.2	67.7
Collective investment schemes	**504.5**	404.8	523.0
Reinsurance assets	**75.6**	70.9	64.2
Insurance and investment contract receivables	**53.3**	53.9	49.9
Income tax assets	**–**	225.1	–
Other receivables	**280.3**	221.4	229.9
Other receivables eliminated on consolidation	**(118.2)**	(88.6)	(151.9)
Cash and cash equivalents	**271.5**	216.8	197.1
Other adjustments	**107.5**	(22.8)	54.3
Total adjustments	**1,125.6**	824.4	1,039.3
Total assets	**48,725.6**	40,724.4	45,339.3

International Financial Reporting Standards ('IFRS') Basis

Notes to the IFRS Basis Financial Statements *continued*

4. INCOME TAXES

	6 Months Ended 30 June 2014	6 Months Ended 30 June 2013	12 Months Ended 31 December 2013
	£'Million	£'Million	£'Million
UK Corporation Tax			
– Current year charge	**67.2**	7.5	29.0
– Adjustment in respect of prior year	**(1.5)**	1.1	2.5
Overseas taxes			
– Current year charge	**2.8**	3.0	6.8
	68.5	11.6	38.3
Deferred tax on unrealised capital gains and losses in unit linked funds	**(26.2)**	181.0	278.1
Deferred tax on unrelieved expenses	**4.1**	(2.1)	2.2
Deferred tax on pensions business losses	**–**	0.7	6.4
Deferred tax on group company capital losses	**3.5**	(38.4)	(27.9)
Deferred tax charge on other items			
– Current year charge	**(5.6)**	(11.5)	(14.2)
Effect on deferred tax of change in tax rate	**–**	–	(12.0)
Total tax charge for the period	**44.3**	141.3	270.9
Attributable to:			
– policyholders	**28.0**	159.4	270.5
– shareholders	**16.3**	(18.1)	0.4
	44.3	141.3	270.9

	6 Months Ended 30 June 2014	6 Months Ended 30 June 2013	12 Months Ended 31 December 2013
	£'Million	£'Million	£'Million
Deferred tax			
Balance at 1 January	**314.8**	78.1	78.1
Charge through the consolidated statement of comprehensive income	**(24.2)**	129.7	232.6
Arising on acquisitions during the year	**1.2**	–	4.1
Balance at 31 December	**291.8**	207.8	314.8

Included within the deferred tax current year charge is a credit of £nil (30 June 2013: £0.6 million credit and 31 December 2013: £1.7 million credit) relating to share based payments.

International Financial Reporting Standards ('IFRS') Basis

Notes to the IFRS Basis Financial Statements *continued*

4. INCOME TAXES *continued*

Reconciliation of tax charge

	6 Months Ended 30 June 2014		6 Months Ended 30 June 2013		12 Months Ended 31 December 2013	
	£'Million		£'Million		£'Million	
Profit before tax	**110.4**		249.5		461.2	
Tax attributable to policyholders' returns*	**(28.0)**		(159.4)		(270.5)	
Profit before tax attributable to shareholders' returns	**82.4**		90.1		190.7	
Shareholder tax charge at corporate tax rate of 21.5% (2013: 23.25%)	**17.7**	21.5%	21.0	23.3%	44.3	23.3%
Adjustments:						
Tax regime differences						
Difference due to overseas subsidiaries	**(0.6)**		(1.5)		(2.4)	
	(0.6)	(0.7%)	(1.5)	(1.7%)	(2.4)	1.3%
Other						
Creation of deferred tax asset in group company capital losses	**(0.8)**		(38.4)		(27.9)	
Disallowed expenses	**0.6**		2.2		1.4	
Share options	**(1.5)**		–		(2.7)	
Adjustment in respect of prior year	**0.8**		1.1		0.8	
Other	**0.1**		(2.5)		(1.1)	
	(0.8)	(1.0%)	(37.6)	(41.7%)	(29.5)	(15.5%)
Change in tax rate	**–**	-%	–	-%	(12.0)	(6.3%)
Shareholder tax charge/(credit)	**16.3**	19.8%	(18.1)	(20.1)%	0.4	0.2%
Policyholder tax charge	**28.0**		159.4		270.5	
Total tax charge for the period	**44.3**		141.3		270.9	

* Profit before tax attributable to policyholder returns is equal to the policyholder tax charge

International Financial Reporting Standards ('IFRS') Basis

Notes to the IFRS Basis Financial Statements *continued*

5. BUSINESS COMBINATIONS

During the period the Group acquired 100% of the share capital in the following principal subsidiaries in line with the Group's strategic objective of growing the Partnership:

Subsidiary undertaking	Principal activity	Country of incorporation	Date of acquisition
PFPTime Ltd	IFA*	United Kingdom	24 January 2014
G.M.B Financial Services Limited	Non-trading	United Kingdom	24 January 2014
Henley Wealth Management International Pte Limited	Holding Company	Singapore	10 June 2014
International Protection Group Pte Limited	General Insurance	Singapore	10 June 2014
The Henley Group Limited	IFA*	Hong Kong	10 June 2014
The Henley Group Pte Limited	IFA*	Singapore	10 June 2014
THG Wealth Management Limited	UK Distribution	United Kingdom	10 June 2014
Henley Wealth Management Limited	Holding Company	Hong Kong	10 June 2014
The Henley Group (Shanghai) Limited	Consultancy	China	10 June 2014

* Independent Financial Adviser

Acquisition-related costs of £0.1 million have been charged to administrative expenses in the consolidated income statement for the period ended 30 June 2014.

PFP Group

The PFP Group acquisition contributed £0.3 million to revenue and a £0.1 million loss before income tax for the period between the acquisition date and the statement of financial position date.

The net assets, fair value adjustments and consideration for these acquisitions are summarised below (all values shown as at their acquisition dates):

	Book value	Fair value adjustment	Total
	£'Million	£'Million	£'Million
Financial assets	0.1	1.8	1.9
Cash and cash equivalents	0.4	–	0.4
Financial liabilities	(1.5)	–	(1.5)
Total	**(1.0)**	**1.8**	**0.8**

Consideration

Cash consideration	0.5
Contingent consideration	0.3
Total consideration	**0.8**

The contingent consideration is payable if certain performance targets are met, being based on the individual Partner performances. It is expected these will be paid in full with no changes to the amount initially recognised. The carrying amount of the contingent consideration at the statement of financial position date is £0.3 million. Of the remaining balance to be settled, the Group expects that £0.15 million will be settled by 24 April 2015 and another £0.15 million settled by 24 April 2016.

International Financial Reporting Standards ('IFRS') Basis

Notes to the IFRS Basis Financial Statements *continued*

5. BUSINESS COMBINATIONS *continued*

The Henley Group

The Henley Group acquisition contributed £0.1 million to revenue and a £0.3 million loss before income tax for the period between the acquisition date and the statement of financial position date. Had the above acquisitions been consolidated from 1 January 2014, they would have contributed £1.8 million to revenue and a £0.4 million loss before income tax to the consolidated statement of income for the period.

The net assets, fair value adjustments and consideration for these acquisitions are summarised below (all values shown as at their acquisition dates):

	Book value	Fair value adjustment	Total
	£'Million	£'Million	£'Million
Financial assets	0.6	4.6	5.2
Cash and cash equivalents	–	–	–
Financial liabilities	–	–	–
Total	**0.6**	**4.6**	**5.2**

Consideration	
Cash consideration	7.1
Contingent consideration	8.2
Total consideration	**15.3**
Goodwill	**10.1**

Goodwill comprises of the value placed on the Asian distribution network being acquired and the local experience and knowledge that The Henley Group holds across these regulatory jurisdictions.

Of the £8.2 million total contingent consideration, £6.9 million is payable if certain performance targets are met, being based on the number of advisers engaged and £1.3 million is payable to employees and consultants of The Henley Group for continued services being rendered to the Group. It is expected these will be paid in full with no changes to the amount initially recognised, however, should the target number of advisers not be met, the contingent consideration will decrease on a pro-rata basis. The carrying amount of the contingent consideration at the statement of financial position date is £8.2 million. Of the remaining balance to be settled, the Group expects that £3.4 million will be settled by 31 August 2015, £1.3 million settled by 30 June 2017 and £3.5 million settled by 28 February 2017.

International Financial Reporting Standards ('IFRS') Basis

Notes to the IFRS Basis Financial Statements *continued*

6. EARNINGS PER SHARE

	6 Months Ended 30 June 2014	6 Months Ended 30 June 2013	12 Months Ended 31 December 2013
	Pence	Pence	Pence
Basic earnings per share	**12.9**	21.3	37.4
Diluted earnings per share	**12.7**	21.0	36.7

The calculation of diluted earnings per share is based on the following figures:

	6 Months Ended 30 June 2014	6 Months Ended 30 June 2013	12 Months Ended 31 December 2013
	£'Million	£'Million	£'Million
Earnings			
Profit after tax (for both basic and diluted EPS)	**66.1**	108.2	190.3
	Million	Million	Million
Weighted average number of shares			
Weighted average number of ordinary shares in issue (for basic EPS)	**513.0**	507.3	509.4
Adjustments for outstanding share options	**8.9**	7.1	9.2
Weighted average number of ordinary shares (for diluted EPS)	**521.9**	514.4	518.6

7. DIVIDENDS

The following dividends have been paid by the Company:

	6 Months Ended 30 June 2014	6 Months Ended 30 June 2013	12 Months Ended 31 December 2013
	£'Million	£'Million	£'Million
2012 final dividend – 6.39 pence per ordinary share	**–**	32.6	32.6
2013 interim dividend – 6.38 pence per ordinary share	**–**	–	32.7
2013 final dividend – 9.58 pence per ordinary share	**49.4**	–	–
Total dividends paid	**49.4**	32.6	65.3

The Directors have resolved to pay an interim dividend of 8.93 pence per share (30 June 2013: 6.38 pence). This amounts to £46.3 million (30 June 2013: £32.7 million) and will be paid on 24 September 2014 to shareholders on the register at 29 August 2014.

International Financial Reporting Standards ('IFRS') Basis

Notes to the IFRS Basis Financial Statements *continued*

8. ASSETS HELD TO COVER LINKED LIABILITIES AND THIRD PARTY HOLDINGS IN UNIT TRUSTS

Included within the balance sheet are the following assets and liabilities which represent the net assets held to cover linked liabilities and those attributable to third party holdings in unit trusts (UTMI). The difference between these assets and liabilities and those shown in the consolidated balance sheet represents assets and liabilities held outside the unit-linked funds and the UTMI.

	30 June 2014	30 June 2013	31 December 2013
	£'Million	£'Million	£'Million
Assets			
Investment property	**848.5**	604.2	732.7
Investments			
– Equities	**31,671.9**	25,745.4	29,614.8
– Fixed income securities	**5,997.4**	5,570.8	5,897.9
– Investment in Collective Investment Schemes	**2,790.6**	2,718.5	2,718.3
– Currency forwards	**65.4**	67.7	97.7
– Interest rate swaps	**7.6**	8.1	8.6
– Total return swaps	**16.5**	–	–
– Contract for differences	**28.2**	18.9	29.4
– Other derivatives	**7.9**	3.8	7.2
Other receivables	**426.4**	380.6	324.1
Other receivables eliminated on consolidation	**118.2**	88.6	151.9
Cash and cash equivalents	**4,527.9**	3,120.7	3,648.6
Total assets	**46,506.5**	38,327.3	43,231.2
Liabilities			
Financial liabilities			
– Currency forwards	**20.8**	49.6	49.4
– Interest rate swaps	**9.9**	40.9	11.8
– Total return swaps	**16.5**	–	–
– Contract for differences	**19.9**	22.2	24.8
– Other derivatives	**2.1**	7.7	1.8
Other payables	**439.8**	193.9	241.6
Other payables eliminated on consolidation	**144.5**	121.2	216.2
Total liabilities	**653.5**	435.5	545.6
Net assets held to cover linked liabilities	**45,853.0**	37,891.8	42,685.6

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.

International Financial Reporting Standards ('IFRS') Basis

Notes to the IFRS Basis Financial Statements *continued*

9. DEFERRED ACQUISITION COSTS

	30 June 2014	30 June 2013	31 December 2013
	£'Million	£'Million	£'Million
Life business - insurance DAC	**1.3**	2.5	1.5
Life business - investment DAC	**663.8**	729.4	695.9
Unit Trust business - investment DAC	**184.8**	196.8	191.4
Total deferred acquisition costs	**849.9**	928.7	888.8

Amortisation of deferred acquisition costs is charged within the fees, commission and other acquisition costs line in the statement of comprehensive income.

10. DEFERRED TAX ASSETS

	30 June 2014	30 June 2013	31 December 2013
	£'Million	£'Million	£'Million
Life business - unrelieved expenses	**69.5**	78.0	73.7
Life business - pension business	**–**	5.7	–
Life business - deferred income	**20.9**	34.4	23.7
Unit Trust business - deferred income	**47.3**	56.3	48.2
Capital losses on liquidations	**24.4**	38.4	27.9
Other	**8.4**	8.3	8.3
Total deferred tax assets	**170.5**	221.1	181.8

The Group, from time to time, reviews the possibility of removing companies from its Group structure that are no longer necessary for its business operations. Depending on the history of the companies involved, it is possible that a capital loss may arise. Should such a loss crystallise, the Group will create a tax asset, the impact of which could potentially be material in future periods.

11. OTHER PROVISIONS

	30 June 2014	30 June 2013	31 December 2013
	£'Million	£'Million	£'Million
At beginning of period	**9.7**	9.2	9.2
Movement in the period	**–**	0.4	0.5
At end of period	**9.7**	9.6	9.7

Other provisions at 30 June 2014 consist of £9.3 million in respect of self-insured liabilities (30 June 2013: £8.6 million and 31 December 2013: £9.3 million), £nil (30 June 2013: £0.6 million and 31 December 2013: £nil) to meet obligations arising as a result of unutilised property and £0.4 million (30 June 2013: £0.4 million and 31 December 2013: £0.4 million) in respect of the costs of redress for endowment business.

As set out more fully in the summary of principal risks and uncertainties on page 33, the Group could in the course of its business be subject to legal proceedings and/or regulatory activity. Should such an event arise, the Board would consider their best estimate of the amount required to settle the obligation and, where appropriate and material, establish a provision. While there can be no assurances that circumstances won't change, based upon information currently available to them, the Directors do not believe there is any possible activity or event that could have a material adverse effect on the Group's financial position.

International Financial Reporting Standards ('IFRS') Basis

Notes to the IFRS Basis Financial Statements *continued*

12. DEFERRED TAX LIABILITIES

	30 June 2014	30 June 2013	31 December 2013
	£'Million	£'Million	£'Million
On deferred acquisition costs	**159.1**	201.6	168.0
On acquired value of in-force business	**7.7**	9.6	8.0
In respect of unit linked funds	**287.9**	213.3	314.1
On renewal income	**4.5**	–	3.3
Other	**3.1**	4.3	3.2
Total deferred tax liabilities	**462.3**	428.8	496.6

The Group, from time to time, reviews the possibility of removing companies from its Group structure that are no longer necessary for its business operations. Depending on the history of the companies involved it is possible that a capital gain may arise. Should such a gain crystallise, the Group will provide for the tax liability, the impact of which could potentially be material in future periods.

13. DEFERRED INCOME

	30 June 2014	30 June 2013	31 December 2013
	£'Million	£'Million	£'Million
Life business	**263.9**	334.2	297.3
Unit Trust business	**236.5**	244.8	241.3
Total deferred income	**500.4**	579.0	538.6

International Financial Reporting Standards ('IFRS') Basis

Notes to the IFRS Basis Financial Statements *continued*

14. FAIR VALUE MEASUREMENT

Fair value estimation

Financial instruments, which are held at fair value in the balance sheet, are required to have disclosed their fair value measurements by level of the following fair value measurement hierarchy:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

– Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's assets and liabilities measured at fair value:

30 June 2014

	Level 1	Level 2	Level 3	Total balance
	£'Million	£'Million	£'Million	£'Million
Financial assets and investment property:				
Investment property			848.5	848.5
Equities	31,671.9			31,671.9
Fixed income securities		6,066.7		6,066.7
Investment in Collective Investment Schemes	3,293.8		1.2	3,295.0
Derivative financial instruments		125.6		125.6
Other receivables			23.1	23.1
Cash & cash equivalents	4,527.8			4,527.8
Total financial assets and investment property	**39,493.5**	**6,192.3**	**872.8**	**46,558.6**
Financial liabilities:				
Investment contract benefits		35,812.9		35,812.9
Derivative financial instruments		69.2		69.2
Net asset value attributable to unit holders	9,598.0			9,598.0
Total financial liabilities	**9,598.0**	**35,882.1**	**–**	**45,480.1**

International Financial Reporting Standards ('IFRS') Basis

Notes to the IFRS Basis Financial Statements *continued*

14. FAIR VALUE MEASUREMENT *continued*

30 June 2013

	Level 1	Level 2	Level 3	Total balance
	£'Million	£'Million	£'Million	£'Million
Financial assets:				
Equities	25,745.4			25,745.4
Fixed income securities		5,654.0		5,654.0
Investment in Collective Investment Schemes	3,124.6		1.7	3,126.3
Derivative financial instruments		98.5		98.5
Cash & cash equivalents	3,120.7			3,120.7
Total financial assets	31,990.7	5,752.5	1.7	37,744.9
Financial liabilities:				
Investment contract benefits		30,733.1		30,733.1
Derivative financial instruments		120.4		120.4
Net asset value attributable to unit holders	6,809.3			6,809.3
Total financial liabilities	6,809.3	30,853.5	–	37,662.8

31 December 2013

	Level 1	Level 2	Level 3	Total balance
	£'Million	£'Million	£'Million	£'Million
Financial assets and investment property:				
Investment property			732.7	732.7
Equities	29,614.8			29,614.8
Fixed income securities		5,965.7		5,965.7
Investment in Collective Investment Schemes	3,243.0		1.3	3,244.3
Derivative financial instruments		142.9		142.9
Other receivables			16.6	16.6
Cash & cash equivalents	3,648.6			3,648.6
Total financial assets and investment property	36,506.4	6,108.6	750.6	43,365.6
Financial liabilities:				
Investment contract benefits		33,717.5		33,717.5
Derivative financial instruments		87.8		87.8
Net asset value attributable to unit holders	8,535.4			8,535.4
Total financial liabilities	8,535.4	33,805.3	–	42,340.7

The fair value of financial instruments traded in active markets is based on quoted bid prices at the balance sheet date. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily listed equity instruments.

International Financial Reporting Standards ('IFRS') Basis

Notes to the IFRS Basis Financial Statements *continued*

14. FAIR VALUE MEASUREMENT *continued*

The Group closely monitors the valuation of assets in markets that have become less liquid. Determining whether a market is active, requires the exercise of judgement and is determined based upon the facts and circumstances of the market for the instrument being measured. Where it is determined that there is no active market, fair value is established using a valuation technique. The techniques applied incorporate relevant information available and reflect appropriate adjustments for credit and liquidity risks. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. The relative weightings given to differing sources of information and the determination of non-observable inputs to valuation models can require the exercise of significant judgement.

If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Note that all of the resulting fair value estimates are included in Level 2, except for certain equities and investments in Collective Investment Schemes (CIS) and investment properties as detailed below.

Specific valuation techniques used to value Level 2 financial assets and liabilities include:
- The use of observable prices for identical current arm's length transactions.

Specific valuation techniques used to value Level 3 financial assets and liabilities include:
- The use of observable prices for recent arm's length transactions.
- Other techniques, such as discounted cash flow and historic lapse rates, are used to determine fair value for the remaining financial instruments.

There were no transfers between Level 1 and Level 2 during the year. Should it be assessed that an active market no longer exists, a transfer between Level 1 and Level 2 fair value measurement hierarchies will be considered.

Transfers into and out of level 3 portfolios

Transfers out of level 3 portfolios arise when inputs that could have a significant impact on the instrument's valuation become market observable; conversely, transfers into the portfolios arise when consistent sources of data cease to be available.

Transfers in of certain equities and investments in Collective Investment Schemes (CIS) occur when asset valuations can no longer be obtained from an observable market price, i.e. become illiquid, in liquidation, suspended etc. The converse is true if an observable market price becomes available.

The following table presents the changes in Level 3 financial assets at fair value through the profit and loss:

	30 June 2014	30 June 2013	31 December 2013
	£'Million	£'Million	£'Million
Opening balance	**750.6**	1.6	1.6
Transfer into Level 3	**-**	0.2	597.8
Additions during the year	**93.2**	-	213.8
Disposed during the year	**(17.6)**	(0.1)	(67.7)
Gains recognised in the income statement	**46.6**	-	5.1
Closing balance	**872.8**	**1.7**	**750.6**
Total gains for the year included in profit or loss for assets held at the end of the reporting period	**47.1**	0.1	4.8

Additions include £85.4 million of investment properties and £7.8 million of renewal income. Realised and unrealised gains/(losses) recognised in the statement of comprehensive income are included within investment return for certain equities and investments in Collective Investment Schemes and investment property, and within administration expenses for the renewal income.

International Financial Reporting Standards ('IFRS') Basis

Notes to the IFRS Basis Financial Statements *continued*

14. FAIR VALUE MEASUREMENT *continued*

Sensitivity of Level 3 valuations

The valuation of certain equities and investments in Collective Investment Schemes (CIS) are based on the latest observable price available. Whilst such valuations are sensitive to estimates, it is believed that changing the price applied to a reasonably possible alternative would not change the fair value significantly.

The valuation of renewal income of £23.1 million (included within other receivables on the balance sheet) is based on discounted cash flows and historic lapse rates. The effect of applying reasonably possible alternative assumptions of a movement of 100bps on the discount rate and a 10% movement in the lapse rate would result in an unfavourable change in valuation of £2.3 million and a favourable change in valuation of 2.6 million, respectively.

The investment property valuation has been prepared using the 'market approach' valuation technique – using prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, as such it is again believed that changing the price applied to a reasonably possible alternative would not change the fair value significantly. Moreover, any change in the value of investment property is matched by the associated movement in the policyholder liability and therefore would not impact on the shareholder net assets.

15. SHARE CAPITAL

	Number of Ordinary Shares	Share Capital
		£'Million
At 30 June 2013	513,780,733	77.1
– Exercise of options	1,435,250	0.2
At 31 December 2013	515,215,983	77.3
– Exercise of options	3,310,790	0.5
At 30 June 2014	**518,526,773**	**77.8**

The total authorised number of ordinary shares is 605 million (2013: 605 million), with a par value of 15 pence per share (2013: 15 pence per share). All issued shares are fully paid.

16. 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 was income recognised of £4.9 million (30 June 2013: £30.7 million and 31 December 2013: £16.1 million) and the total value of transactions with those non-consolidated unit trusts was £21.0 million (30 June 2013: £53.1 million and 31 December 2013: £32.1 million). Net management fees receivable from these unit trusts amounted to £10.0 million (30 June 2013: £13.8 million and 31 December 2013: £19.4 million). The value of the investment into the non-consolidated unit trusts at 30 June 2014 was £107.9 million (30 June 2013: £270.7 million and 31 December 2013: £92.2 million).

International Financial Reporting Standards ('IFRS') Basis

Notes to the IFRS Basis Financial Statements *continued*

17. STATUTORY ACCOUNTS

The financial information shown in this publication is unaudited and does not constitute statutory accounts. The comparative figures for the financial year ended 31 December 2013 are not the Company's statutory accounts for the financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies.

The report of the auditors was unqualified and did not include a reference to any matter to which the auditors drew attention to, by way of emphasis without qualifying their report, and did not contain a statement under section 498 of the Companies Act 2006.

18. APPROVAL OF HALF YEAR REPORT

These condensed consolidated half year financial statements were approved by the Board of Directors on 28 July 2014.

International Financial Reporting Standards ('IFRS') Basis

Independent Review Report to St. James's Place plc

REPORT ON THE CONDENSED CONSOLIDATED HALF YEAR FINANCIAL STATEMENTS

Our conclusion

We have reviewed the condensed consolidated half year financial statements, defined below, in the half year report of St. James's Place plc for the six months ended 30 June 2014. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated half year financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

This conclusion is to be read in the context of what we say in the remainder of this report.

What we have reviewed

The condensed consolidated half year financial statements, which are prepared by St. James's Place plc, comprise:

- the condensed consolidated statement of financial position as at 30 June 2014;
- the condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the condensed consolidated half year financial statements.

As disclosed in note 2, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The condensed consolidated half year financial statements included in the half year report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What a review of condensed consolidated half year financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the half year report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated half year financial statements.

RESPONSIBILITIES FOR THE CONDENSED CONSOLIDATED HALF YEAR FINANCIAL STATEMENTS AND THE REVIEW

Our responsibilities and those of the directors

The half year report, including the condensed consolidated half year financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half year report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express to the company a conclusion on the condensed consolidated half year financial statements in the half year report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
28 July 2014
London

Notes:

(c) The maintenance and integrity of the St. James's Place plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(d) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

International Financial Reporting Standards ('IFRS') Basis

Responsibility Statement of the Directors in Respect of the Half Year Financial Report

The Directors confirm that this consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the Interim Management Statement includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

– an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
– material related-party transactions in the first six months and any material changes in the related party transactions described in the last Annual Report.

The Directors of St. James's Place plc are listed in the St. James's Place plc Annual Report for 31 December 2013. A list of current Directors is maintained on the St. James's Place plc website: www.sjp.co.uk

By order of the Board:

D Bellamy
Chief Executive
28 July 2014

A Croft
Chief Financial Officer
28 July 2014

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Financial Calendar

Ex-dividend date for interim dividend	27 August 2014
Record date for interim dividend	29 August 2014
Latest date for receipt of Dividend Reinvestment Plan mandates	3 September 2014
Payment date for interim dividend	24 September 2014
Announcement of 3rd quarter new business	30 October 2014
Announcement of 4th quarter new business	22 January 2015

Registered No. 03183415

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