



# ST. JAMES'S PLACE

ST. JAMES'S PLACE PLC  
ANNUAL REPORT & ACCOUNTS 2014

## CONTENTS

### Strategic Report

- 1 Highlights of the Year
- 2 Chief Executive's Report
- 6 Our Business Strategy
- 6 Our Business Model
- 7 Market Overview
- 8 Our Clients
- 9 The St. James's Place Partnership
- 10 The Investment Management Approach
- 11 Our People
- 12 Our Objectives and Related Key Performance Indicators
- 14 Chief Financial Officer's Report
- 18 Financial Review
- 34 Risk, Risk Management and Internal Control
- 40 Corporate Social Responsibility Report
- 45 Approval of the Strategic Report

### St. James's Place Foundation

- 46 St. James's Place Foundation

### Governance

- 50 Board of Directors
- 52 Chairman's Report
- 54 Corporate Governance Report
- 59 Report of the Audit Committee
- 63 Report of the Risk Committee
- 65 Report of the Nomination Committee
- 67 Directors' Remuneration Report
- 88 Directors' Report
- 92 Statement of Directors' Responsibilities

### Financial Statements

- 93 Consolidated Financial Statements on International Financial Reporting Standards Basis
- 153 Parent Company Financial Statements on UK GAAP Basis
- 161 Supplementary Information on European Embedded Value Basis

### Other Information

- 175 Shareholder Information
- 176 How to Contact Us and Advisers
- 177 St. James's Place Partnership Locations
- 178 Glossary

St. James's Place plc is the FTSE 100 listed parent company of the St. James's Place Wealth Management Group. The Group provides high quality wealth management advice, investment management and related services to businesses and individuals across the UK, through its representatives – The St. James's Place Partnership.

St. James's Place Wealth Management Group manages £52 billion of client funds.

At the heart of the sustained growth in our business is the importance we place on maintaining long lasting relationships with our Partners and clients and serving them well. Our approach was once again publicly endorsed during the last twelve months, when St. James's Place won several industry awards that were voted for by clients, members of the public and fellow industry peers.

## ST. JAMES'S PLACE WEALTH MANAGEMENT





## Highlights of the Year

### Clients

Growth in client numbers contributed to the increase in investment of new funds. The quality of the client outcome, as reflected in client retention and feedback, continued to be as strong as ever.

### Partners

Our proposition continued to be attractive to advisers in the year and we saw improvements in quality, both in terms of business credentials and qualifications.

### Funds

In another successful year, new business from clients combined with positive growth in underlying investments, resulting in an increase in total funds under management.

### Financial

Growth in clients and Partners, together with positive investment performance, underpinned the financial results. We are pleased to report a continuation of the positive trend of recent years.



### Visit us online

Our website and iPad app contains a full investor relation section with news, reports, webcasts, financial calendar and share price information.

[www.sjp.co.uk](http://www.sjp.co.uk)  
click on Investor Relations

### Number of clients

**484,000 +9%**

2013: 444,000

### Partnership numbers

**2,132 +9%**

2013: 1,958

### Funds under management

**£52.0 billion +17%**

2013: £44.3 billion

### Gross inflow of funds under management

**£7.9 billion +16%**

2013: £6.8 billion

### Net inflow of funds under management

**£5.09 billion +20%**

2013: £4.23 billion

### Profit before shareholder tax

**£182.9 million -4%**

2013: £190.7 million

### EEV operating profit

**£596.4 million +29%**

2013: £462.7 million

### Dividend

**23.30p per share +46%**

2013: 15.96p per share





*'I began my statement last year by commenting that 2013 would be remembered as one of the most significant years in our history, the year in which we became a wholly independent FTSE company for the first time. However, if anything, 2014 will be remembered as an even more significant year.'*

It was the year that we were elevated to the FTSE100, recognition of the hard work and commitment shown by everyone in the St. James's Place community over the 23 years since the Company was launched and, of course, the support of our clients and shareholders.

It was also a year when, despite some uncertainty in world stock markets, we once again achieved record new investments, experienced improved retention and positive investment returns, leading to our client funds under management increasing by £7.7 billion to a record £52 billion.

Our success has been and continues to be built on our fundamental belief in the value of a human relationship and the highly personal interaction, putting the client and adviser at the core of everything we do. That focus will not change and will continue to be the foundation of our future growth. In many respects, more of the same, but better. Indeed, at a time when more people are living longer, not saving enough and having to take greater personal responsibility for their long term prosperity, we believe that the vast majority will welcome the encouragement coming from government and recognise the need to seek advice, from an experienced adviser that they can trust. With over 2,500 qualified advisers in the St. James's Place Partnership, we are very well positioned to meet this increasing need.

At the same time, we also believe that we can strengthen our relationship with our clients by exploring opportunities to enhance our proposition, through the development of our investment approach and the addition of complementary services, so that we are able to offer a more complete proposition.

We're going to start with the introduction of a new banking service in April, The St. James's Place Money Management Account. Fully branded St. James's Place, but powered by Metro Bank, the account will offer eligible clients a fully functional banking service, including cheques, debit cards, mobile access and other on line services. In addition, the account will have the added benefit of an integrated secured overdraft facility, providing immediate access to short term funds, secured against the value of their St. James's Place investment portfolio. We are delighted to be working with Metro Bank and look forward to being able to offer this additional facility for our clients.

#### **Financial Performance**

As a consequence of another year of good growth in new business, and helped by another positive experience variance, the operating profit for 2014, on a European Embedded Value (EEV) basis, has grown by 29% to £596.4 million (2013: £462.7 million).

The profit before shareholder tax, on an International Financial Reporting Standards (IFRS) basis reflects the sustained growth in our business in recent years and was £182.9 million for 2014. The 2013 result was £190.7 million having benefited by £8.9 million from a reinsurance transaction during the year. As reported in more detail in the Chief Financial Officer's Report, growth in this measure has also been impacted by certain accounting implications arising from the changes to the adviser charging rules in 2013.

We have therefore introduced a new measure to aid investors, as covered in the comprehensive presentation of the financial results for the year in our Chief Financial Officer's Report and Financial Review, on pages 14 to 33.

### Dividend

We continue to see a growing cash result, a trend that is expected to continue with the increasing maturity of funds under management.

At the time of our interim results, given our ongoing confidence in the emergence of future cash, we announced a 40% increase in the 2014 interim dividend and indicated that the full year dividend would be increased by a similar amount.

The final underlying cash result of £173.8 million, up 24%, was higher than expected at that time and given this strong growth, the Board proposes increasing the final dividend by 50% to 14.37 pence per share, bringing the full year dividend to 23.30 pence per share, up 46% on 2013. This gives a full year payout of 70% of the underlying cash (the 2013 payout was 60%).

In future years we expect our dividend payout ratio to be broadly in line with 75% of the cash result.

The final dividend for 2014, subject to approval of shareholders at our AGM, will be paid on 15 May to shareholders on the register at the close of business on 10 April and as with last year, a Dividend Reinvestment Plan (DRP) continues to be available for shareholders.

### Clients

At the heart of the sustained growth I mentioned earlier is the importance we place on maintaining long lasting relationships with our Partners and clients and serving them well. We passionately believe that this personalised and face-to-face approach has a very strong place in UK financial services both today and in the future. Whilst technology is proving to be a game changer and disruptive in a number of retail services, we will embrace the use of technology to enhance the personal service we provide to our clients, not to replace it.

If we do this well, we will maintain our strong retention record and attract new clients and investments through referrals and introductions. That was further evidenced last year by the introduction of over 52,000 new clients to St. James's Place and new investments of £7.8 billion.

However, we are not complacent. Every year, we seek feedback from our clients both through the services of the independent research specialists, Ledbury Research, and by inviting every single client to provide feedback directly in response to their annual Wealth Account statement. Whilst there is room for improvement, the research carried out in the last three months once again shows a very considerable out-performance on all key measures compared to the wider marketplace and an improving trend. Most pleasing is the extremely high advocacy score, where 97% of our clients confirmed that they would recommend St. James's Place to others, with 52% having already done so.

Such research, together with the direct contact we maintain with clients, reassures us that our clients value the personal face-to-face relationship that we provide.

2014 also saw other significant changes for investors, with the government raising the annual ISA allowance to £15,000 and announcing the most radical changes to pensions in a generation. Both of these measures represent good news for our clients and also further strengthens the need for advice.

### Investment Management

At the start of last year, the Investment Committee and Stamford Associates were in the process of reviewing the funds managed by Neil Woodford, following his decision to leave Invesco Perpetual. In the event, we decided to retain Neil's services and our clients continue to invest with him via their St. James's Place funds. The seamless transition to his new investment firm is a good example of the strength and the efficiency of our investment approach, which sits at the heart of what it is we do to look after clients' wealth.

Throughout the year, the UK's economy has continued to improve with lower unemployment, lower inflation and higher growth than many had forecast. Yet there remains a sense of fragility, due in part to the much poorer economic performance of the major developed economies of the EU and Japan. There is also the added uncertainty of the forthcoming General Election in May and the wider international uncertainty of the impact from lower oil prices and continuing tension both in the Middle East and between Russia and its neighbours.

Nevertheless, although the UK stock markets were largely unchanged in the year, with the FTSE 100 down 2.7% in capital terms but up 0.7% with dividends reinvested, higher growth was achieved in other asset classes, most notably the US stock market, some sectors of the fixed interest markets and property.

Against a background of mixed performance across the world's economies and more volatility in financial markets, our Growth and Income portfolios produced solid single digit returns, performing in line with our expectations. For individual clients, returns will, of course, reflect the specific funds held.

# Chief Executive's Report (continued)

## The St. James's Place Partnership

In 2014, alongside the impressive financial results, I am pleased to report that through the continued acquisition of highly established advisers, the integration of our new Partners in Asia and the graduation of students from our Academy, we attracted 10% more advisers to the St. James's Place Partnership. The sustained growth in our adviser capacity bears testimony to the reputation that we have built for both the quality of our client proposition and the level of support and development our Partners receive. Increasing the number of Partners and providing them with the tools and support to deliver high quality outcomes for clients is one of the key drivers to achieving our long term growth objectives.

We are very encouraged by the success of the Academy, including those joining family practices through our next generation initiative. Last year, 47 students graduated as fully qualified Partners or advisers from the first three cohorts who joined the London Academy in 2012 and we expect a similar number to qualify this year from the 2013 intake. We also extended the Academy programme through the addition of a regional centre in the North West and in 2015 we will extend this initiative further, with two intakes in the North West and the establishment of a regional Academy in the Midlands. We also plan to open our first regional Academy in Scotland in early 2016.

Notwithstanding the fact that we remain very focused on our UK business, we also see further opportunities to expand our services overseas to the expatriate community. Building on the successful integration of our newly acquired team in Hong Kong, Shanghai and Singapore, we are in discussions with the relevant authorities in Dubai and Abu Dhabi and expect to make progress in the provision of financial advice to members of the British expatriate community in these jurisdictions in the near future.

## 'Back-office' Administration

In 2013, we embarked on one of the most significant developments in our back office for some time. The initial phase, in 2014, saw the unification of our two major back office teams, in Craigforth and Essex, coming together under the management of IFDS. The integrated technology platform that will support them is also well advanced and we expect to begin the migration of our business to the platform during 2015.

We expect to see the benefits of this important investment begin to crystallise in 2016.

## The St. James's Place Foundation & Community Engagement

Raising funds for those less fortunate has always been at the heart of the Group's culture, so I am delighted to report that through the collective effort of the whole of our community, including employees, Partners, suppliers and others connected to St. James's Place, 2014 was another record year of fund raising for The St. James's Place Foundation. In total we raised over £3 million which, when matched by the company, meant over £6 million for the Foundation, taking the cumulative total raised to date to over £40 million and enabling us to support over 600 charitable projects in the year.

Our cultural driver of 'doing the right thing' extends to all of our community involvement, which is why we are committed to, and proud of, our continued membership of FTSE4GOOD. It is also why we have been actively developing structured programmes for summer interns and a longer term commitment to Apprenticeships. In 2014, we were particularly pleased to get recognition in the National Apprentices Awards for our work with over 30 Apprentices in recent years. We were also pleased to receive the Living Wage accreditation, one of only 20 FTSE100 companies to have achieved this qualification to date.

I would like to thank our entire community and also our clients, not only for their sponsorship but also for their participation in many of the hundreds of fund raising events that took place throughout the year.

Further details of our CSR activities are set out on pages 40 to 44 and an update on the Foundation is provided on pages 46 to 49.

## Partners and Employees

The strength and continued growth of the business is due in no small part to the hard work and dedication of our Partners, their staff and all of our employees and administration support teams.

On behalf of the Board and shareholders I thank everyone connected with St. James's Place for their contribution to these results and for their continued enthusiasm, dedication and commitment.

## Outlook

I am confident that the growth we achieved in 2014, in both new investments and Partner numbers, bodes well for the continued growth in our business, in line with our medium term objectives.



**David Bellamy**  
Chief Executive  
24 February 2015





Strategic Report

St. James's Place Foundation

Governance

Financial Statements

Other Information

## Our Business Strategy

St. James's Place plc is a FTSE 100 listed company.

- Our Group aims to provide a holistic wealth management service to businesses and individuals.
- Almost uniquely within the UK wealth management market, our vertically integrated model means we are directly responsible for the whole offering, including advice, management of investments and any related services.
- Our business is centred on the UK, attracting clients from the mass affluent and high net worth markets. We are also developing an offering for expatriate clients in south-east Asia.
- Our advisers, The St. James's Place Partnership, seek to build strong and enduring relationships allowing them to support clients with their financial needs over time, providing ongoing advice, and investment solutions from St. James's Place, as appropriate.
- Investments with St. James's Place are managed through our distinctive Investment Management Approach (IMA).

Measured in terms of funds under management, the business has doubled over the last five years as well as in the five years preceding that. We aspire to repeat this rate of organic growth in a safe and sustainable way over the next five years. We believe that the strength of relationships between our Partners and our clients, together with our distinctive approach to investment management, means we are ideally positioned to continue to succeed in our approach to the wealth management market.

## Our Business Model

St. James's Place specialises in providing face-to-face advice to clients through our advisers, the St. James's Place Partnership, and in managing clients' wealth with our distinctive Investment Management Approach.

The Partnership is critical to the success of our business. Partners are able to attract clients and, through building trusted relationships, they are able to develop long term relationships supporting them with their investments and managing their wealth. This relationship based approach is greatly valued by our clients, no more so than in periods of financial uncertainty. Our experience is that there is an increasing demand for trusted advice from experienced advisers, backed by a strong brand and an organisation which takes responsibility for all aspects of the service.

As a result, St. James's Place is able to attract and retain retail funds under management on which we receive an annual management fee. This is the principal source of income for the Group and it grows with additional new business and also as a result of growth in markets and the success of our Investment Management Approach.

Attracting new funds under management is core to our success and growth in new business arises as a result of both increasing Partner numbers and also encouraging further development of existing Partners. By providing an attractive proposition we are able to recruit new members to the Partnership, and by providing high quality support, we can help them to grow both their businesses and ours.

Group expenditure is carefully managed with clear objectives set and with a particular focus on managing fixed costs, which we refer to as establishment expenses. Other expenses increase with business levels and are met from margins in the products (see page 31). A small proportion of expenditure supports existing funds, but the majority is invested in growing the Partnership and acquiring new funds.

Profits emerge from the business principally as a result of the income from funds under management exceeding establishment expenses.

## Our Business Model





# Market Overview

## The UK Wealth Market

St. James's Place's prime target market is UK individuals with between £50,000 and £5 million in investable assets. There are estimated to be 9.1 million of such individuals at the end of 2014 and, over the next five years, they are projected to increase by 4% per annum to 11.1 million. Their assets are projected to grow from £1.7 trillion to £2.2 trillion in this time. Investable assets are defined as cash deposits, quoted equities, bonds and mutual funds. Around half of these assets are held in cash.

The UK's non-cash investable assets (£850 billion) are split between financial advisers, representing about 50% of the market, discretionary fund managers or investment (as opposed to financial) advisers, representing around 32%, and self-directed at 18%.

## Advice-led Sector

At the end of 2013 it is estimated that there were around 25,000 UK financial advisers in our core target recruitment groups of bank and financial advisers focussing on wealth management, the total having declined 26% from over 34,000 in 2011. This decline will continue unless the number of new entrants to the market increases to exceed the natural attrition rate of advisers retiring or withdrawing from the industry. With 2,784 advisers, St. James's Place now represents some 11% of the UK's financial adviser population.

Of the top ten financial adviser networks, eight lost registered individuals (RIs) in 2014 and five of them reported financial losses in 2013. During the same period St. James's Place gained RIs and reported strong profits.

Based on 2013 funds under management of £44.3 billion, we ranked third in the 2014 Private Asset and Wealth Managers (PAM) Directory by Assets under Management, having grown by £9.5 billion in the previous 12 months (+27%). This growth rate was the second largest in volume and percentage of any in the top 10 and represented 19% of the total growth of the top 40 wealth managers in that year. We were also identified as the largest ISA manager by the Investment Association in May 2014, with £8.8 billion ISA funds under management.

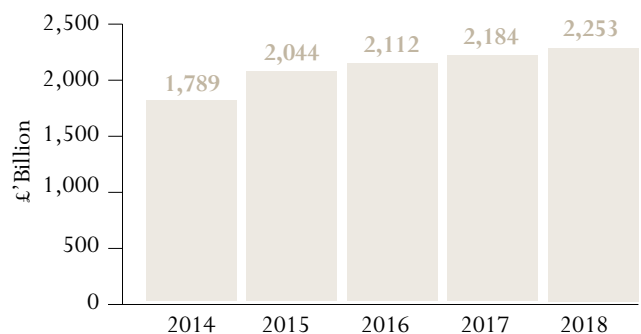
## Wealth Solutions

The pensions market is in a state of flux. The old age dependency ratio is expected to increase from 34% to 50% by the middle of the century with successive governments taking steps to put back the State Pension Age in order to curb this pressure. The expectation is that the timetable of change will be brought forward and the upper age could be increased to 69. Some 800,000 people a year reach state pension age. Delaying the State Pension Age by one year saves the government around £13 billion.

The steady decline in the number of open defined benefit schemes in the UK has also contributed to a rapidly building retirement savings gap. The government is trying to encourage individuals to provide for their own future, complementing the new auto-enrolment regime with changes to make pensions savings more appealing, hence the radical changes announced in the March 2014 budget designed to increase flexibility of the use of pension savings and remove the obligation to take an annuity at the age of 75. At the same time, the significant increase in annual allowance for ISAs, to £15,000 p.a. and the introduction of the ability to switch both ways between cash and stocks & shares means ISAs will become a much more significant way to accumulate wealth in a tax efficient way.

Pensions represented 36% of our new business in 2014 and, in the last quarter of 2014, no less than 40% of our new single investments were in our Unit Trusts and ISAs, so all of these changes will have significance for our business over the next few years.

## Amount of liquid assets held by UK individuals with more than £50k



## Our Clients

Putting the client at the centre of everything we do is core to our culture and means we seek to run a genuinely client-focused business. Through our face-to-face based advice service, we aim to help clients manage their wealth in a way which reflects their personal circumstances. This approach has allowed us to develop long-term relationships, founded on trust.

We achieve this primarily through the activity of the St. James's Place Partnership (see page 9) and their ability to provide a bespoke service to each of our clients. Our Partners recognise that no one client's objectives or circumstances are the same as another and so the advice must be tailored. The relationship between Partner and client is founded on mutual respect and trust, and the emphasis is on building and maintaining a long-term relationship. Our high standards are maintained and reinforced by the high expectations that members of the Partnership have of each other. As a result, clients often continue the working relationship with their Partner over many years, appreciating a source of trusted advice as their financial needs evolve over the years.

In order to ensure that our business continues to be client-focussed, senior management meets regularly to monitor all areas of the business which can affect the client experience. Subjects discussed cover all stages of the client life-cycle, including the suitability of advice, policy administration, claims experience and, where relevant, client complaints. Enhancements to existing processes and new ideas which were developed during the year to improve the client experience, included:

- the completion of various streams of thematic research focussed on key areas of client feedback;
- the sharing of client servicing best practice, and embedding of effective client management standards;
- further development of our on-line services; and
- improvements and consolidation of client correspondence.

Given the importance of the Partner-client relationship, we are proud of the positive results we receive in our annual client surveys, where we consistently outperform the marketplace on all core satisfaction metrics. In our 2014 client survey (conducted by Ledbury Research), 34% of clients rated their satisfaction level at ten out of ten and 88% of clients agreed that we provided excellent service.

*'I'm just totally happy. I wouldn't recommend them to other people if I weren't. Recommendations can backfire, so you have to know it's good.'*

*'What they've got right is their rapport with their clients, it's on the right level. I work with another financial company and they seem a bit condescending, whereas St. James's Place has the right balance.'*

*'My St. James's Place Partner is a gentleman, whom I can't recommend highly enough. He is someone I go to before I make any form of decision, in my personal affairs not just my financial affairs. He is always attentive to my needs even when I'm not investing with St. James's Place, he is always concerned, the net effect of that is that when I do invest then St. James's Place gets a big chunk of it.'*

*'I find it an excellent company and the Partner is first class. I've got no problem with them. He's got a very good attitude, he's friendly, he comes round and visits us when we ask. I honestly couldn't ask for anybody better.'*

The success of our approach is also evident from the fact that over 90% of new investment is estimated to come from existing clients or from referrals and introductions. Furthermore, once clients have invested, they tend to stay invested and we are particularly pleased with the consistent, year on year, low rate of ad-hoc withdrawal of funds (typically less than 5%).

Despite receiving much positive feedback from clients, we never become complacent and in 2015 we will continue striving to improve our support for clients. This will be further developing the metrics we use to measure positive client outcomes.

## The St. James's Place Partnership

Members of the St. James's Place Partnership play the leading role in delivering our wealth management service to the 'mass-affluent' market.

Our Partners, so called because of the way they work in partnership with both their clients and their colleagues, are some of the most experienced and able professionals working in wealth management today. St. James's Place has chosen to promote our services exclusively through the Partnership, reflecting the confidence we have in Partners' ability to build and maintain long-term working relationships with their clients, and so to be able to provide sound financial advice. The exclusive arrangement also provides clients with clarity of responsibility in relation to their financial dealings. St. James's Place works hard to support these client-Partner relationships placing them at the heart of all we do.

Establishing long-term relationships is key. Clients need to be able to place a high degree of reliance on financial advice and so, being able to call upon the services of a long-term adviser who understands their individual personal circumstances is important. But it is also important that clients are dealt with in the 'way they would choose' and not simply in a single ordained way. The wide diversity of our Partnership ensures there is a suitable Partner for everyone. For instance, our Partners are located throughout the United Kingdom, enabling face-to-face advice to be delivered wherever they may be. We also recognise that women often prefer to deal with another woman and so we are pleased to have a higher than average proportion of female advisers. We are also keen to support more women into an industry which has historically been male dominated. Relationships work for clients but are also good for business, with over 90% of Partners' new business estimated to come from existing clients and their referrals.

New Partners are provided with a document entitled 'What it means to be a member'. This sets out a philosophy and some principles. We believe the shared commitment to living up to these principles is what gives the Partnership its competitive edge and makes it a group of professionals that other advisers aspire to join. The document emphasises integrity, trust, openness, partnership and teamwork and is designed to guide individual and corporate actions, decisions and standards across our community.

Given the importance of our Partners, we are committed to providing ongoing professional development to ensure they remain appropriately qualified, technically able and equipped to deliver a first class service. We also encourage and provide support for Partners who choose to pursue further qualifications, with many Partners having plans to progress to Chartered Status. For those wanting further development we have established a link with Loughborough University and this year launched a Masters Degree Programme in Wealth Management which has been made available to employees as well as members of the Partnership. As a result of the professionalism of our Partners, we are happy to guarantee the suitability of the advice that they give when recommending any of the wealth management products and services provided by companies in the Group.

Growth in the Partnership is a crucial long-term objective and in 2014, there were two strands of work undertaken alongside our existing successful recruitment proposition. Firstly, we continued to grow and develop the St. James's Place Academy. This provides an opportunity for suitable second-careerists to receive training and assistance to build a Partner business with us. In 2014, we had over 80 new students and 47 graduating to join the Partnership. In 2015, the Academy should exceed 100 new students for the first time. Our Next Generation Academy (specifically aimed at bringing 'sons and daughters' of existing Partners into their businesses) also supports growth and helps build succession for existing successful businesses. So far more than 70 individuals have enrolled.

Secondly, we purchased The Henley Group, a successful IFA business based in Hong Kong, Shanghai and Singapore. The Henley Group, which will be rebranded as St. James's Place Wealth Management in 2015, already has 51 Partners working across the three offices with over 4,000 clients and £450 million assets under advice. It extends our geographical scope and provides a new region for recruitment.



# The Investment Management Approach

At the heart of the proposition to our clients is our investment management approach.

Investment success is critical to future financial well-being, but it is a field which presents a unique problem; future performance is unpredictable. As a result, when clients choose investment managers, no matter how successful historically, they can never be sure that they have made the right choice; and even if they have, it may not continue to be the right choice over the years to come.

We believe that our approach to investment management addresses these challenges. We do not place clients' money in the hands of our own team of fund managers; indeed, we have no fund-managers of our own. Instead, we are free to choose any fund-manager from any fund management firm anywhere in the world.

The responsibility of selecting the range of funds and fund managers that are made available to the clients of St. James's Place at any one time falls upon the St. James's Place Investment Committee, advised by respected independent investment research consultancies, led by Stamford Associates. Stamford Associates share their extensive research of the global investment markets with a small number of companies. We are particularly proud to have them on our team, as St. James's Place is the only company they work with that provides wealth management advice to private individuals.

The Investment Committee meets regularly to monitor performance and consider detailed reports from our consultants and each fund manager. If a change in the marketplace calls for the addition of another manager, the Committee will select one. Equally, if the Committee's monitoring activity leads to a loss of confidence in the ability of an existing manager, then it will replace them. With over £50 billion of client assets invested in St. James's Place funds and products, the Committee is also mindful of its stewardship responsibilities and actively monitors and promotes engagement by all of our fund managers. We are also very pleased that our fund managers are active in voting most of our holdings.

Successful long term investment also depends on judicious diversification. The Investment Committee provides illustrations as to how to do this through the provision of Example Portfolios, which combine various managers' funds in given proportions depending on the broad investment objective. Ultimately, however, the right solution for each client can only be achieved through the face-to-face advice process, which is the responsibility of their individual Partner.



## Our People

*'We are a relationship business where people are our most important asset.'*

This statement is a core cultural belief and a fundamental element of the success of St. James's Place. Members of our community tend to share core values that are highly compatible with the values embraced by our founders – expertise, integrity and discretion. They are passionate about our business and believe in hard work and dedication. They treat each other with mutual respect, openness and fairness and are driven by a desire to do the right thing by all our stakeholders. Age, race, colour, creed, sexuality, disability and gender are irrelevant: merit and experience are of greatest importance.

This is our culture, which is central to our success. We are therefore pro-active in building and reinforcing it. For this most important of business differentiators it is the Board that provides tone at the top and oversight. The Board is committed to being consistent and clear-sighted in its continuing leadership and support of the culture, and in particular the principle that St. James's Place will seek to do the right thing for its clients and for all its stakeholders. In a world where the reputation of the financial services industry is constantly under pressure, we aspire to create an authentic alternative which clients and suppliers can trust, and which the communities we are part of can appreciate and admire. However, we can't always get everything right, and so we also believe in acknowledging mistakes made and rectifying them.

Our people are a sustainable competitive advantage, so we aim to attract the best and help them fulfil their potential. We secure their commitment by providing them with an interesting and challenging career within a first class working environment, and reward them competitively as well as encouraging equity ownership. We are a Living Wage employer having made a commitment to meet the living wage for all our employees and suppliers.

We recognise that as our business grows we will have to take care with our culture. Our employee numbers now exceed 1,000 and the number of Partners exceeds 2,000 (over 2,700 advisers). These are expected to continue to grow in future years.

To ensure continuity of our culture, we ensure that all employees and Partners joining the business are selected for their fit with our corporate values, as well as their competency, and that they are given a full induction as the first step in their career with our business. This includes receiving a booklet entitled 'Our Approach', which gives guidance on the culture and values of St. James's Place. We believe it is important that our community knows and understands our objectives, including the ethos behind the St. James's Place brand and how its integrity and values should be maintained. We also encourage shared commitment to the St. James's Place Foundation.

Maintaining freshness of commitment to our culture is assured through a variety of activities including an Annual Company Meeting, employee and Partner Surveys, regular Partner meetings, feedback opportunities for employees with Directors and a Leadership Conference for senior management. They all provide opportunities to renew our joint understanding and encourage commitment to our shared culture as well as ensuring a common awareness of the financial and economic factors affecting the Company's performance.

Our regular employee survey, which we conduct every other year, provides important insights, crucially on employee engagement. The most recent survey was in 2014 and we received a strong survey response rate of 87% (compared to 86% in 2012). Our overall engagement score was 87%, which was significantly higher than the financial services benchmark of 72%. We plan to continue with the bi-annual process which means our next survey will be in 2016. As a result of the strong engagement we also have low levels of staff turnover being 9% in 2014 (9%: 2013). The proportion of employees that are temporary staff is just over 7% (2013: 6%).

Information about the breakdown of employees by gender is shown in the following table.

	Female	Male
Board Directors	2	7
Managers and decision makers	57	306
Total employees	605	631

# Our Objectives and Related Key Performance Indicators

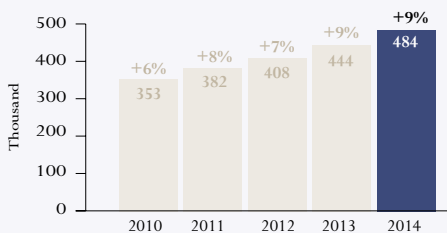
## Clients

*To deliver positive outcomes to an increasing population of clients*

### PROGRESS DURING 2014

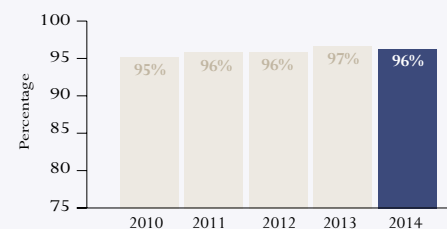
2014 was another successful year as the business continued to grow. Client numbers grew by 9% contributing to the increase in investment of new funds. The quality of the client outcome, as reflected in client retention and feedback, continued to be as strong as ever.

### Client Numbers



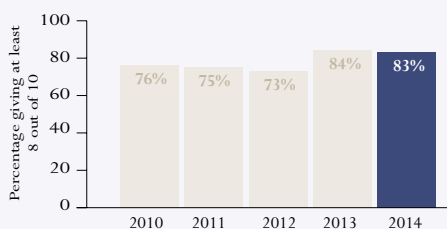
Our business model is based on managing client wealth and so the number of clients is a key measure of the health of the business. As well as reflecting past performance, it also indicates future opportunity, as our experience suggests that over 90% of new business comes from existing clients or their referrals. In 2014, we were pleased that client numbers increased from 444,000 to 484,000.

### Client Retention



Our business is long-term and client retention feeds directly into the financial result. However, it is also an indication of minimum standards having been met. We are therefore delighted that retention has continued at the very high rate of 96% compared to 97% in 2013.

### Client Satisfaction



Our reputation is vitally important to our business model and this is best expressed through the experience of our clients. We are therefore delighted that our client satisfaction levels have been maintained this year at an outstandingly high level for the industry of 83%.

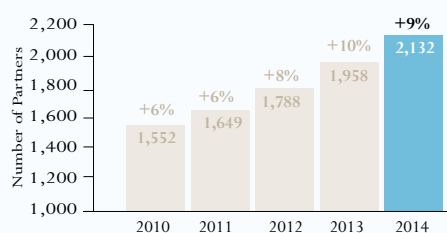
## Partners

*To continue to grow and develop the Partnership*

### PROGRESS DURING 2014

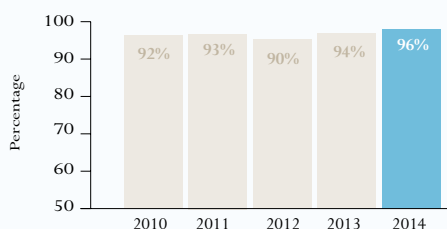
Our proposition continued to be attractive to advisers in the year which, alongside development of the existing community, led to improvements in quality both in terms of business credentials and qualifications. The Partnership also welcomed graduates from the Academy initiative and new Partners from The Henley Group.

### Partner Numbers



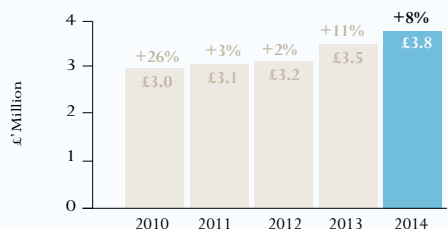
Without our Partners, we would have no clients. We were therefore pleased to deliver growth ahead of our long-term aspirations, supported by Academy Partners and acquisition of The Henley Group. Partner numbers grew from 1,958 in 2013 to 2,132 this year.

### Partner Retention



Partner retention reflects Partners continuing satisfaction with our proposition but also the maintenance of their quality against the standards we require. We were therefore pleased retention increased slightly to 96% compared to 94% in 2013.

### Single Premiums per Partner



Productivity of Partners is a measure of their success as business people, but also feeds into success for the Company. We are pleased that in 2014 individual adviser productivity continued to increase, leading to an overall increase in single premiums per Partner from £3.5 million to £3.8 million.



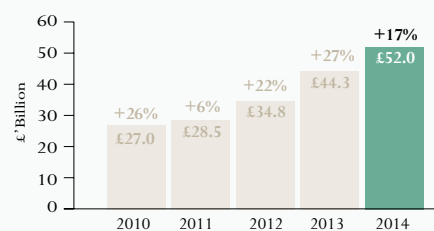
Funds

To increase funds under management (FUM)

PROGRESS DURING 2014

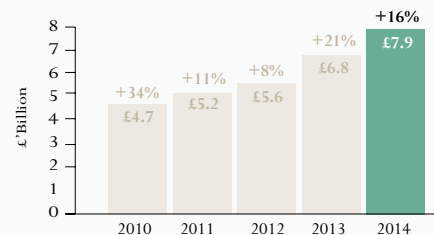
In another successful year, new business from clients combined with positive growth in underlying investments, resulting in an increase in total FUM to £52 billion, growth of 17% over the year. This growth feeds through directly to the financial performance in the year.

Funds under Management



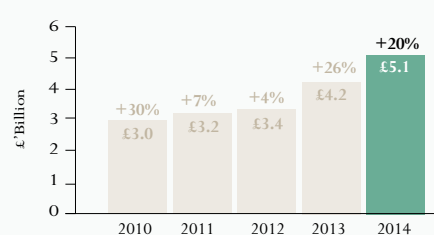
The profitability measures of the Group are ultimately driven by the income we earn from FUM. The FUM have exhibited compound annual growth of 18.5% over the last ten years.

Gross Inflows



Gross inflows is the gross new investment and pensions business (principally single premium) received during the year. We aim to grow Gross Inflows by 15-20% per annum over the long term, which we again achieved in 2014.

Net Inflows



Retention of funds is a result of satisfied clients and is essential if the FUM is to continue to grow. Growth of 20% in the year was higher than we had expected and reflected lower levels of withdrawal, particularly due to pensions clients deferring retirement and investment clients remaining invested through volatile markets.

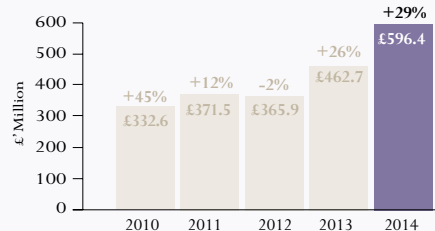
Financial

To achieve sustainable growth in reported profits on all measures

PROGRESS DURING 2014

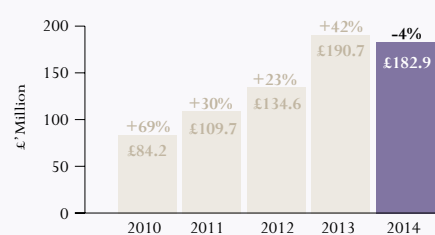
Our business model is simple and is aligned with the needs of both our clients and our Partners. Strong performance in those areas combined with positive investment performance to underpin the financial results. We are pleased to report a continuation of the trend of recent years.

EEV Operating Profit before Tax



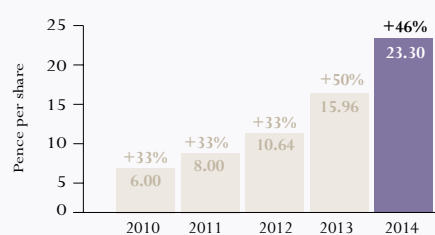
The EEV reporting basis assesses the full value of the emergence of shareholder cash returns over the long-term. New business (Gross Inflows) is the most significant underlying driver of EEV Operating Profit, but positive experience variances also contributed to the strong growth of 29% year on year.

Profit before Shareholder Tax



Steady growth in the fundamentals of the business underpinned the 2014 result of £182.9 million. The 2013 result benefited by £8.9 million from a reinsurance transaction during the year. The progression in recent years has also been impacted by accounting changes arising from changes to the adviser charging rules in 2013.

Dividend



Growth in profit measures, particularly cash, means the Company is able to increase the level of dividend. We are pleased to confirm an increase of 46% in dividend in the year, bringing the total increase over the last 5 years to 418%.



*'Following the very strong performance of the business in recent years I am pleased to report the continuation of this trend in 2014.'*

We have commented earlier in this report on the record £7.8 billion of new investments which, together with the continuing excellent retention of client funds and strong investment markets, have led to a 17% growth in funds under management to a record £52.0 billion.

We have also provided an update on the Partnership and adviser numbers. Whilst the investment in new advisers translates into expense today, it is a lead indicator for future new business. Therefore, the strong growth in advisers over the last few years and, in particular the 10% growth in 2014, has resulted in higher establishment expenses but it bodes well for new business in 2015 and future years.

In this statement I will comment on the other financial results and, as usual, a more detail review is provided in the Financial Review on pages 18 to 33 which accompanies this report.

#### **Financial Results**

As shareholders will be aware, we report our results on both IFRS and EEV bases, as well as providing further detail on the cash result emerging from the business.

The EEV result reflects the full economic value of the business and is primarily driven by current year events, particularly new business and investment performance. The IFRS and cash results are the cumulative effect of all previous years and so the increase in these measures over recent years is due as much to our strong underlying retention as our success in attracting new business. Of course, retention and new business are related, as it is the positive experience of clients which means they remain with the Group, which leads to additional investment and also advocacy.

The continuing strong performance of the underlying business and excellent retention of clients are once again key features of the results on all measures. However, shareholders will be aware of the changes to regulatory rules on adviser charging which were introduced in 2013. Whilst the fundamentals of our business were unaffected by the rule changes, we commented at the time on a number of changes to the accounting treatment of certain cash flows which particularly impacted our IFRS reporting. These effects are long-term and will develop in our accounts over the coming years. Therefore to further aid investors understanding we have added a new measure called **underlying profit**, which is based on the IFRS result but adjusted to exclude the impact of the DAC, DIR and PVIF intangibles. Hopefully investors will find this additional disclosure helpful. Detail on the definition of all the measures is provided on pages 18 and 19.

The key drivers to the result both this year and 2013 are the growth in new business, the continued strong retention and the investment we have made in future new business with the growth in the number of advisers. In addition, in each year, we have been able to recognise the value of a capital loss arising in certain legacy companies we originally inherited as part of the St. James's Place Group.

The impact of the capital loss in the current year has been a positive within the IFRS post tax result of £39.5 million (2013: £27.9 million) and a positive in the EEV post tax result of £33.6 million (2013: £22.8 million). The benefit of these losses will offset current tax in future years, which we estimate will increase the cash result by c.£5 million per annum for the foreseeable future. However, in 2014 there was a positive impact of £16.7 million in the cash result. We will continue the review of the remaining handful of legacy companies during 2015 but it is too early to say if any further capital losses exist.

Looking now at the performance of the key financial measures:

### IFRS Basis

The IFRS result includes a gross-up for the tax incurred on behalf of policyholders in our UK life assurance company and so historically we have presented the **profit before shareholder tax** eliminating this effect which is unrelated to the performance of the business. As noted above, this year we are also introducing a new 'non GAAP' measure of **underlying profit** which is based on the IFRS result but adjusted for the DAC and DIR intangibles as well as the amortisation of the PVIF. In future the Board will be using **underlying profit** as the most appropriate measure based upon IFRS when considering the operating performance for the year.

Table A below, provides the last five years' results on both the profit before shareholder tax and the underlying profit measure.

**Table A: Profit and Underlying Profit**

	Profit before shareholder tax	Growth	Underlying profit before shareholder tax	Growth
	£Million	%	£Million	%
2014	182.9	(4%)	173.6	(7%)
2013	190.7	42%	187.2	69%
2012	134.6	23%	110.8	55%
2011	109.7	30%	71.4	65%
2010	84.2	69%	43.4	

The progression of profit before shareholder tax in recent years has been impacted by the effect of the changes in the adviser charging rules in 2013. In addition, the reinsurance transaction in 2013 resulted in a one off positive £8.9 million in that year, which reflects the net impact of a £21.4 million underlying benefit less a reduction in the value of the DAC asset associated with this business. However, growth over the five year period is still strong at 117%.

The effect of the change in adviser charging rules is mitigated in the underlying profit result, although the 2013 result does reflect the £21.4 million benefit from the reinsurance transaction. There is no DAC in this measure and so no DAC asset reduction.

Removing this item would give a like for like comparison of £165.8 million and an increase of 5% between the periods, which reflects an increase in income from funds under management, partially offset by both an increased share option expense and a higher cost associated with the back office infrastructure project in the current year.

### EEV Result

The three key measures within the EEV results are the new business profit, the operating profit and the net asset value per share. The development of these measures over the last five years is shown in Table B.

**Table B: Key EEV Financial Measures**

	EEV new business contribution	EEV operating profit	EEV net asset value per share
	£Million	£Million	Pence
2014	373.1	596.4	657.9
2013	327.2	462.7	575.3
2012	276.8	365.9	461.0
2011	246.0	371.5	385.0
2010	217.8	332.6	352.9

The new business profit at £373.1 million was up 14% during the year, in line with the average growth through the whole period. The growth in new business profit reflects increasing new business volumes, positive business mix and expense management.

The operating profit increased by 29% during the year to £596.4 million reflecting the growth in the new business profit together with strong positive experience variances in the year.

The net asset value per share on an EEV basis at the end 2014 was 657.9 pence, some 14% higher than the start of the year and has almost doubled over the period.

### Cash Result

The Group's underlying cash result is principally dependent on the value of client funds under management. Since much of our business does not generate net cash in the first six years, the level of cash result will increase as a result of new business from six years ago becoming cash generative.

The first column in the table below (Table C) shows how the underlying cash arising from the business in-force at the valuation date (in-force business) has grown by 26% in the year.

Over 30% of funds under management are currently not yet generating any positive cash flow. However, they are expected to become cash generative once they reach the end of their sixth year, at which time they will support future strong organic growth in the cash arising from the in-force.



# Chief Financial Officer's Report

(continued)

Column 2 of the table shows the underlying level of cash earnings that is 're-invested' in acquiring new business. Despite the new business growth during the five year period, the level of the investment required has stayed fairly constant. Consequently the return which shareholders can expect from this investment has increased.

The net effect of growing the cash arising from the in-force business, whilst keeping the level of cash invested in new business relatively flat, is growth in the underlying cash result. As can be seen from Table C, the underlying cash result was up 24% in the year, resulting in a quadrupling of the result over the period.

We fully expect the cash result to continue to grow as the business continues to mature.

**Table C: Cash Result**

	Cash arising on in-force business	Cash invested in acquiring new business	Underlying cash result	Growth
	£Million	£Million	£Million	%
2014	236.5	(62.7)	173.8	24%
2013	188.2	(48.3)	139.9	67%
2012	144.5	(60.5)	84.0	33%
2011	125.4	(62.4)	63.0	54%
2010	102.3	(61.4)	40.9	74%

The underlying cash result is an important indicator for investors as this is the key determinant in setting the annual dividend to shareholders. The continuing strong growth in this measure has enabled the Board to increase the dividend significantly in recent years.

The underlying cash result is presented adjusting for a number of variances totalling a negative £8.7 million. The total post tax cash result for the year was therefore £165.1 million, slightly lower than the prior year.

## Dividend

As the business matures, the cash emerging from the in-force business is increasing year by year, whilst the proportion of this cash that is re-invested in acquiring new business is falling.

This combination means the cash available for corporate purposes and to return to shareholders is increasing. Consequently the Board has been able to follow a strategy of increasing the dividend each year.

Having increased the dividend by 50% last year, and by 33% in each of the three previous years, we declared an increase in the 2014 interim dividend of 40% at the time of the interim results, and indicated that the full year dividend would be increased by a similar amount. However, given the strong results and in particular the strong underlying cash result, the Board has proposed a 50% increase in the final dividend. This will provide for a pay-out ratio of 70% for the current year and we expect the pay-out ratio to increase to 75% in the near term.

**Table D: Dividend**

	Dividend per share	Growth
	Pence	%
2014	23.30	46%
2013	15.96	50%
2012	10.64	33%
2011	8.0	33%
2010	6.0	33%

## Capital

A key financial objective is to ensure the Group's solvency is managed safely through both good and difficult times. This is important not only for the safeguarding of our clients' assets, but also to ensure we can maintain returns to shareholders.

The Group continues to be capitalised well in excess of regulatory solvency requirements, and the surplus solvency assets remain invested prudently in cash, AAA rated money market funds and UK government securities. We also believe we will continue to be well capitalised when the new Solvency II regime is implemented in 2016. The relative lack of balance sheet risk, not least due to our prudent investment policy, has provided for an increasingly resilient solvency position over recent years despite the difficult financial and market environment recently experienced.

## Future Developments

We have commenced an investment programme working with our key 'back-office' administration provider to enhance our 'back office' systems to accommodate both continued growth and achieve future efficiency savings. Whilst the major systems development costs will be amortised over the term of the contract, we will incur our own internal project costs over the next couple of years and this is covered in more detail in Section 4 of the Financial Review.

Over a similar timeframe, national regulators are required to implement the new EU Solvency II regulations. We are well prepared for implementation and do not believe the Group will be adversely impacted.

## Concluding Remarks

2014 has been another year of strong growth in the fundamentals of our business, which feed through into the healthy underlying financials. Our business is in good shape and we expect to continue our growth trend.

The developing cash result has enabled the Board to significantly increase the dividend over the last five years and given the strength and resilience of the business we will move towards a dividend pay-out ratio of 75% of the underlying cash in the future.



**Andrew Croft**  
Chief Financial Officer  
24 February 2015



Strategic Report

St. James's Place Foundation

Governance

Financial Statements

Other Information



### The Financial Model

As described earlier, 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 changes with market movements. Since a proportion 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' (see page 24).

Group expenditure is carefully managed with clear targets set for growth in establishment expenses in the year. Many other expenses increase with business levels and are met from margins in the products (see page 31). However, the Group also invests in new client services, computer systems and other corporate initiatives, all of which are reported as development expenditure.

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 24).

As the business matures, the proportion of the cash emergence from the existing business required to support the acquisition of new business is reducing. This has resulted in strong growth in underlying cash emergence in recent years which has ultimately fed through to growth in the dividend.

### Presentation of Financial Results

Given the long-term nature of the business and the high level of investment in new business generation each year, management believes the IFRS result does not provide an easy guide to the cash likely to emerge in future years, nor does it reflect the total economic value of the business. We therefore complement our statutory IFRS reporting with additional analysis.

Firstly, we provide additional analysis in relation to the tax reported under IFRS. The IFRS methodology requires that the tax recognised in the financial statements should include the tax incurred on behalf of policyholders in our UK life assurance company. Since the policyholder tax charge is unrelated to the performance of the business, management believes it is useful to separately identify the **profit before shareholder tax**. This measure reflects the profit before tax adjusted for tax paid on behalf of policyholders.



Secondly, the IFRS standards promote recognition of profits in line with the provision of services and so, for long-term business, some of the initial cash flows are spread over the life of the contract through the use of intangible assets and liabilities (known as DAC – Deferred Acquisition Costs and DIR – Deferred Income). Our products are typically well matched in relation to initial charges to meet initial costs, and this treatment results in the establishment of largely offsetting DAC and DIR balances. However, the implementation of the changes to adviser charging rules in 2013 resulted in changes to the nature of some of those cashflows, moving them from long-term manufacturing margins to short-term advice margins, which resulted in significant accounting presentation changes despite the fundamentals of our vertically-integrated business remaining unchanged. Management has therefore developed a new 'non-GAAP' **underlying profit** measure which doesn't have the complexity associated with these adjustments since it is derived from the IFRS profit by adjusting for these intangibles. Management believes this measure will provide the most useful measure, based upon IFRS, of operating performance in the future.

The **cash result** measure was developed with the aim of assisting investors seeking to understand the sources of cash emergence and to create a measure which more reflected the underlying cash generated by the business.

It is similar to the new underlying profit measure in that it is based upon the IFRS result adjusted for the DAC, DIR and PVIF intangibles, but also for deferred tax and share-option costs. In addition it also includes adjustments to reflect solvency constraints on profits emerging from regulated companies such as our insurance businesses.

Since the cash result can be impacted by one off items, timing variances and changes in insurance reserves, management believes it is also useful to present an **underlying cash result**, which excludes these effects. Neither of the cash result measures should be confused with the IFRS cash flow statement which is prepared in accordance with IAS 7 and disclosed on page 105.

It is the underlying cash result that the Board considers when determining the dividend payment to shareholders.

As noted previously, the reported results reflect strong investment in new business each year. Management believes it is useful to understand the contribution to profits from just the in-force business as this reflects the value being generated by the underlying business. We therefore provide breakdown of the cash result, identifying the new business impact and making clear the ongoing contribution from the established business.

Finally, we also present an **embedded value result**. Management believes this 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. 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 year.

Sections 1-3 below provide a commentary on the performance of the business on the IFRS, Cash and EEV result bases; whilst Section 4 covers other matters of interest to shareholders.

## Section 1: International Financial Reporting Standards (IFRS)

As noted at the start of this review the IFRS result includes the tax incurred on behalf of policyholders in our UK life assurance company and therefore we present the IFRS **profit before shareholder tax**. As IFRS also spreads the initial cash flows over the life of the contract through the use of intangible assets, we present an **underlying profit** in addition which adjusts for these items together with the amortisation of the PVIF. In future the Board will be using the **underlying profit** as the most appropriate measure, based upon IFRS, for considering the operating performance in the year.

The detailed IFRS result is shown on pages 101 to 152 and is analysed in the table below:

	2014		2013	
	Before Shareholder Tax £Million	After Tax £Million	Before Shareholder Tax £Million	After Tax* £Million
<b>Underlying profit</b>	<b>173.6</b>	<b>180.9</b>	187.2	175.4
DAC	(75.8)	(60.2)	(82.8)	(40.4)
DIR	88.3	69.8	89.5	56.7
PVIF	(3.2)	(2.6)	(3.2)	(1.4)
<b>IFRS profit</b>	<b>182.9</b>	<b>187.9</b>	190.7	190.3

\* includes the impact of the corporation tax rate change

	Year Ended 31 December 2014	Year Ended 31 December 2013
	Pence	Pence
IFRS basic earnings per share	<b>36.6</b>	37.4
IFRS diluted earnings per share	<b>35.9</b>	36.7
Underlying basic earnings per share	<b>35.2</b>	34.4
Underlying diluted earnings per share	<b>34.6</b>	33.8



# Financial Review (continued)

## Underlying Profit before Shareholder Tax

The result for the year was £173.6 million compared with £187.2 million for the prior year. However, 2013 benefited from a one-off £21.4 million relating to a reinsurance transaction in that year. Removing this item would give a like for like comparison of £165.8 million and an increase of 5% between the periods, which reflects an increase in income from funds under management partially offset by both an increased share option expense and a higher cost associated with the back office infrastructure project in the current year.

A breakdown by segment of the underlying profit is provided in the following table:

	Year Ended 31 December 2014	Year Ended 31 December 2013
	£'Million	£'Million
Life business	160.7	162.7
Unit Trust business	61.2	58.3
Distribution business	(10.9)	(6.1)
Other	(37.4)	(27.7)
<b>Underlying profit before shareholder tax</b>	<b>173.6</b>	<b>187.2</b>

### Life Business

The Life business profit for the year was £160.7 million (2013: £162.7 million) marginally lower than last year.

However, adjusting the prior year result for the £21.4 million one off from the reinsurance transaction, would give a like for like comparison of £141.3 million and therefore growth of some 14%. The principal contributor to this growth in profit was the increase in income derived from higher funds under management.

### Unit Trust Business

The Unit Trust business profit for the year was £61.2 million (2013: £58.3 million) which was 5% higher than last year. As with Life business, the principal contributor to this rise in profit was the increase in income arising from higher funds under management.

### 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 combining 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 year, this result will depend upon the level of new business and expenses.

The Distribution business loss for the year was £10.9 million (2013: loss of £6.1 million) which includes a negative contribution of £1.7 million from the recently acquired Henley Group as we integrate and invest in the growth of this business. The result also reflects higher expenses in 2014 associated with the strong increase in adviser recruitment in recent years and the benefit from this investment will be seen in future periods.

The result continues to be impacted by the Financial Services Compensation Scheme levy which remains at an elevated level for the industry and which impacted St. James's Place by £5.9 million (2013: £5.5 million).

### Other

Other operations contributed a loss of £37.4 million (2013: loss of £27.7 million). Included within this figure is the £11.9 million (2013: £5.0 million) development costs related to the investment in the back-office infrastructure, and £11.4 million (2013: £7.8 million) for the cost of expensing share options. The comparative was impacted by one-off costs in relation to the reduction in the Lloyds Banking Group ('LBG') shareholding on 11 March 2013 of £6.2 million. The balance, in both years, included the corporate donation to the St. James's Place Foundation but principally reflected costs associated with corporate initiatives and projects.

## DAC/DIR/PVIF before Shareholder Tax

As noted in the table below the net movement in these intangibles provided for a positive contribution to profit of £9.3 million for the year compared with an increase in profit of £3.5 million for 2013. However, the 2013 figure was negatively impacted by the previously mentioned reinsurance transaction and therefore, on a like for like basis, the net movement in the intangibles in 2013 increased profit by £16.0 million.

	Year Ended 31 December 2014	Year Ended 31 December 2013
	£'Million	£'Million
Amortisation charge	28.3	39.1
Arising on new business	(19.0)	(23.1)
<b>Normalised movement for the year</b>	<b>9.3</b>	<b>16.0</b>
Revaluation of DAC for reinsurance transaction	–	(12.5)
<b>Movement in year</b>	<b>9.3</b>	<b>3.5</b>

The reduction in the like for like net movement in the intangibles arises because of the changes in adviser charging rules in 2013, which changed the nature of certain cash flows in the Group, moving them from long term manufacturing margins to short term advice margins. Consequently, the positive contribution from the amortisation of accumulated DAC, DIR and PVIF balances from prior years is reducing and in 2015 is expected to be £17.2 million lower at £11.1 million. In future years, the contribution is expected to turn negative. The DAC/DIR arising on new business is expected to move in line with new business growth.

However, it is important to note the intangible and deferred nature of these items, meaning that they don't reflect the operating performance of the business. This is why management believes the new underlying profit will be the most appropriate measure, based upon IFRS, for considering the operating performance in future.

### Profit before Shareholder Tax

The profit before shareholder tax for the year was £182.9 million, which was lower than the prior year result of £190.7 million. As with the underlying profit result, the prior year figure includes the impact of the one off reinsurance treaty. The reduced contribution from the net movement in DAC/DIR/PVIF intangibles, as noted above, also contributed to the lower result in the current year.

### Shareholder Tax

The tax reported under IFRS each year is impacted by a variety of effects, both current and future, particularly one-off events such as the change in corporation tax rate. Therefore, to assist shareholders, the table below provides a high level analysis of shareholder tax and the implied tax rate. A more detailed analysis is included in Note 8 to the financial statements.

	Year Ended 31 December 2014	Year Ended 31 December 2013
	£'Million	£'Million
Expected shareholder tax	(35.7)	(41.9)
Recognition of capital losses	39.5	27.9
Other tax adjustments	1.2	1.6
Corporation tax rate change	–	12.0
<b>Actual shareholder tax</b>	<b>5.0</b>	<b>(0.4)</b>
Expected shareholder tax rate	19.5%	22.0%
Actual shareholder tax rate	(2.7%)	0.2%

The **expected shareholder tax** principally reflects the current corporation tax rate 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 8 to the financial statements.

As previously commented, the recognition of the future effect of Group capital losses reduced the shareholder tax recognised in the year by £39.5 million (2013: £27.9 million).

The impact of the **corporation tax rate change** on deferred assets and liabilities reduced the tax charge in 2013 by £12.0 million. This impact reflected implementation of the full corporation tax rate reductions from 23% to 20%.

The overall impact of all of the above effects is to decrease the tax charge reported in the IFRS results, moving it from a charge of £0.4 million to a credit of £5.0 million. However it is worth noting that when deferred tax effects are stripped out, the total current tax charge in the year was £95.5 million (see Note 8 on page 121).

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.

### IFRS Profit before Tax

The total IFRS result, is presented in the table below, grossed up for the inclusion of tax incurred on behalf of policyholders:

	Year Ended 31 December 2014	Year Ended 31 December 2013
	£'Million	£'Million
<b>IFRS profit before tax</b>	<b>294.4</b>	461.2
Policyholder tax	(111.5)	(270.5)
<b>Profit before shareholder tax</b>	<b>182.9</b>	190.7
Shareholder tax	5.0	(0.4)
<b>IFRS profit after tax</b>	<b>187.9</b>	190.3

In 2014, the **IFRS profit before tax** for the year was £294.4 million (2013: £461.2 million) with the principal contribution to the change being the reduction in the policyholder tax charges from £270.5 million in 2013 to £111.5 million in 2014.

The **policyholder tax** charge depends on the level of underlying policyholder taxable benefit determined by growth in value of the funds. The lower charge in 2014 reflecting the lower stock growth compared to 2013. The movement between the reporting dates has resulted in a tax charge of £111.5 million.

### IFRS Profit after Tax

The IFRS profit after tax reduced marginally from £190.3 million in 2013 to £187.9 million in 2014. The result reflects not only the business performance in each year but also the recognition of deferred tax assets for capital losses emerging in both years. The 2013 result also benefitted from both the reinsurance transaction and the corporation tax rate change.

### Analysis of IFRS Assets and Net Assets per Share

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

	Year Ended 31 December 2014	Year Ended 31 December 2013
	£'Million	£'Million
Purchased value of in-force*	29.4	32.0
Deferred acquisition costs*	662.2	720.8
Deferred income*	(398.7)	(466.7)
Other IFRS net assets	145.2	112.4
Solvency net assets	572.0	507.6
<b>Total IFRS net assets</b>	<b>1,010.1</b>	906.1

\* net of deferred tax

	Year Ended 31 December 2014	Year Ended 31 December 2013
	Pence	Pence
<b>Net asset value per share</b>	<b>194.5</b>	175.9

# Financial Review (continued)

## Section 2: Cash Result and Capital

In addition to presenting the financial performance on the IFRS basis, we also provide an analysis of the sources of cash emergence in the year, which we refer to as the cash result and is shown post tax. This cash result is based on the **underlying profit after tax** but is adjusted for deferred tax (including the corporation tax rate change in 2013) and to reflect the level of regulatory solvency constraint on profits emerging from regulated companies, such as our insurance businesses, in line with that required by Regulators. It is also adjusted for the share option cost in the year.

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

The table below shows the movement from the underlying profit on page 19 to the underlying cash result:

	Year Ended 31 December 2014	Year Ended 31 December 2013
	£'Million	£'Million
<b>Underlying profit after tax</b>	<b>180.9</b>	175.4
Share options	11.4	7.8
IFRS deferred tax impacts	(34.6)	(14.6)
Solvency reserves	7.4	(0.4)
Corporation tax rate change	–	0.6
<b>Cash result</b>	<b>165.1</b>	168.8
Reinsurance transaction	–	(18.3)
Back office infrastructure	9.3	4.0
Variance	(0.6)	(14.6)
<b>Underlying cash result</b>	<b>173.8</b>	139.9

	Year Ended 31 December 2014	Year Ended 31 December 2013
	Pence	Pence
Underlying cash basic earnings per share	33.8	27.5
Underlying cash diluted earnings per share	33.2	27.0

The underlying cash result for the year at £173.8 million increased by 24% over the same period last year principally reflecting the higher income from funds under management.

The cash result is a combination of the cash emerging from the business in force at the start of the year less the investment made to acquire new business during the year.

The tables and commentary below provide an indicative analysis of the cash result, identifying the different contributions from the business in-force at the start of the year, and the new business added during the year.

Year Ended 31 December 2014	Notes	In-Force £'Million	New Business £'Million	Total £'Million
Net annual management fee	1	344.1	29.3	373.4
Unwind of early withdrawal charge	2	(121.0)	(16.1)	(137.1)
Net income from funds under management		223.1	13.2	236.3
Margin arising from new business	3	–	36.6	36.6
Establishment expenses	4	(9.9)	(88.5)	(98.4)
Development expenses	5	–	(15.6)	(15.6)
Regulatory fees	6	(0.5)	(4.2)	(4.7)
FSCS levy	7	(0.5)	(4.2)	(4.7)
Shareholder interest	8	7.7	–	7.7
Utilisation of capital losses	9	16.7	–	16.7
Miscellaneous	10	(0.1)	–	(0.1)
<b>Underlying cash result</b>		<b>236.5</b>	<b>(62.7)</b>	<b>173.8</b>
Back office infrastructure	12			(9.3)
Variance	13			0.6
<b>Cash result</b>				<b>165.1</b>

Year Ended 31 December 2013	Notes	In-Force £'Million	New Business £'Million	Total £'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	10	3.2	–	3.2
<b>Underlying cash result</b>		<b>188.2</b>	<b>(48.3)</b>	<b>139.9</b>
Reinsurance transaction	11			18.3
Back office infrastructure	12			(4.0)
Variance	13			14.6
<b>Cash result</b>				<b>168.8</b>



# Financial Review (continued)

## Notes

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

- 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). Broadly speaking, the Group retains around 1% before tax (0.77% after tax) of funds under management.  
The level of net annual management fee was some 18% higher than the prior year reflecting the higher average funds under management in 2014 compared to 2013.
- Unwind of early withdrawal charge:** This relates to the reserving methodology applied to the early withdrawal charge within the charging structure of the single premium life bonds and pensions. At the outset of the product, we establish a liability net of the outstanding early withdrawal charge which would apply if the policy were to be encashed.  
As the early 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, to correspond to this 'unwind' of the early withdrawal charge. In other words, there is a cost which offsets the annual management fee above.  
Like the net annual management fee, the unwind of the early withdrawal charge has increased due to the growth in funds under management. However the increase is also impacted by new funds but offset by the fact that the funds added six years ago have completed the withdrawal charge period.
- Margin arising from new business:** This is the cash impact of new business in the year after taking into account the directly attributable expenses.  
The result will be impacted by volumes of new business, business mix and the level of production related costs.
- Establishment expenses:** These are the expenses of running the Group's infrastructure as shown in the table on page 31. In line with the rest of this table, they are presented after allowance for tax.
- Development expenses:** These represent the sum of the other expenditure noted in the table on page 31 (e.g. developments, the cost of regulatory change and Academy). The impact on the cash result in the year was £15.6 million (2013: £10.8 million).
- Regulatory fees:** This relates to the fees payable to the Regulatory bodies.
- FSCS levy:** This relates to the charge levied by the FSCS for the current year.
- Shareholder interest arising from regulated and non-regulated business:** This is the actual 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.
- Utilisation of capital losses:** In 2013, a deferred tax asset of £27.9 million was established for old capital losses which were regarded as being capable of utilisation over the medium term. During 2014, £16.7 million tax value of these losses has been utilised benefiting the cash result by the same amount.
- Miscellaneous:** This represents the cash flow of the business not covered in any of the other categories, together with the utilisation of the deferred tax asset in respect of prior year's unrelieved expenses (due to structural timing differences in the life company tax computation).
- Reinsurance transaction:** During 2013 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.
- Back office infrastructure:** These costs relate to a major project seeking to combine our back offices under one management team and to put in place one unified, client centric administration system, enabling them to deliver improved service and improved efficiency for the business.
- 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 small benefit of £0.6 million in 2014 reflects a number of offsetting impacts whilst the larger variance of £14.6 million in 2013 reflects a release of solvency reserves, the utilisation of brought forward pension losses and positive impacts from tax timing variances.

## 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 current value of the funds under management where the early withdrawal charge applies. This funds under management is not yet generating income within the cash result.

Year	Estimated Current Fund Value £'Billion
2009	1.8
2010	2.2
2011	2.5
2012	2.8
2013	3.4
2014	3.4
<b>Total</b>	<b>16.1</b>

This £16.1 billion represents some 31% of the total funds under management which, if all the business reached the end of the early withdrawal charge period, would contribute an additional £123.9 million to the annual post-tax cash result (based on 0.77% post-tax earnings from funds under management).

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

## Return on Investment in New Business

As noted in the table on page 23, £62.7 million (2013: £48.3 million restated to exclude the £4.0 million of back office infrastructure cost) 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 valuing the investment:

	Year Ended 31 December 2014	Year Ended 31 December 2013
Post-tax investment in new business (£'Million)	(62.7)	(48.3)
Post-tax present value of expected profit from investment (£'Million)	298.4	261.8
Gross inflow of funds under management (£'Billion)	7.9	6.8
Investment as % of gross inflow*	0.8%	0.8%
New business margin (% of manufactured APE)	41.7%	42.9%
Cash payback period (years)	4	4
Internal rate of return (net of tax)	26.1%	28.4%

\* The investment as a percentage of net inflow of funds under management was 1.2% compared with 1.2% for the prior 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 104) and an EEV balance sheet (on page 165), 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 net asset position of the Group.

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).

31 December 2014	IFRS Balance Sheet	Adjustment 1	Adjustment 2	Cash Result Balance Sheet	2013
	£'Million	£'Million	£'Million	£'Million	£'Million
<b>Assets</b>					
Goodwill	10.1			10.1	–
Deferred acquisition costs	813.0	–	(813.0)	–	–
Acquired value of in force business	36.8	–	(36.8)	–	–
Developments	7.7	–	–	7.7	8.7
Property & equipment	7.9	–	–	7.9	5.8
Deferred tax assets	192.8	–	(192.8)	–	–
Investment property	1,031.4	(1,031.4)	–	–	–
Equities	34,734.9	(34,734.9)	–	–	–
Fixed income securities	6,838.8	(6,755.5)	–	83.3	67.7
Investment in Collective Investment Schemes	2,961.7	(2,444.4)	–	517.3	522.3
Derivative financial instruments	166.4	(166.4)	–	–	–
Reinsurance assets	85.5	–	–	85.5	64.2
Insurance and investment contract receivables	63.5	–	–	63.5	49.9
Other receivables	604.6	(306.9)	(5.1)	292.6	226.0
Cash & cash equivalents	5,139.4	(4,865.1)	–	274.3	197.1
<b>Total assets</b>	<b>52,694.5</b>	<b>(50,304.6)</b>	<b>(1,047.7)</b>	<b>1,342.2</b>	<b>1,141.7</b>
<b>Liabilities</b>					
Insurance contract liabilities	474.4	(384.3)	(0.9)	89.2	79.3
Other provisions	11.4	–	–	11.4	9.7
Investment contracts	38,851.2	(38,832.5)	–	18.7	6.6
Borrowings	84.3	–	–	84.3	98.7
Derivative financial instruments	79.3	(79.3)	–	–	–
Deferred tax liabilities	519.8	(80.0)	(176.2)	263.6	246.6
Insurance and investment contract payables	50.4	–	–	50.4	38.1
Deferred income	463.2	–	(463.2)	–	–
Income tax liabilities	32.8	–	–	32.8	4.9
Other payables	499.7	(310.7)	(0.4)	188.6	125.0
NAV attributable to unit holders	10,617.8	(10,617.8)	–	–	–
Preference shares	0.1	–	–	0.1	0.1
<b>Total liabilities</b>	<b>51,684.4</b>	<b>(50,304.6)</b>	<b>(640.7)</b>	<b>739.1</b>	<b>609.0</b>
<b>Net assets</b>	<b>1,010.1</b>	<b>–</b>	<b>(407.0)</b>	<b>603.1</b>	<b>532.7</b>

## Adjustments

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

# 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 103 – 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 £572.0 million, which is £31.1 million lower than the cash result net assets of £603.1 million. (2013: £507.6 million and £532.7 million, respectively).

The table below provides an analysis of the Solvency position between regulated and non-regulated entities, together with an assessment of the solvency position against both the required minimum regulatory capital and the internal capital requirement set by the Board (referred to as the management solvency requirement).

	Life	Other Regulated	Other	Total
	£'Million	£'Million	£'Million	£'Million
Solvency net assets	327.1	52.1	192.8	572.0
Intra-group proposed dividends	(145.0)	(10.0)	155.0	–
Final 2014 dividend			(74.6)	(74.6)
<b>Net assets after dividends</b>	<b>182.1</b>	<b>42.1</b>	<b>273.2</b>	<b>497.4</b>
Required minimum regulatory capital	48.9	22.3		
Solvency ratio	372%	189%		
Management solvency requirement	153.9	42.1		
Management solvency ratio	118%	100%		

Comparison with previous valuations will 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 Insurance Groups Directive (IGD) resources. This is calculated by considering the level of net assets in the Group (outside of the insurance companies) that could be available to support the solvency of the insurance company (and other regulated companies). It therefore represents additional solvency cover over the £327.1 million Life company solvency assets identified in the table above. At 31 December 2014 the IGD resources amount was estimated as £240 million (2013: £260.0 million).

The balance of other assets after intra-group dividends received and the payment of the final 2014 dividend is £273.2 million which includes £112.5 million of non-cash items. The balance represents free group resources, including an amount of £90 million held as a buffer to maintain future dividends in the event of stock market volatility impacting the cash result in a particular year.

The Group continues to be capitalised well in excess of regulatory solvency requirements, with over 60% of cash result balance sheet assets (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.

## Analysis of Liquid Assets

	£'Million	£'Million
<b>UK government gilts</b>		
2.75% UK Treasury 22/01/2015	13.5	
4.75% UK Treasury 07/09/2015	11.6	
5.8% UK Treasury 26/07/2016	11.7	
2.5% UK Treasury Index Linked 17/07/2024	18.8	
2% UK Treasury Index Linked 26/01/2035	25.3	80.9
<b>Other government bonds</b>		
0.25% Singapore Government Bonds		2.4
<b>AAA rated money market funds</b>		
BlackRock	128.2	
HSBC	83.9	
Insight	90.0	
Legal & General	82.6	
Scottish Widows	40.0	
JP Morgan	92.6	517.3
<b>Bank balances</b>		
UK banks*	271.4	
Others	2.9	274.3
<b>Total</b>		<b>874.9</b>

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

## Solvency II

National regulators are required to implement the Solvency II regulations (when finalised) on 1 January 2016. As noted previously, we do not believe the Group will be adversely impacted by the new requirements and expect to see a reduction in the total capital we are required to hold for regulatory purposes.

## Share Options Maturity

At 31 December 2014, there were 4.9 million share options outstanding under the various share option schemes which, if exercised, will provide up to £15.4 million (2013: £19.1 million) of future capital for the Company.

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

	Average exercise price	Number of share options outstanding	Potential proceeds
	£	Million	£'Million
Prior to 1 Jan 2015	2.90	3.5	10.0
Jan – Jun 2015	2.96	0.3	0.8
Jul – Dec 2015	2.75	0.7	2.0
Jan – Jun 2016	3.88	0.2	0.8
Jul – Dec 2016	–	–	–
Jan – Jun 2017	6.77	0.2	1.8
<b>Total</b>		<b>4.9</b>	<b>15.4</b>



# Financial Review (continued)

## Section 3: European Embedded Value (EEV)

Life assurance and wealth management business differs 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 and cash 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 results are shown on pages 163 to 173 and include information about the sensitivity of the results to key assumptions on pages 167 and 168.

	Year Ended 31 December 2014	Year Ended 31 December 2013
	£'Million	£'Million
Life business	467.0	365.7
Unit Trust business	177.7	130.8
Distribution	(10.9)	(6.1)
Other	(37.4)	(27.7)
<b>EEV operating profit</b>	<b>596.4</b>	<b>462.7</b>
Investment return variance	80.2	344.2
Economic assumption changes	(7.0)	10.6
<b>EEV profit before tax</b>	<b>669.6</b>	<b>817.5</b>
Tax	(132.6)	(161.9)
Corporation tax change	–	18.9
<b>EEV profit after tax</b>	<b>537.0</b>	<b>674.5</b>

Total EEV operating profit for the year, at £596.4 million, was 29% higher than the 2013 result of £462.7 million.

	Year Ended 31 December 2014	Year Ended 31 December 2013
	Pence	Pence
EEV operating profit basic earnings per share	93.1	72.9
EEV operating profit diluted earnings per share	91.5	71.6

## EEV Operating Profit

### Life Business

The Life business operating profit has increased to £467.0 million in the year (2013: £365.7 million) mainly due to the significant contribution from experience variances in the year. A full analysis of the result is shown below:

	Year Ended 31 December 2014	Year Ended 31 December 2013
	£'Million	£'Million
New business contribution	233.7	213.6
Profit from existing business		
– unwind of the discount rate	144.9	89.4
– experience variance	78.1	53.9
– operating assumption change	3.0	4.6
Investment income	7.3	4.2
<b>Life business EEV operating profit</b>	<b>467.0</b>	<b>365.7</b>

The increase in the **new business contribution** for the year to £233.7 million (2013: £213.6 million) reflects the positive impact of the growth in new business being greater than the growth in the associated expenses (the operational gearing).

The **unwind of the discount rate** was £144.9 million (2013: £89.4 million), reflecting both the higher opening value of in-force business and higher discount rate.

As the discount rate is set by reference to the yield on a UK ten year gilt at the start of each reporting period, then the 1.2% lower gilt yield at the start of 2015 will negatively impact the unwind of the discount rate for the current year.

The **experience variance** in the year was £78.1 million (2013: £53.9 million). The key contributors to the positive variance in the current year were a £42.2 million (2013: £28.6 million) value placed on further capital losses identified within the Group, which we now regard as being capable of utilisation in the medium term, and the continued strong retention of client funds, which contributed a further significant positive variance of some £39.4 million. The balance is made up by a number of smaller positive and negative variances.

There was a small positive **operating assumption change** of £3.0 million (2013: £4.6 million positive variance).

The **investment income** for the year was £7.3 million (2013: £4.2 million) and reflects an assumed interest rate earned on our free assets.

### Unit Trust Business

The Unit Trust operating profit was £177.7 million (2013: £130.8 million) and a full analysis of the result is shown below:

	Year Ended 31 December 2014	Year Ended 31 December 2013
	£'Million	£'Million
New business contribution	139.4	113.6
Profit from existing business		
– unwind of the discount rate	37.1	22.7
– experience variance	0.4	(6.5)
– operating assumption change	–	–
Investment income	0.8	1.0
<b>Unit Trust business EEV operating profit</b>	<b>177.7</b>	<b>130.8</b>

**New business contribution** at £139.4 million (2013: £113.6 million) was 23% higher than the prior year as a result of the strong new business growth in the year together with lower growth of associated expenses.

The **unwind of the discount rate** was £37.1 million (2013: £22.7 million), reflecting both the higher opening value of in-force business and higher discount rate.

As noted above the 1.2% lower gilt yield at the start of 2015 will negatively impact the unwind of the discount rate for the current year.

There was a small positive **experience variance** of £0.4 million (2013: £6.5 million negative variance) which is accounted for by a number of small positive and negative items in both years.

There were no **operating assumption changes** during the year (2013: no assumption changes) and a small amount of **investment income** of £0.8 million (2013: £1.0 million).

### 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.

During 2014, world stock markets rose, with, for example, the MSCI £ world index increasing by some 9%. This was reflected in the investment return on our funds, which exceeded the assumed investment return. As a result, there was a positive investment return variance of £80.2 million for the year.

In the prior year, there was a positive investment variance of £344.2 million, reflecting the higher level of stock market growth.

### Economic Assumption Changes

There was a negative variance of £7.0 million arising from changes in the economic basis adopted at the year end and, in particular, decreases in 'real' yields below inflation (2013: £10.6 million positive variance).

### EEV Profit before Tax

The total EEV profit before tax for the year was £669.6 million (2013: £817.5 million) with the higher 2014 operating performance being more than offset by the higher investment variance in the prior year.

### Tax

The tax charge at £132.6 million (2013: £161.9 million charge) was lower than 2013 reflecting the higher profit before tax in the prior year.

The prior year also included a positive impact of £18.9 million from a 1% reduction in the corporation tax rate announced in that year.

### EEV Profit after Tax

The EEV profit after tax was £537.0 million (2013: £674.5 million). The principal reason for the variation is the change in investment return variance.

# Financial Review (continued)

## New Business Margin

The largest single element of the EEV operating profit is the new business contribution (see analysis in the previous section). The level of new business contribution generally moves in line with new business performance. 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 results 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.
- 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.

	Year Ended 31 December 2014	Year Ended 31 December 2013
<b>Life business</b>		
New business contribution (£'Million)	233.7	213.6
APE (£'Million)	583.0	532.9
Margin (%)	40.1	40.1
PVNBP (£'Million)	5,194.0	4,758.0
Margin (%)	4.5	4.5
<b>Unit Trust business</b>		
New business contribution (£'Million)	139.4	113.6
APE (£'Million)	312.6	230.0
Margin (%)	44.6	49.4
PVNBP (£'Million)	3,126.1	2,300.2
Margin (%)	4.5	4.9
<b>Total business</b>		
New business contribution (£'Million)	373.1	327.2
APE (£'Million)	895.6	762.9
Margin (%)	41.7	42.9
PVNBP (£'Million)	8,320.1	7,058.2
Margin (%)	4.5	4.6

The total business margin has reduced slightly over the year from 4.6% to 4.5% on a PVNBP basis and from 42.9% to 41.7% on the APE basis. This reflects a high level of investment expenditure in the year. The greater reduction in the margin for the Unit Trust business reflects a reallocation of corporate expenses between Life and Unit Trust business as the respective proportions of the business change.

## 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:

	Year Ended 31 December 2014	Year Ended 31 December 2013
	£'Million	£'Million
Value of in-force		
– Life	2,234.0	1,950.2
– Unit Trust	611.2	506.3
Solvency net assets	572.0	507.6
<b>Total embedded value</b>	<b>3,417.2</b>	<b>2,964.1</b>
	Year Ended 31 December 2014	Year Ended 31 December 2013
	Pence	Pence
<b>Net asset value per share</b>	<b>657.9</b>	<b>575.3</b>

## Section 4: Other Matters

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

### Management Expenses

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

	Notes	Year Ended 31 December 2014 £'Million	Year Ended 31 December 2013* £'Million
<i>Paid from policy margins and advice charges</i>			
Partner remuneration	1	455.4	407.1
Investment expenses	1	124.6	101.8
Third party administration	1	44.3	41.8
		<b>624.3</b>	550.7
<i>Direct expenses</i>			
Other performance related costs	2	86.8	72.5
Establishment costs	3	125.1	108.0
Academy costs	4	4.1	2.7
Other development costs	5	15.6	11.9
Back office infrastructure costs	6	11.9	5.0
Regulatory fees	7	6.1	6.1
FSCS levy	7	5.9	5.5
Regulatory change costs	8	—	3.1
Contribution from third party product sales	9	(22.4)	(20.4)
		<b>233.1</b>	194.4
<b>Total</b>		<b>857.4</b>	745.1

\* We have changed the presentation of this analysis of Group expenses to provide further information on performance related costs and 'business as usual' other developments. The 2013 comparative has been re-presented to be in a consistent format.

#### Notes

- 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 Group.
- Other performance related costs, for both Partners and employees, vary with the level of new business and operating profit performance of the business. Establishment costs are the running costs of the Group's infrastructure and are relatively fixed in nature in the short term, although they are subject to inflationary increases. These costs will increase as the infrastructure expands to manage the higher number of existing clients, the growing number of advisers and increasing business volumes.
- The growth in establishment expenses during the year was higher than our original expectations as a consequence of an increase in expenditure associated with the high level of adviser recruitment in the year together with the costs relating to the higher business volumes. We expect establishment expenses in 2015 to increase by around 10%.
- The Academy is an important strategic investment for the future and the increase in the costs during 2014 reflects the increased number of students within the programme and the launch of our first regional Academy in Manchester.  
2015 will see further growth in this investment as the Academy continues to expand with further intakes planned in London and Manchester together with our first Academy intake in Solihull.
- Other development costs represent the expenditure associated with the on-going development in our investment proposition, corporate initiatives, technology improvements and other system developments. These costs will vary year by year depending upon the extent of change and/or investment planned.  
The development expenses were £15.6 million during 2014 (2013: £11.9 million) and we expect a similar level of spend in 2015.
- The costs of the back office investment programme were £11.9 million for the year compared to a second half year cost of £5.0 million in 2013.  
The change programme progressed well during 2014 and we 'soft launched' ISA and unit trust business at the end of the year with full migration of this business expected in 2015.  
As we continue to develop the system and migrate the existing business we will incur further investment expenditure and anticipate the costs for 2015 to be some £15.0 million.
- The regulatory costs represent the fees payable to the regulatory bodies of £6.1 million (2013: £6.1 million), together with our required contribution to the Financial Services Compensation Scheme of £5.9 million (2013: £5.5 million).
- These were the one-off costs of changing our systems and process for the implementation of the adviser charging rules. As these changes have now been implemented, we do not expect further expenditure in 2015.
- Contribution from third party product new business reflects the net income received from wealth management business of £9.0 million (2013: £8.2 million), from group pension business of £0.8 million (2013: £0.5 million) and from Protection business of £12.6 million (2013: £11.7 million).



# Financial Review (continued)

The table below provides a reconciliation from these management expenses to the total group expenses included in the Consolidated Statement of Comprehensive Income on page 101.

	Year Ended 31 December 2014	Year Ended 31 December 2013
	£'Million	£'Million
Expenses per table above	857.4	745.1
Reversal of contribution from third party product sales	22.4	20.4
<i>Other expenses</i>		
DAC movement	75.8	82.8
Amortisation of PVIF	3.2	3.2
Investment transaction costs	20.6	14.1
Costs associated with the 2013 LBG share sale	–	6.2
Share option costs	11.4	7.8
Share option NI	2.7	3.4
Acquired IFA operating costs	6.0	6.7
Henley operating costs	3.6	–
Interest expense	3.8	2.8
Charitable donations	3.6	1.9
Other	12.4	2.4
	143.1	131.3
<b>Total expenses</b>	<b>1,022.9</b>	<b>896.8</b>

## Movement in Funds under Management

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

	Year Ended 31 December 2014	Year Ended 31 December 2013
	£'Billion	£'Billion
Opening funds under management	44.3	34.8
New money invested	7.9	6.8
Investment return	2.6	5.2
	54.8	46.8
Regular withdrawals/maturities	(0.9)	(0.7)
Surrenders/part surrenders	(1.9)	(1.8)
<b>Closing funds under management</b>	<b>52.0</b>	<b>44.3</b>
Implied surrender rate as % of average funds under management	4.0%	4.7%
Net inflow of funds	£5.09bn	£4.23bn
Net inflow as % of opening funds under management	11.5%	12.2%

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 a **net inflow of funds** of £5.09 billion, £0.86 billion higher than the prior year. This net inflow represents 11.5% (2013: 12.2%) of opening funds under management and can be viewed as the organic growth of the business.

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 31 December 2014 split by geography and asset type:

	2014	2013
	£'Billion	£'Billion
UK Equities	14.9	13.3
North American Equities	10.4	8.4
Fixed Interest	7.1	6.1
European Equities	6.0	5.0
Asia & Pacific Equities	4.8	3.9
Property	1.5	1.1
Alternative Investments	0.9	1.3
Cash	4.4	3.6
Other	2.0	1.6
<b>Total</b>	<b>52.0</b>	<b>44.3</b>

### The Henley Group

As shareholders are aware during 2014 we acquired The Henley Group ('THG'), a business providing financial advice to largely British expatriate clients based in Shanghai, Singapore and Hong Kong.

We consider THG to be a strong cultural fit with our business and see the acquisition as an important extension of our existing face to face advice model to clients through our own dedicated advisers albeit focusing on the expatriate market place.

There are currently some 90,000 British expatriates in these three locations served by an estimated 310 British expatriate focused advisers. Our expectations are that the number of expatriates in these markets will continue to grow by some 7-10% per annum providing for 110-130,000 expatriates across Shanghai, Singapore and Hong Kong by 2020, with an estimated £21 billion of investible assets.

THG currently has 4,400 clients with £453 million funds under management serviced by 51 advisers. Our intention, mirroring our UK proposition, is to expand the number of advisers and increase their productivity year by year so that by 2020 we have an adviser population of 200 and funds under management of over £2 billion.

Since the acquisition we have been integrating the business into our Group, commencing conversations with a number of potential adviser recruits and applying for regulatory approval to market our products and services in these markets.

The financial details of the acquisition are include in Note 9 on page 123. Since the date of acquisition during 2014, the integration and running costs of £1.7 million (which is reported in 'Distribution') together with other costs and our investment spend of £2.3 million (which is reported in 'Other') have reduced profit by a total of £4.0 million. We expect the ongoing investment into THG to continue for a number of years. However, as the investment generates new funds under management we will see an increasing contribution to the Embedded Value of the Group.

We have recently rebranded THG as St. James's Place Asia and continue to explore opportunities in other expatriate markets.



The mechanisms for identifying, assessing, managing and monitoring risks, including internal controls, are an integral part of the management processes of the Group. Understanding the risks we face, and managing them appropriately, enables effective decision-making, contributes to our competitive advantage and helps us to achieve our business objectives as set out on pages 12 and 13. In establishing the system of internal control, the Directors have regard to the materiality of relevant risks, the likelihood of risks occurring and the costs of mitigating risks. The system does not seek to eliminate risk entirely, but rather is designed to manage the risk of failure to achieve business objectives and to provide reasonable assurance against material financial mis-statement or loss.

**Risk Management Framework**

The Risk Management Framework, which is the responsibility of the Board, describes the ways in which the Group identifies, assesses, measures, manages and monitors the risks that may impact on the successful delivery of our business objectives.

The Risk Committee oversees our Risk Management Framework on behalf of the Board. The Risk Committee comprises Non-executive Board members, and is responsible for ensuring that a culture of effective risk identification and management is fostered across the Group. A report of their activity during the year can be found on pages 63 and 64.

The Risk Committee is supported by the Executive Board, and also by a Risk Executive Committee and the Risk Management team, which take the lead in ensuring an appropriate framework is in place and that there is on-going development and co-ordination of risk management within the Group.

**Risk Management Framework**



During 2014, a new Risk Management Framework has been developed, to ensure continued close alignment between our business objectives and the management of risks to those objectives. The revised framework is grounded in the outcomes which are key to our organisation. These are:

- Clients – that we deliver positive outcomes to clients.
- Partners – that we continue to grow and develop the Partnership.
- Investment Management Approach – that we increase the amount of funds under management.
- Financials and shareholders – that we deliver strong, sustainable financial results and shareholder value.
- Regulators – that we are compliant and have an open and honest relationship with our regulators.
- People – that we treat all of our stakeholders well.

Each of these outcomes, and each key project, has an owner on the Executive Board, who is accountable for managing the risks in that area and providing regular reports to the Executive Board, covering the key and topical risks to that outcome or project, and associated management information.

To ensure a comprehensive risk universe, there is also a bottom-up element to our framework. Each division of the Group is responsible for identifying, managing and reporting of its own risks via divisional risk logs, and is supported in this by the Risk Management team. Each risk is assessed by considering its potential impact and the likelihood of its occurrence, with impact assessments being made against financial and non-financial metrics. Establishment of appropriate controls is a core part of the risk management process.

### **Financial Reporting Processes**

Specifically in relation to the financial reporting processes, the main features of the internal control and risk management systems include:

- Extensive documentation, operation and assessment of controls in key risk areas.
- Monthly review and sign-off of all financial accounting data submitted by outsourced providers and the results of all subsidiaries within the Group.
- Formal review of financial statements by senior management, for both individual companies and the consolidated Group.

### **Control Self-assessment**

The Group introduced a process of control self-assessments in 2013. The process requires business areas to review their key controls and sign-off on their efficacy. This process has been further developed during 2014 and is now an annual process.

### **Compliance with Corporate Governance Code and Turnbull**

Processes for identifying, evaluating and managing the significant risks faced by the Group have been in place throughout the year under review and up to the date of approval of the Annual Report and Accounts, although the nature of these processes has been revised during this period. They are regularly reviewed by the

Board, assisted by the Risk Committee, and accord with the Guidance for Directors in C.2.1 of the UK Corporate Governance Code and with the Turnbull Guidance for Directors on Internal Control.

### **Risk Appetite and Risk Policies**

At the centre of our Risk Management Framework is the Risk Appetite Statement. In our Risk Appetite Statement, the Board sets out risk 'boundaries' which specify the types of risks the Group is willing to take and to what extent. It also sets out how the Group operates in its chosen business and specifies appropriate metrics for monitoring this. The Statement is currently being reshaped through engagement with risk owners across the business to ensure its continued relevance to the objectives of the Group and to reflect the requirements of forthcoming Solvency II regulations. Whilst some aspects, such as the appetite for overseas clients, will change to accommodate the Group's expansion into Asia, there will not be a fundamental shift of the underlying risk appetite of the Group.

In support of our Risk Appetite Statement, we have a number of Risk Policies which clearly establish our objectives, principles and high level management activities in relation to each of the main types of risk that the Group faces.

### **Risk Schedules and Key Risk Indicators**

Corporate and Divisional risk schedules and quarterly Key Risk Indicator reports are produced to facilitate the monitoring of risks by the Risk and Finance Executive Committees, Risk Committee and Board. These schedules and indicators provide a mechanism for capturing and considering the significant risks facing the business.

### **Risk Capital Management**

Many of the activities of the Group, and the legal entities in the Group are regulated. We have existing relationships with UK and Irish regulators and have developed new relationships with local regulators in Singapore and Hong Kong this year. The sensitive nature of these activities and the regulatory focus results in additional risk management activities including, but not limited to, stress and scenario testing, loss event recording, resolution planning and risk capital management activity.

A significant current project in relation to risk capital management is the forthcoming implementation of Solvency II. In 2014, development work to satisfy the transition requirements included submission of Own Risk and Solvency Assessment (ORSA) reports to the relevant regulators for our two insurance companies. As a result of this work we considered the allocation of risk capital to all the major risks in these entities and are confident that our insurance companies remain strongly capitalised.



# Risk, Risk Management and Internal Control (continued)

## Principal Risks and Uncertainties

The following tables summarise the principal risks and uncertainties that are inherent within both the Group's business model and the market in which we operate. These principal risks and uncertainties, the business outcomes on which they impact, and the high level controls and processes through which we aim to mitigate them, are as follows:

Risk	Description	Outcome	Management and Controls
Client proposition	Clients invariably rely on members of our Partnership for the provision of initial and ongoing advice. Failures in the quality of service provided, and in particular any advice failings, could lead to redress costs, reputational damage and regulatory intervention.	Clients, financials and shareholders	There are many processes in place to mitigate this risk, including detailed advice guidance, Partner training and accreditation, appropriate incentive structures, quality checking, client engagement conducted by the Client Outcomes team and extensive monitoring of the internal funds and portfolios. We also have appropriate professional indemnity insurance in place.
Competition	Competitor activity in the adviser-based wealth management market may result in a reduction in new business volumes, reduced retention of existing business, and the potential loss of Partners and key employees.	Financials and shareholders	This risk is mitigated through ensuring our business is run efficiently, being responsive to the needs of our clients and Partners and seeking continual improvements to processes. Charges are benchmarked against competitors and competitor activity monitored. Regular reports are provided to the Executive Board, allowing action to be taken in a timely manner in the event of a threat to our business model. We have a proven track record in Partner acquisition and retention, which we believe would make it difficult for a new entrant to challenge our position. In addition, our more established Partners often have significant equity stakes in their practices and their ability to access these is structured to aid retention.
Regulatory, legislative and tax environment	The nature of the Group is such that it falls under the influence of regulators and legislators in multiple jurisdictions, a growing number given the Group's expansion into Asia. New regulatory, legislative or tax requirements may result in implementation costs and disruption to business. The Group could face a fine or regulatory censure from failure to comply with applicable regulations.	Regulators, Partners, clients, financials and shareholders	Regulatory and legislative change is largely a risk which cannot be mitigated, although the Group seeks to engage with regulators and policy makers in an open and constructive manner, with the aim that key issues impacting the group are taken into consideration in the drafting of changes. Our governance structures, management committees and compliance monitoring activities seek to ensure we remain compliant with regulation.

Risk	Description	Outcome	Management and Controls
People and culture	People and the distinctive culture of the Group play an important part in its success. Over-stretch, the loss of key personnel or unwanted changes to culture may therefore impact on this success.	People	This risk is mitigated through effective leadership including succession planning, the implementation of executive and management development initiatives and regular surveys and consultation groups. The latter enable us to monitor the sentiment of our staff and Partners and identify any potential adverse impacts upon, or trends within, our culture, and respond appropriately.
Partner proposition, recruitment and retention	Group products are distributed, and ongoing advice is provided, exclusively through the St. James's Place Partnership. Inadequacies in the range of products, technology or processes offered by the Partnership may result in inefficiencies and frustration, with consequent loss of Partners and client impact, or inability to recruit new Partners.	Partners	The Partner proposition is an area of continual focus, with outputs from regular Partner surveys and other Partner feedback being reflected on an ongoing basis. We employ a number of specialist managers specifically to manage the recruitment and retention of high quality Partners, and a dedicated senior management team oversees the Academy, which broadens our recruitment streams. Formal retention strategies are in place to ensure that, wherever possible, we retain good quality and experienced Partners. All recruitment and retention activity is closely monitored.
Investment Management Approach	Our approach to investment management may fail to deliver expected returns to clients of the Group.	Clients, the Investment Management Approach	We actively manage and monitor the performance of our investment managers through the Investment Committee which also makes use of firms of professional advisers – led by Stamford Associates – to help them with this key task. We offer a broad range of funds, which allows client diversification and mitigates our new business, persistency and market risks.

# Risk, Risk Management and Internal Control (continued)

Risk	Description	Outcome	Management and Controls
Operations and IT	The Group's business model involves the outsourcing of administration to third parties. Poor service from, or failure of, one of these third parties, the failure of an IT system, or a significant cyber-attack, could lead to disruption of services to clients, reputational damage and profit impacts. There is also a risk that clients or Partners may experience disruption of service during the implementation of our new third party administration platform.	Clients, financials and shareholders	These risks are mitigated by service level agreements, monitoring of administration providers and an effective information security control framework. We are enhancing our existing cyber security risk management capabilities, including a significant improvement in our testing framework, in light of the increasing threat in this area. We maintain close working relationships with our outsourcing partners, who are central to our business model. This enables us to work effectively and efficiently together to deliver the best result. In the extreme event, all our relationships are governed by formal agreements with notice periods and full exit management plans and, if required, strong alternative providers exist in the market. The business continuity arrangements of each outsourcer are also continually tested and improved and scenario analysis is carried out. The risk of service disruption on implementation of the new administration platform is being mitigated through diligent quality checking and phased implementations.
Political	Changes in the political landscape could lead to substantial changes in policy, resulting in significant development costs and disruption to the Group's business. Failure to deliver changes in the required timescales may lead to reputational damage and loss of new business.	Financials and shareholders	This risk is mitigated, to the extent this is possible, through engagement with the major political parties and through engaging the services of relevant public relations and communications consultants.
Investor relations	Failure to communicate effectively with new and existing shareholders may lead to falls in the share price and reputational damage.	Financials and shareholders	This risk is mitigated through the work of the investor relations team, whose remit is to ensure the maintenance of positive relationships with shareholders.

## Other Key Risks and Uncertainties

In addition to the principal risks and uncertainties mentioned above there are other key risks and uncertainties that are inherent within the businesses and markets in which we operate. These are detailed in the following table under the relevant risk categories, together with the high level controls and processes through which we aim to mitigate these risks.

### Financial risks

Risk	Description	Management and Controls
Credit	The risk of loss due to a debtor's non-payment of a loan or other line of credit, including holdings of cash and cash equivalents, deposits and formal loans with banks and financial institutions.	The Group has adopted a risk averse approach to credit risk and has a stated policy of not actively pursuing or accepting credit risk except when necessary to support other business objectives. Loans and advances to Partners are assessed on a prudent basis and monitored carefully.
Liquidity	The risk that the Group, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost.	The Group is averse to liquidity risk and seeks to minimise this risk by not actively pursuing it except where necessary to support other business objectives. Generally, free assets are invested in cash or near cash assets with strong counterparties and the Group's cash position and forecast are monitored on a monthly basis. The Group also makes use of some bank financing. In certain, unlikely, circumstances (including change of control) the terms of these agreements could mandate immediate repayment.
Market	The risk of loss due to the impact of movement in the value of equity or other asset markets.	The Group adopts a risk averse approach to market risk, with a stated solvency policy of not actively pursuing or accepting market risk except where necessary to support other business objectives. Generally, free assets are invested in cash or near cash to minimise market movement impact. However, future profits are dependent on annual management charges which will vary with market levels.
Insurance	The risk that arises from inherent uncertainties as to the occurrence, amount and timing of insurance liabilities. The Group assumes insurance risk by issuing insurance contracts under which it agrees to compensate the client if a specified future event occurs.	The Group has a medium appetite for insurance risk, only actively pursuing it where beneficial, or in support of strategic objectives. Historically, the Group insured mortality and morbidity risks, through protection business, but this risk has now been substantially reinsured through a combination of treaties, leaving only small amounts of mortality and morbidity risk but including low levels of mortality risk on other investment and pension insurance contracts. The Group has no longevity risk as we have never written annuity business.

Further detail about the Group's exposure to financial risks is included in Note 29 of the consolidated financial statements.





*‘St. James’s Place is committed to growing our business in a way that considers the economic, social and environmental impacts of what we do.’*

We understand that responsible management is important to all our stakeholders – shareholders, clients, Partners, employees, suppliers and the communities in which we operate.

Our commitment to responsible management was established in the founding principles of the Company and is expressed in both the ‘Our Approach’ document, which is shared with all members of our community, and the ‘What it means to be a member’ brochure, which sets out the expectations for our Partners. We believe responsible management continues to be embedded in our culture and reminders and encouragement to live by this philosophy are provided regularly through team meetings and staff and Partner newsletters.

By living up to the expectations established within our culture, we believe we will be able to demonstrate trustworthiness, reliability and a commitment to the common good. In a world where the reputation of the financial services industry is constantly under pressure, we aspire to create an authentic alternative which all our stakeholders can trust, and which the communities we are part of can appreciate and admire.

We are constantly seeking to improve our delivery, but recent public endorsements include:

- Various awards relating to our client offering including the Wealth Adviser Awards ‘Best Private Client Investment Manager’, the Personal Finance Awards ‘Best Financial Adviser’ and the Financial Times/Investors Chronicle ‘Best Wealth Manager’;
- Endorsement of our business model in National Business Awards, as a finalist in the ‘FTSE 100 Business of the Year’; and
- Maintaining our inclusion in the FTSE4Good Index, which comprises companies that meet globally recognised corporate social responsibility criteria.

## St. James’s Place’s approach to CSR



## CSR Governance

Responsible management is central to our culture, and the task of maintaining this culture (including our CSR ambitions) is a key focus of the Executive Committee of the Board, with oversight by the full Board.

The Executive Committee of the Board is supported in this objective (as in all of their work) by a number of sub-committees, which are chaired by Directors or senior management

	Managing Committee	Remit
Our Culture	Executive Committee of the Board	To ensure the strength and maintenance of the unique culture throughout our community.
CSR overview, Local Community, Suppliers and the Environment	CSR Group	To co-ordinate the Group's approach to CSR, with particular focus on promoting local community engagement and environmental matters.
Investment Management Approach	Investment Committee	To manage our Investment Management Approach and oversee our fund managers.
The St. James's Place Foundation	Foundation Trustees	To manage the St. James's Place Foundation, including overseeing grant-making and compliance with the charity's objectives.

## Community Activities

### *The St. James's Place Foundation*

We have always been mindful of the role that we play in our local communities and, from the founding of the Group, have encouraged our staff and Partners to use their expertise to help local charities and other voluntary organisations. The desire to provide support to the less fortunate in society resulted in the establishment of the St. James's Place Foundation which continues to receive support from all parts of the St. James's Place community: employees, Partners, clients, suppliers and shareholders. During the year, the company again matched fundraising by members of our community resulting in a matching grant from the company of £3.6 million (including gift aid). You can find out more about our Foundation and its activities on pages 46 to 49 or on its website at [www.sjpfoundation.co.uk](http://www.sjpfoundation.co.uk).

### *Community Volunteering*

Whilst the engagement of our employees with the Foundation has by far the largest impact on our communities, in recent years we have explored new initiatives to recognise and support our employees who also volunteer in other areas. We are proud of the generous spirit of our employees and the fact that, according to feedback from our most recent employee survey, 20% of staff members are actively engaged in volunteering in their local communities. This is an important part of our culture and is an area we are seeking to develop. In 2014, we invited members of staff who give up their time to support a local charity or community group to apply for a grant of up to £1,000 to be used for the benefit of the charity/group. 39 grants totalling £22,583 were awarded during 2014, rewarding nearly 10,000 hours of volunteering by our staff. We plan to expand this initiative in 2015 to our wider community, including our Partners.

### *Cirencester College*

St. James's Place has now been providing support to the further education college local to our head-office for over ten years. Cirencester College has over 1,600 students between the ages of 16 and 19 and our main involvement is in providing support for the four 'Academy Programmes', each designed for students who aspire to work in a particular market sector. These programmes are operated through the College's affiliation with the national charity 'Career Ready'. Support includes providing students with paid summer internships as well as extensive personal mentoring and business coaching by our employees. We also sponsor a number of awards and have representation on the various Academy Boards at College and National level.

Over the years, we have offered 58 internships to students from Cirencester College, with 22 of them turning into full time employment opportunities. This prompted an award from the Grow Gloucestershire Showcase awards for an 'Outstanding Business Contribution to Youth Employment and Skills'.

# Corporate Social Responsibility Report (continued)

A recent Academy graduate, who completed an Internship with us, spoke of his experience saying:

*"While working towards my A levels at college, I found it difficult to focus my attention on study due to the large number of distractions that all young people face. In fact, I was heading towards a set of pretty disappointing results. My Internship at St. James's Place gave me a taste of what it was like to work as part of a team in a large successful business and made me determined to start my second year at college with a different attitude and get the grades I knew I was capable of and would make me more attractive to potential employers. Because of my Internship experience, I applied for an Apprenticeship at St. James's Place and was accepted for a place. I am now working for the Company full time, while still working towards a recognised qualification. None of this would have happened if it weren't for that summer internship, an opportunity for which I am very grateful."*

## Apprenticeships

Our apprentices programme has been another very effective initiative, run in conjunction with Cirencester College, which provides the training. In 2012 we recruited five apprentices into different areas of the business and 14 in 2013. They have all successfully completed their apprenticeships and been offered permanent jobs. Our 2014 intake of 11 started in September and will complete their apprenticeships in Business Administration, Marketing, IT and Accountancy in August 2015. The value of this work to both young people and the local community was recognised in the year through a variety of awards ranging from a special award by our local Cirencester Chamber of Commerce, to a commendation as a finalist in the National Apprentice Scheme awards for Newcomer Large Employer of the year.



## Employability Skills Training

Separately we have been working closely with the charity Young Gloucestershire to provide employability skills training for young people in the area, many of whom are less academically able or from a disadvantaged background. A range of volunteers from the company have fulfilled roles as trustees and mentors. Some financial support has also been provided. The support helps the young people to present themselves in the best possible way to potential new employers through CV skills, personal presentation tips and interview techniques.

We also piloted a programme with the charity Active Communities Network (ACN) that works with inner city young people, often from disadvantaged backgrounds. A team of Partners and employees from our City office attended a workshop to assist young people on their 'Urban Stars' programme in Tower Hamlets with business planning, CV writing and mock interviews. The workshop was a great success and we are working with ACN to expand the programme in London, Manchester and Belfast in 2015.

## Financial Education

As one of the leading providers of financial advice to individuals and business owners in the UK, we recognise the importance and value of financial education. As part of our work with the local community we have been looking to make use of our expertise to also help young people learn to manage their finances better.

During 2014 we worked with teachers and students from a local school, to build on earlier materials for a financial education programme that can be delivered on a day dedicated to the subject, or spread over the course of a number of weeks if used in individual lessons. The lesson plans include topics within both the PSHE (Personal, Social and Health Education) and Maths curriculum, fit with the new financial education curriculum and are targeted at pupils in year nine. An important element of the delivery will be support provided by volunteers from amongst our employees who can offer pupils wider experience beyond their teachers. The materials were launched to teachers in December 2014 with the first delivery date planned for January 2015.

We have also developed more advanced financial education material for year 12 and 13 students, working in conjunction with a company called Magnified Learning and Cirencester College. Many of these pupils may be considering moving away from the family home for work or University and will become responsible for managing their own finances for the first time. These materials will be used with pupils for the first time in early 2015.

## Loughborough University Swimming

In the year of a home Commonwealth Games, we were pleased to continue our sponsorship of the Loughborough University Swimming programme. This enables the squad to receive additional coaching, and, since our relationship started in 2007, the team have medalled in all major UK and International events including European, Commonwealth, World Championships and the Olympic Games.

During 2014, the squad won four gold, three silver and five bronze medals at the Commonwealth Games. If the squad were an individual country, they would have finished third in the swimming medals table behind England in second and Australia in first place. The squad also secured five gold, three silver and five bronze medals in the European Swimming Championships, helping team GB to top the medals table.

It was also a great year for Loughborough's Paralympic swimmers with Ellie Simonds OBE leading the squad to three gold, three silver and a bronze medal at the IPC European Championships in Eindhoven. Our support for the programme will continue at least until the 2016 Olympic Games in Brazil.

## Suppliers and Supply Chain

St. James's Place believes in treating all our stakeholders fairly. We also believe in the benefits to be gained from building long-term relationships based on mutual trust. As a result, many of our key suppliers have been associated with the Group for a number of years and we have been able to cultivate very strong and mutually beneficial relationships, such as our providers of outsourced administration services: IFDS, Capita and State Street.

More generally, we expect all our suppliers to act in accordance with the standards embedded in our culture, and will undertake due diligence on new service providers to ensure we are comfortable with their approach to socially responsible management. An important development for us in 2014 was accreditation with the Living Wage Foundation, which involved us working closely with our supply chain. We are particularly pleased that many of our suppliers share our desire to make a positive and lasting difference to the lives of those less fortunate than ourselves, and we are very grateful to all those who have provided support to the St. James's Place Foundation, both through donations and through active participation in many of the events.

St. James's Place has always placed great reliance on the support of third party suppliers and the continued success of our business reflects, amongst other things, our success in cultivating and managing successful relationships with suppliers. We are pleased to have signed up to the Prompt Payment Code which is encouraged by the Department of Business Innovation and Skills (BIS) and demonstrates a commitment to good practice between organisations and their suppliers. Signatories to the Code commit to paying their suppliers within agreed and clearly defined terms, and commit also to ensuring that there is a proper process for dealing with any issues that may arise.

## The Environment

St. James's Place is committed to managing our environmental impact through effective management of energy systems, travel, water usage and waste recycling. We recognise the effect our business can have on climate change and we take a positive approach to managing our business activities, whilst at the same time encouraging all Partners and staff to consider their own personal impact on the environment.

Oversight of our environmental strategy is through a Corporate Social Responsibility Group (CSR Group) with ultimate responsibility resting with David Bellamy (CEO). The group meets on a monthly basis and reviews environmental performance.

We measure our environmental data from October to September and the following tables summarise targets and progress, expressed in terms of both absolute and normalised CO<sub>2</sub>e emissions for our core business activities in recent years. Core business activities are defined as those within 'Operational Control', which explicitly excludes our Unit Trusts. The assessment uses the CarbonNeutral Company Protocol together with the 2014 conversion rates as provided by DEFRA for all our emission categories but the methodology for normalised emissions has changed to report 'emissions per thousand square feet'. The data has been checked and verified by RSK.

### 1) Targets

#### Absolute Emissions Targets

ID	Scope	Description	% of Emissions in Scope	% increase p.a. from Base Year	Base Year	Base Year Emissions (tonnes CO <sub>2</sub> e)	Target Year
Abs1	1	Gas and owned vehicles	100%	5%	2013	851	2016
Abs2	2	Electricity	100%	5%	2013	2,218	2016
Abs3	3	Business travel	100%	5%	2013	3,704	2016

#### Normalised Emissions Targets

ID	Scope	Description	% of Emissions in Scope	% increase p.a. from Base Year	Base Year	Base Year Normalised Emissions (tonnes CO <sub>2</sub> e per '000 sqft)	Target Year
Int1	1	Gas and owned vehicles	100%	0%	2013	3.03	2016
Int2	2	Electricity	100%	0%	2013	7.90	2016
Int3	3	Business travel	100%	0%	2013	13.18	2016

In 2014, we set new targets for the next three years for both absolute and normalised measurements. We are targeting that normalised emissions targets will remain constant, i.e. a nil increase, but in absolute terms emissions will be limited to a 5% p.a. increase, which compares to forecast business growth of 15% p.a. The targets take into account the commissioning of a second head office building in Cirencester. This is being built to accommodate business growth and is due to be completed during the target period. We hope to achieve a BREAM rating of 'very good' for the new building.

# Corporate Social Responsibility Report (continued)

## 2) Progress

### Absolute Emissions Progress

ID	Actual Emissions in Year (tonnes CO <sub>2</sub> e)	% variance from Target	Comment
Abs1	932	4%	The business has experienced an increase in the use of owned vehicles
Abs2	1,888	(19%)	Replacement of old electrical plant with more modern kit at several sites has resulted in reduced electricity usage
Abs3	2,366	(39%)	Fewer long haul flights during the year resulted in lower emissions in one of our most significant areas

### Normalised Emissions Progress

ID	Normalised Emissions in Year (tonnes CO <sub>2</sub> e per '000 sqft)	% variance from Target	Comment
Int1	3.28	8%	Increase use of owned vehicles was exacerbated by a reduction in the amount of floor space
Int2	6.65	(16%)	More efficient modern appliances has resulted in a reduction in normalised emissions, albeit for slightly smaller footprint
Int3	8.33	(37%)	The reduction in long haul flights causes a significant reduction in normalised performance

Comparative data for 2013 is presented as the Base Year information in the Target tables above. 2014 has seen a significant reduction in electricity consumption driven by efficiencies as a result of plant replacement at several sites, resulting in a 19% reduction in scope 2 emission against our target track for absolute emissions. However, growth in staff numbers using Owned Vehicles caused us to miss our targets for emissions related to Owned Vehicles. Long-haul flight experience can vary from year to year, and usage was relatively low in 2014.

## 3) Gross and Net Emissions

ID	Scope	Activity	Gross Emissions (tonnes CO <sub>2</sub> e)		
			2012	2013	2014
Abs1	1	Gas and owned vehicles	847	851	932
Abs2	2	Electricity	2,144	2,218	1,888
Abs3	3	Business travel	3,275	3,704	2,366
	<b>Total</b>		<b>6,266</b>	<b>6,773</b>	<b>5,186</b>
	Carbon Offset		(6,266)	(6,773)	(5,186)
	<b>Net Emissions</b>		<b>0</b>	<b>0</b>	<b>0</b>

Recognising that we are unable to reduce our carbon emissions to a zero level while energy is primarily sourced from fossil fuels, we will continue to offset our consumption through the purchase of carbon credits. Following a strategic review, we have signed a new carbon offsetting contract with Carbon Clear. In a further attempt to minimise the impact of our fossil fuel consumption, during 2014 the Group also concluded new energy contracts to procure green energy for the next three years.

We remain a member of the eTree initiative ([www.eTreeuk.com](http://www.eTreeuk.com)), which is run in association with the Woodland Trust 'Tree for All' campaign and encourages shareholders to receive electronic communications.

Finally, acknowledging that our greatest environmental footprint is caused from the impact of our property funds, we are undertaking a review of the impact from our funds under management.





## Approval of the Strategic Report

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

The purpose of the report is:

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

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

The Directors consider that the report, comprising pages 1 to 44 of this document, meets the statutory purpose and objectives of the Strategic Report.

On behalf of the Board

**David Bellamy**  
Chief Executive  
24 February 2015

**Andrew Croft**  
Chief Financial Officer



## St. James's Place Foundation

Yorkshire Children of Courage Awards raised £100,000

*'Giving to help others less fortunate is a key part of our culture.'*

**David Bellamy**  
Chief Executive  
St. James's Place plc

The Foundation is the charitable arm of the St. James's Place Group, which has been proud to nurture a culture of giving back, to those who need it most, since the formation of the Group in 1992. The vast majority of funds raised come from fundraising or generous donations made by the Partners and employees of St. James's Place each year. These funds are then matched pound for pound by the Company. The Company also covers all of the expenses related to the running of the Foundation, so that all the funds raised are passed on to registered charities working with people in need in the UK and abroad that meet the Foundation's themes.

The Foundation Trustees are immensely proud of the fact that over 85% of the St. James's Place Community (Partners and employees) give to the Foundation through their pay or earnings on a monthly basis, generating over £2 million annually including matching. This on-going support enables the Foundation to help charities over a number of years with multi-year grants. The Foundation continues to grow and extend its reach, and is regarded as one of the most successful corporate charities in the UK.

### Review of the Year

2014 was a record year for the Foundation with over £6.1 million raised by our community and £6.3 million donated to good causes both in the UK and abroad.

St. James's Place Partners and employees showed their generosity from the very start of the year, responding positively to the late Stephen Sutton's inspirational speech at our Annual Company Meeting in January 2014. A total of £388,000 was donated on the day and this was followed by a further £128,000 after Stephen's 'final Thumbs Up' message via social media – all including Company matching. This generosity played a significant role in Stephen's fundraising campaign (which became known as 'Stephen's Story', helping him reach his first £1 million, as it went viral).

A number of successful fundraising events were held in 2014, raising over £3 million including matching. These events included a 50 mile walk, an overseas mountain trek, a cycle ride, spinathon, cross channel swim, dinners/balls, golf days, marathons, triathlons, auctions, cake bakes and the like.

Franklyn  
Financial's  
Summer Swing  
– £50,000



Big Walk 2014 -  
The White Horse  
Trail raised  
£28,000



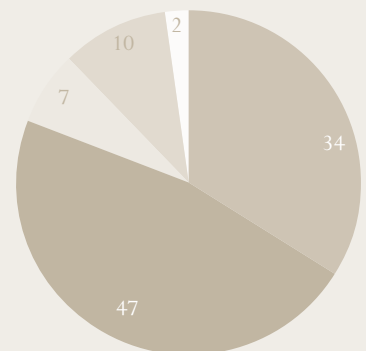
Matt Cordas raised  
over £12,000 by  
running 5km every  
day in 2014

The Foundation makes donations of all sizes, from a few hundred pounds to over £1 million, with a particular focus on small to medium size charities whom the Trustees believe are best equipped to make a positive and lasting difference to people's lives. We utilise the skills of the Foundation's management team, as well as an experienced independent consultant, to carry out detailed due diligence on the charities we consider for support. We also have a group of Ambassadors who volunteer their time to visit causes, providing recommendations for the Foundation team and Trustees. Charities are selected based on the suitability of their project and whether or not the work they do matches the Foundation's grant making themes and criteria. These themes currently include cancer, the hospice movement and support for children and young people with disabilities, life limiting illnesses or those who are disadvantaged socially or economically. These themes have been chosen by our community and are regularly reviewed and updated. The Foundation will consider funding capital as well as revenue based projects.

In 2014, the St. James's Place Foundation made 661 donations to 616 charities, with around 20% donated to UK charities working abroad and the remainder supporting those most in need in the UK. The impact of three of those donations is described below.

### Donations by theme 2014

- Cherishing Children – Disability/illness
- Cherishing Children – Disadvantaged
- Hospices
- Cancer
- Other







## St. James's Place Foundation (continued)

Tour de Yorkshire Cycle Challenge raised £175,000

*Since 1992, over £40 million has been raised and distributed to good causes by The Foundation*

### Sport for Good

The Sport for Good programme, launched in 2012, aimed to transform young lives through harnessing the power of sport for both young people with a disability and those who are disadvantaged across the UK.

The Foundation has made a commitment of £2.3 million to a wide-ranging portfolio of seven different charities, each carefully selected through an intense period of research and analysis. The programme provides funding for a mixture of projects delivered over a number of years.

By the end of 2014, the Sport for Good programme has successfully reached its original aims, with over 32,000 marginalised young people helped, over 4000 professional accreditations awarded and over 1000 volunteers trained to work with young people, helping them to reach their full potential through access to sport. On top of that, our support has generated over £1 million of match funding, enabling our partner charities to operate in new areas of the country.

Young people like Sharrissa Edwards (pictured) are typical of so many of the young people that have been supported through Sport for Good.

Sharrissa was born on a challenging estate in Brixton where crime, drugs and gangs made life very challenging. Sharrissa joined the Urban Stars programme in 2012 and found an opportunity to rediscover her passion for sport. She thrived and is now a paid member of staff, working with Sport for Good partner charity Active Communities Network. Sharrissa said: *'There's a lot of crime and drugs on the estate, it's easy to get caught up in that. Urban Stars provided me with an opportunity to do something positive, I've now got a job and am making positive choices with my life again.'*



**Jamie's Farm**

In 2014, the Foundation agreed a joint funding initiative with LandAid in support of the charity Jamie's Farm which works with disadvantaged young people from inner cities by providing an intensive 'therapeutic experience' in a rural setting on a working farm. The young people receive emotional support as well as advice and guidance through mentoring. This experience helps them to build confidence and self-esteem and means they are more able to reach their full potential.

Jamie's Farm currently deliver their therapeutic services from a farm in Wiltshire and, with the help of the Foundation, they have now been able to open a second farm in Herefordshire. The new farm will enable the charity to double the number of young people they help – an additional 500 each year.

*'The farm is a welcoming home for children to enjoy, and a place for them to experience being part of a big supportive family. These children benefit from a change of scene, and special attention from the teachers that come with them, and especially from the family of dedicated adults who work and volunteer at Jamie's Farm. The beautiful rural setting and the variety of farm activities is new and inspiring. They get support to think about themselves, gain confidence and start to take control of their own lives.'*

Tish Feilden, Joint Founder and Head Therapist

**Hope and Homes for Children in Romania**

Hope and Homes for Children (HHC) help children orphaned by war, conflict and or poverty and strive to ensure all children have the chance to grow up with the love of a family by closing institutions and reforming childcare systems.

The Foundation's funding in 2014 has been assisting HHC to transform the lives of children living in outdated and often dilapidated orphanages in Romania. Since 1999, when 100,000 children were trapped in institutional care, the figure is now less than a tenth of that and the Romanian Government has committed to close every state-run institution by 2020.



£190,000 raised for Hope & Homes for Children at St. James's Place Triathlon, St. Albans



2014 Spinathon at Tewkesbury Park – £18,000 raised

**Supporting Sherpa Children**

In 2012, 25 members of the St. James's Place community took part in a trek to Everest Base Camp and one member of the team, Roger Owen, successfully climbed to the summit. The event raised an incredible £700,000 for the Foundation (including company matching) and inspired St. James's Place employees Roger Owen and Hazel Grace to help Sherpa children, who often live in poverty without access to education. Their aim became to improve the quality of education locally and to ensure their efforts would be sustainable they set up the charity 'Supporting Sherpa Children'.

In 2014, the Foundation donated £46,740 to help fund the initiative, in association with the UK charity NYF (Nepalese Youth Foundation). The project is focused on improving schools, as well as the quality of the teachers and the resources they use. Roger and Hazel have played a lead role in ensuring this project gets off the ground, working closely with NYF's team in Nepal to transform the first school in Pangboche and moving on to other schools across the region.

**Plans for the Future**

The Foundation plans to build on the record achievements of 2014 and the success over the last few years by continuing to grow our fundraising and investing in worthwhile charitable projects in the UK and overseas.

In addition to the employees and Partners contributing to the Foundation on a monthly basis, we also have a number of exciting fundraising events planned for 2015. We have no doubt that our Community will continue to support the Foundation to achieve its objectives in 2015 and beyond.



# Board of Directors

Sarah Bates



**Chairman  
(N)**

Sarah joined the Board as an independent Non-executive Director in 2004 and was appointed Chairman on 1 January 2014. She is also Chairman of the Nomination Committee. Sarah has over thirty years' investment experience and is chairman of the J.P. Morgan American Investment Trust plc, Witan Pacific Investment Trust, and a non-executive director of Worldwide Healthcare and Polar Capital Technology investment trusts and Senior Independent Director of Development Securities plc. Sarah is chairman of the Cancer Research UK Pension Fund Investment Committee and St Joseph's Hospice Investment Panel. She is also an adviser to the East Riding Pension Fund and a member of the Universities Superannuation Scheme Investment Committee.

David Bellamy



**Chief Executive**

David joined the SJP Group in 1991 and was appointed to the Board in 1997, before becoming Chief Executive in 2007. He previously fulfilled a number of roles at St. James's Place including Group Operations Director and Managing Director. David has worked in the financial services industry since 1973 and is a Trustee of the St. James's Place Foundation. He is also a member of the Financial Conduct Authority's Practitioner Panel.

Andrew Croft



**Chief Financial Officer**

Andrew joined the SJP Group in 1993 and has been Chief Financial Officer since 2004. He qualified as a Chartered Accountant at PricewaterhouseCoopers in 1988. Andrew is a Trustee of the St. James's Place Foundation and is a lay member of the Audit, Risk & Investment Committees of the Royal College of Surgeons of England.

Ian Gascoigne



**Managing Director**

Ian has worked in the financial services industry since 1986 and joined the SJP Group in 1991. He was appointed to the Board in 2003. Ian is the Managing Director responsible for the management and development of the Partnership. He is a Trustee of the St. James's Place Foundation and is also on the Advisory Board of Loughborough University Business School.

David Lamb



**Managing Director**

David joined the SJP Group in 1992 and was appointed to the Board in 2007. David is the Managing Director with responsibility for Operations, including Client Services, Marketing, Business Development and the Group's fund range. He is Chair of the Investment Committee and a Trustee of St. James's Place Foundation. David is a non-executive director of The Henderson Smaller Companies Investment Trust plc and a director of the Wealth Management Association. He is also a Governor of the University of the West of England.

**Key**

- A Member of Audit Committee
- R Member of Risk Committee
- Rem Member of Remuneration Committee
- N Member of Nomination Committee

Iain Cornish



### Senior Independent Non-executive Director (A) (R) (N)

Iain was appointed to the Board as a Non-executive Director in 2011 and became Senior Independent Director and Chair of the Risk Committee on 1 January 2014. He is also a member of the Audit and Nomination Committees. Iain has considerable board and senior management experience and was previously Chief Executive of the Yorkshire Building Society. Prior to joining the Society, he was a Senior Consultant in KPMG's Strategy Services Consultancy Practice, specialising in banking and finance sector consultancy projects. Iain is a non-executive director of Arrow Global Group plc and is an independent director of the Prudential Regulation Authority. He also served as a member of the FSA Practitioner Panel from 2007 to 2011, becoming Chairman in 2009.

Simon Jeffreys



### Independent Non-executive Director (A) (R) (Rem)

Simon was appointed to the Board as an independent Non-executive Director with effect from 1 January 2014 and is Chairman of the Audit Committee. He is also a member of the Remuneration and Risk Committees. Simon was a partner with PricewaterhouseCoopers LLP (1986-2006) where he led the firm's Global Investment Management practice, after which he joined Fidelity International as Group Chief Administrative Officer (2006-2008) and then Wellcome Trust as COO (2009-2014). He is non-executive director and Chair of Audit Committee at Henderson International Income Trust plc, Aon UK Limited and SimCorp A/S, a listed Danish financial services software company.

Baroness Wheatcroft



### Independent Non-executive Director (R) (Rem) (N)

Baroness Wheatcroft was appointed to the Board as an independent Non-executive Director in April 2012 and is a member of the Risk, Remuneration and Nomination Committees. Baroness Wheatcroft is a member of the House of Lords and is currently a non-executive director of Fiat Chrysler Automobiles and of the Association of Leading Visitor Attractions. She is Trustee and Deputy Chairman of the British Museum. Baroness Wheatcroft has considerable experience of the media and journalism, having previously been Editor-in-Chief at the Wall Street Journal, Europe, a former Editor of the Sunday Telegraph, and Business and City Editor of the Times. She was appointed chairman of the Financial Times Appointments Committee in 2014. Baroness Wheatcroft has been a non-executive director of Barclays Group plc and Shaftesbury plc, and acts as an adviser to, or member of various other bodies.

Roger Yates



### Independent Non-executive Director (A) (R) (Rem)

Roger Yates was appointed to the Board as an independent Non-executive Director with effect from 1 January 2014. He is Chairman of the Remuneration Committee and is a member of the Audit and Risk Committees. Roger has over 30 years of investment management experience at Morgen Grenfell, Invesco and Henderson Group plc, where he was Chief Executive Officer. He is currently non-executive chairman of Pioneer Global Asset Management S.p.A and of Electra Private Equity plc. He is also a non-executive director of J.P. Morgan Elect plc and IG Group Holdings plc.



*'I am pleased we are reporting to you on another good year for St. James's Place plc, its clients, shareholders, Partners, staff and other stakeholders.'*

David Bellamy reports on the achievements of the Company in detail on pages 2 to 4 of the Annual Report and Accounts and Andrew Croft reports on financial developments on pages 14 to 16. In addition, the Committee Chairmen report on the work of their committees over the year.

My task is to provide an overview of the work of the Board of the Company and its support for and oversight of the Group, its operations and its strategy.

As noted elsewhere in this report, we have seen considerable change in the last year; in the economy, in our market place, for our clients, in politics, in financial services and in other areas of regulation. It seems unlikely that the rate of change will decrease and we need to continue to adapt to new circumstances as effectively as we have done in the past. Against this background, your Board has been determined to ensure our business retains a consistent approach. St. James's Place is unusual in its commitment to the centrality of the relationship between our clients and their Partners. This means that the distance between our clients and Partners, and the Boardroom is quite short, and the flow of both informal and formal information is rapid. Clients and Partners appear to appreciate this approach and it ensures the Board has access to very direct information about the marketplace for our services. This continues to be invaluable in the development of our strategy and in our understanding of the external risks to our approach.

#### **Long-term Focus**

A significant part of my task is to keep the Board's focus on the long term and on how the business should adapt and develop for the next 20 years, having been so successful in the first 23 years of its existence. More information about the variety of opportunities and threats we considered in our strategic discussions (particularly in specific sessions in April and September) can be found on page 55 and a summary of our review of the principal risks and challenges 'from' and 'to' our strategy and business model is recorded on page 36. However a key part of the debate involved exploring more generally what sort of strategic risks we might take. We concluded that we must continue carefully to evolve what we do. Where we safely can, we will add to the range of services we provide to our clients, including making further small overseas moves, but we won't take significant strategic risks. We still see considerable opportunity in our own market place and must strive to keep doing what we currently do ever more effectively, evolving to meet the ways our clients' expectations and preferences change.

Much of the input to the strategic discussions was developed with members of the Executive Management Team by considering the development of St. James's Place to 2020. This included work on how to preserve our culture, the development of the operating model and infrastructure, the development of the Partnership and advisers, and the development of the Investment Management Approach over that timescale. The Board was pleased to spend time with members of the EMT discussing their work and debating the vision for the future.

## Board and Executive Development

We were also pleased to see the expansion of the Executive Board in the autumn with the appointment of four additional members, Iain Rayner, Ian Mackenzie, Jonathan McMahon and Mike Gravestock. This followed changes to the Investment Committee in the middle of the year, with the appointment of David Lamb as Chairman, the appointment of Davina Curlish and Steven Daniels as non-executive members to the Committee, and significant addition of internal resources to support the work of the Investment Committee and Chris Ralph, our Chief Investment Officer. It also built on the appointment of Jonathan McMahon as our new Chief Risk Officer, and Bill Tonks as the Group Audit Director at the start of the year. All of these changes reflect the growth in our Group and anticipate the continued increase in complexity of our activities and environment.

Overseeing the building of the executive team for the future is an important part of our Board responsibility, as is succession planning for the Board itself and for the CEO. The expansion and development of the internal team is part of that planning. We were also pleased that Simon Jeffries and Roger Yates joined the board as Independent Non-executive Directors, at the beginning of the year. Simon took over as Chairman of the Audit Committee as well as joining the Risk and Remuneration Committees. Roger has taken over as Chairman of the Remuneration Committee and has joined the Risk and Audit Committees. Iain Cornish was appointed Senior Independent Director and Chairman of the Risk Committee, at the beginning of the year. Vivian Bazalgette stepped down from the Board in June for family reasons, and we are very grateful for the contribution he made to the Investment Committee and to the board over the period of his service. Following the new Non-executive Director appointments made at the beginning of this year and our Board evaluation process in 2014, we do not see an immediate requirement to appoint any further Non-executive Directors to the Board. Our CEO succession plans are also longer term.

Ensuring we have the best people within our community has been an important topic of discussion for the Board during the year with particular focus on diversity. Our industry is not particularly diverse with regard to gender and we have found no evidence of systematic gender discrimination in the Group. However, if we are limiting the opportunities for particular groups, however unintentionally, we are not being as effective as we could be and so Ian Gascoigne and I have begun some more systematic research into patterns of female participation in different parts of our community from which we hope to learn in 2015.

## Board Culture and Evaluation

At the beginning of 2014, the Board spent some time talking about how it could be most effective and meet the expectations and requirements of its various stakeholders. We noted the need to meet formal governance requirements, as they encourage debate and transparency and provide mechanisms to deal with problems should they arise. We also noted the essential responsibility of the Board to sustain and promote the culture of 'doing the right thing', without which it would be very difficult to deliver safe and sustainable growth. Given the increased

complexity and scale of the business, we noted the need to bring different and diverse perspectives and approaches to our discussions and considered that the best way of achieving our responsibilities to support and oversee the business was through constructive dialogue. The asymmetry of information between Executive and Non-executive directors was identified as a challenge and so we have developed methods of working to seek to address this issue. Informal topic-specific meetings have proved useful, as did visits to particular areas of operation which the NEDs undertook as a team. I was pleased that both our new NEDs were able to comment favourably on the openness of the business and the access they have within the organisation.

Our internal but thorough Board evaluation process at the end of 2014 provided useful feedback on how these developments were working. There was common agreement that we had made good progress in developing our strategic discussions, in developing our risk discussions and in developing a way of working in which there continue to be no 'no-go' areas. More detail of the findings can be found on page 56 but a key message was that we should continue in the same direction. For 2015, our Board objectives will include overseeing the development of the new Executive Board's oversight of the day to day running of the business, and the flow of information which allows it to do that, as the organisation becomes more complex. We will undertake an external Board evaluation in 2015, led by Boardroom Dialogue.

## Corporate Governance

Finally, there are many rather strongly held views about the role of the Board and Corporate Governance. St. James's Place has an unusual position in these debates, as both a listed company itself, seeking to meet the requirements of our shareholders, and also as custodian of our clients' assets. We are both the subject and object of corporate governance activity. In promoting a culture of 'doing the right thing' we are clear about our responsibility to our shareholders. It has always been important to us that our fund managers should engage with the companies in which they invest by voting their stock, but this is a topical area in which we will be further developing our thinking in 2015. I am, of course, available to talk to shareholders and can always be contacted via our Company Secretary (details on page 176)

As I suggested at the start, it has been another good year for St. James's Place, but also for your Board, and we are delighted with the proposed final dividend of 14.37 pence per share.



**Sarah Bates**

Chairman

24 February 2015



# Corporate Governance Report



## Make up of the Board and its Committees

### The Board

Sarah Bates (*Chairman*)  
 David Bellamy (*CEO*)  
 Andrew Croft  
 Ian Gascoigne  
 David Lamb  
 Iain Cornish (*SID*)  
 Simon Jeffreys  
 Baroness Wheatcroft  
 Roger Yates

### Audit

Simon Jeffreys (*Chair*)  
 Iain Cornish  
 Roger Yates

### Risk

Iain Cornish (*Chair*)  
 Simon Jeffreys  
 Baroness Wheatcroft  
 Roger Yates

### Nomination

Sarah Bates (*Chair*)  
 Iain Cornish  
 Baroness Wheatcroft

### Remuneration

Roger Yates (*Chair*)  
 Simon Jeffreys  
 Baroness Wheatcroft

## Responsibilities & Compliance

### Board Leadership

Your Board is responsible for providing entrepreneurial leadership and direction to the Company, as well as setting out its strategic aims, visions and values. It is also responsible for ensuring that adequate controls exist in order to deliver value to shareholders and other stakeholders who derive benefit from our activities.

Biographical details of the Executive and Non-executive Directors who make up your Board are set out on pages 50 and 51.

### How have we complied with the UK Corporate Governance Code?

Under the FCA Listing Rules, all UK listed companies must state whether they have complied with the provisions of the UK Corporate Governance Code (the 'Code') throughout the year, and where they have not complied, they are required to explain such non-compliance. The provisions of the Code can be found on the Financial Reporting Council's website, [www.frc.org.uk](http://www.frc.org.uk).

The Company reviews its compliance with the Code on an ongoing basis. Details of how your Company has complied with the Code throughout the year are set out in this Report. Particular detail on those principles from the Code which relate to remuneration is set out in the Remuneration Report on pages 67 to 87.

Your Board considers that the Company has complied with all of the provisions of the 2012 Code during 2014.



## How did your Board carry out its work during 2014?

### Meetings

During the year, seven formal Board meetings were held, and two additional Board Strategy meetings.

Attendance at both Board and Board Committee meetings is set out below.

Member	Board and Committee Attendance in 2014				
	Plc Board	Audit	Risk	Remuneration	Nomination
Sarah Bates <sup>(i)</sup>	7 (7)	–	–	4 (4)	3 (3)
Vivian Bazalgette <sup>(ii)</sup>	4 (4)	2 (2)	–	3 (4)	–
David Bellamy	7 (7)	–	–	–	–
Iain Cornish <sup>(iii)</sup>	7 (7)	7 (7)	5 (5)	–	3 (3)
Andrew Croft	7 (7)	–	–	–	–
Ian Gascoigne	7 (7)	–	–	–	–
Simon Jeffreys <sup>(iv)</sup>	7 (7)	7 (7)	4 (4)	3 (5)	–
David Lamb	7 (7)	–	–	–	–
Baroness Wheatcroft	7 (7)	–	5 (5)	5 (5)	2 (3)
Roger Yates <sup>(v)</sup>	6 (7)	4 (5)	4 (5)	3 (5)	–

Note: The number in brackets denotes the number of meetings that the Board members were eligible to attend.

Footnotes:

(i) Sarah Bates stood down from the Remuneration Committee on 14 May 2014 and Roger Yates was appointed as Chairman in her place.

(ii) Vivian Bazalgette resigned from the Board on 30 June 2014.

(iii) Iain Cornish took over as Chairman of the Risk Committee and Senior Independent Director from 1 January 2014.

(iv) Simon Jeffreys became a member of the Risk Committee on 1 April 2014.

(v) Roger Yates became a member of the Audit Committee on 30 June 2014.

In addition, the Independent Non-executive Directors met without the Executive Directors but with the Chairman twice during the year, and also met once without the Chairman.

### Board activities during 2014

A summary of some of the topics considered by the Board during 2014 is set out below and in the Chairman's Report on pages 52 and 53. Reports on the activities of each of the Board Committees during 2014 are set out on pages 59 to 67.

### Strategy and Risk Evaluation

During 2014, the Board devoted considerable time to reviewing the medium term strategic direction of the Group to 2020, and more generally the overall strategic appetite of the Group. Two strategy days provided opportunity to review the existing business model, consider future market developments including competition, and explore a variety of opportunities to enhance the client and Partner offering. The Board determined that the business focus should remain on careful evolution of our current business model.

A specific opportunity considered by the Board early in the year was the possibility of direct involvement with a private bank. Following extensive review it was decided not to pursue the initiative at this stage, but instead the Board encouraged exploration of an alternative offering. This culminated in a new banking proposition for clients being developed in conjunction with Metro Bank.

In the first half of the year, the Board spent time reviewing a potential overseas acquisition, which could be used to expand the geographical range of our activity. After much careful consideration, approval was given for the acquisition of The Henley Group in Asia. Oversight of its bedding into the business remains a key focus of the Board and its various Committees.

Discretionary Fund Management was again a topic of discussion during 2014 and remains on the radar. Presentations about "online" and 'digital' developments also provided the Board with food for thought and, whilst the Board noted the potential for solutions to aid Partners in providing even more effective service for our clients, it was agreed that the 'face to face' advice proposition remains a key competitive advantage for our business.

The Board continued to develop its thinking about assessing client outcomes. This is a complex topic with a wide variety of useful information options. Given the importance of clients to our business, the Board expanded the breadth of client metrics included within the Board's KPI pack.

Risk is a key responsibility of the Board and so the major risks facing the Group were revisited through a Risk Recalibration Process (see also the report of the Risk Committee on pages 63 and 64).

A particular area of risk focus for the Board was oversight of the major project to upgrade the Group's back-office administration systems. This is a very large but vitally important initiative for the Group, which is expected to deliver major benefits for clients, Partners and shareholders. As part of their engagement with the project the Board spent time with our administration provider, IFDS, in Basildon, and one of the Board meetings in the year was held at our dedicated administration centre in Craigforth. Progress on this

# Corporate Governance Report *continued*

project will continue to be a key topic for the Board during 2015. Finally, the Board also spent time considering the Investment Management Approach. Following a review of the oversight of the process it was agreed that the Investment Committee should become a sub-committee of the Executive Board committee, and David Lamb was appointed Chair.

## Governance

Throughout the year the Board was very conscious of the pace of change in the regulatory environment. The Board spent time seeking to understand the opportunities, risks and impacts these changes created for the Group, but at the heart of the work was a desire to understand the regulator's agendas, and maintain appropriate relationships with them.

The Board also worked to ensure, via its various reporting forums that the Group complied with all of its obligations and responsibilities under UK company law as well as the UK Corporate Governance Code.

A specific responsibility is to consider whether the Group's financial reporting is fair, balanced and understandable. As noted in the Audit Committee report, the Board reviewed the results and considered they were indeed fair, balanced and understandable, providing the necessary clarity required by shareholders to sufficiently understand the business.

In 2014, there was also an internal evaluation of Board members and the performance of the Board generally, which was particularly important given that the Board had a new Chairman and two new Non-executive Directors, as well as no longer having a controlling shareholder in the form of Lloyds Banking Group.

## People

As noted in the Chairman's Report the Board spent considerable time reviewing and improving the Group's succession plans, as well as ensuring the continued development of senior management. A key development in the year was the addition of four new members of senior management to the Executive Board Committee.

Employee welfare and the maintenance of our culture is taken seriously by the Board and it was pleased to see a high and very positive response rate to the biannual Employee Engagement Survey, details of which can be found on page 11. All feedback is reviewed by the Board and acted on as appropriate.

A new initiative was started, to consider patterns of female participation in different parts of our community. This will be developed further in 2015.

Following the appointment of new Board members and changes in a number of members' roles, appropriate focus was given to training for new members and tailored ongoing development for existing members.

## Board Evaluation

The Board undertakes a review of its effectiveness each year, organised by the Chairman. At least once every three years this is facilitated by an external party. The next formal external evaluation of the Board will take place in 2015.

In 2014, the Board carried out an internal evaluation of its effectiveness. A questionnaire, drafted by the Chairman and the Company Secretary, was circulated to all members of the Board, seeking their feedback on, amongst other things, whether the Board met its objectives during 2014 and the effectiveness of Board processes and those of its Committees. The Chairman also assessed the individual performance of each member of the Board by way of questionnaire and individual discussions, to consider performance, and establish Board related objectives, as well as training and development needs for 2015. The Senior Independent Director carried out a similar process in relation to the Chairman. This process also enabled the Chairman to review the completion of the various actions arising from the Board evaluation carried out in 2013.

The key findings of the evaluation included the following:

- The refreshed Board had come together well, with open and constructive discussions taking place regarding the Company's strategy and the key risks faced by the Group;
- In depth discussions around particular topics, together with the use of external advisors where appropriate, had been helpful and informative;
- The two Strategy days had helped the Board to progress various strategic developments currently being considered;
- The oversight role of the Board was continuing to expand proportionately with the size and complexity of the Group;
- Setting aside time at future Board meetings to discuss various issues in more depth, such as investment management, client outcomes and the key risks affecting the Group was important; and
- Further training and development for the Non-executive Directors in 2015, to update them on various regulatory and other developments impacting the Group, would be important.

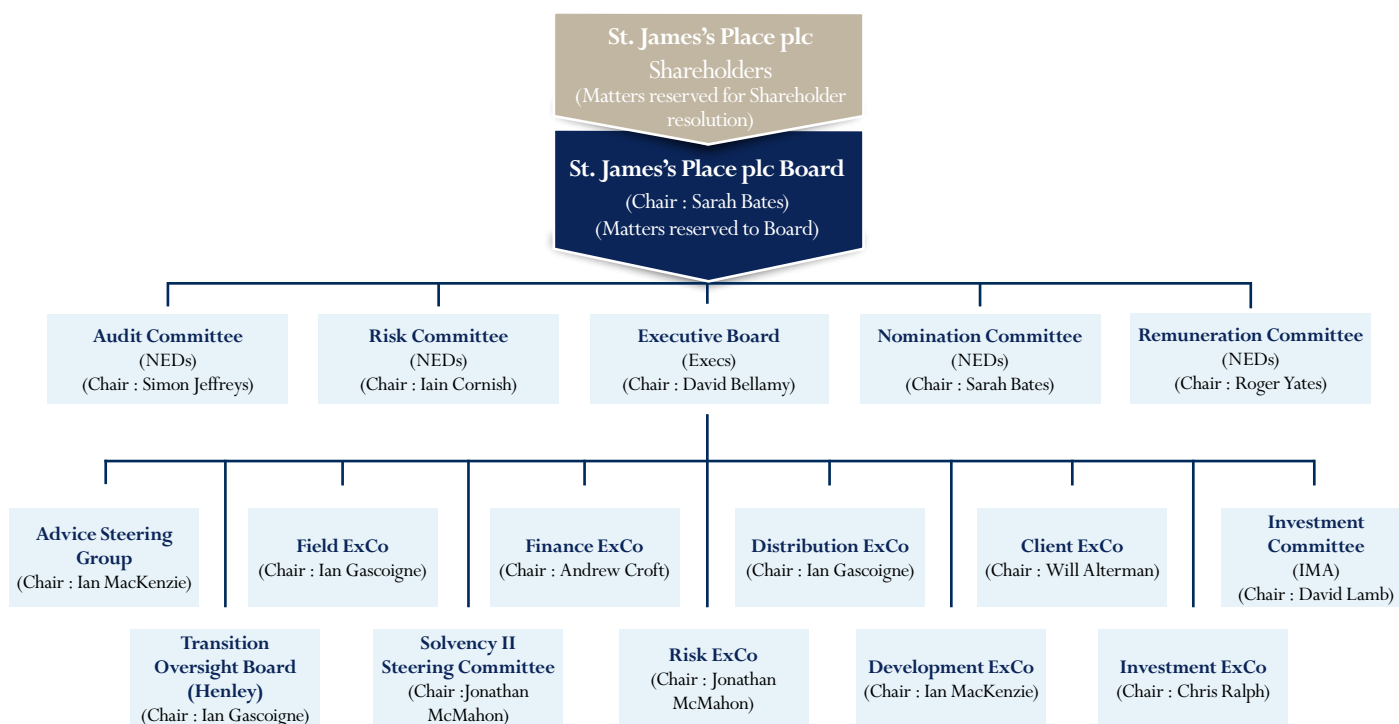
## How does your Board Function?

### Matters reserved to the Board

The Board has a formal schedule of matters specifically reserved for it, but acknowledges that it remains responsible for concentrating on growing the business successfully and sustainably, whilst encouraging a culture of innovation and continual improvement. Matters specifically reserved to your Board include:

Determining the overall strategy of the Company	Periodically reviewing the results and operations of the Company
Ensuring that the Company's operations are well managed and proper succession plans are in place	Ensuring that proper accounting records are maintained and adequate controls are in place to safeguard the assets of the Company from fraud and other significant risks
Reviewing major transactions or initiatives proposed by the Executive Directors	Identifying and managing the material risks that could impact the Company's operations
Implementing appropriate corporate governance procedures	Deciding the Company's policy on charitable and political donations

## Board Committee Structure



The Company also maintains a Board Control Manual which sets out the primary policy and decision-making mechanisms within the Company. This includes terms of reference for the various Board Committees, as well as the Company's risk policies and risk appetite statement. Detailed job descriptions for each Executive Director are also included, as well as the general job description which outlines the responsibilities of your Non-executive Directors. The Board Control Manual is reviewed and updated by the Company Secretary on an annual basis.

### Board Organisation

#### The Roles of the Chairman and Chief Executive

Sarah Bates was appointed as Chairman on 1 January 2014. The division of responsibilities between the Chairman of the Board and the Chief Executive, David Bellamy, are clearly defined and documented. As Chairman, Sarah takes responsibility for the leadership of your Board, ensuring its continued effectiveness, and promoting effective communication between the Executive and Non-executive Directors, as well as with shareholders generally. As Chief Executive, David's primary responsibility is to manage the Company via the executive management team and implement the strategies adopted by the Board.

#### The Senior Independent Director

Iain Cornish replaced Sarah Bates as Senior Independent Director in January 2014. The Senior Independent Director acts as a sounding board and confidant for the Chairman and the Non-executive Directors. Iain also ensures he is available to meet with shareholders and raises any shareholder concerns with the Board that might not be resolved through normal channels.

### Committees

There are four Non-executive Committees of the Board: Audit; Nomination; Remuneration; and Risk. The membership and terms of reference of each of these Board Committees are reviewed annually and are available on the corporate website ([www.sjp.co.uk](http://www.sjp.co.uk)), or on request from the Company Secretary.

There is also an Executive Committee, (the 'Executive Board') comprising the Executive Directors of the Board and other members of senior management. It is via the Executive Board that operational matters are delegated to management. The Executive Board is responsible for communicating and implementing the Group's business plan objectives, ensuring that the necessary resources are in place in order to achieve those objectives, and managing the day-to-day operational activities of the Group. The terms of reference for the Executive Board are also regularly reviewed and are included in the Board Control Manual.

There are also a number of committees below the main Board committees and these assist the Executive Board in executing its responsibilities. A table showing this governance structure is set out above.

# Corporate Governance Report *continued*

## **Meeting Administration**

For each Board meeting, all Board members are supplied with an agenda and pack containing reports and management information on current trading, operational issues, compliance, risk, accounting and financial matters. The Chairs of the various committees of the Board report to the Board at each Board meeting and copies of committee meeting minutes are included in the Board packs.

## **Independence**

When determining whether a Non-executive Director is independent, your Board considers each individual against the criteria set out in the Code and also considers how they conduct themselves in Board meetings, including how they exercise judgement and independent thinking. Taking these factors into account, the Board believes that all the Non-executive Directors continue to demonstrate their independence.

## **Culture**

The Board exercises oversight over the Company's culture and regularly considers how both employees and Partners adhere to it and reviews measures to retain the Group's culture. The manner in which employees and Partners can adhere to the culture is set out in a series of "Our Approach" documents, including The Spirit of the Partnership.

## **Conflicts of Interest**

Formal procedures are in place to deal with any potential or actual conflicts of interest. The relevant Director must disclose to the Board the actual or potential conflict of interest for discussion by the other members of the Board and the Board will then consider the potential conflict on its particular facts, deciding whether to waive the potential conflict and/or impose conditions on such waiver, if it believes this to be in the best interests of the Company. In addition to declarations at Board and Committee meetings, an annual review of the Conflicts of Interest Register is also carried out by the Board.

## **Directors' and Officers' Indemnity and Insurance**

The Company has taken out insurance covering Directors and officers against liabilities they may incur in their capacity as Directors or officers of the Company and its subsidiaries.

The Company has granted indemnities to all of its Directors (and Directors of subsidiary companies) on terms consistent with the applicable statutory provisions. Qualifying third party indemnity provisions for the purposes of section 234 of the Companies Act 2006 were accordingly in force during the course of the financial year ended 31 December 2014, and remain in force at the date of this report.

## **Board Training**

### **Induction**

An appropriate induction programme is designed to enable new Directors to meet senior management, understand the business and future strategy, visit various office locations and speak directly to Partners and staff around the country. During 2014, the Chairman and the Company Secretary implemented tailored induction programmes for Simon Jeffreys and Roger Yates, which included visits to the Cirencester head office, an administration centre, an event for new members of the Partnership and meetings with various members of senior management.

### **Continuing Professional Development**

The Chairman and Company Secretary also ensured the continuing professional development for all your Directors, based on their individual requirements, and a list of training carried out during the year is maintained by the Company Secretary. Such training includes topical issues, visits to head office and other locations to meet with staff and members of the Partnership and attend seminars or other events taking place throughout the year. In addition to this, ad hoc training is set up in the year to deal with individual requests and the Non-executive Directors are able to attend seminars or conferences which they consider will assist them in carrying out their duties. Non-executive Directors are briefed on the views of major shareholders at Board meetings and are provided with the opportunity to meet with shareholders, as necessary.

Board members also regularly attend meetings at the head offices at Cirencester and in 2014 also visited the administration centre at Craigforth.

### **Company Secretariat**

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

### **Relations with Shareholders**

The Company maintains close relationships with institutional shareholders through dialogue and frequent meetings, and meets regularly with the Group's brokers who facilitate meetings with investors and their representatives. The Chief Financial Officer provides feedback to the Board on any material topics raised in these meetings and Board members also receive copies of the latest analysts' and brokers' reports on the Company, and will attend shareholder and/or analyst meetings from time to time.

During 2014, the Board received a presentation from one of the Company's joint corporate brokers (JPM Cazenove) and commissioned additional reports from shareholder analysis services. At the start of the year, members of the Remuneration Committee engaged with a selection of shareholders as the Remuneration Policy was being finalised, and the Chairman met with a number of investors during the year. The Chairman will also be engaging with our major shareholders as part of this reporting process.

The Chairman, Senior Independent Director and other Non-executive Directors are available for consultation with shareholders on request.

# Report of the Audit Committee



## Chairman of the Audit Committee

Simon Jeffreys

### Role of the Committee in Summary

- To be responsible for the accuracy and integrity of the Group's financial statements;
- To review the external auditors' reports thereon;
- To monitor the effectiveness of the Internal Audit function;
- To ensure the effectiveness of the systems of internal control;
- To review, and where appropriate refer on to the Board, any significant control failures; and
- To report to the Board on how the Committee has discharged its responsibilities.

### Audit Committee Members

Simon Jeffreys (*Chair*)

Iain Cornish

Roger Yates

I am pleased to be making my first report of the Audit Committee, having assumed the role of Chairman of the Committee on 1 March 2014. I succeeded Iain Cornish who has successfully led the Committee for the past two years and who, I am pleased to report, will remain a member of the Committee.

There was one further change to the Committee during the year, when Vivian Bazalgette stepped down on 30 June 2014 and I would like to express my thanks to Vivian for his contribution over the past two years. Roger Yates became a member in his place and I believe we continue to have sufficient independent Non-executive Directors on the Audit Committee who bring the appropriate balance of recent and relevant financial experience and expertise.

The integrity of the Group's financial results and the effectiveness of its internal control systems are of the utmost importance to your Company, and it is the role of the Audit Committee to assist the Board in its oversight and monitoring of financial reporting and those internal controls. The Committee does this by testing and challenging these areas, and by working closely with management and both external and internal auditors. The Committee also assists the Board in ensuring that the Company's financial reports provide a fair, balanced and understandable assessment of the Company's position.

The key activities of the Committee in 2014 included reviewing the annual and half yearly Report and Accounts, associated announcements and the external auditors' reports; monitoring and reviewing the effectiveness of the Internal Audit function, including engaging with development of the Internal Audit plan for the year, monitoring progress against this plan and considering the results of all Internal Audit activity, particularly the major areas of internal audit focus during the year. The Committee also maintained an appropriate relationship with the Company's external auditors.

This report aims to provide more in-depth details of the role of the Audit Committee and the work it has undertaken throughout 2014.

*Simon Jeffreys*

*On behalf of the Audit Committee*

24 February 2015



# Report of the Audit Committee *continued*

## Committee Membership during 2014

Simon Jeffreys joined the Committee on 1 January 2014 and became Chair from 1 March 2014. Vivian Bazalgette ceased being a member on 30 June 2014 and Roger Yates joined the Committee on 1 July 2014.

All members of the Audit Committee throughout the year were independent Non-executive Directors and this remains the case at the date of this report. The Board remains satisfied that all members of the Audit Committee have the experience and qualifications to perform their roles, noting in particular that a majority of members have recent and relevant financial experience and expertise.

Details of attendance at the meetings of the Audit Committee throughout the year can be found on page 55. Additional attendees at the meetings included the Chairman, the Chief Financial Officer, the Director of Internal Audit, the Corporate Actuary and other members of the Finance team, as well as representatives from the external auditors, PricewaterhouseCoopers LLP. The Chief Executive Officer and the Group Risk Director both attended the joint meeting of the Audit and Risk Committees held in October 2014.

## Committee Activities during 2014

### Report and Accounts

As in previous years, the Committee spent a significant amount of time reviewing the annual and half yearly Report and Accounts, together with the external auditors' reports thereon. The focus was particularly on process and control issues, for example, confirming the process of how judgements were made, who was involved and how decisions were implemented. The topics discussed were driven both by consideration of risk of mis-statement of the accounts, but also by consideration of risks in the business. Topics that received dedicated time in the year, both in Committee meetings and in separate informal sessions, included:

- actuarial assumptions, with a particular focus on persistency rates used in the assessment of the embedded value, which was the topic of additional meetings in December and early January 2015;
- review of principal areas where the Group applies accounting estimates, including valuation of deferred tax assets and liabilities and impairment testing of other intangible assets. Particular attention was directed to asset judgements in light of experience at Tesco's during the year;
- impact on the business from regulatory and legal risks, including disclosure and accounting for them;
- a review of the valuations of assets of the Group;
- process for extending loans or advances to Partners and assessing the risk of them being unable to repay;
- financial implications and the reporting of disclosures in relation to the new outsourced administration contract with International Financial Data Services (IFDS); and
- transaction costs and the reporting of disclosures around the acquisition of the Henley Group in Asia, and specifically comparison of the forecast cashflows with the Goodwill assessment.

The Committee also spent time considering the use of 'non-GAAP' measures in the accounts. In relation to the introduction of the new 'underlying profit' measure the Committee considered the range of adjustments to the GAAP result that might be appropriate and alternative disclosure options. The approach was also discussed with the Auditors. However, ultimately the Committee concluded that the additional information would help investors better understand the business performance.

After careful review of how all of these points were represented in the Report and Accounts, including the new non-GAAP measure, the Committee concluded that their final treatment was appropriate.

In relation to the review of the Report and Accounts, as part of the regular Internal Audit plan, the Company's reporting processes were, as usual, the subject of a number of internal audits, which were designed to complement the external audit, and which were reported to and considered by the Committee in its review of the Report and Accounts.

### Internal Audit Function Effectiveness

In relation to the effectiveness of the Internal Audit function, the Committee spent a significant amount of time reviewing the Internal Audit Plan in order to ensure that the Internal Audit department had the necessary resources, both internal and external, to implement the plan in a timely manner.

As part of an independent review of the internal audit function carried out by Deloitte LLP ('Deloitte') in 2013, a number of changes had been recommended which were intended to strengthen the profile, resources and operation of the Internal Audit team and improve its alignment with the Risk functions operating within the Group. The Committee, which accepted those recommendations in full, has continued to monitor progress and the various actions from the Deloitte report were completed in 2014.

### Internal Audit Activity

During the year, the Committee received regular updates in relation to the Internal Audit Plan and results from completed audits. These audits are risk-based and during 2014 covered areas such as:

- anti-fraud, bribery and corruption controls;
- data security;
- advice guidance;
- governance of outsourced administration by third party administrators, including IFDS;
- acquisition of Independent Financial Adviser firms;
- Solvency II; and
- the project to upgrade the Group's back-office administration systems.

When receiving regular updates from the Director of Internal Audit in relation to the results from completed audits, the Committee paid careful attention to any areas where the audit led to remedial action being recommended. The actions arising were monitored to ensure completion. In practice 85% of actions were completed in line with the original agreed deadline, with the rest being completed by appropriately agreed revised deadlines.

### **Internal Control Evaluation**

The Board, through the Audit Committee, conducts an annual review of the effectiveness of the Group's systems of internal control, in line with the requirements of the UK Corporate Governance Code. The Group adopts the 'three lines of defence model' as the design basis for its internal control framework and the process for reviewing the effectiveness of the framework is aligned to the same model.

In summary, the Chief Executive has ultimate responsibility for the first two lines of defence and uses his knowledge of the business, and that of his senior management team, to provide an opinion on the control systems. Internal Audit then provides an independent second opinion, from a third line perspective, based on Internal Audit activity conducted throughout the year and Internal Audit's further analysis and appraisal of the output from a wide range of other sources.

In providing his opinion, the Chief Executive was able to take into account the output of the 'Control Self-Assessment' ('CSA') processes which had been established in 2013 for a number of departments within the Group and which were subsequently fully embedded and extended to the rest of the Group during 2014. The CSA processes continue to be encouraged by the Audit Committee and are delivered alongside, but independently from, the Internal Audit function.

Jointly, the two opinions assist the Audit Committee in completing its annual review and enable the Audit Committee to attest on behalf of the Board that it has been able to properly review the effectiveness of the Company's system of internal control in accordance with the Turnbull Guidance for Directors on Internal Control. Where any matters have arisen from the review, the Audit Committee has ensured that corrective action has been taken.

### **Other Activity**

Finally, a variety of presentations about the business were received from senior management during the year, including presentations on cyber security, Solvency II/ORSA and tax valuations on capital losses. The Committee also carried out a formal review of the risk schedules, and received updates from the Chair of the Risk Committee, particularly in regard to its reshaping of the risk framework, and reports from the Managing Director of St. James's Place International plc (the Group's Irish-registered life company). The Committee carefully considered the proposed changes to the appointment and tenure of external auditors and also explored the potential impact of various anticipated changes to IFRS accounting. The chair of the Committee acted as the key contact for the Whistleblowing Policy and the Committee reviewed the arrangements during the year. The Committee's terms of reference were reviewed during the year and it is satisfied that they remain appropriate and conform to best practice.

### **'Fair, Balanced and Understandable' Opinion**

The UK Corporate Governance Code requires the Board to give their opinion as to whether they consider the Company's Report and Accounts to be fair, balanced and understandable. During the course of the year the Audit Committee requested a review of the KPIs and objectives disclosed in the Report and Accounts to aid the reader to understand the Company. The review resulted in the development of new measures incorporated in the reporting for this year end.

To aid the Board, the Audit Committee formally reviewed the Report and Accounts in relation to this requirement and was able to confirm their opinion, based on the activities and information described above, that the Company's Report and Accounts for the year ended 31 December 2014 are indeed fair, balanced and understandable.

### **External Auditor**

The Committee has responsibility for the work of the external auditors of the Company. At the conclusion of the audit, the Committee discussed the findings from their work under the headings of the major risks as set out in the audit plan.

During the year, senior management carried out its annual review of the effectiveness, independence and objectivity of the Company's external auditor. This included consideration of the findings of the annual review by the FRC of the main auditing firms. The Committee also took into account the Audit Quality Review report on PricewaterhouseCoopers LLP specifically. As a result of this work, the Committee concluded that the audit service of PricewaterhouseCoopers LLP was fit for purpose and would provide a robust evaluation of the risks underlying the Company's financial statements. Following the completion of the 2014 audit, the performance of the auditors will again be reviewed, including the use of a questionnaire to be completed by Directors and senior managers asking about the performance of the auditors in relation to expectations. The Audit Committee will discuss the results with the auditors as part of the next review of effectiveness.

In relation to the review of the independence of the auditors, the Committee noted the existence of a formal policy for the provision of non-audit services by the external auditor. The aim of the policy is to ensure that external auditor objectivity and independence is safeguarded by setting out the categories of non-audit services which the external auditor is allowed to provide to the Group and limiting the amount of activity. The financial limit for non-audit related advice and consultancy work by the external audit firm is £100,000 per year. Non-audit assignments exceeding 25% of the audit fee, either individually or cumulatively, must have the prior approval of the Audit Committee. The amounts paid to the external auditors during the year for audit and non-audit related services are set out in the Notes to the Accounts on page 120, but the amount for non-audit related services in the year was £5,000 (2013: £nil). The Committee remains satisfied that PricewaterhouseCoopers LLP remains independent and objective in relation to its audit activities carried out for the Group.

# Report of the Audit Committee *continued*

The Company is committed to regular rotation of the auditors and, taking into account the EU and CMA rules, will review when the next tender is required during 2015 as well as adopting a policy of tendering the audit contract at least every ten years.

PricewaterhouseCoopers LLP was appointed as the Company's external auditor in 2009 and in 2014 the lead Audit Partner was rotated. Since the audit service provided in recent years has been deemed fit for purpose, the Company considers that putting the audit engagement out to tender is not necessary at the current time. Having assessed the performance and independence of the auditors as outlined above, the Committee recommends that PricewaterhouseCoopers LLP be re-appointed as external auditor and a resolution to effect this will be put to shareholders at the Annual General Meeting.

The terms of reference setting out the Committee's role and authority can be found on the corporate website at [www.sjp.co.uk](http://www.sjp.co.uk).

# Report of the Risk Committee



## Chairman of the Risk Committee

Iain Cornish

### Role of the Committee in Summary

- To foster a culture of effective risk identification and management throughout the Group;
- To provide leadership, direction and oversight of the Group's management of risk;
- To review the principal risks affecting the Group and the ways in which the risks are controlled and mitigated; and
- To report any material areas of concern to the full Board.

### Risk Committee Members

Iain Cornish (*Chair*)  
 Simon Jeffreys  
 Baroness Wheatcroft  
 Roger Yates

Firstly, having assumed the role of Chairman of the Committee at the start of 2014, I would like to thank my predecessor, Mike Power, for his leadership in recent years. I was also pleased to welcome both Roger Yates and Simon Jeffreys to the Committee during the year.

Fostering a culture of effective risk management is of the utmost importance to the Directors. The Risk Committee is a sub-committee of the Board and assists the Board in developing this culture, by providing leadership, direction and oversight of the Group's management of risk.

In pursuing these objectives on behalf of the Board, the Committee's key activities in 2014 included:

- monitoring and reviewing the effectiveness of the Group's risk management functions and processes;
- reviewing the principal risks and uncertainties affecting the Group and the Group's risk appetite statement;
- considering reports produced by the Group's Risk and Compliance functions monitoring the ongoing interaction with the Group's regulators; and
- receiving presentations from members of senior management about their business areas and reviewing the management of the associated risks.

The following report sets out in more detail the Committee's key activities in 2014.

### *Iain Cornish*

*On behalf of the Risk Committee*  
 24 February 2015

# Report of the Risk Committee *continued*

## Committee Membership during 2014

Iain Cornish was appointed Chair of the Risk Committee and Roger Yates joined the Committee on 1 January 2014. Simon Jeffreys joined the Committee on 1 April 2014. All members of the Risk Committee have considerable financial, risk and/or other experience and are independent Non-executive Directors. Details of attendance at the meetings of the Risk Committee throughout the year can be found on page 55.

Regular attendees at Committee meetings during the year included the Chief Executive, the Managing Director responsible for the Partnership, the Group Risk Director, the Compliance Officer, the Corporate Actuary, the Business Development Director and a representative from Internal Audit. As Chairman of the Board, Sarah Bates also attended Risk Committee meetings on a regular basis.

## Committee Activities during 2014

Oversight of the Risk Management Framework is key to delivery of the responsibilities of the Committee. The framework and associated documents are subject to regular review, and in 2014, the Committee has focused on reshaping the framework to reflect the growing complexity of the business, structuring it around the risks that impact the key drivers of the business, in particular those affecting clients, Partners, the Investment Management Approach, shareholders, regulators and our people. The associated Risk Appetite Statements and management information are being reshaped in line with the revised framework and to reflect the requirements of forthcoming Solvency II regulations. This is an evolution of the existing statements and does not involve a fundamental shift in the underlying risk appetite of the Group. Further information about the Risk Management Framework can be found on pages 34 and 35.

The Committee is supported in its oversight of the Risk Management Framework by the Risk Management team and the Committee spends a significant proportion of its time receiving updates from the Group Risk Director and the Head of Division – Group Risk, who both have direct access to the Chairman of the Risk Committee should the need arise. The Committee is also able to review and provide challenge on the implementation of risk mitigation in the business.

As in previous years, the Committee regularly received and discussed a suite of management information to aid their monitoring of risks and risk exposure in the business. The information included:

- Risk Schedules, setting out the principal risks and uncertainties facing the Group, as well as how they are mitigated; and
- Key Risk Indicators (KRIs), assessing the current exposure to key risks.

During the year, and with the encouragement of the Committee, the list of key risks was refreshed. The Group Board, working actively with Risk Management, contributed to the process of determining the key risks.

As part of their oversight of risk management in the business, the Committee continued to receive and review reports from a number of Executive Committees and other functions in the Group including:

- minutes of the Risk and Finance Executive Committee meetings, where executive oversight is given to the appropriateness and observance of the Group's Risk Appetite;
- reports produced by the Compliance and Actuarial functions relating to the management of the risks faced by the regulated subsidiary entities within the Group;
- reports from the Group Risk Director on the effectiveness of the Group's risk management systems; and
- an annual report from the Money Laundering Reporting Officer on the activities undertaken to mitigate money laundering, bribery and fraud activities within the Group.

Since most of the activity within the Group is regulated, the Committee also considered regular updates on the Group's ongoing interactions with the PRA and FCA, and the wider regulatory interactions with firms in the financial services marketplace. This allowed them to monitor ongoing compliance with regulation.

Finally, the Committee requested reports from senior executives and external consultants on specific topics, including key corporate initiatives. The Committee spent time discussing management of the associated risks, and provided challenge to the executives responsible. Many of the topics were presented as joint sessions with the Audit Committee and allowed members of both Committees wider exposure to the management of the Group and an opportunity to challenge senior management. Presentation topics in 2014 included:

- the work being undertaken to enhance the quality of advice documentation, including the ongoing supervision arrangements and business checking procedures;
- the Group's position in relation to information security, following an earlier presentation on cyber security from external consultants and a report from the Audit Director on an internal audit into this area;
- the advice guidelines around the provision of advice to elderly and vulnerable clients;
- the implications of the forthcoming Solvency II legislation, including the Own Risk and Solvency Assessment (ORSA) process, the key assumptions underlying the SJPUR ORSA and the Group's preparations for implementation of the new regulation;
- the regulatory impact of structural changes being made in light of the Group's new administration platform, including the implications of MiFID II; and
- the findings of an external review into the development of the new administration platform.

This gave the Committee opportunity to ensure that risks are being addressed and to test that the culture of risk identification and management is embedded.

The terms of reference setting out the Committee's role and authority can be found on the corporate website at [www.sjp.co.uk](http://www.sjp.co.uk).



# Report of the Nomination Committee



## Chairman of the Nomination Committee

Sarah Bates

### Role of the Committee in Summary

- To regularly review Board and committee composition and structure;
- To identify, report on and recommend for Board approval suitable candidates for appointment to the Board;
- To appropriately consider succession planning for Directors and senior management, taking into account diversity, experience, knowledge and skills; and
- To report to the Board on the work of the Committee.

### Nomination Committee Members

Sarah Bates (*Chair*)  
Iain Cornish  
Baroness Wheatcroft

Having the appropriate range of high calibre Directors on our Board is key to achieving success in the Group's strategic objectives, whilst helping to mitigate the regulatory and other risks faced by the Group.

Succession planning is also a core remit of the Committee. Assessing and developing the talent that lies below the Board is key to maintaining healthy motivational and retention levels amongst senior management, as well as ensuring smooth transition when senior staff move in the Company.

The Committee spent a considerable amount of time over the past year reviewing the short and medium term succession plans for the Executive Directors and for senior management below the Board. The Committee also considered the training and development arrangements in place to enable future successors to widen their skills and experience.

The Committee also considered whether a new Non-executive Director should be appointed to replace Vivian Bazalgette, but concluded that, at present, the Board has the right balance of different skills and experience.

This report provides further details of the role of the Nomination Committee and the work it has undertaken during the year.

### *Sarah Bates*

*On behalf of the Nomination Committee*  
24 February 2015

# Report of the Nomination Committee *continued*

## **Committee Membership during 2014**

Sarah Bates joined and became Chair of the Committee on 1 January 2014 and Baroness Wheatcroft also joined the Committee on the same date. These appointments followed Charles Gregson and Mike Power ceasing to be members on 31 December 2013.

Details of attendance at the meetings of the Nomination Committee can be found on page 55.

## **Committee Activities during 2014**

In 2014, the Committee spent the majority of its time reviewing the succession plans for the Executive Directors and other senior managers below the Board, so as to ensure a strong pipeline of talent in future years. The Committee reviewed each senior management role and, in conjunction with the Chief Executive Officer, identified both short and medium term successors for each role and considered any training or development needs to enable the identified successors to succeed in the relevant role. The Committee also appointed an experienced external consultant, Boardroom Dialogue, to provide advice and assistance in relation to succession planning.

The Committee continued to monitor diversity within the Group, believing that diversity extends beyond the Boardroom and that developing all members of the senior management team (and employees generally) is vital in order to develop and maintain an effective succession programme. It was noted that the Group had introduced a number of new initiatives to develop senior talent below the Board, including bespoke training programmes with development consultants, mentoring opportunities and a programme centred on healthy living and wellbeing. The Chairman also held a meeting with a number of women in managerial roles within the Group to discuss whether there were any barriers to progression and ways in which their development opportunities could be improved.

The Committee reviewed the balance of skills and experience on the Board in light of the resignation of Vivian Bazalgette in June 2014. It was noted that the proportion of the Board (excluding the Chairman) that was independent directors was still 50% and so the Board continued to comply with the Corporate Code notwithstanding the resignation of Vivian Bazalgette. The Committee also considered the possibility of setting a 25% target for female representation for the Board in 2015, but shareholders will note that the Board is close to satisfying the target at the present time and that the Company has a female Chairman. The Board is concerned to encourage diversity, in the widest sense, but after careful consideration, the Committee concluded that the Board had an appropriate balance of skills and expertise at the present time and, consequently, there was no pressing need to recruit an additional independent Non-executive Director, male or female. The Committee will continue to review the independence, balance and diversity of the Board on a regular basis.

The terms of reference setting out the Committee's role and authority can be found on the corporate website at [www.sjp.co.uk](http://www.sjp.co.uk).

# Directors' Remuneration Report



## Chairman of the Remuneration Committee

Roger Yates

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for 2014.

The report is split into two parts. The Directors' Remuneration Policy, which was approved by the shareholders at the Annual General Meeting ("AGM") in 2014, is included for information. The Remuneration Committee believes that the policy remains appropriate and should continue to operate for 2015 with no changes proposed. The Annual Report on Remuneration sets out the remuneration paid to the Executive and Non-executive Directors in respect of 2014, together with details of how the Directors' Remuneration Policy will be implemented in 2015.

### Remuneration is Linked to the Corporate Strategy

As we reported last year, the Remuneration Committee (the "Committee") carried out a thorough review in 2013, and agreed a Directors' Remuneration Policy that supports the Group's business strategy. The major part of remuneration for Executives is performance-dependent, including both annual and longer-term measures aligned to a balanced set of business objectives. There is substantial deferral of variable remuneration into shares, and requirements for Executives to hold company shares, through minimum shareholding thresholds and a post-vesting sale restriction on Performance Share Plan (PSP) awards. Following extensive consultation and some refinement to take account of shareholder feedback, the Directors' Remuneration Policy was approved at the 2014 AGM by 99.85% of shareholders voting.

### Corporate Performance and Remuneration for 2014

As reported in this Annual Report, 2014 has been another year of strong performance and our Executives' remuneration for 2014 reflects this. Based on the three-year performance to the end of 2014, 96.37% of the Executive Directors' PSP awards granted in 2012 will vest in March 2015, as a result of relative total shareholder return (TSR) and earnings per share (EPS) growth near to or above the upper end of the performance range set by the Committee.

The Remuneration Committee determined that 95% of the maximum annual bonus should be payable for 2014, reflecting the strong financial results for 2014 and strong progress against other strategic objectives set by the Committee at the start of the year, which are fully explained in the report. Fifty percent of the bonus is deferred into shares for three years.

### Remuneration for 2015

The Remuneration Committee considered the overall remuneration arrangements for the Executive Directors, in accordance with the policy which was agreed with shareholders last year. As was noted in last year's report, Performance Share Plan (PSP) grants in 2015 will be increased from the 2014 award levels: 200% of base salary (face value at maximum vesting) will be granted to the Chief Executive compared to 190% last year, and 190% of base salary will be granted to each of the other Executive Directors compared to 175% last year.

In addition, the holding period requirement for PSP award, has now been increased to two years post vesting (five years from grant of the award) for awards granted from 2015.

Taking into account these overall arrangements, the base salaries of the Executive Directors are not being increased in 2015. The Committee continues to monitor the complexity of the responsibilities undertaken, the remuneration of staff generally, an element of market comparison and inflation trends from year to year. The Committee may apply salary increases at subsequent review dates as a result of analysis of these factors.

### Remuneration Codes

As a result of regulatory changes and the introduction of revised administration arrangements at St. James's Place, the Group is required to comply with the provisions of the FCA Remuneration Codes for the first time in 2015. The Committee has assessed the requirements of the Remuneration Codes, including the provisions that allow Codes to be applied in a proportionate way, to ensure that the remuneration policy and the Group's administrative and internal processes are in compliance with the requirements. No changes to the shareholder approved Directors' Remuneration Policy are required as a result of this review.

### Summary

The Group's remuneration policy supports our corporate objectives and the remuneration received by the Executive Directors reflects the strong performance of the Company and management.

I hope that you will support the remuneration resolution to be proposed at the next AGM. If in the meantime you have any questions regarding our remuneration policy then my colleagues and I on the Remuneration Committee will be pleased to address them.

**Roger Yates**

Chairman of the Remuneration Committee  
24 February 2015

# Directors' Remuneration Report

## for the year ended 31 December 2014

### Directors' Remuneration Report

This part of the Directors' Remuneration Report sets out the remuneration policy for the Company, which was approved by shareholders at the AGM in 2014. There is no requirement for shareholders to vote on the policy at the 2015 AGM unless changes to the policy are proposed, and the Committee does not intend making any changes at this time. This policy will be effective until the AGM in 2017, unless changes are proposed and shareholders approve a new policy prior to that date. The policy is set out below for information only; the chart, showing remuneration scenarios on page 75 has been updated to reflect proposed 2015 remuneration levels and minor changes to the text of the policy have been made to reflect the fact that the policy has been approved by shareholders and that the policy is now being implemented in 2015 (and not 2014).

In setting the remuneration policy for the Executive Directors, the Committee takes into consideration a number of different factors:

- the Committee applies the principles set out in Schedule A of the UK Corporate Governance Code and also takes into account best practice guidance issued by the major UK institutional investor bodies, the FCA (including the provisions of any applicable Remuneration Codes) and other relevant organisations;
- the Committee has overall responsibility for the remuneration policies and structures of the Group as a whole and it reviews remuneration policy on a firm-wide basis. When the Committee determines and reviews the remuneration policy for the Executive Directors it considers and compares it against the pay, policy and employment conditions of the Group to ensure that it is comfortable that there is alignment between the two; and
- the Committee considers the external market in which the Group operates and uses comparator remuneration data from time to time to inform its decisions. However, the Committee recognises that such data should be used as a guide only (recognising that data can be volatile) and that there is often a need to phase-in changes over a period of time.

The Committee's overall policy, having had due regard to the factors above, is for a substantial proportion of total remuneration to be based on variable pay. This is achieved by setting base pay and benefits up to mid-market levels, with annual bonus and long term incentive opportunities linked to the achievement of demanding performance targets. In this way, the Committee facilitates alignment between the interests of shareholders and the total remuneration paid to the Executive Directors. Historically, the levels of variable pay paid to the Executives have varied considerably, reflecting the performance of the Group in the relevant year.

Remuneration payments and payments for loss of office can only be made if they are consistent with the approved Remuneration Policy or are otherwise approved by ordinary resolution of the members of the Company.

### Engagement with Shareholders

The Committee's policy is to engage with and seek the views of its major investors and investor representative bodies on any proposed major changes to remuneration policy. The Committee will also engage on those aspects of implementation of that policy that it considers appropriate. Any views expressed by shareholders at general meetings of the Company or otherwise will be considered by the Committee as part of any review of remuneration policy, or sooner if appropriate.

### Remuneration Policy for Executive Directors

The remuneration policy is designed to support and encourage the delivery of the Group's short-term and long-term business objectives.

The following table summarises each element of the remuneration policy for the Executive Directors, explaining how each element operates and how each part links to corporate strategy.

## Salary

Purpose and link to strategy including choice of performance metrics	<p>To provide the core reward for the role.</p> <p>Sufficient level to recruit and retain individuals of the necessary calibre, taking into account the skills, experience, demands and complexity of the role.</p>
Operation	<p>Reviewed annually and fixed for 12 months commencing 1 March.</p> <p>Influenced by:</p> <ul style="list-style-type: none"> <li>– Role, experience and performance of the individual;</li> <li>– Company performance;</li> <li>– External economic conditions;</li> <li>– Average change in broader workforce salary;</li> <li>– Periodic benchmarking for each role against similar UK listed companies; and</li> <li>– Overall policy, having regard to the factors noted, is normally to target salaries up to the mid market level.</li> </ul>
Maximum opportunity	<p>Salary increases (in percentage terms) will normally be linked to the average of the workforce generally other than in exceptional circumstances such as where the increase may be higher for a significant change in responsibility, experience or increase in role or the size or complexity of the Group where increases may be phased.</p> <p>Where new joiners or recent promotees have been given a starting salary below mid-market level, a series of increases above those granted to the wider workforce (in percentage terms) may be awarded over the following few years, subject to satisfactory individual performance and development in the role.</p> <p>The base salaries for the Executive Directors from 1 March 2015 are set out in the Annual Report on Remuneration.</p>
Performance metrics	<p>The Committee considers all of the factors described in this table when deciding how the salary policy operates.</p>



# Directors' Remuneration Report *continued*

## for the year ended 31 December 2014

### Annual Bonus

Purpose and link to strategy including choice of performance metrics	<p>Rewards the achievement of annual financial and strategic business plan targets and delivery of strategic objectives.</p> <p>Deferred element aids retention, encourages long-term shareholding, discourages excessive risk taking and aligns with shareholder interests.</p> <p>Performance metrics reflect the key performance drivers of the annual business plan, achievement of which will reflect performance in line with the Group's strategy.</p>
Operation	<p>Performance measures, targets and weightings are reviewed annually and set in line with the annual business plan.</p> <p>Bonus payments are determined by the Committee after the year end, based on performance against the targets set.</p> <p>50% of any bonus payable is paid in cash with the remaining 50% deferred into SJP shares, the vesting of which is normally subject to a three year continuous service requirement.</p> <p>Dividends that accrue on the deferred shares are paid to the Executive Directors during the three-year deferral period.</p> <p>All bonus payments are at the discretion of the Committee.</p> <p>The Committee has the overriding discretion to scale back payments under the strategic part of the annual bonus if it deems them to be inappropriate in the context of the overall financial results of the Company.</p> <p>The Remuneration Committee has the over-riding discretion to adjust the bonus outcome up or down (subject to the overall 150% maximum) to take account of factors such as an exceptional positive or negative event.</p> <p>Annual bonus payments including deferred amounts are subject to claw-back if there is found to have been a material mis-statement, error or misconduct following the payment of the bonus.</p>
Maximum opportunity	150% of base salary.
Performance metrics	<p>Performance measured over one year.</p> <p>At least half the bonus is based on financial measures reflecting the key priorities of the business for the relevant year.</p> <p>Up to half of the annual bonus can be based on the achievement of key strategic objectives set at the start of the year.</p> <p>Actual measures and weightings may change from year to year to reflect the business priorities at that time.</p> <p>Details of performance criteria set for the year under review and performance against them is provided in the Annual Report on Remuneration.</p> <p>20% of the annual bonus vests for threshold performance.</p>

## Performance Share Plan

Purpose and link to strategy including choice of performance metrics	<p>Incentivises the Directors to achieve superior long term shareholder returns.</p> <p>Provides long term retention.</p> <p>Focuses the Executives on longer term corporate performance and performance objectives.</p> <p>A mix of three performance conditions provides an appropriate balance of targets that both incentivise the Executives to achieve stretching long-term financial performance while also keeping their interests aligned to those of shareholders.</p>
Operation	<p>Awards are granted annually with vesting on the third anniversary of the date of grant dependent on the achievement of stretching performance conditions measured over a period of three financial years.</p> <p>Metrics and targets are set in line with the business plan and are reviewed annually to ensure they remain appropriate as well as the weighting between them.</p> <p>Awards in 2015 and beyond will be made under the performance share plan, approved by shareholders at the AGM in 2014, and will have a post vesting holding period of two years (net of tax). Dividend equivalents may accrue on awards made between the date of grant and the end of the two year post vesting holding period. These dividend equivalents will be released only to the extent that awards vest.</p> <p>Subject to claw-back in the event of a material misstatement, error or misconduct allowing summary dismissal.</p>
Maximum opportunity	<p>The maximum annual award under the plan rules is 250% of salary as at date of grant although the Committee will not increase above the 2015 award levels without prior consultation with the Company's major shareholders.</p> <p>The PSP award levels for 2014 (as in 2013) will be 190% of salary for the Chief Executive and 175% of salary for the other Executive Directors (value of shares at date of award).</p> <p>The Committee intends to increase the PSP award levels for 2015 to 200% of salary for the Chief Executive and 190% of salary for the other Executive Directors (value of shares at date of award).</p>
Performance metrics	<p>The vesting of awards is dependent on the achievement of three equally weighted performance measures as set out below. The Committee may choose alternative measures and weightings between them if it deems it appropriate taking into account the strategic objectives of the Company. The vesting of at least one-third of the PSP award will however be determined by a relative TSR target.</p> <p>The performance targets for the 2015 PSP awards will be based on:</p> <ul style="list-style-type: none"> <li>– EPS growth based on EEV adjusted profit;</li> <li>– EPS growth as above but excluding the impact of the EEV unwind of the discount rate (effectively excluding the impact of stock market movements on earnings); and</li> <li>– relative TSR performance.</li> </ul> <p>For each performance condition, a threshold and stretch level of performance is set. At threshold, 25% of the relevant element vests.</p>

# Directors' Remuneration Report *continued*

## for the year ended 31 December 2014

### Pension

Purpose and link to strategy including choice of performance metrics	Helps recruit and retain Executives.  Provides a discrete element of the package to contribute to post-retirement lifestyle.
Operation	Defined contribution pension scheme. 20% of salary is paid into the Group personal pension scheme for the Executive or an equivalent cash amount via non-pensionable salary supplement if the Executive is affected by the pension cap.
Maximum opportunity	20% of base salary.
Performance metrics	N/A

### Other Benefits

Purpose and link to strategy including choice of performance metrics	Operate competitive benefits to help recruit, retain and support the well-being of employees.
Operation	Including but not limited to:  Company car (or salary supplement in lieu), private medical insurance, life, critical illness and death in service cover, relocation assistance where necessary and the use of a driver for business purposes.  Participation in the Group's all employee SIP and SAYE schemes.
Maximum opportunity	Benefit costs are monitored and controlled and represent a small element of total remuneration costs.
Performance metrics	N/A

### Non-executive Directors' Fees

To attract high quality, experienced Non-executive Directors.

The Chairman is paid an all-encompassing annual fee, which is reviewed periodically by the Committee.

All Non-executive Directors receive a basic annual fee for carrying out their duties, together with additional fees being paid in respect of Board Committees and other responsibilities, with fee levels reviewed periodically by the Board. They may also be paid additional fees (calculated at an appropriate day rate) in the event of exceptional levels of additional time being required, for instance in response to corporate developments.

There is no prescribed maximum annual increase. Reviews take into account market data for similar non-executive roles in other companies of a similar size and/or business to St. James's Place as well as the time commitment of its Non-executive Directors.

The Company's policy is to pay up to the mid-market level based on similar time commitments of chairman and non-executives in similar sized companies.

The performance measures and targets that are set for the Executive Directors' annual bonus and PSP awards are carefully selected to align with the Company's strategic and key performance indicators.

For the annual bonus financial and strategic measures are reviewed and selected by the Committee annually. The measures selected and weighting between them may vary annually depending on the key priorities of the business for the year ahead. Robust and demanding targets will be set annually taking into account the economic environment, market expectations and the Company's budget and business plan for the year ahead. EEV operating profit is used to assess financial performance as this measure reflects a number of key metrics including new business, persistency, retention of funds under management and cost control. The balance is determined based on strategic measures set annually on a balanced scorecard basis.

The Company has used a comparative TSR measure and EPS growth targets for the PSP for a number of years in line with the Group's strategy of delivering profitable growth and superior returns to its shareholders. The Committee will continue to review the choice of performance measures and the appropriateness of targets prior to each PSP award being made and will set robust and stretching measures for any alternative measures used. For the EPS growth measure stretching targets will be set annually taking into account the economic environment, market expectations and the Company's budget and business plan at that time. For the comparative TSR measure the Committee's policy is to set threshold vesting for median performance rising to full vesting for upper quartile performance. The Committee will assess annually the appropriateness of the TSR comparator group.

No performance targets are set for the SAYE and SIP awards as these form part of all employee arrangements designed to encourage employees across the Group to purchase shares in the Company.

### Shareholding Guidelines

Executives are required to build and maintain a shareholding equivalent to 150% of base salary. Until the threshold is reached, 50% of vested shares from the PSP and other share awards (less tax liability) must be retained. Executives are also required to hold a further 50% of salary in shares and/or in one or more SJP funds, thus providing further alignment with shareholders and clients.

### Annual Bonus Plan and Share Plan Policy

The Committee will operate the annual bonus plan, deferred bonus plan, PSP and all-employee share plans according to the rules of each respective plan and consistent with normal market practice and the Listing Rules, where relevant. The Committee will retain flexibility in a number of areas regarding the operation and administration of these plans, including (but not limited to) the following:

- Who participates in the plans;
- When to make awards and payments;
- How to determine the size of an award, a payment, or when and how much of an award should vest;
- How to deal with a change of control or restructuring of the Group;

- In the case of stated good leaver reasons or otherwise, whether a Director is a good/bad leaver for incentive plan purposes and whether and what proportion of awards vest at the time of leaving or at the original vesting date(s) as relevant; and
- How and whether an award may be adjusted in certain circumstances (e.g. for a rights issue, a corporate restructuring or for special dividends).

The Committee also retains the discretion within the policy to adjust targets and/or set different measures and alter weightings for the annual bonus plan and the PSP if events happen that cause it to determine that the original targets or conditions are no longer appropriate and the amendment is required so that the targets or conditions achieve their original purpose and are not materially less difficult to satisfy.

The use of discretion would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be subject to consultation with the Company's major shareholders.

### Awards made prior to the Effective Date

For the avoidance of doubt, in approving the Policy Report, authority was given to the Company to honour any commitments entered into with current or former Directors that have been disclosed to shareholders in previous remuneration reports. This includes all historic awards that were granted under any current or previous share schemes operated by the Company but remain outstanding (detailed on pages 84 and 85 of this Report) and which will remain eligible to vest based on their original award terms. Details of any payments to former Directors will be set out in the Annual Remuneration Report as they arise.

### Approach to Remuneration for Recruitment and Promotions

The Committee would aim to set a new Executive Director's remuneration package in line with the Company's approved policy at the time of appointment. The Committee will take into account, in arriving at a total package and in considering the quantum for each element of the package, the skills and experience of the candidate, the market rate for a candidate of that experience as well as the importance of securing the best candidate. For new appointments, base salary and total remuneration may be set initially at below normal market rates on the basis that it may be increased once expertise and performance has been proven and sustained.

Annual bonus potential will not exceed 150% of salary and long-term incentives will not exceed 250% of salary (not including any arrangements to replace forfeited deferred pay). Participation in the annual bonus plan and Performance Share Plan will normally be pro-rated for the year of joining and different performance measures may be set from those applying to the other Directors, if it is appropriate to do so to reflect the individual's responsibilities and the point in the year in which they joined the Board.

# Directors' Remuneration Report *continued*

## for the year ended 31 December 2014

The Committee may make additional cash and/or share-based awards as it deems appropriate and if the circumstances so demand to take account of deferred pay forfeited by an executive on leaving a previous employer. Awards to replace deferred pay forfeited would, where possible, reflect the nature of awards forfeited in terms of delivery mechanism (cash or shares), time horizons, attributed expected value and performance conditions. Other payments may be made in relation to relocation expenses and other incidental expenses as appropriate.

In the case of an internal appointment, any variable pay element awarded in respect of the prior role would be allowed to pay out according to its terms and any other ongoing remuneration obligations existing prior to appointment would continue.

If appropriate and in exceptional circumstances the Committee may agree, on the recruitment of a new executive, a notice period of in excess of 12 months but reducing to 12 months over a specified period.

For the appointment of a new Chairman or Non-executive Director, the fee arrangement would be set in accordance with the approved remuneration policy at that time.

### Risk Management

Risk is managed within the remuneration policy through the Committee:

- Taking into consideration the recommendations contained in any applicable Remuneration Codes and associated guidance which apply to the St. James's Place Group.
- Structuring the annual bonus plan to contain a mix of financial and strategic performance metrics, where performance conditions are tailored to the business outlook and strategy, including the management of risk within the business. The Committee also retains the discretion to reduce the bonus out-turn where appropriate.
- Assessing the performance metrics from a risk perspective, with input from the Chairman of the Risk Committee.
- Requiring deferral of 50% of annual bonus payments into St. James's Place shares which are deferred for three years.
- Requiring the Executive Directors to retain shares acquired on vesting of PSP awards granted from 1 January 2015 for a two year period post the date of vesting (net of tax).
- Ensuring that the majority of the incentive pay comes in the form of a long-term incentive plan subject to stretching performance targets measured over multi-year performance periods, with the performance period for subsequent awards overlapping the previous award, together with an additional two year holding period. This ensures that there is no particular incentive to maximise performance over a particular period.
- Incorporating claw back into the Company's bonus and long term incentive plans.
- Requiring the Executive Directors to build and maintain a substantial shareholding in the Company.

### Remuneration Policy across the Group

The remuneration policy for the Executive Directors is designed with regard to the policy for employees across the Group as a whole and the Committee aims, where appropriate, for there to be a consistent approach applied. For instance, the suite of benefits in kind is generally consistent (other than in relation to quantum) and all employees participate in annual bonus plans. All employees, including the Executive Directors, are offered the opportunity to participate in the Group's SAYE Share Option Plan and Share Incentive Plan. Senior managers participate in the long-term incentive plan.

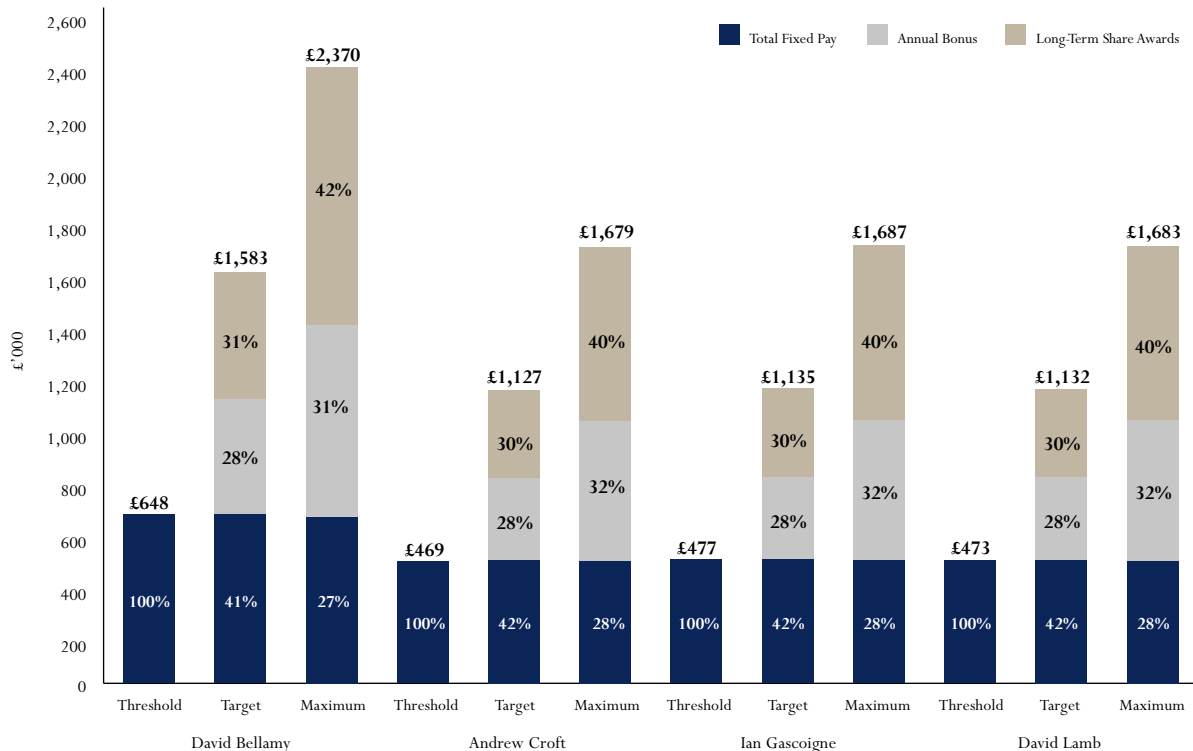
The remuneration policy for the Executive Directors is more weighted towards variable pay than for other employees to make a greater part of their pay conditional on the successful delivery of business strategy, and in line with shareholder interests. In addition, more of senior level remuneration is deferred than is the case for the workforce as a whole.

Employees were not consulted in respect of the Directors' remuneration policy, but the Committee does consider the remuneration arrangements for the broader employee population when determining the policy for the Executive Directors.



## Remuneration Scenarios for Executive Directors

The chart below shows how the proportion of each Executive Director's remuneration package varies at different levels of performance in accordance with the policy to be implemented in 2015 and using the assumptions set out below. A significant proportion of remuneration is linked to performance, particularly at maximum performance levels.



### Assumptions

Threshold = fixed pay only (salary, benefits and pension).

Target = fixed pay plus 60% vesting of the annual bonus and 50% vesting of PSP awards.

Maximum = fixed pay plus 100% vesting of the annual bonus and PSP awards.

Salaries used are those applying on 1 March 2015 and taxable benefits are those reported for the year ending 31 December 2014.

Pension is based on 2015 policy applied to 1 March 2015 salaries.

Amounts have been rounded to the nearest £1,000. Participation in all employee plans, dividends payable on PSP awards over the vesting period or on deferred share bonus awards are not included in the above scenarios and the table assumes no increase to the share price.

### Service Contracts

The Company's policy is that service contracts may be terminated with 12 months' notice from either the Company or from the Executive Director (except in certain exceptional recruitment situations where a longer notice period from the Company may be set provided it reduces to a maximum of 12 months with a specified time limit). Service contracts do not contain a fixed end date.

Under their service contracts the Executive Directors are entitled to salary, pension contributions and benefits for their notice period (except on termination for events such as gross misconduct where payment will be for sums earned up to the date of termination with no notice period only). The Company would seek to ensure that any payment is mitigated by use of phased payments and offset against earnings elsewhere in the event that an Executive Director finds alternative employment during his notice period. There are no contractual provisions in force other than those set out above that impact any termination payment.

# Directors' Remuneration Report *continued*

## for the year ended 31 December 2014

In summary the position on cessation of employment is as follows:

Provision	Detailed terms
Notice period	12 months by either party.
Termination payment	Base salary plus benefits (including pension). An express obligation on the Executive to mitigate his loss. Payments can be made on a monthly basis and reduced if an Executive is able to secure alternative employment. In addition any statutory amounts would be paid as necessary.
Remuneration entitlements on cessation	A pro-rata bonus may also become payable for the period of active service along with the vesting of outstanding share awards (in certain circumstances as described below).
Change of control	As on termination and with remuneration entitlements as described above.

When considering the size of any proposed termination payment, the Committee would take into account a number of factors including the health, length of service and performance of the relevant executive, including the duty to mitigate his own loss, with a broad aim to avoid rewarding poor performance while dealing fairly with cases where the departure is due to other reasons, for example illness or redundancy.

Any unvested awards held under the PSP schemes will lapse at cessation, unless the individual is leaving for certain reasons (defined under the plan as death, injury, ill-health, disability, redundancy, retirement, his office or employment being either a company which ceases to be a Group member or relating to a business or part of a business which is transferred to a person who is not a Group member, or any other reason the Committee so decides). In these circumstances, unvested awards will normally vest at the normal vesting date (unless the Committee decides they should vest at cessation) subject to performance conditions being met and scaling back in respect of actual service as a proportion of the total vesting period (unless the Committee decides that scaling back is inappropriate). The same approach applies on a change of control.

Any unvested awards held under the Deferred Bonus Scheme will lapse at cessation unless the Committee determines otherwise. In these circumstances the Committee may determine that unvested awards will vest at the cessation (unless the Committee decides they should vest at the normal vesting date).

The Committee may agree to the payment of disbursements such as legal costs and outplacement services if appropriate and depending on the circumstances of the leaving Executive.

### Non-executive Directors' Letters of Appointment

The Non-executive Directors (including the Chairman) do not have service contracts or any benefits in kind arrangements and do not participate in any of the Group's pension or incentive arrangements. The appointment of each Non-executive Director can be terminated by giving three months' notice (subject to annual re-appointment at the AGM). Any period of service longer than six years is subject to particularly rigorous review by the Nomination Committee of the Board. The Non-executive Directors' letters of appointment do not provide for any payment on termination except for accrued fees and expenses to the date of termination.

The terms and conditions of Executive Directors' service contracts and the letters of appointment of the Non-executive Directors are available for inspection at the Company's registered office during normal business hours and at the AGM, the details of which can be found on page 90.

### External Appointments

Executive Directors are permitted to be appointed to an external board or committee so long as this is unlikely to interfere with the business of the Group. Any fees received in respect of external appointments are retained by the relevant Executive Director. Currently, the only Executive Director who acts as a non-executive director on the Board of another listed company, is David Lamb, who is a non-executive director of The Henderson Smaller Companies Investment Trust plc.

## Annual Report on Remuneration

The Annual Remuneration Report below will be put to an advisory shareholder vote at the 2015 AGM. The information on pages 80 to 86 has been audited where indicated.

### How the Committee operates to set the Remuneration Policy

The Remuneration Committee, on behalf of the Board, determines the Company's remuneration policy and the remuneration packages of the Executive Directors of the Company and the Chairman. In addition, the Committee monitors the remuneration of the senior management team, including the Group Risk Director and his senior colleagues in the Risk Division (including employees classified as Code Staff) and oversees the operation of the executive long term incentive schemes and all employee share schemes.

The membership and terms of reference of the Committee are reviewed annually and the terms of reference are available on the Company's website.

### Membership of and Attendance at the Remuneration Committee Meetings

Simon Jeffreys and Roger Yates were appointed as members of the Committee from 1 January 2014. Sarah Bates stepped down as Chairman of the Committee after the AGM in May 2014, to be replaced by Roger Yates. Details of attendance at the meetings of the Remuneration Committee throughout the year can be found on page 55.

The Committee receives advice from several different sources:

- The Company Secretary who acts as Secretary to the Committee and provides advice on corporate governance, legal and regulatory issues as well as the design and operation of the long term incentive schemes.
- Members of the executive team or other third parties as the Committee sees fit including:
  - the Chief Executive to provide information on corporate or individual performance to the Committee, or to provide recommendations regarding the remuneration packages of individual Directors;
  - the Chairman to provide information on the performance of individual Directors, including the Chief Executive;
  - the Chief Financial Officer to provide explanations on financial information relating to the Group;
  - the Chairman of the Risk Committee as part of the Company's risk management process; and
  - New Bridge Street as independent adviser to the Committee.

Any recommendations from the management team are discussed by the Committee and adopted or amended as the Committee sees fit. No Director is present at any part of a meeting of the Committee when their individual remuneration or contractual terms are being discussed.

### Advisers to the Committee

The Committee is advised by independent remuneration consultants New Bridge Street (NBS). NBS's appointment as adviser to the Committee is reviewed annually by the Committee.

NBS provided advice to the Committee on remuneration matters generally, including on executive pay, the legislation on remuneration reporting and incentive plans which are of particular relevance to the Company. NBS is a signatory to the Remuneration Consultants' Code of Conduct, which requires its advice to be impartial. NBS has confirmed to the Committee its compliance with the Code.

The total fees paid to New Bridge Street for the advice provided to the Committee during the year were £100,047 (excluding VAT). Fees are charged predominately on a 'time spent' basis.

NBS has not provided any other services to the Company during the year. However, certain subsidiaries of Aon plc, the parent company of NBS, have provided some consultancy work relating to property fund monitoring and hedge funds to the Investment Committee and the fees for this work during 2014 were £128,140 (excluding VAT). The Committee has been advised of the basis on which NBS is organised and managed as part of the wider Aon organisation and the basis on which its staff are remunerated and is satisfied that the additional services provided by other Aon group companies did not in any way compromise the independence of advice provided by NBS to the Committee.

### Engagement with Shareholders

As explained in last year's Remuneration Report, during 2013, the Remuneration Committee reviewed the Remuneration Policy for the Executive Directors and other senior executives. As part of this process, it sought the views of the Company's major shareholders and investor representatives and was pleased that shareholders overwhelmingly approved the Group's remuneration policy at the 2014 AGM (99.85% voted in favour of the resolution).

The Committee is updated on the latest views of major shareholders (and their representative bodies) through meetings with investors (and their representative bodies) and from various written communications received including published guidelines and the Chairman of the Committee is happy to meet with shareholders on request to discuss any concerns regarding remuneration issues, should they arise.

# Directors' Remuneration Report *continued*

## for the year ended 31 December 2014

### How the Remuneration Policy will be applied for 2015

#### 2015 Salary Review

The base salaries of the Executive Directors are not being increased in 2015. However the Committee retains the discretion to award salary increases in line with the Directors' remuneration policy in future years.

The current salaries as at 1 March 2014 and from 1 March 2015 are as follows:

Director	Salary from 1 March 2014	Salary from 1 March 2015	Increase from 1 March 2014 to 1 March 2015
David Bellamy	£492,000	<b>£492,000</b>	0%
Andrew Croft	£356,000	<b>£356,000</b>	0%
Ian Gascoigne	£356,000	<b>£356,000</b>	0%
David Lamb	£356,000	<b>£356,000</b>	0%

#### Annual Bonus

The Executive Directors' maximum bonus opportunity for 2015 will be the same as for 2014 being 150% of salary. Half of the annual bonus will be determined by EEV operating profit and half by key strategic targets.

50% of the annual bonus earned for performance in 2015 will be paid in cash and the remaining 50% will be deferred in SJP shares for a three year period and subject to continued service.

The EEV operating profit target set by the Committee is based on a sliding scale to progressively reward incremental performance. The EEV result is calculated based on 'best estimate' assumptions and any deviation or changes from these assumptions are reported as an experience variance or an operating assumption change. In setting the operating profit target for the year it is assumed the combined operating experience variance and operating assumption changes will have a neutral impact on the outcome for the year. In setting the 2015 EEV Operating Profit target, the Committee maintained the new business and expense growth objectives at the same level as in previous years. However, it was recognised that, in comparison to the 2014 operating profit target, the 2015 contribution to operating profit from the unwind of the discount rate will be negatively impacted by the lower discount rate, due to the 1.2% reduction in the UK ten-year Government gilt yield during 2014.

The Board considers that the performance targets for the annual bonus are commercially sensitive and is not disclosing them at this time. The performance metrics and performance against them will be disclosed in the 2015 Remuneration Report to the extent that they do not remain commercially sensitive at that time.

The team element of the 2015 annual bonus will be assessed by reference to key strategic targets based around the 2015 business plan, including elements relating to clients, shareholders and other key stakeholders. Specific objectives include: the delivery of excellent service to the Group's clients as measured by surveys and other client feedback; enhancing the range of investment funds and maintaining strong investment performance; the successful recruitment and retention of high quality new Partners; successfully implementing the new administration system and transferring certain existing assets onto the new system; successfully controlling and mitigating the material risks that could impact the Group; and maintaining the Group's good relations with its shareholders and regulators.

## Performance Share Plan Awards

As set out in the policy approved by shareholders at the 2014 AGM the Executive Directors will each receive a PSP award in 2015 of 190% of salary, except for David Bellamy who will receive a PSP award of 200% of salary.

The PSP awards to be granted in 2015 will be subject to a relative TSR performance condition for one-third of the award and earnings per share growth targets for two-thirds of the award as follows:

Performance level hurdle	TSR relative to the FTSE 51 to 150 (Note 1)		Average annual adjusted EPS growth (including the unwind of the discount rate) in excess of RPI (Note 2)		Average annual adjusted EPS growth (excluding the unwind of the discount rate) in excess of RPI (Note 2)	
	Performance required	% of one third of award vesting	Performance required	% of one third of award vesting	Performance required	% of one third of award vesting
Below threshold	Below Median	0%	Below 5%	0%	Below 5%	0%
Threshold	Median	25%	At least 5%	25%	At least 5%	25%
Stretch or above	Upper Quartile or above	100%	16% or above	100%	16% or above	100%

Note 1:

FTSE 51 to 150, excluding investment trusts and companies in the FTSE oil, gas producers and mining sectors. Straight line vesting occurs in between threshold and maximum vesting.

Note 2:

The first EPS performance condition is calculated by reference to adjusted consolidated profit after tax on the EEV basis of accounting for both the life and unit trust businesses (on a fully diluted per share basis). The effect of the adjustment to the consolidated after tax figures will be to strip out the post tax EEV investment variance and any economic assumption change in the final year of the performance period as these factors are not within the control of management and can produce wide variations to reported earnings due to stock market fluctuations. However, this measure of EPS is still impacted by stock market movements in the prior year due to the impact of any such movements on the unwind of the discount rate in the current year.

The second EPS performance condition is calculated in a similar way to the first EPS condition, save that a further adjustment is made to strip out the impact of the unwind of the discount rate. This adjustment eliminates any direct impact of stock market volatility and changes in the economic assumptions throughout the whole three-year period of the performance condition.

Straight line vesting occurs in between threshold and maximum vesting.

## Fees for the Chairman and Non-executive Directors

The fees for the Chairman and Non-executive Directors from 1 January 2014 to 30 June 2014 are as set out in column 1 below. In early 2014 the Executive Directors and Chairman reviewed the Non-executive Directors fee structure with a view to simplification. The simplified structure provides a higher base fee which includes committee membership (rather than paying a base fee and additional committee membership fees). The additional fee for the Chairmanship of a Committee continues. This revised fee structure was implemented from 1 July 2014 and is set out in column 2 below. The revised fee structure did not result in an aggregate increase to the fees paid to the Non-executive Directors in the second half of 2014, when compared to the first half of 2014, although the fees paid to some Non-executive Directors increased due to taking on additional responsibilities. For 2015, the fees of the Chairman and the Non-executive Directors have been increased by 3%, in recognition of their increased workload, regulatory responsibilities and the size of the Group. The 2015 fee levels are set out in column 3 of the table below.

	(1)	(2)	(3)
	Fees to 30 June 2014	Fees from 1 July to 31 December 2014	Fees from 1 January 2015
Chairman	£170,000	£170,000	£175,100
Base fee	£27,000	£56,500	£58,200
Audit Committee Member	£16,250	N/A	N/A
Investment Committee Member	£26,000	N/A	N/A
Risk Committee Member	£13,000	N/A	N/A
Remuneration Committee Member	£9,750	N/A	N/A
Nomination Committee Member	£6,500	N/A	N/A
Committee Chair	£6,500	£16,000	£16,480
Senior Independent Director	£2,700	£2,700	£2,780



# Directors' Remuneration Report *continued*

## for the year ended 31 December 2014

### Remuneration Payable in respect of Performance in 2014

#### Directors' Remuneration (audited)

The following table sets out each element of remuneration for the years ended 31 December 2013 and 2014 (or period thereof for appointments or cessations during the year).

		Salary & fees	Benefits <sup>(i)</sup>	Annual bonus <sup>(ii)</sup>	Long-term incentives <sup>(iii)</sup>	Pension <sup>(iv)</sup>	Total
		£	£	£	£	£	£
<b>Executive Directors</b>							
David Bellamy	2014	489,667	57,867	701,100	1,847,115	97,933	3,193,682
	2013	475,833	59,516	563,244	2,168,891	95,167	3,362,651
Andrew Croft	2014	354,333	41,613	507,300	1,229,315	70,867	2,203,428
	2013	344,333	41,191	407,704	1,443,465	68,867	2,305,560
Ian Gascoigne	2014	354,333	49,508	507,300	1,229,315	70,867	2,211,323
	2013	344,333	47,619	407,704	1,443,465	68,867	2,311,988
David Lamb <sup>(vii)</sup>	2014	354,333	46,176	507,300	1,229,315	70,867	2,207,991
	2013	344,333	50,585	407,704	1,443,465	68,867	2,314,954
<b>Non-executive Directors</b>							
Sarah Bates (Chairman) <sup>(v)</sup>	2014	170,000					170,000
	2013	66,675					66,675
Vivian Bazalgette	2014	42,750					42,750
	2013	82,950					82,950
Iain Cornish <sup>(v)</sup>	2014	74,658					74,658
	2013	67,200					67,200
Simon Jeffreys	2014	68,167					68,167
	2013	–					–
Patience Wheatcroft <sup>(v)</sup>	2014	56,375					56,375
	2013	48,300					48,300
Roger Yates	2014	61,938					61,938
	2013	–					–

#### Notes:

- (i) Benefits comprise the entitlement to company car or cash equivalent, fuel, private health care, life and critical illness cover, permanent health insurance and health screening and are generally the amounts which are returned for taxation purposes.
- (ii) As explained on page 70, half of the annual bonus is paid in cash, with the other half being used to purchase St. James's Place shares which are subject to forfeiture for three years under the terms of the Deferred Bonus Scheme.
- (iii) The value of the long-term incentives is the value of shares vesting under the PSP scheme in the year (ie: the three year performance period ends in that year) together with the value of the dividends that would have been received during the three year performance period. The figures for 2014 have been calculated using the average of the SJP share price in the three month period to 31 December 2014, being £7.51, as the actual vesting date of the PSP award is on 26 March 2015. The figures for 2013 have been updated from the three month average figures used in last year's report (being £1,726,979 for David Bellamy and £1,149,358 for Andrew Croft, Ian Gascoigne and David Lamb) to take into account the SJP share price on the date of vesting on 15 March 2014, being £8.25.
- (iv) Contributions made to the money purchase group pension scheme for the Executive Directors, being 20% of base salary. To the extent that pension contributions were capped by legislation, a non-pensionable salary supplement was paid to the Executive Directors for the balance.
- (v) Sarah Bates was appointed Chair of the Board on 1 January 2014. The fee increases for Iain Cornish and Patience Wheatcroft between 2013 and 2014 are due to an increase in their Committee responsibilities and Iain Cornish becoming the senior independent director from 1 January 2014.
- (vi) Mike Wilson, a former director of the Company, was paid £200,000 in 2014 (£200,000 in 2013) in respect of his role as Chairman of the St. James's Place Foundation, assisting the Academy and mentoring various members of the St. James's Place Partnership.
- (vii) David Lamb was a non-executive director of the Henderson Smaller Companies Investment Trust plc during the year and was paid a fee of £19,375 in 2014 in connection with that role (2013: £4,500).

### Details of Variable Pay Earned in the Year

#### Annual Bonus

For the year under report, the performance conditions which applied to the bonus and the resulting payout under these were as follows:

Measure	Weighting (% of salary)	Weighting (% of maximum)	Threshold	Maximum value	Actual	Payout (% of salary)	Payout (% of maximum)
EEV operating profit range of between £497m and £549m (Note 1)	75%	50%	£497m	£549m	£596.4m	75%	50%
Strategic business plan objectives	75%	50%	Assessment by the Committee of the performance of the Executive Directors as a team in relation to the various objectives set by the Committee at the start of the year.		Performance assessed by the Committee as described more fully below.	67.5%	45%
<b>Total Payout</b>						<b>142.5%</b>	<b>95%</b>

Note 1: In setting the operating profit target for the year it was assumed that the combined operating experience variance and operating assumption changes would have a neutral impact on the outcome for the year. The actual outcome for the year included a combined positive impact to the operating profit from these two items of £81.5 million. The Committee concluded that this positive outcome was as a result of management action during the year and should therefore be included when assessing the bonus payout for the year.

## Annual Bonus Strategic Targets Performance Assessment

As described in other parts of the Report and Accounts, the Company delivered strong performance in 2014 for our clients, shareholders and other stakeholders. The Committee considered these three groups when setting the strategic targets for 2014, together with other objectives set out in the 2014 business plan. In serving our clients well, developing our employees and the Partnership for the future and striving to improve the effectiveness of our organisation, we will be best placed to meet our long-term business objectives, and create additional value for our shareholders. We also focus on the importance of safe and sustainable growth through prudent management of risk and the highest standards of regulatory compliance.

The Committee assessed how well the Executive team had performed in relation to the objectives set at the start of the year. The Committee did not place fixed weightings on the factors assessed, but made a judgement based on the Committee's view of the relative importance and impact of those factors over the course of the year. For some factors the Committee put in place quantitative metrics, and for others qualitative judgments were made, depending on the nature of the strategic objective.

As regards client satisfaction, the Committee took into account the following objectives:

- the independent client satisfaction survey results for 2014 were very strong and in some categories the results were the highest achieved since the annual survey began in 2007. In summary, 83% of clients rated their 'overall satisfaction' with SJP as 8 or more out of 10 (compared to 84% in 2013) and 83% of clients would be happy to recommend SJP to their contacts (compared to 81% in 2013). Client service continues to be a key differentiator with 88% of clients rating 8 or more out of 10 in relation to the statement 'SJP provides excellent client service.' In the annual Wealth Account survey, 94% of clients would recommend SJP to friends or contacts and 52% of those surveyed have done so already;
- clients continued to benefit from above average performance across the majority of funds, over a five and ten year period. Over the ten year period 65% of funds outperformed their peer group. As regards the range of standard fund portfolios available to clients, the majority of portfolios outperformed the relevant Investment Association sector in 2014, with 7 out of 8 portfolios outperforming the relevant Asset Risk Consultants (ARC) Private Client Index;
- the Group won a number of industry awards, further details of which are set out on page 40, many of which were voted on by clients; and
- the above factors, together with strong service levels, generally contributed to excellent retention of funds under management, with 96% of existing funds being retained (see page 32 for further details) and a 7% reduction in complaint levels compared to 2013.

In terms of strategic objectives designed to ensure the success of the business in the future, the Committee took into account:

- the growth in the size of the Partnership of 6.3% in 2014;
- the success of the Academy in attracting suitable candidates to the courses run in 2014, the establishment of a new Academy based in Manchester and 79 advisers graduating from the Academy and joining the Partnership in 2014;
- the high levels of retention for both employees and members of the Partnership, assisted by additional training and development opportunities for both the senior management team, the Partnership and the workforce generally;
- strong results from the employee survey conducted in 2014, with employee engagement measured at 87% (compared to 86% from the last survey in 2012) and significantly ahead of the financial services comparator group; and
- the improvement to documentation standards in relation to new business submitted by the Partnership.

In addition to the above, the Committee assessed and noted the satisfactory completion of the various strategic objectives set out in the business plan, including:

- the completion of the acquisition to purchase the Henley Group in Asia;
- continuing positive engagement with the Group's regulators;
- the completion of various objectives designed to enhance and strengthen the monitoring and mitigation of key regulatory risks impacting the Group;
- the introduction (on a pilot basis) of the new administration platform for some unit trust and ISA business;
- the continuing development of the Group's range of funds, the range of fund managers available to clients and the strengthening of the Investment Committee; and
- the ongoing success of the Group's CSR objectives, including raising a record £6m for the Foundation and expanding the volunteering opportunities available to employees.

Taking all the above strategic objectives into account, the Committee awarded a bonus of 67.5% of salary (90% of the maximum) under the team performance element of the annual bonus scheme, recognising that a high proportion of the strategic objectives were graded as 'outstanding' or 'above stretch' and that nearly all of the major business plan objectives had been satisfactorily completed.

### Notes

- (i) The Committee has the discretion to scale back the annual bonus payable in respect of the strategic measures if it considers it inappropriate in the context of the overall financial results of the Group. The Committee reviewed the Group's performance and agreed that no scale-back was appropriate.
- (ii) The Committee retains the discretion to amend each element of the bonus, up or down, within the overall cap of 150% of salary, to take into account other relevant factors such as the Group's performance compared to competitor organisations or, for instance, an exceptional positive or negative event which impacts the Group. The Committee reviewed the Group's performance as well as competitors and the external market at the end of the performance period and agreed that no adjustment was required.
- (iii) Half of the bonus is paid in cash, with the remainder being invested in the Company's shares and deferred for three years, under the Group's deferred bonus plan.

# Directors' Remuneration Report *continued*

## for the year ended 31 December 2014

### Long Term Incentive Awards

#### *Vesting of Performance Share Plan (PSP) awards (audited)*

On 31 December 2014, the awards made on 26 March 2012 under the PSP reached the end of their three year performance period. These will vest on 26 March 2015, being the third anniversary of the date of grant. The performance conditions which applied to the 2012 PSP awards, and the actual performance achieved against these conditions, are set out in the table below:

Performance level hurdle	TSR relative to the FTSE 250*		Average annual adjusted EPS growth (including the unwind of the discount rate) in excess of RPI		Average annual adjusted EPS growth (excluding the unwind of the discount rate) in excess of RPI	
	Performance required	% of one third of award vesting	Performance required	% of one third of award vesting	Performance required	% of one third of award vesting
Below threshold	Below Median	0%	Below 5%	0%	Below 5%	0%
Threshold	Median	25%	At least 5%	25%	At least 5%	25%
Stretch or above	Upper Quartile or above	100%	16% or above	100%	16% or above	100%
Actual Achieved	29 out of 168 companies Above Upper Quartile	100%	18.6%	100%	14.4%	89.1%

\* FTSE 250, excluding investment trusts and companies in the FTSE oil, gas and mining sectors.

Accordingly, the total percentage of the 2012 PSP awards vesting was 96.37%, which resulted in the following awards vesting to the Executive Directors:

Director	Total number of shares granted	Percentage of awards vesting	Number of shares vesting	Value of shares vesting (£'000) <sup>1</sup>
David Bellamy	242,220	96.37%	233,419	£1,753
Andrew Croft	161,206	96.37%	155,348	£1,167
Ian Gascoigne	161,206	96.37%	155,348	£1,167
David Lamb	161,206	96.37%	155,348	£1,167

Note 1: The deemed share price used to calculate the value of shares vesting was £7.51 being the 3 month average to 31 December 2014 (as the awards will not actually vest until 26 March 2015).

### Share Awards granted to the Executive Directors in 2014

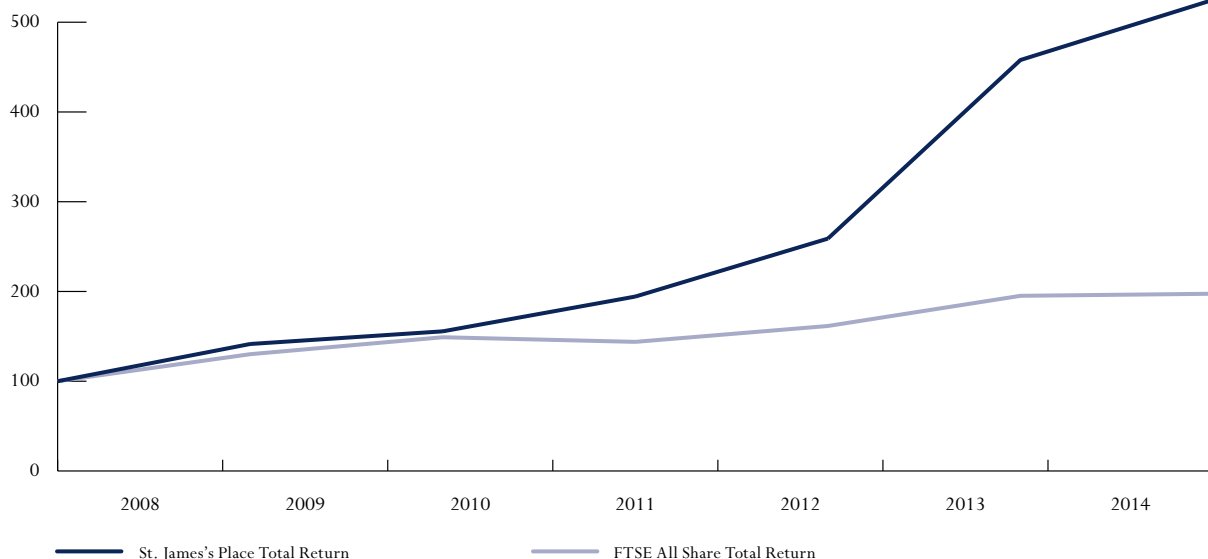
Director	Type of award	Basis of award granted	Average share price at date of grant	Number of SJP shares over which award was granted (Note 1)	Face value of award (£'000)	% of face value that would vest at threshold performance
David Bellamy	Nil cost option	190% of salary of £492,000	£8.515	109,782	£935	25%
Andrew Croft	Nil cost option	175% of salary of £356,000	£8.515	73,165	£623	25%
Ian Gascoigne	Nil cost option	175% of salary of £356,000	£8.515	73,165	£623	25%
David Lamb	Nil cost option	175% of salary of £356,000	£8.515	73,165	£623	25%

Note 1: The number of shares awarded was calculated based on the average share price over a period of three days prior to the date of grant on 26 March 2014, being £8.515 per share. The face value of the award figure is calculated by multiplying the number of shares awarded by the average share price figure of £8.515.

PSP awards are structured as nil cost options and there is therefore no exercise price payable on exercise. Dividend equivalents accrue to the Executive Directors between the date of grant and exercise of the award (up to a maximum of five years from date of grant), but are released only to the extent that awards vest. Further details of the performance conditions which apply to the awards are set out in Notes 1 and 2 on page 79.

## Total Shareholder Return Performance

The graph below shows a comparison of the Company's TSR performance against the FTSE All-Share index over the last six financial years. The Company considers this to be the most appropriate comparative index, given the broad nature of the index and the companies within it.



## Total Remuneration for the Chief Executive

The table below shows the total remuneration figure for the Chief Executive during each of the financial years shown. The total remuneration figure includes the annual bonus and long-term incentive awards which vested based on performance in those years (and ending in that year for PSP scheme awards).

	Year ending 31 December					
	2009	2010	2011	2012	2013	2014
Total Remuneration	£1,039,723	£1,495,600	£1,998,758	£2,410,380	£3,362,651	<b>£3,193,682</b>
Annual Bonus (% of maximum)	92%	96%	63%	46%	98%	<b>95%</b>
LTIP vesting (% of maximum)	0%	57%	83%	87%	95%	<b>96.37%</b>

The deemed value of the PSP award in the table above for 2014 is £1,752,997. Of this, £881,624 is due to increases in the SJP share price over the vesting period, being an increase of 101%.

The value of long-term incentive awards for 2014 has been calculated using the average of the SJP share price in the three month period to 31 December 2014, being £7.51, as the actual vesting date of the PSP award is on 26 March 2015. The 2013 figure for total remuneration has been updated by substituting the three month average figure used to calculate the value of long-term incentive awards in last year's report by a revised figure based on the SJP share price on the date of vesting on 15 March 2014, being £8.25.

## Relative Importance of Spend on Pay

The following table sets out the percentage change in profit, dividends and overall spend on pay in the year ending 31 December 2014, compared to the year ending 31 December 2013.

	2013 £'Million	2014 £'Million	Percentage change
Operating profit after tax	190.3	<b>187.9</b>	(1%)
Dividends	82.1	<b>120.7</b>	47%
Employee remuneration costs	88.6	<b>111.7</b>	26%

The increase in the employee remuneration costs in 2014 were largely due to an increase in employee headcount (partly as a result of the acquisition of the Henley Group in Asia), and an increase to the costs of share awards due to the headcount increase and the increase in the SJP share price.

# Directors' Remuneration Report *continued*

## for the year ended 31 December 2014

### Percentage Increase in the Remuneration of the Chief Executive

The table below shows the percentage movement in the salary, benefits and annual bonus for the Chief Executive between the current and previous financial year compared to that for the average Group employee.

	% change 2013 to 2014
<b>Chief Executive</b>	
Salary	2.9
Benefits (Note 1)	(2.8)
Bonus	24.5
<b>Average per Employee</b>	
Salary	3.2
Benefits	2.4
Bonus	12.9

Note 1: See Note (i) on page 80 for further details.

### Share Awards

The tables below set out details of share awards that have been granted to individuals who were Directors during 2014 and which had yet to vest at some point during the year.

#### Performance Share Plan – awards held in return for Qualifying Services during 2014 (audited)

Director	Balance at 1 January 2014	Granted in year <sup>(vi)</sup>	Lapsed in year <sup>(vi)</sup>	Exercised in year <sup>(vi)</sup>	Balance at 31 December 2014	Dates from which exercisable
David Bellamy	267,322 <sup>(i)</sup>	–	13,352	–	253,970	15 Mar 2014 to 15 Mar 2017
	242,220 <sup>(ii)</sup>	–	–	–	242,220	26 Mar 2015 to 26 Mar 2018
	176,178 <sup>(iii)</sup>	–	–	–	176,178	21 Mar 2016 to 21 Mar 2019
		109,782	–	–	109,782	26 Mar 2017 to 26 Mar 2020
Andrew Croft	177,912 <sup>(i)</sup>	–	8,887	–	169,025	15 Mar 2014 to 15 Mar 2017
	161,206 <sup>(ii)</sup>	–	–	–	161,206	26 Mar 2015 to 26 Mar 2018
	117,458 <sup>(iii)</sup>	–	–	–	117,458	21 Mar 2016 to 21 Mar 2019
		73,165	–	–	73,165	26 Mar 2017 to 26 Mar 2020
Ian Gascoigne	177,912 <sup>(i)</sup>	–	8,887	–	169,025	15 Mar 2014 to 15 Mar 2017
	161,206 <sup>(ii)</sup>	–	–	–	161,206	26 Mar 2015 to 26 Mar 2018
	117,458 <sup>(iii)</sup>	–	–	–	117,458	21 Mar 2016 to 21 Mar 2019
		73,165	–	–	73,165	26 Mar 2017 to 26 Mar 2020
David Lamb	177,912 <sup>(i)</sup>	–	8,887	–	169,025	15 Mar 2014 to 15 Mar 2017
	161,206 <sup>(ii)</sup>	–	–	–	161,206	26 Mar 2015 to 26 Mar 2018
	117,458 <sup>(iii)</sup>	–	–	–	117,458	21 Mar 2016 to 21 Mar 2019
		73,165	–	–	73,165	26 Mar 2017 to 26 Mar 2020

#### Notes:

- (i) These awards were made on 15 March 2011 when the St. James's Place share price was £3.14. The performance period is the three year period ending on 31 December 2013. The performance conditions, each in respect of one-third of the award, relate to (i) EPS (including the impact of the unwind of the discount rate, as described more fully on page 71), (ii) EPS excluding the impact of the said unwind and (iii) TSR compared to the FTSE 250 Index, excluding investment trusts and companies in the oil, gas and mining sectors. The EPS scale starts at RPI +5% for 25% of the award to vest and ends at RPI +16% for 100% of the award to vest, with pro rata vesting between the said points. The TSR sliding scale is between median and upper quartile, with 25% of the TSR part of the award vesting at median.
- (ii) These awards were made on 26 March 2012 when the St. James's Place share price was £3.733. The performance period is the three year period ending on 31 December 2014. The performance conditions, each in respect of one-third of the award, relate to (i) EPS (including the impact of the unwind of the discount rate, as described more fully on page 71) (ii) EPS excluding the impact of the said unwind and (iii) TSR compared to the FTSE 250 Index, excluding investment trusts and companies in the oil, gas and mining sectors. The EPS scale starts at RPI +5% for 25% of the award to vest and ends at RPI +16% for 100% of the award to vest, with pro rata vesting between the said points. The TSR sliding scale is between median and upper quartile, with 25% of the TSR part of the award vesting at median.
- (iii) These awards were made on 21 March 2013 when the St. James's Place share price was £5.07. The performance period is the three year period ending on 31 December 2015. The three performance conditions, each in respect of one-third of the award, relate to (i) EPS (including the impact of the unwind of the discount rate, as described more fully on page 71) (ii) EPS excluding the impact of the said unwind and (iii) TSR compared to the FTSE 250 Index, excluding investment trusts and companies in the oil, gas and mining sectors. The EPS scale starts at RPI +5% for 25% of the award to vest and ends at RPI +16% for 100% of the award to vest, with pro rata vesting between the said points. The TSR sliding scale is between median and upper quartile, with 25% of the TSR part of the award vesting at median. Up to 774 shares (being the maximum value under the £30k Inland Revenue cap on 'approved' share options) can be exercised via a linked award under an approved share option scheme with an exercise price of £5.155.
- (iv) These awards were made on 26 March 2014 when the St. James's Place share price was £8.515. The performance period is the three year period ending on 31 December 2016. The three performance conditions, each in respect of one-third of the award, relate to (i) EPS (including the impact of the unwind of the discount rate, as described more fully on page 71) (ii) EPS excluding the impact of the said unwind and (iii) TSR compared to the FTSE 51-150 Index, excluding investment trusts and companies in the oil, gas and mining sectors. The EPS scale starts at RPI +5% for 25% of the award to vest and ends at RPI +16% for 100% of the award to vest, with pro rata vesting between the said points. The TSR sliding scale is between median and upper quartile, with 25% of the TSR part of the award vesting at median. Up to 3,054 shares (being the maximum value under the £30k Inland Revenue cap on 'approved' share options) can be exercised via a linked award under an approved share option scheme with an exercise price of £8.515.
- (v) These awards lapsed due to the performance condition based on EPS (more fully described in note (i) above) not being fully satisfied and, as a result, 14.984% of the award lapsed at the end of the performance period (13,352 shares lapsed for David Bellamy and 8,887 shares lapsed for the other Executive Directors).
- (vi) None of the Directors exercised PSP awards in 2014.



**Deferred Bonus Scheme – Shares held during 2014 (audited)**

The table below sets out details of the awards held by the Directors under the deferred element of the annual bonus scheme during 2014:

Director	Balance at 1 January 2014	Released during year <sup>(i)</sup>	Awarded during year <sup>(ii)</sup>	Balance at 31 December 2014 <sup>(iii)</sup>	Vesting date
David Bellamy	77,558	77,558	–	–	15 Mar 2014
	49,563	–	–	49,563	26 Mar 2015
	24,591	–	–	24,591	21 Mar 2016
	–	–	33,924	33,924	26 Mar 2017
Andrew Croft	58,397	58,397	–	–	15 Mar 2014
	35,813	–	–	35,813	26 Mar 2015
	17,769	–	–	17,769	21 Mar 2016
	–	–	24,556	24,556	26 Mar 2017
Ian Gascoigne	58,397	58,397	–	–	15 Mar 2014
	35,813	–	–	35,813	26 Mar 2015
	17,769	–	–	17,769	21 Mar 2016
	–	–	24,556	24,556	26 Mar 2017
David Lamb	58,397	58,397	–	–	15 Mar 2014
	35,813	–	–	35,813	26 Mar 2015
	17,769	–	–	17,769	21 Mar 2016
	–	–	24,556	24,556	26 Mar 2017

Notes:

- (i) These deferred share awards were awarded on 15 March 2011 equal in value to the Executive's 2010 annual cash bonus. The St. James's Place share price on the date of the award was £3.14 and on the date of release (15 March 2014) was £8.25.
- (ii) These deferred share awards were awarded on 26 March 2014, equal in value to the Executive's 2013 annual cash bonus. These shares will be held for a restricted period ending on 26 March 2017. The St. James's Place share price on 26 March 2014 was £8.515.
- (iii) Outstanding awards at the year-end relate to deferred share awards awarded in 2012, 2013 and 2014 (see (ii) above). The share price at the date of the 2012 award (26 March 2012) was £3.733 and as at the date of the 2013 award (21 March 2013) was £5.07.
- (iv) Further details of the deferred element of the annual bonus scheme are set out on page 70. Dividends accrue to the Executive Directors during the three year period while the shares are subject to forfeiture.

**SAYE Share Option Scheme – Shares held during 2014 (audited)**

Details of the options held by the Directors in 2014 under the SAYE scheme and any movements during the year are as follows:

Director	Options held at 1 January 2014	Granted in year	Lapsed in year	Exercised in year	Options held at 31 December 2014	Exercise price	Dates from which exercisable
David Bellamy	3,040	–	–	–	3,040	£2.96	1 May 2015 to 31 Oct 2015
Andrew Croft	3,040	–	–	–	3,040	£2.96	1 May 2015 to 31 Oct 2015
Ian Gascoigne	3,272	–	–	–	3,272	£2.75	1 Nov 2015 to 30 Apr 2016
David Lamb	3,272	–	–	–	3,272	£2.75	1 Nov 2015 to 30 Apr 2016

Note:

- (i) At 31 December 2014 the mid-market price for St. James's Place shares was £8.145. The range of prices between 1 January 2014 and 31 December 2014 was between £6.480 and £8.795.

**Share Incentive Plan – Shares held during 2014 (audited)**

The table below sets out details of the awards held by the Directors under the Share Incentive Plan during 2014:

Director	Balance at 1 January 2014	Partnership shares allocated during year	Matching shares allocated during year	Dividend shares allocated during year	Balance at 31 December 2014	Holding period (matching shares)
Andrew Croft <sup>(i)</sup>	642	–	–	–	642	26 Mar 2010 to 26 Mar 2013
	325	–	–	–	325	26 Mar 2013 to 26 Mar 2016
Ian Gascoigne <sup>(ii)</sup>	502	–	–	–	502	28 Mar 2011 to 28 Mar 2014
	–	176	17	17	210	26 Mar 2014 to 26 Mar 2017

Notes:

- (i) No further shares were purchased for Mr Croft during 2014.
- (ii) 176 partnership shares were awarded on 26 March 2014 at a price of £8.515 per share, in return for £1,500 being deducted from Mr Gascoigne's pre-tax salary. A further 17 matching shares were awarded on the same date. The dividend received on all of Mr Gascoigne's shares in this plan was reinvested on 20 May 2014 to purchase an additional eight shares at a price of £7.555. The dividend received on all of Mr Gascoigne's shares in this plan was reinvested on 25 Sep 2014 to purchase an additional nine shares at a price of £7.23.
- (iii) The partnership, dividend and matching shares will be held by an employee benefit trust on behalf of the Director. The matching and dividend shares must be held for a minimum period of three years from the date of the award.

# Directors' Remuneration Report *continued*

## for the year ended 31 December 2014

Between 31 December 2014 and 24 February 2015 there were no exercises or other dealings in the Company's share awards by the Directors.

### Share Interests and Shareholding Guidelines (audited)

To align the interests of the Executive Directors with shareholders, the Executive Directors are required to build up a shareholding equivalent to 150% of salary, to be achieved through retaining at least 50% of their net of taxes gain arising from any shares vesting or acquired under the various incentive share plans, until such time as the upper limit of their share ownership target has been met. Executives are also required to hold a further 50% of salary in shares and/or in one or more St. James's Place fund portfolios, thus providing further alignment with shareholders and clients. Details of the Directors' interests in shares are shown in the table below. All of the Executive Directors have met the shareholding guideline.

### Directors' Interests in Shares

Director	Shares held at 1 January 2014	Shares held at 31 December 2014	% of base salary held in SJP shares as at 31 December 2014 <sup>(i)</sup>
David Bellamy	1,294,458	1,291,838	2,138%
Andrew Croft	803,738	785,980	1,798%
Ian Gascoigne	693,263	660,125	1,510%
David Lamb	415,003	381,162	872%
Sarah Bates	13,500	13,500	
Vivian Bazalgette <sup>(v)</sup>	20,000	–	
Iain Cornish	–	–	
Simon Jeffreys <sup>(vi)</sup>	–	18,364	
Patience Wheatcroft	1,500	2,500	
Roger Yates <sup>(vi)</sup>	10,000	10,000	

#### Notes:

- (i) Calculated using the mid market price at 31 December 2014 of £8.145.
- (ii) The interests of the Directors include those of their Connected Persons as defined in section 96B(2) of the Financial Services and Markets Act.
- (iii) The interests of the Executive Directors set out above include deferred bonus scheme awards held in trust for the Directors, details of which are set out on page 85. The interests of the Executive Directors also include awards under the Share Incentive Plan, details of which are set out on page 85.
- (iv) The Company's register of Directors' interests contains full details of Directors' shareholdings and any share awards under the Company's various share schemes.
- (v) Vivian Bazalgette ceased being a member of the Board with effect from 30 June 2014.
- (vi) Simon Jeffreys and Roger Yates were appointed Non-executive Directors on 1 January 2014.
- (vii) Disclosure of the Directors' interests in share awards is given on pages 84 and 85 of the Remuneration Report and also in Note 34 – Related Party Transactions.

Between 31 December 2014 and 24 February 2015 there were no transactions in the Company's shares by the Directors.

### Executive Directors' Shareholdings and Outstanding Share Awards

Director	Beneficially owned at 31 December 2014 <sup>(i)</sup>	Outstanding PSP awards (performance conditions) <sup>(ii)</sup>	SAYE options (no performance conditions) <sup>(iii)</sup>	Outstanding DBS awards (no performance conditions) <sup>(iv)</sup>	SIP shares (no performance conditions) <sup>(v)</sup>
David Bellamy	1,291,838	782,150	3,040	108,078	–
Andrew Croft	785,980	520,854	3,040	78,138	967
Ian Gascoigne	660,125	520,854	3,272	78,138	712
David Lamb	381,162	520,854	3,272	78,138	–

- (i) Beneficially owned shares include those DBS Awards and SIP Shares set out in columns (iv) and (v) above.
- (ii) Details on the PSP awards are set out on page 84.
- (iii) Details on the SAYE options are set on page 85.
- (iv) Details on DBS awards are set out on page 85.
- (v) Details on the SIP shares are set out on page 85.

### Dilution

Dilution limits agreed by shareholders at the time of shareholder approval of the various long term incentive schemes allow for the following:

- up to 5% of share capital in ten years to be used for grants to employees under discretionary schemes;
- up to 10% of share capital in ten years to be used for grants to employees under all employee share schemes; and
- up to 10% of share capital in ten years to be used for grants to employees and members of the St. James's Place Partnership under all share schemes i.e. both the employee and 'Partner' share schemes.

The table below sets out, as at 31 December 2014, the number of new ordinary shares in the Company which have been issued, or are capable of being issued (subject to the satisfaction of any applicable performance conditions) as a result of options or awards granted under the various long term incentive schemes operated by the Company in the ten years prior to 31 December 2014.

Share Scheme	Number of new ordinary shares of 15 pence each	% of total issued share capital as at 31 December 2014
SAYE schemes	3,876,708	0.75%
Executive share schemes	11,623,086	2.24%
Partners' share schemes	19,792,425	3.81%
<b>Total</b>	<b>35,292,219</b>	<b>6.80%</b>

In addition, as at 31 December 2014, the Group's Employee Share Trust held 2,048,288 shares in the Company which were acquired to satisfy awards made under the PSP and executive share option schemes.

A further 1,676,958 shares, registered to employees under the terms of the Group's deferred bonus scheme, have been allocated by the Group's Employee Share Trust. These shares are allocated to the relevant individuals on a restricted basis whereby the recipients are not entitled to the shares until completion of the three year restricted period. Further details of the deferred bonus scheme are set out on page 70.

### Interests in Shares Held in Trusts

Certain Executive Directors and employees are deemed to have an interest or a potential interest as potential discretionary beneficiaries under the St. James's Place Employee Share Trust. As such, they were treated as at 31 December 2014 as being interested in 2,048,288 ordinary shares of 15 pence in the Company, such shares being held by S G Hambros Trust Company (Channel Islands) Limited, the trustee of that trust.

### Statement of Shareholding Voting at AGM

At last year's AGM held on 14 May 2014, the Remuneration Policy for the Group and the Directors' Remuneration Report received the following votes from shareholders:

	Remuneration Report	
	Total number of votes	% of votes cast
For	340,809,682	99.83%
Against	187,505	0.06%
Abstentions	384,431	0.11%
<b>Total</b>	<b>341,381,618</b>	<b>100%</b>

	Remuneration Policy	
	Total number of votes	% of votes cast
For	333,159,283	97.59%
Against	499,327	0.15%
Abstentions	7,723,008	2.26%
<b>Total</b>	<b>341,381,618</b>	<b>100%</b>

This report was approved by the Board of Directors and signed on its behalf by

**Roger Yates**

*Chairman of the Remuneration Committee*

24 February 2015

# Directors' Report

The Directors present their Report and the Annual Report and Accounts and the audited consolidated financial statements of the Group for the year ended 31 December 2014. All of the Directors were in office throughout the financial year and up to the date of signing this report with the exception of Vivian Bazalgette, as detailed below.

For the purposes of compliance with DTR 4.1.5R(2) and DTR 4.1.8R, the required content of the "Management Report" can be found in the Strategic Report and the Directors' Report, including the sections of the Annual Report and Accounts incorporated by reference. Specific reference to CO<sub>2</sub> emissions can be found on page 43.

For the purposes of compliance with the UK Financial Conduct Authority's Listing Rules (LR 9.8.4C), the information required to be disclosed by LR 9.8.4 can be found in the following sections:

Interest Capitalised	Not applicable
Publication of Unaudited Financial Information	Not applicable
Details of Long Term Incentive Schemes	The Directors' Remuneration Report on pages 67 to 87
Waiver of Emoluments by a Director	Not applicable
Waiver of Future Emoluments by a Director	Not applicable
Non Pre-Emptive Issues of Equity for Cash	Not applicable
Item (7) in Relation to Major Subsidiary Undertakings	Not applicable
Parent Participation in a Placing by a Listed Subsidiary	Not applicable
Contracts of Significance	Directors' Report
Provision of Services by a Controlling Shareholder	Not applicable
Shareholder Waivers of Dividends	Directors' Report
Shareholder Waivers of Future Dividends	Directors' Report
Agreements with Controlling Shareholders	Not applicable

## Results and Dividends

The consolidated statement of comprehensive income is on pages 101 and 102 and profit for the financial year attributable to equity shareholders amounted to £187.9 million. An interim dividend of 8.93 pence per share, which equates to £46.1 million, was paid on 24 September 2014 (2013: 6.38 pence per share/£32.7 million). The Directors recommend that shareholders approve a final dividend of 14.37 pence per share, which equates to £74.6 million (2013: final dividend of 9.58 pence per share/£49.4 million) to be paid on 15 May 2015 to shareholders on the register at the close of business on 10 April 2015.

In 2012, the Directors introduced a Dividend Reinvestment Plan ('DRP'), details of which are set out on page 175.

## Status of Company

The Company is registered as a public limited company under the Companies Act 2006.

For details of the Company's subsidiaries and overseas branches, please see page 150.

## The Directors

Details of the Directors as at 24 February 2015 and their biographies are shown on pages 50 and 51. Brief particulars of the Directors' membership of the Board committees are contained in the Corporate Governance Report on pages 54 to 58.

Vivian Bazalgette resigned from the Board with effect from 30 June 2014. No additional payments or benefits were conferred upon him in relation to his departure.

The Company's Articles of Association require that any Director appointed during the year to fill a casual vacancy must stand for reappointment at the next Annual General Meeting and that, at each Annual General Meeting, all those Directors who were elected or last re-elected at or before the Annual General Meeting held in the third calendar year before the current year, shall retire from office by rotation. Directors can be removed from office by an ordinary resolution of shareholders or in certain other circumstances as set out in the Articles of Association.

In accordance with the recommendations of the UK Corporate Governance Code, the whole Board of Directors will retire by rotation at the Annual General Meeting in 2015. Before a Director is proposed for re-election by shareholders, the Chairman considers whether his or her performance continues to be effective and whether they demonstrate commitment to the role. After careful consideration, the Chairman is pleased to confirm that, following the performance evaluation referred to on page 56, the Directors seeking re-election continue to make a valuable contribution to the Board and continue to dedicate sufficient time to their duties. Your Directors each bring a great deal of experience and expertise to the Board as a result of their varied careers and we believe this diversity is essential to contributing to the appropriate mix of skills and experience needed by the Board and its committees in order to protect shareholders' interests. The Board therefore recommends to its shareholders that all the Directors retiring at the forthcoming Annual General Meeting should be re-elected.

Except as stated in the Directors' Remuneration Report, no Director has, or has had during the year under review, any material interest in any contract or arrangement with the Company or any of its subsidiaries. Details of all Executive Directors' service contracts are set out in the Remuneration Report on page 75.

The Company does not have agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a takeover, except that provisions in the Company's share schemes may, in certain circumstances, cause share awards granted to employees under such schemes to vest on a takeover.

### **Power of the Directors**

The Directors are responsible for managing the business of the Company and their powers are subject to any regulations of the Articles, to the provisions of the Statutes and to such regulations as may be prescribed by Special Resolution of the Company.

The Company's Articles of Association contain, for example, specific provisions and restrictions concerning the Company's power to borrow money. They also provide that Directors have the power to allot unissued shares, up to pre-determined levels set and approved by shareholders in general meetings. This also applies to the Directors allotting equity securities otherwise than in accordance with statutory pre-emption rules.

### **Share Capital**

#### **Structure of the Company's Capital**

As at 31 December 2014, the Company's issued and fully paid up share capital was 519,447,391 ordinary shares of 15 pence each. All ordinary shares are quoted on the London Stock Exchange and can be held in uncertificated form via CREST. Details of the movement in the issued share capital during the year are provided in Note 31 to the financial statements on page 144.

#### **Voting Rights**

At any General Meeting, on a show of hands, each member who is present in person has one vote and every proxy present who has been duly appointed by a member entitled to vote on a resolution has one vote. On a poll, every member who is present in person or by proxy shall have one vote for every share of which he is the holder.

Forms appointing a proxy sent by the Company to shareholders, in relation to any General Meeting, must be received by the Company or their registrars not less than 48 hours before the time appointed for holding of the meeting or adjourned meeting.

#### **Restrictions on Voting Rights**

If any shareholder has been sent a notice by the Company under section 793 of the Companies Act 2006 and failed to supply the relevant information for a period of 14 days, then the shareholder may not (for so long as the default continues) be entitled to attend or vote either personally or by proxy at a shareholders' meeting, or to exercise any other right conferred by membership in relation to shareholders' meetings.

If those default shares represent at least 0.25 per cent of their class, any dividend payable in respect of the shares will be withheld by the Company and (subject to certain limited exceptions) no transfer, other than an excepted transfer, of any shares held by the member in certificated form will be registered.

#### **Articles of Association**

The full rights and obligations attaching to the ordinary shares of the Company are set out in the Articles of Association. The articles can be amended by a special resolution of the members of the Company and copies can be obtained from Companies House. Holders of ordinary shares are entitled to receive the Company's Reports and Accounts; attend, speak and exercise voting rights; and appoint proxies to attend general meetings.

### **Restrictions on Share Transfers**

There are restrictions on share transfers, all of which are set out in the Articles of Association. Restrictions include transfers made in favour of more than four joint holders and transfers held in certificated form. Directors may decline to recognise a transfer, unless it is in respect of only one class of share and lodged (and duly stamped) with the Transfer Office. The Directors may also refuse to register any transfer of shares held in certificated form which are not fully paid. Directors may also choose to decline requests for share transfers from a US Person (as defined under Regulation S of the United States Securities Act 1933) that would cause the aggregate number of beneficial owners of issued shares who are US Persons to exceed 70.

The registration of transfers may be suspended at such times and for such periods (not exceeding 30 days in any year) as the Directors may from time to time determine in respect of any class of shares.

The Company is not aware of any agreements between shareholders that restrict the transfer of shares or voting rights attached to the shares.

### **Employees**

Details of the Company's approach to maintaining an appropriately skilled and diverse workforce can be found in the Strategic Report on page 11. The Company has a policy of ensuring that no discrimination takes place with regards to its job applicants and employees. Appointments and promotions are made based on fair and considered judgements, with the individuals being assessed on their merits and skill sets. In particular, we strive to give full and fair consideration to applications from and promotions of disabled people, having regard to their particular aptitudes and abilities, and where appropriate, we will consider modifications to the working environment so they can take up opportunities or enhance their role. We will similarly make every effort in the event of an employee becoming ill or disabled, for example, by arranging appropriate training. By adopting best practice principles we seek to ensure that our responsibilities are met as an equal opportunity employer and that everyone can enjoy an environment free from discrimination of any sort.

The right to collective bargaining has not been exercised by any of the Company's employees, however were they to do so the Company would look to comply with due process.

The Company considers it important to provide its employees with a balanced work and home life, and does not expect its employees to work excessive hours.

The Company has a calendar of regular communication with employees and this includes a bi-annual employee satisfaction survey, the most recent of which was conducted in 2014. Information on the survey's findings can be found on page 11.



# Directors' Report *continued*

The Company also offers a range of development options which reflect business priorities and offer employees the opportunity to grow their careers within the Group. Such opportunities include:

- An apprenticeship programme launched in 2012;
- Membership of the Institute of Customer Service;
- A rolling programme of Knowledge Development Meetings;
- Support for employees seeking externally recognised professional qualifications;
- Management development activities for those with the interest and ability to develop their careers as leaders in the business; and
- Specific development programmes for the more specialist roles within the Company's Field Management Team.

## Bribery Act 2010

The Board is responsible for the oversight of the Company's anti-bribery, corruption and whistleblowing policies and procedures. During 2014, the Company carried out its annual review to ensure that it has adequate policies and procedures in place to prevent bribery and corruption. This included reviewing the Bribery Act Policy Statement, along with other related policies and procedures, and providing training to employees and Partners with regards to money laundering, fraud, bribery and corruption via an online training programme, the completion of which is compulsory.

The Company also operates a Whistleblowing policy, whereby it encourages all employees and Partners to advise the appropriate person in the Company if they become aware of any wrongdoing, which they can do on an anonymous basis. The key contact for Whistleblowing is the Chair of the Audit Committee.

During 2014, no employees or Partners were disciplined or dismissed due to non-compliance with the Anti-Bribery and Corruption policies and no fines were levied against the Company in relation to bribery or corruption.

The Bribery Act Policy Statement and the Whistleblowing procedure are available to all employees and Partners via the Company's intranet.

## Substantial Shareholders

As at 23 February 2015, the Company had been notified of the following interests disclosed to the Company under Disclosure and Transparency Rule 5:

Shareholder	Holding at 31 Dec 2014	% held at 31 Dec 2014	Holding at 23 Feb 2015	% held at 23 Feb 2015
Ameriprise Financial Inc	27,806,089	5.47	27,806,089	5.47
FMR LLC	26,126,505	5.03	26,126,505	5.03
Baillie Gifford & Co	26,009,981	5.01	26,009,981	5.01
The Capital Group Companies, Inc	15,744,796	3.03	20,933,591	4.03
Legal & General Group plc	15,920,718	3.07	15,920,718	3.07

The interests of the Directors, their families and any connected persons in the issued share capital of the Company are shown on page 86.

## Significant Contracts and Change of Control

The Company has a number of contractual arrangements which it considers essential to the business of the Company. Specifically, these are committed loan facilities from a number of banks and arrangements with third party providers of administrative services.

A change of control of the Company may cause some agreements to which the Company is a party to alter or terminate. These include bank facility agreements and employee share plans.

The Group had committed facilities totalling £83.8 million as at 23 February 2015 which contain clauses which require lender consent for any change of control. In addition, the Group guarantees the obligations of loans made to Partners in connection with facilities agreed with various lenders totalling £22.7 million in aggregate. Should consent not be given, a change of control would trigger mandatory repayment of the said facilities.

All the Company's employee share plans contain provisions relating to a change of control. Outstanding awards and options may vest and become exercisable on a change of control, subject where appropriate to the satisfaction of any performance conditions at that time and pro-rating of awards.

## Political Donations

It is the Group's policy not to make any donations to political parties within the meaning of the definitions set out in the Political Parties, Elections and Referendums Act 2000 and sections 362 to 379 of the Companies Act 2006. The Group did not make any political donations during the year (2013: £nil).

## Annual General Meeting

The Company's Annual General Meeting will be held on 14 May 2015 at The Royal Aeronautical Society, 4 Hamilton Place, London W1J 7BQ at 11.00am.

## New Partner Share Scheme

At the Annual General Meeting in 2005, shareholders approved a share scheme whereby the Directors could make share awards to members of the Partnership, subject to the satisfaction of appropriate performance conditions. The ten year life of the scheme expires in May 2015. As a result, the Board intends to seek shareholder approval for a new share scheme for the Partnership at the Annual General Meeting in 2015. Further details relating to the proposed scheme will be set out in the explanatory notes for the Annual General Meeting.

## Authority to Purchase Own Shares

At the Annual General Meeting in 2014, shareholders granted authority to the Directors for the purchase by the Company of its own shares. This authority will expire at the end of the Annual General Meeting to be held in 2015, or 18 months from the date granted, whichever is the earlier. During the year, the Company did not purchase any of its own shares. The Directors will propose the renewal of the authority to purchase its own shares at the forthcoming Annual General Meeting.

## Statement of Directors' Responsibilities

This statement is set out on page 92. The complete Corporate Governance Report is set out on pages 54 to 58.

## 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 Strategic Report, as referred to on page 45. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Strategic Report on pages 18 to 33. In addition, the Notes on pages 131 and pages 135 to 143 and the Risk, Risk Management and Internal Control section on pages 34 to 39 include: the Company's objectives; policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposures to credit risk and liquidity.

As shown on pages 25 to 27 of the Strategic Report, 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 accounts. Further information on the basis of preparation of these accounts can be seen in Note 1 to both the Consolidated Accounts under International Financial Reporting Standards and Parent Company Accounts on UK GAAP basis.

## Disclosure of Information to Auditors

Each of the Directors, at the date of approval of this report, confirms that:

- so far as each Director is aware, there is no relevant audit information of which the auditors are unaware; and
- each Director has taken all reasonable steps to ascertain relevant audit information and ensure that the auditors are aware of such information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

## Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a Resolution that they be re-appointed until the end of the 2016 Annual General Meeting will be put to shareholders at the Annual General Meeting on 14 May 2015.

On behalf of the Board



**David Bellamy**

Chief Executive

24 February 2015



**Andrew Croft**

Chief Financial Officer

# Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Parent Company financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors have chosen to prepare supplementary information in accordance with the European Embedded Value Principles issued in May 2004 by the Chief Financial Officers Forum, as supplemented by the Additional Guidance on European Embedded Value Disclosures issued in October 2005 ("the EEV Principles"). When compliance with the EEV Principles is stated, those principles require the Directors to prepare supplementary information in accordance with the Embedded Value methodology (EVM) contained in the EEV Principles and to disclose and explain any non-compliance with the EEV Guidance included in the EEV Principles.

In preparing the EEV supplementary information, the Directors have:

- prepared the supplementary information in accordance with the EEV Principles;
- identified and described the business covered by the EVM;
- applied the EVM consistently to the covered business;
- determined assumptions on a realistic basis, having regard to past, current and expected future experience and to any relevant external data, and then applied them consistently; and
- made estimates that are reasonable and consistent.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed in Board of Directors section of the Annual Report confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the European Embedded Value (EEV) supplementary information has been prepared in accordance with the European Embedded Value principles issued in May 2004 by the Chief Financial Officers Forum as supplemented by the Additional Guidance on European Embedded Value Disclosures issued in October 2005 ("the EEV Principles");
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces; and
- the Directors consider that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board



**Hugh Gladman**

Company Secretary

24 February 2015



# Consolidated Financial Statements on International Financial Reporting Standards Basis

## CONTENTS

94	Independent Auditors' Report
101	Consolidated Statement of Comprehensive Income
103	Consolidated Statement of Changes in Equity
104	Consolidated Statement of Financial Position
105	Consolidated Statement of Cash Flows
106	Notes to the Consolidated Financial Statements

Strategic Report

St. James's Place Foundation

Governance

Financial Statements

Other Information

# Independent Auditors' Report

## to the members of St. James's Place plc

### REPORT ON THE GROUP FINANCIAL STATEMENTS

#### Our opinion

In our opinion, St. James's Place plc's group financial statements (the 'financial statements'):

- give a true and fair view of the state of the group's affairs as at 31 December 2014 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

#### What we have audited

St. James's Place plc's financial statements comprise:

- the consolidated statement of financial position as at 31 December 2014;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report and Accounts (the 'Annual Report'), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

#### Our audit approach

##### Overview

##### Materiality

- Overall group materiality has been set at £15 million which represents approximately 8% of profit before tax attributable to shareholders' returns.

##### Audit scope

- The Group is structured to reflect its vertically integrated insurance and wealth management business and operates predominantly within the United Kingdom.
- The Group financial statements are a consolidation including six financially significant business units, all of which are subject to full scope audit procedures, comprising the Group's operating businesses and centralised functions and the consolidated St. James's Place Unit Trusts.

##### Our areas of focus were:

- Recognition of revenue.
- Recoverability of deferred tax asset arising from historic capital losses.
- Accounting for the acquisition of The Henley Group.
- Transactions in respect of a key operational services agreement with an outsourced service provider.
- Adequacy of other provisions and charges.
- Recoverability of outstanding loans to Partners who have subsequently left the partnership.
- Existence and valuation of financial investments and investment property.

##### *The scope of our audit and our areas of focus*

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)').

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.



## Area of focus

### Recognition of revenue

See note 2 to the financial statements for the Directors' disclosure of critical accounting estimates and judgements in applying accounting policies for further information.

ISAs (UK & Ireland) presume there is a risk of fraud in revenue recognition because of the pressure management may feel to achieve market expectations. In this regard we focused on transactions which included a judgemental element in their calculation, typical within the life insurance industry, as set out in note 2 to the financial statements.

We focused specifically on the following:

- deferral of income and acquisition costs and amortisation of Deferred Income ('DIR'), and Deferred Acquisition Costs ('DAC') under IFRS methodology. In the year, the movement of DIR of £75.4m was recognised as revenue (see note 4) and £26.9m of acquisition costs were deferred and £102.7m of DAC was amortised (see note 6); and
- classification of the Group's products between insurance and investment business to ensure that investment business is deposited in the consolidated statement of financial position.

We also considered the recognition of income or costs which may have a close relationship to earned insurance premiums and fees, in accordance with Auditing Practices Board Practice Note 20 – 'The audit of insurers in the United Kingdom', such as reinsurance costs. The Group fully reinsures the UK insurance risk of its closed book of protection business and therefore we focused on whether the £33.5m of premium income associated with this business that was reversed out of the consolidated statement of comprehensive income was complete.

### Recoverability of deferred tax asset arising from historic capital losses

See notes 2 and 15 to the financial statements for the Directors' disclosure of determining the value of deferred tax assets for further information.

A deferred tax asset of £39.5m has been recognised following management's investigation of historic capital losses crystallising within the Group on the planned winding up of a Group entity, SJPC 2000 plc (see note 15).

We focused on this item due to the judgements required in forecasting future capital growth and gains in future years in Group companies to offset against the capital losses, specifically, the key asset growth assumptions used to forecast future gains.

## How our audit addressed the area of focus

We assessed the critical accounting estimates and judgements as set out in note 2 to the financial statements that had a direct impact on revenue. Specifically we:

- substantively tested the deferred income and acquisition costs and the amortisation of DIR and DAC, including assessing the future profitability of the products to which the income and acquisition costs related to ensure that profitability was sufficient to support the carrying value of the deferred balances; and
- confirmed substantively the classification of the Group's products between insurance and investment business to check that insurance product revenue was appropriately included in the consolidated statement of comprehensive income and investment business (except for fees related to investment contract management) was excluded.

We obtained contracts for material reinsurance arrangements and agreed the nature of reinsurance premiums ceded to reinsurers to the contractual terms and substantively tested the premiums ceded to the reinsurer.

Our work on the above areas of judgement was supported by controls testing and substantive procedures over all material revenue streams including:

- reconciling fees on investment business to confirmations provided by the asset custodian, State Street;
- testing internal controls over the accuracy and occurrence of revenue recognised in the financial statements;
- obtaining and reading the International Standard on Assurance Engagements ('ISAE') 3402 'Assurance Reports on Controls at a Service Organisation' for International Financial Data Services ('IFDS'), in particular focusing on the controls designed to prevent and detect fraud operating over the Group unit trust business administration system owned and operated by IFDS; and
- testing a sample of journal entries posted throughout the year to revenue accounts that met specific criteria to identify unusual or irregular items.

There were no issues in the ISAE 3402 report that impacted our audit scope. Overall, we noted no exceptions in our testing and found the judgements taken by the Directors to be reasonable.

We assessed the basis of the capital losses that gave rise to the £39.5m deferred tax asset, including by evaluating the advice received by management from external tax advisers.

We assessed the Group's forecasts for the utilisation of the losses against future capital gains, which can be off-set against the capital losses, including assessing the likelihood of such gains.

We challenged the asset growth assumptions used by the Directors in the calculation of capital gains and compared these to industry benchmarks where relevant.

We considered the application of relevant taxation legislation and accounting standards around the recognition of the deferred tax asset.

We examined correspondence between the Group and HMRC.

On the evidence obtained we assessed that the recognition and measurement of deferred tax assets arising from capital losses was reasonable.

# Independent Auditors' Report *continued*

## to the members of St. James's Place plc

### Area of focus

#### **Accounting for the acquisition of The Henley Group**

See notes 2 and 9 to the financial statements for the Directors' disclosure of business combinations for further information.

The Group acquired The Henley Group in the year for £15.3m. This was an area of focus since the interpretation of the sale and purchase contractual agreements and the requirements of IFRS 3 – 'Business Combinations' are relatively complex in relation both to the consideration payable and the assets and liabilities acquired.

Furthermore, intangible and financial assets recognised on acquisition are required to be assessed for impairment at least annually, to ensure the carrying value is recoverable.

#### **Transactions in respect of a key operational services agreement with IFDS**

See the Report of the Audit Committee for further information and notes 2, 18 and 28 to the financial statements for the Directors' disclosure of other receivables and payables.

In the year a new operational services agreement was signed with the Group's main policy administration service provider, IFDS.

The contractual terms include material payments to and from IFDS and will also result in future changes to the operational services tariffs, which have not yet been agreed.

The Group has accounted for some of the amounts paid to IFDS during the year as prepaid costs as at the year end.

Due to the nature and magnitude of amounts arising from the contractual terms the recognition of transactions in respect of this has been an area of audit focus.

#### **Adequacy of other provisions and charges**

See note 23 to the financial statements for the Directors' disclosure of other provisions and contingent liabilities for further information.

The Group operates in an industry where there is the inherent risk of customer redress being required as a result of mis-selling, including past individual Partner or Group actions or historic Group policy and non-Group products provided by Partners.

Due to the inherent risk of redress associated with the industry this was an area of audit focus.

### How our audit addressed the area of focus

We obtained an understanding of the acquisition of The Henley Group, by reading the relevant contractual documentation, and tested:

- The cost of the acquisition made in the year;
- The fair value measurements of assets and liabilities acquired, predominantly focusing on the renewal income asset recognised on acquisition; and
- The goodwill year end carrying value.

In performing this work we had regard to the fact that The Henley Group is located in new territories for the Group and regulatory authorisation is pending in one of these territories. Accordingly we applied significant downward adjustments in testing the sensitivity of the Directors' forecasts for renewal and new business attributed to The Henley Group.

We noted no exceptions in our testing. The Directors' forecasts demonstrated sufficient headroom to support the carrying value of assets acquired even after significant downward adjustments were applied.

We obtained and read the operational services agreement and subsequent amendments.

We substantively tested the payments to IFDS associated with the new operational services agreement and assessed them against the lower of the Directors' future anticipated cost savings (based on the Directors' expectation of future service tariffs) and the termination payments set out in the contract, to ensure that the Group will receive value for the amounts recognised as a prepaid cost asset in the consolidated statement of financial position.

We assessed the accounting adopted for amounts received from IFDS which are repayable over the life of the contract.

We noted no exceptions in our testing of the transactions in the financial statements.

We examined the Group's complaints log and Board minutes and obtained correspondence between the Group and the Financial Conduct Authority, the Prudential Regulation Authority and, where relevant, the Financial Ombudsman Service, to assess whether there were any matters that required the recognition of a provision or disclosure.

We also evaluated the results of Compliance and Internal Audit work during the year.

We substantively tested provisions recognised at the year end.

No exceptions were noted in our testing. Based on the evidence provided, we noted no other matters that we consider would require recognition as a provision and disclosure.

## Area of focus

### **Recoverability of outstanding loans to Partners who have subsequently left the partnership**

*See notes 2 and 18 to the financial statements for the Directors' disclosure of partnership loans for further information.*

Loans to active Partners are secured against both initial advice charge, ongoing advice fee and, for business written prior to the Retail Distribution Review, renewal commission income generated by the Partner.

The existing loans to former Partners are secured against ongoing advice fee and renewal commission income only, or are unsecured.

We focused on the recoverability of loans to former Partners due to the lower level of security provided against these loans.

## How our audit addressed the area of focus

We tested the Group's controls over the authorisation of partnership loans and controls over partnership loans in arrears.

We examined the actual recoverability experience of total former partner loans in 2014 and compared this to the Directors' assessment of predicted recoverability made for the year ended 31 December 2013, to assess the reliability of the Directors' forecasts for recoverability.

We also substantively tested a sample of individual loans to former Partners to test whether the repayment of the loan was in line with the Directors' expectations.

We substantively agreed loan amounts to loan statements and examined any complaints made by Partners to the Group in respect of loans.

We substantively tested a sample of loans to source loan documents and we sample tested standing data associated with the partnership loan book.

We found that the Directors' forecasts were within an acceptable range of possible outcomes. We noted no exceptions in our testing and consider the recoverability of the loans to former Partners to be supported by the evidence obtained.

### **Existence and valuation of financial investments and investment property**

*See note 29 to the financial statement for the Directors' disclosure of financial risk for further information.*

Financial investments and investment properties were an area of focus for our testing, in particular, the judgemental valuations of investment properties and derivatives.

Due to the magnitude of the balance of financial investments this was an area of significant audit effort and focus.

St. James's Place plc outsources investment custodian and valuation activities to State Street. Our audit procedures therefore considered the evidence available over the reliability of these outsourced processes.

We agreed the existence of all holdings of the financial investment portfolio to a confirmation received directly from independent custodians as at year end.

We independently agreed the existence of a sample of holdings of investment properties at year end to the Land Register maintained by the Land Registry.

We obtained and read the International Standard on Assurance Engagements ('ISAE') 3402 'Assurance Reports on Controls at a Service Organisation' for State Street's Global Fund Accounting and Custody operations, which provided a description of the systems and controls in place and the results of testing of the operational effectiveness of those controls.

We independently re-priced a sample of derivative investments as at year end. We independently re-priced a sample of equity, fixed income and collective investment scheme investments at the year end to complement our controls reliance. We agreed our independent prices to those provided by State Street.

For investment properties we tested the inputs to the valuation process and tested the reasonableness of the rental yield assumptions used by the Directors in the valuation of the portfolio by reference to industry accepted benchmarks.

We found no material exceptions in our testing.

# Independent Auditors' Report *continued*

## to the members of St. James's Place plc

### *How we tailored the audit scope*

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the group, the accounting processes and controls, and the industry in which the group operates.

The consolidated financial statements are a consolidation of six financially significant business units, comprising the Group's operating businesses and centralised functions and the St. James's Place Unit Trusts where they are considered to be subsidiaries of the Group.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed at the business units by us, as the group engagement team, or component auditors from other PwC network firms operating under our instruction.

Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those business units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. We visited the Group operations in the Republic of Ireland and met with local management and the PwC Ireland component audit team during the course of our work.

The six financially significant business units required an audit of their complete financial information, due to their size and/or their risk characteristics.

Specific audit procedures on certain balances and transactions were also performed over those St. James's Place Unit Trusts regarded as subsidiaries of the Group.

The Group outsources a large proportion of its back office administration services to IFDS, Capita and State Street; accordingly the financially significant business processes performed for the Group by these outsourcer services providers were addressed in our audit.

Together with additional procedures performed at the consolidated level, this scope of work gave us the evidence we needed for our opinion on the consolidated financial statements as a whole.

### *Materiality*

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<i>Overall group materiality</i>	£15 million (2013: £15 million).
<i>How we determined it</i>	8% of profit before tax attributable to shareholders' returns.
<i>Rationale for benchmark applied</i>	This is a generally accepted market benchmark and one of the measures the Group uses to monitor its results.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.75 million (2013: £0.75 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### *Going concern*

Under the Listing Rules we are required to review the directors' statement, set out on page 91, in relation to going concern. We have nothing to report having performed our review. As noted in the directors' statement, the directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the group has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the group's ability to continue as a going concern.

## OTHER REQUIRED REPORTING

### Consistency of other information

#### Companies Act 2006 opinions

In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out in the Governance section with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

#### ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

Information in the Annual Report is:	We have no exceptions to
<ul style="list-style-type: none"> <li>materially inconsistent with the information in the audited financial statements; or</li> <li>apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or</li> <li>otherwise misleading.</li> </ul>	report arising from this responsibility.
<ul style="list-style-type: none"> <li>the statement given by the directors on page 92, in accordance with provision C.1.1 of the UK Corporate Governance Code ('the Code'), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the group's performance, business model and strategy is materially inconsistent with our knowledge of the group acquired in the course of performing our audit.</li> </ul>	We have no exceptions to report arising from this responsibility.
<ul style="list-style-type: none"> <li>the section of the Annual Report on page 60, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.</li> </ul>	We have no exceptions to report arising from this responsibility.

### Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from these responsibilities.

### Corporate governance statement

Under the Companies Act 2006 we are required to report to you if, in our opinion, a corporate governance statement has not been prepared by the parent company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the parent company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

## RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

### Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 92, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



# Independent Auditors' Report *continued* to the members of St. James's Place plc

## **What an audit of financial statements involves**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **OTHER MATTER**

We have reported separately on the parent company financial statements of St. James's Place plc for the year ended 31 December 2014 and on the information in the Directors' Remuneration Report that is described as having been audited.

## ***Jeremy Jensen (Senior Statutory Auditor)***

*for and on behalf of PricewaterhouseCoopers LLP*

*Chartered Accountants and Statutory Auditors*

London

24 February 2015

### Notes:

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.

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

# Consolidated Statement of Comprehensive Income

	Notes	Year Ended 31 December 2014 £'Million	Year Ended 31 December 2013 £'Million
Insurance premium income		57.4	61.2
Less premiums ceded to reinsurers		(33.5)	(54.3)
<b>Net insurance premium income</b>		<b>23.9</b>	<b>6.9</b>
Fee and commission income	4	1,201.0	1,013.3
Investment return	5	3,347.1	5,831.1
Other operating income		1.2	2.5
<b>Net income</b>	<b>3</b>	<b>4,573.2</b>	<b>6,853.8</b>
Policy claims and benefits			
– Gross amount		(58.8)	(50.2)
– Reinsurers' share		24.1	20.5
<b>Net policyholder claims and benefits incurred</b>		<b>(34.7)</b>	<b>(29.7)</b>
Change in insurance contract liabilities			
– Gross amount		(8.0)	(42.3)
– Reinsurers' share		21.2	25.6
<b>Net change in insurance contract liabilities</b>		<b>13.2</b>	<b>(16.7)</b>
<b>Investment contract benefits</b>	<b>24</b>	<b>(3,234.4)</b>	<b>(5,449.4)</b>
Fees, commission and other acquisition costs		(824.0)	(734.7)
Administration expenses		(195.7)	(158.9)
Other operating expenses		(3.2)	(3.2)
	<b>6</b>	<b>(1,022.9)</b>	<b>(896.8)</b>
<b>Profit before tax</b>	<b>3</b>	<b>294.4</b>	<b>461.2</b>
Tax attributable to policyholders' returns	8	(111.5)	(270.5)
<b>Profit before tax attributable to shareholders' returns</b>		<b>182.9</b>	<b>190.7</b>

# Consolidated Statement of Comprehensive Income *continued*

	Notes	Year Ended 31 December 2014 £'Million	Year Ended 31 December 2013 £'Million
<b>Profit before tax attributable to shareholders' returns</b>		<b>182.9</b>	190.7
Total tax expense	8	(106.5)	(270.9)
Less: tax attributable to policyholders' returns	8	111.5	270.5
Tax attributable to shareholders' returns	8	5.0	(0.4)
<b>Profit and total comprehensive income for the year</b>		<b>187.9</b>	190.3
Profit/(loss) attributable to non-controlling interests		(0.1)	(0.2)
Profit attributable to equity shareholders		188.0	190.5
<b>Profit and total comprehensive income for the year</b>		<b>187.9</b>	190.3
		Pence	Pence
<b>Basic earnings per share</b>	10	<b>36.6</b>	37.4
<b>Diluted earnings per share</b>	10	<b>35.9</b>	36.7

The notes and information below and on pages 106 to 152 form part of these financial statements.

## Underlying profit measure

	Notes	Year Ended 31 December 2014 £'Million	Year Ended 31 December 2013 £'Million
<b>Profit before tax attributable to shareholders' returns</b>		<b>182.9</b>	190.7
Adjustments:			
DAC/DIR/PVIF		(9.3)	(3.5)
<b>Underlying profit before tax attributable to shareholders' returns</b>		<b>173.6</b>	187.2
<b>Profit and total comprehensive income for the year</b>		<b>187.9</b>	190.3
Adjustments:			
DAC/DIR/PVIF		(7.0)	(14.9)
<b>Underlying profit and total comprehensive income for the year</b>		<b>180.9</b>	175.4
		Pence	Pence
<b>Underlying basic earnings per share</b>	10	<b>35.2</b>	34.4
<b>Underlying diluted earnings per share</b>	10	<b>34.6</b>	33.8

# Consolidated Statement of Changes in Equity

	Note	Attributable to Equity Shareholders					Total	Non-controlling Interests	Total
		Share Capital	Share Premium	Treasury Shares Reserve	Retained Earnings	Misc Reserves			
		£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/(loss) and total comprehensive income for the year					190.5		190.5	(0.2)	190.3
Dividends	11				(65.3)		(65.3)		(65.3)
Issue of share capital		0.3					0.3		0.3
Exercise of options		1.0	14.5				15.5		15.5
Consideration paid for own shares				(5.3)			(5.3)		(5.3)
Own shares vesting charge				4.0	(4.0)		–		–
Retained earnings credit in respect of share option charges					7.8		7.8		7.8
Retained earnings credit in respect of proceeds from exercise of share options held in trust					0.1		0.1		0.1
<b>At 31 December 2013</b>		<b>77.3</b>	<b>142.2</b>	<b>(10.2)</b>	<b>694.5</b>	<b>2.3</b>	<b>906.1</b>	<b>–</b>	<b>906.1</b>
Non-controlling interests arising on the purchase of subsidiaries during the year								–	–
Profit/(loss) and total comprehensive income for the year					188.0		188.0	(0.1)	187.9
Dividends	11				(95.5)		(95.5)		(95.5)
Issue of share capital		0.2					0.2		0.2
Exercise of options		0.4	5.2				5.6		5.6
Consideration paid for own shares				(5.2)			(5.2)		(5.2)
Own shares vesting charge				4.9	(4.9)		–		–
Retained earnings credit in respect of share option charges					11.0		11.0		11.0
<b>At 31 December 2014</b>		<b>77.9</b>	<b>147.4</b>	<b>(10.5)</b>	<b>793.1</b>	<b>2.3</b>	<b>1,010.2</b>	<b>(0.1)</b>	<b>1,010.1</b>

The number of shares held in the Treasury Share Reserve is given in Note 31 Share Capital on page 144.

Miscellaneous reserves represent other non-distributable reserves.

The notes and information on pages 106 to 152 form part of these financial statements.

# Consolidated Statement of Financial Position

	Notes	31 December 2014	31 December 2013
		£'Million	£'Million
<b>Assets</b>			
Goodwill	12	10.1	–
Intangible assets			
– Deferred acquisition costs	13	813.0	888.8
– Acquired value of in-force business	13	36.8	40.0
– Computer software	13	7.7	8.7
		867.6	937.5
Property & equipment	14	7.9	5.8
Deferred tax assets	15	192.8	181.8
Investment property	16	1,031.4	732.7
Investments			
– Equities		34,734.9	29,614.8
– Fixed income securities		6,838.8	5,965.7
– Investment in Collective Investment Schemes		2,961.7	3,244.3
– Derivative Financial Instruments		166.4	142.9
Reinsurance assets	22	85.5	64.2
Insurance and investment contract receivables		63.5	49.9
Other receivables	18	604.6	554.0
Cash & cash equivalents	19	5,139.4	3,845.7
<b>Total assets</b>		<b>52,694.5</b>	<b>45,339.3</b>
<b>Liabilities</b>			
Insurance contract liabilities	21	474.4	466.4
Other provisions	23	11.4	9.7
Financial liabilities			
– Investment contracts benefits	24	38,851.2	33,717.5
– Borrowings	25	84.3	98.7
– Derivative Financial Instruments		79.3	87.8
Deferred tax liabilities	26	519.8	496.6
Insurance and investment contract payables		50.4	38.1
Deferred income	27	463.2	538.6
Income tax liabilities		32.8	4.9
Other payables	28	499.7	439.4
Net asset value attributable to unit holders	17	10,617.8	8,535.4
Preference shares		0.1	0.1
<b>Total liabilities</b>		<b>51,684.4</b>	<b>44,433.2</b>
<b>Net assets</b>		<b>1,010.1</b>	<b>906.1</b>
<b>Shareholders' equity</b>			
Share capital	31	77.9	77.3
Share premium		147.4	142.2
Treasury shares reserve		(10.5)	(10.2)
Miscellaneous reserves		2.3	2.3
Retained earnings		793.1	694.5
Shareholders' equity		1,010.2	906.1
Non-controlling interests		(0.1)	–
<b>Total equity</b>		<b>1,010.1</b>	<b>906.1</b>
		Pence	Pence
<b>Net assets per share</b>		<b>194.5</b>	<b>175.9</b>

The financial statements on pages 101 to 152 were approved by the Board of Directors on 24 February 2015 and signed on its behalf by:

  
**David Bellamy**  
 Chief Executive

  
**Andrew Croft**  
 Chief Financial Officer

The notes and information on pages 106 to 152 form part of these financial statements.

Registered No. 03183415



# Consolidated Statement of Cash Flows

	Notes	Year Ended 31 December 2014 £'Million	Year Ended 31 December 2013 £'Million
<b>Cash flows from operating activities</b>			
Profit before tax for the year		294.4	461.2
Adjustments for:			
Depreciation	14	1.9	1.6
Revaluation	14	–	0.1
Amortisation of acquired value of in-force business	13	3.2	3.2
Amortisation of computer software and customer list	13	2.8	2.5
Share-based payment charge	32	11.4	7.8
Interest income		(21.9)	(22.5)
Interest paid		3.8	2.8
<b>Changes in operating assets and liabilities</b>			
Decrease in deferred acquisition costs (net)		75.8	82.8
Increase in investment property		(298.7)	(135.1)
Increase in investments		(5,734.1)	(9,382.2)
Increase in reinsurance assets		(21.3)	(25.6)
Increase in insurance and investment contract receivables		(13.6)	(3.4)
Increase in other receivables		(84.9)	(22.4)
Increase in insurance contract liabilities		8.0	42.4
Increase in provisions		1.7	0.5
Increase in financial liabilities (excluding borrowings)		5,125.2	6,605.0
Increase in insurance and investment contract payables		12.3	13.2
Decrease in deferred income		(75.4)	(77.9)
Increase in other payables		60.3	3.6
Increase in net assets attributable to unit holders		2,082.4	3,241.9
<b>Cash generated from operating activities</b>			
		1,433.3	799.5
Interest received		21.9	22.5
Interest paid		(3.8)	(2.8)
Income taxes paid		(35.5)	(14.8)
<b>Net cash generated from operating activities</b>			
		1,415.9	804.4
<b>Cash flows from investing activities</b>			
Acquisition of property & equipment		(4.0)	(3.8)
(Acquisition)/disposal of intangible assets	13	(1.8)	0.5
Acquisition of subsidiaries and other business combinations, net of cash acquired		(7.2)	(9.1)
<b>Net cash from investing activities</b>			
		(13.0)	(12.4)
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital		5.9	15.8
Consideration paid for own shares		(5.2)	(5.3)
Proceeds from exercise of options over shares held in trust		–	0.1
Proceeds from issue of non-redeemable preference shares		–	0.1
Acquisition of non-controlling interests		–	0.2
Additional borrowings		–	30.0
Repayment of borrowings		(14.4)	(2.0)
Dividends paid	11	(95.5)	(65.3)
<b>Net cash used in financing activities</b>			
		(109.2)	(26.4)
<b>Net increase in cash &amp; cash equivalents</b>			
		1,293.7	765.6
Cash & cash equivalents at 1 January		3,845.7	3,080.1
<b>Cash &amp; cash equivalents at 31 December</b>			
		5,139.4	3,845.7

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

The notes and information on pages 106 to 152 form part of these financial statements.

# Notes to the Consolidated Financial Statements

## under International Financial Reporting Standards

### 1. ACCOUNTING POLICIES

St. James's Place plc ('the Company') is a company incorporated and domiciled in England and Wales.

#### Statement of Compliance

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the 'Group').

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ('adopted IFRSs') and interpretations issued by the IFRS Interpretations Committee ('IFRS IC') and those parts of the Companies Act 2006 that are applicable when reporting under IFRS.

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  
 IAS 39 Amendment – Financial Instruments: Recognition and Measurement  
 IFRS IC Interpretation 21 – Levies  
 Annual Improvements to IFRSs 2010 – 2012 Cycle  
 Annual Improvements to IFRSs 2011 – 2013 Cycle

As at 31 December 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 1 Amendment – Disclosure Initiative  
 IAS 16 and IAS 38 Amendments – Clarification of Acceptable Methods of Depreciation and Amortisation  
 IFRS 9 Financial Instruments  
 IFRS 10 and IAS 28 Amendments – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture  
 IFRS 10, IFRS 12 and IAS 28 Amendments – Investment Entities: Applying the Consolidation Exception  
 IFRS 15 Revenue from Contracts with Customers  
 Annual Improvements to IFRSs 2011 – 2013 Cycle

The adoption of the above standards and interpretation 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. However the impact of these standards will continue to be monitored.

The Group financial statements also comply with the revised Statement of Recommended Practice issued by the Association of British Insurers in December 2005 (as amended in December 2006), to the extent that it is consistent with IFRS standards.

#### Basis of Preparation

As discussed in the Directors' Report, the going concern basis has been adopted in preparing these financial statements.

The financial statements are presented in pounds Sterling, rounded to the nearest one hundred thousand pounds. They are prepared on a historical cost basis, except for assets classified as investment property, available-for-sale financial assets and assets and liabilities at fair value through profit and loss.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years, if the revision affects both current and future years.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 2.

The financial statements are prepared in accordance with the Companies Act 2006 as applicable to companies reporting under IFRS and the accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

An underlying profit measure has been included as a useful measure of performance. This is a non-Generally Accepted Accounting Principles (GAAP) measure and is derived from the IFRS based Profit before tax attributable to shareholders' returns by excluding the movement in DAC, DIR and PVIF. A reconciliation to the underlying profit is set out in the Financial Review on page 19.

## Summary of Significant Accounting Policies

### (a) Basis of consolidation

The consolidated financial information incorporates the assets, liabilities and the results of the Company and of its subsidiaries. Subsidiaries are those entities in which the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity (including unit trusts in which the Group holds more than 30% of the units). Associates are all entities over which the Group has significant influence but not control and are accounted for at fair value through the profit or loss. The Group uses the acquisition method of accounting to account for business combinations and expenses all acquisition costs as they are incurred. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with policies adopted by the Group.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 in the consolidated statement of comprehensive income.

The treatment of transactions with non-controlling interests depends on whether, as a result of the transaction, the Group alters control of the subsidiary. Changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions; any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent entity. Where the Group loses control of the subsidiary, at the date when control is lost the amount of any non-controlling interest in that former subsidiary is derecognised and any investment retained in the former subsidiary is remeasured to its fair value; the gain or loss that is recognised in profit or loss on the partial disposal of the subsidiary includes the gain or loss on the remeasurement of the retained interest.

Intragroup balances, and any income and expenses or unrealised gains and losses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

### (b) Product classification

The Group's products are classified for accounting purposes as either insurance contracts or investment contracts.

#### (i) Insurance contracts

Insurance contracts are contracts that transfer significant insurance risk. The Group's product range includes a variety of term assurance and whole of life protection contracts involving significant insurance risk transfer.

#### (ii) Investment contracts

Contracts that do not transfer significant insurance risk are treated as investment contracts. The majority of the business written by the Group is unit linked investment business and is classified as investment contracts.

### (c) Long term business

#### (i) Insurance premium revenue

For unit linked insurance contracts, premiums are recognised as revenue when the liabilities arising from them are recognised. All other premiums are accounted for when due for payment.

Investment contract premiums are not included in the statement of comprehensive income but are reported as deposits to investment contract liabilities in the balance sheet.

# Notes to the Consolidated Financial Statements

## under International Financial Reporting Standards *continued*

### 1. ACCOUNTING POLICIES *continued*

#### (ii) Revenue from investment contracts

Fees charged for services related to the management of investment contracts are recognised as revenue as the services are provided. Initial fees, including dealing margins from unit trusts, which exceed the level of recurring fees and relate to the future provision of services, are deferred. These are amortised over the anticipated period in which services will be provided.

#### (iii) Policy claims and benefits

For insurance contracts, death claims are accounted for on notification of death. Critical illness claims are accounted for when admitted. All other claims and surrenders are accounted for when payment is due.

For investment contracts, benefits paid are not included in the statement of comprehensive income but are instead deducted from investment contract liabilities. The movement in investment contract benefits within the statement of comprehensive income principally represents the investment return credited to policyholders.

Explicit advice charges are payable to St. James's Place distribution company by most clients who wish to receive advice with their investment in a St. James's Place retail investment product. St. James's Place facilitates the payment of these charges for the client, by arranging withdrawals from the client's policy, which are then recognised as income to St. James's Place distribution company. A proportion of the charge is then paid to the St. James's Place adviser ('Partner') who provides the advice (see (g)(i) Expenses).

#### (iv) Acquisition costs

For insurance contracts, acquisition costs comprise direct costs such as initial commission and the indirect costs of obtaining and processing new business. Acquisition costs which are incurred during a financial year, net of any impairment losses, are deferred and then amortised on a straight line basis over the period during which the costs are expected to be recoverable and in accordance with the incidence of future related margins.

For investment contracts, only directly attributable acquisition costs, which vary with and are related to securing new contracts and renewing existing contracts, are deferred, and only to the extent that they are recoverable out of future revenue. These deferred acquisition costs, which represent the contractual right to benefit from providing investment management services, net of any impairment losses, are amortised on a straight-line basis over the expected lifetime of the Group's investment contracts. All other costs are recognised as expenses when incurred. Note, following the implementation of the Retail Distribution Review (RDR) on 31 December 2012, the initial advice costs are no longer an acquisition cost linked to the contractual right to benefit from providing investment management services and so they are no longer deferred.

The period over which costs are expected to be recoverable are as follows:

Insurance contracts:	6 years
Investment contracts:	12-14 years

#### (v) Insurance contract liabilities

Insurance contract liability provisions are determined following an annual actuarial investigation of the long-term fund in accordance with regulatory requirements. The provisions are calculated on the basis of current information and using the gross premium valuation method. The Group's accounting policies for insurance contracts meet the minimum specified requirements for liability adequacy testing under IFRS 4, as they consider current estimates of all contractual cash flows, and of related cash flow such as claims handling costs.

Insurance contract liabilities can never be definitive as to their timing nor the amount of claims and are therefore subject to subsequent reassessment on a regular basis.

#### (vi) Investment contract liabilities

All of the Group's investment contracts are unit linked. Unit linked liabilities are measured at fair value by reference to the value of the underlying net asset value of the Group's unitised investment funds, determined on a bid value, at the reporting date. An allowance for deductions due to (or from) the Company in respect of policyholder tax on capital gains (and losses) in the life assurance funds is also reflected in the measurement of unit linked liabilities. Investment contract liabilities are recognised when units are first allocated to the policyholder; they are derecognised when units allocated to the policyholder have been cancelled.

The decision by the Group to designate its unit linked liabilities as fair value through the profit and loss statement reflects the fact that the underlying investment portfolio is managed, and its performance evaluated, on a fair value basis.

**(vii) Insurance and investment contract receivables and payables**

Insurance and investment contract receivables and payables are initially recognised at fair value and subsequently at amortised cost, using the effective interest method, less impairment losses.

**(d) Reinsurance**

Reinsurance premiums are accounted for when due for payment, and reinsurance recoveries, in respect of insurance contract liabilities, are accounted for in the same period as the related claim. Amounts recoverable from reinsurers in respect of claims and amounts payable in respect of future reinsurance premiums are reported as part of insurance and investment contract receivables and payables, respectively.

**(e) Fee and commission income**

Fee and commission income comprises:

- i) advice charges paid by clients who wish to receive advice with their investment in a St. James's Place or third party retail investment product;
- ii) commission, due in respect of products sold on behalf of third parties; and
- iii) fees charged for services related to the management of investment contracts.

Advice charges and commission are recognised in full on acceptance and inception of the associated policy by the relevant product provider. Where the product provider retains the right to clawback of commission on an indemnity basis, turnover on sale of these products is recognised net of a provision for the estimated clawback.

Investment contract management fees are generally recognised as revenue as the services are provided (see also accounting policy note (c) (ii)).

**(f) Investment return**

Investment return comprises investment income and investment gains and losses. Investment income includes dividends, interest and rental income from investment properties under operating leases. Dividends are accrued on an ex-dividend basis, and rental income is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Interest, which is generated on assets classified as fair value through profit or loss, is accounted for on an accruals basis.

**(g) Expenses****(i) Partner remuneration**

Partner remuneration comprises initial commission and initial advice fees (IAF) (paid for initial advice, at policy outset and within an 'initial period'), renewal commission and renewal advice fees (payable on regular contributions) and fund fee commission or ongoing advice fee (OAF) (based on funds under management and payable on the policy anniversary). Initial and renewal commission and advice fees are recognised in line with the associated premium income, but initial commission on insurance and investment contracts may be deferred as set out in accounting policy (c) (iv). Fund fee commission and ongoing advice fee are recognised on an accruals basis.

Commission and advice fees in respect of some insurance and investment business may be paid in advance on renewal premiums and accelerated by up to five years. The unearned element of this accelerated remuneration is recognised as an asset within other receivables. Should the contributions reduce or stop within the initial period, any unearned amount is recovered.

**(ii) Operating lease payments**

Leases where a significant proportion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the total lease expense and are spread over the life of the lease.

**(h) Income taxes**

Income tax on the profit or loss for the year comprises current and deferred tax payable by the Group in respect of policyholders and shareholders. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

**(i) Current tax**

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.



# Notes to the Consolidated Financial Statements

## under International Financial Reporting Standards *continued*

### 1. ACCOUNTING POLICIES *continued*

#### (ii) Deferred tax

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### (iii) Policyholder and shareholder tax

The total income tax charge is a separate adjustment within the statement of comprehensive income based on the movement in current and deferred income taxes in respect of income, gains and expenses. The total charge reflects tax incurred on behalf of policyholders as well as shareholders, and so it is useful to be able to identify these separately. Shareholder tax is estimated by making an assessment of the effective rate of tax that is applicable to the shareholders, with the balance being treated as tax in respect of policyholders.

#### (i) Dividends paid

Dividend distributions to the Company's shareholders are recognised in the period in which the dividends are paid, and, for the final dividend, are disclosed (but unpaid) when approved by the Company's shareholders at the Annual General Meeting.

#### (j) Intangible assets

##### (i) Deferred acquisition costs

See accounting policy (c) (iv).

##### (ii) Acquired value of in-force business

The acquired value of in-force business in respect of insurance business represents the present value of profits that are expected to emerge from insurance business acquired on business combinations. It is calculated at the time of acquisition using best estimate actuarial assumptions for interest, mortality, persistency and expenses, net of any impairment losses, and it is amortised on a straight line basis as profits emerge over the anticipated lives of the related contracts in the portfolio. An intangible asset is also recognised in respect of acquired investment management contracts representing the fair value of contractual rights acquired under those contracts. The acquired value of in-force business is expressed as a gross figure in the balance sheet with the associated tax included within deferred tax liabilities. It is assessed for impairment at each reporting date and any movement is charged to the statement of comprehensive income.

##### (iii) Computer software

Computer software is stated at cost less accumulated amortisation and any recognised impairment loss. The carrying value is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Computer software is recognised as an intangible asset during development with amortisation commencing when the software is operational. Amortisation is charged to the statement of comprehensive income to administration expenses on a straight-line basis over four years, being the estimated useful life of the intangible asset.

#### (k) 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.

***(l) Property & equipment***

Items of property & equipment are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Land is shown at fair value, based on valuations by external independent valuers. The carrying value is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable and any assets that may have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Depreciation is charged to the statement of comprehensive income to administration expenses on a straight-line basis over the estimated useful lives of the property & equipment as follows:

Computers:	3 years
Fixtures and fittings:	5 years
Office equipment:	5 years

Land is not depreciated.

***(m) Non-current assets held for sale***

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of the carrying amount and their fair value less costs to sell.

***(n) Investment property***

Investment properties, which are all held within the unit linked funds, are properties which are held to earn rental income and/or for capital appreciation. They are stated at fair value.

An external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio every month.

The fair values are based on open market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Any gain or loss arising from a change in fair value is recognised in the statement of comprehensive income within investment income. Rental return from investment property is accounted for as described in accounting policy (f).

***(o) Investments***

The Group's investments are initially and subsequently recognised at fair value through profit or loss, with all gains and losses recognised within investment income in the statement of comprehensive income. The fair values of quoted financial investments, which represent the vast majority of the Group's investments, are based on the value within the bid-ask spread that is most representative of fair value. If the market for a financial investment is not active, the Group establishes fair value by using valuation techniques such as recent arm's length transactions, reference to similar listed investments, discounted cash flow models or option pricing models.

The decision by the Group to designate its investments at fair value through the profit and loss reflects the fact that the investment portfolio is managed, and its performance evaluated, on a fair value basis.

The Group recognises purchases and sales of investments on trade date. The costs associated with investment transactions are included within administration expenses in the statement of comprehensive income.

***(p) Derivative financial instruments***

The Group uses derivative financial instruments within some unit linked funds, with each contract initially and subsequently recognised at fair value, based on observable market prices. All changes in value are recognised within investment income in the statement of comprehensive income.

# Notes to the Consolidated Financial Statements

## under International Financial Reporting Standards *continued*

### 1. ACCOUNTING POLICIES *continued*

#### (q) Other receivables

Other receivables are initially recognised at fair value and subsequently held at amortised cost less impairment losses, except for renewal income which is held at fair value. The value of any impairment recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. See accounting policy note (r) for information relating to the treatment of impaired amounts.

#### (r) Impairment policy

##### (i) Non-financial assets

Assets that are subject to amortisation are reviewed for impairment when circumstances or events indicate there may be uncertainty over this value. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

##### (ii) Financial assets

Formal reviews to assess the recoverability of financial assets are carried out at each reporting date. The recoverability of such assets is measured and the asset is deemed impaired if the projected future margins are less than the carrying value of the asset. If there is any indication of irrecoverability or impairment, the asset's recoverable amount is estimated based on the present value of its estimated future cash flows.

Impairment losses are reversed – through the statement of comprehensive income – if there is a change in the estimates used to determine the recoverable amount. Such losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation where applicable, if no impairment loss had been recognised.

#### (s) Cash & cash equivalents

Cash & cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments, and bank overdrafts to the extent that they are an integral part of the Group's cash management.

Cash & cash equivalents held within unit linked and unit trust funds are classified at fair value through the profit and loss. All other cash & cash equivalents are classified as loans and receivables.

#### (t) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events such that it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured as the discounted expected future cash flows taking account of the risks and uncertainties associated with the specific liability where appropriate.

#### (u) Borrowings

Borrowings are measured initially at fair value, net of directly attributable transaction costs, and subsequently stated at amortised cost. The difference between the proceeds and the redemption value is recognised in the statement of comprehensive income over the borrowing period on an effective interest rate basis. Borrowings are recognised on drawdown and derecognised on repayment.

#### (v) Other payables

Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### (w) Net asset value attributable to unit holders

The Group consolidates unit trusts in which it holds more than 30% of the units and exercises control. The third party interests in these unit trusts are measured at fair value, since the underlying investment portfolios are managed on a fair value basis, and they are presented in the balance sheet as net asset value attributable to unit holders. Income attributable to the third party interests is accounted for within investment income, offset by a corresponding change in investment contract benefits.

#### (x) Employee benefits

##### (i) Pension obligations

The Group operates a defined contribution personal pension plan for its employees. Contributions to this plan are recognised as an expense in the statement of comprehensive income as incurred. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

**(ii) Share-based payments**

The Group operates a number of share-based payment plans. The fair value of equity instruments granted is recognised as an expense spread over the vesting period of the instrument which accords with the period for which related services are provided, with a corresponding increase in equity in the case of equity settled plans. The total amount to be expensed is determined by reference to the fair value of the awards at the grant date, measured using standard option pricing models.

At each reporting date, the Group revises its estimate of the number of equity instruments that are expected to vest and it recognises the impact of the revision of original estimates, if any, in the statement of comprehensive income, such that the amount recognised for employee services are based on the number of shares that actually vest. The charge to the statement of comprehensive income is not revised for any changes in market vesting conditions.

**(y) Treasury shares**

Where any Group company purchases the Company's share capital, the consideration paid is deducted from equity attributable to shareholders, as disclosed in the Treasury Shares reserve. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to shareholders, net of any directly attributable incremental transaction costs and the related income tax effects.

**(z) Foreign currency translation**

The Group's presentation and the Company's functional currency is pounds Sterling.

Foreign currency transactions are translated into sterling using the exchange rate prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the reporting date and the gain or losses on translation are recognised in the statement of comprehensive income.

Non-monetary assets and liabilities which are held at historical cost are translated using exchange rates prevailing at the date of transaction; those held at fair value are translated using exchange rates ruling at the date on which the fair value was determined.

**(aa) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee of the Board.

**(ab) Current and non-current disclosure**

Assets which are expected to be recovered or settled no more than twelve months after the reporting date are disclosed as current within the notes to the financial statements. Those expected to be recovered or settled more than twelve months after the reporting date are disclosed as non-current.

Liabilities which are expected and due to be settled no more than twelve months after the reporting date are disclosed as current within the notes to the financial statements. Those liabilities which are expected and due to be settled more than twelve months after the reporting date are disclosed as non-current.

**2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES****Judgements**

The primary areas in which the Group has applied judgement in applying accounting policies are in the classification of contracts between insurance and investment business and when applying the concept of control to determine which entities are subsidiaries.

**Classification of contracts between insurance and investment business**

Contracts with a significant degree of insurance risk are treated as insurance. All other contracts are treated as investment contracts. The Group has also elected to treat all assets backing linked and non unit linked contracts as fair value through profit or loss although some of the assets in question may ultimately be held to maturity.

**Subsidiaries**

Subsidiaries are those entities in which the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity (including unit trusts in which the Group holds more than 30% of the units).

# Notes to the Consolidated Financial Statements

## under International Financial Reporting Standards *continued*

### 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES *continued*

#### Estimates

The principal areas in which the Group applies accounting estimates are:

- Determining the value of insurance contract liabilities.
- Deciding the amount of management expenses that are treated as acquisition expenses.
- Amortisation and recoverability of deferred acquisition costs and deferred income.
- Determining the fair value, amortisation and recoverability of acquired in-force business.
- Determining the fair value liability to policyholders for capital losses in unit funds.
- Determining the value of deferred tax assets.
- Determining the fair value of financial instruments and investment property.
- Determining the fair value of share-based payments.
- Recoverability of St. James's Place Partnership loans.
- Measurement of prepaid operational readiness costs.
- Fair value estimation of assets acquired.

Estimates are also applied in determining the amount of deferred tax asset recognised on unrelieved expenses and the value of other provisions.

#### *Measurement of insurance contract liabilities*

The assumptions used in the calculation of insurance contract liabilities that have a significant effect on the statement of comprehensive income of the Group are:

- The lapse assumption, which is set prudently based on an investigation of experience during the year.
- The level of expenses, which is based on actual expenses in 2014 and expected long term rates.
- The mortality and morbidity rates, which are based on the results of an investigation of experience during the year.
- The assumed rate of investment return, which is based on current gilt yields.

Greater detail on the assumptions applied is shown in Note 21.

#### *Acquisition expenses*

Certain management expenses vary with the level of new business and have been treated as acquisition costs. Each line of costs has been reviewed and its variability to new business volumes estimated on the basis of the level of costs that would be incurred if new business ceased.

#### *Amortisation and recoverability of Deferred Acquisition Costs (DAC) and Deferred Income (DIR)*

Deferred acquisition costs on investment contracts are amortised on a straight-line basis over the expected lifetime of the underlying contracts. The expected lifetime of the contracts has been estimated from the experienced termination rates and the age of clients at inception and maturity.

Deferred income on investment contracts is amortised on a straight line basis over the expected lifetime of the underlying contracts, although on certain contracts, the impacts of early withdrawal charges means the income is effectively recognised over a shorter period.

Deferred acquisition costs on insurance contracts are amortised over the period during which the costs are expected to be recoverable in accordance with the projected emergence of future margins.

Deferred acquisition costs relating to insurance and investment contracts are tested annually for recoverability by reference to expected future income levels. Future income levels are projected using assumptions consistent with those underlying our embedded value calculation.

#### *Acquired in-force business*

There have been no new business combinations generating acquired in-force business during the year. The acquired value of the in-force business is amortised on a basis that reflects the expected profit stream arising from the business acquired at the date of acquisition. This profit stream is estimated from the experienced termination rates, expenses of management and age of the clients under the individual contracts as well as global estimates of investment growth, based on recent experience at the date of acquisition.

The acquired value of in-force business relating to insurance and investment contracts is tested annually for recoverability by reference to expected future income levels.



***Valuing capital losses in the unit funds***

In line with IAS 12, the Group has recognised a deferred tax asset in relation to capital losses in the unit funds at the reporting date. This asset has been tested for impairment against the level of capital gains realistically expected to arise in future.

Much of the benefit of the deferred tax asset on capital losses in the unit funds will be shared with policyholders. The policyholder investment contract liability has therefore been increased to reflect the fair value of this additional benefit. The assumptions that have a significant effect on the fair value of the liability are as follows:

- The assumed rate of investment return, which is based on current gilt yields.
- The lapse assumption, which is set prudently based on experience during the year.
- The assumed period for development of capital gains, which is estimated from recent experience.

***Determining the value of deferred tax assets***

In line with IAS 12, the Group has recognised deferred tax assets for future tax benefits that will accrue. The asset value has taken into consideration the likelihood of appropriate future income or gains against which the tax asset can be utilised. In particular, future investment income from the existing assets will be sufficient to utilise the unrelieved expenses, and capital gains crystallising in the unit linked funds will utilise the capital losses. Tax assets in relation to deferred income will be utilised as the underlying income is recognised.

***Determining the fair value of financial instruments and investment property***

In accordance with IFRS 13, the Group categorises financial instruments carried on the balance sheet at fair value using a three level hierarchy. Financial instruments categorised as level 1 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However, the fair value of financial instruments categorised as level 2 and, in particular, level 3 is determined using valuation techniques. These valuation techniques involve management judgement and estimates, the extent of which depends on the complexity of the instrument and the availability of market observable information. Further details of these valuations are described in Note 29.

***Determining the fair value of share-based payments***

In determining the fair value of share-based payments and the related charge to the income statement, the Group makes assumptions about the future events and market conditions. In particular, judgement must be formed as to the likely number of shares that will vest, and the fair value of each award granted. Further details of these assumptions used are described in Note 32.

***Recoverability of St. James's Place Partnership loans***

During the normal course of business the Group provides loans to St. James's Place Partners in order to support the development and growth of the St. James's Place Partnership. The St. James's Place Partnership loans are initially recognised at fair value and subsequently held at amortised cost less impairment losses. The recoverability of loans is measured and the asset is deemed impaired if the projected future margins are less than the carrying value of the asset. The allowance for impairment losses on St. James's Place Partnership loans is management's best estimate of losses incurred in the portfolio at the statement of financial position date.

***Measurement of prepaid operational readiness costs***

Included within prepayments are operational readiness costs relating to the new administration service agreement which are initially recognised at the amounts advanced. The prepayment is expensed in line with the provision of services under the service agreement. At each statement of financial position date, the value of the prepayment is assessed for impairment recognised against the present value of the estimated future contract benefits. In determining the present value of the estimated future contract benefits, the critical judgements are the levels of future business that will be serviced, the anticipated future service tariffs, terminations fees payable and receivable under the contract and the rate used to discount amounts to present value.

***Fair value estimation of assets acquired***

In accordance with IFRS 3 Business Combinations, as of the acquisition date, the Group recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree and classifies the identifiable assets acquired and liabilities assumed on the basis of the contractual terms, economic conditions, its operating or accounting policies and other pertinent conditions as they exist at the acquisition date. The Group measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

# Notes to the Consolidated Financial Statements

## under International Financial Reporting Standards *continued*

### 3. SEGMENT REPORTING

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board in order to allocate resources to each segment and assess its performance. The Group's 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. Most of its customers are based in the United Kingdom, as is management of the assets. In particular, the new operation based in South East Asia is not yet material for separate consideration.

The income, profit and assets of these segments are set out below.

#### 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 Board.

	Year Ended 31 December 2014	Year Ended 31 December 2013
	£'Million	£'Million
Life business	583.0	532.9
Unit Trust business	312.6	230.0
Distribution business	111.6	102.3
<b>Total APE</b>	<b>1,007.2</b>	<b>865.2</b>
<b>Adjustments to reconcile to IFRS basis</b>		
<b>Life business</b>		
Exclude investment business APE	(580.7)	(530.5)
Difference between insurance business APE and premium receivable	55.2	58.8
Less insurance premium income ceded to reinsurers	(33.5)	(54.3)
Fee income (management fees and initial margin)	520.8	460.7
Net movement on deferred income	64.7	70.8
Investment income (primarily in unit linked funds)	2,914.6	4,886.3
<b>Unit Trust business</b>		
Exclude unit trust APE	(312.6)	(230.0)
Fee income (dealing profit and management fees)	170.0	150.9
Net movement on deferred income	10.7	7.1
Investment income	0.4	0.3
<b>Distribution business</b>		
Exclude distribution APE	(111.7)	(102.3)
Fee and commission income receivable	429.3	319.2
Other investment income	0.3	0.2
<b>Other business</b>		
Income receivable	5.5	4.6
Investment income on third party holdings in consolidated unit trusts	425.9	939.2
Other investment income	5.9	5.1
Other operating income	1.2	2.5
<b>Total adjustments</b>	<b>3,566.0</b>	<b>5,988.6</b>
<b>Net income – IFRS</b>	<b>4,573.2</b>	<b>6,853.8</b>

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

## Segment Profit

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

Going forward an additional profit measure 'underlying profit' will be monitored by the chief operating decision maker. This measure has been included on a pre-tax basis below for information.

## 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 Supplementary Information on EEV basis within the Annual Report and Accounts on pages 163 to 173. A reconciliation of EEV operating profit to IFRS profit before tax is shown below.

	Year Ended 31 December 2014	Year Ended 31 December 2013
	£'Million	£'Million
Life business	467.0	365.7
Unit Trust business	177.7	130.8
Distribution business	(10.9)	(6.1)
Other business	(37.4)	(27.7)
<b>EEV operating profit</b>	<b>596.4</b>	<b>462.7</b>
Investment return variance	80.2	344.2
Economic assumption changes	(7.0)	10.6
<b>EEV profit before tax</b>	<b>669.6</b>	<b>817.5</b>
Adjustments to IFRS basis		
Deduct: amortisation of acquired value of in-force	(3.2)	(3.2)
Movement in life value of in-force (net of tax)	(241.7)	(360.1)
Movement in unit trust value of in-force (net of tax)	(104.9)	(122.8)
Tax of movement in value of in-force	(136.9)	(140.7)
<b>Profit before tax attributable to shareholders' returns</b>	<b>182.9</b>	<b>190.7</b>
Tax attributable to policyholder returns	111.5	270.5
<b>IFRS profit before tax</b>	<b>294.4</b>	<b>461.2</b>

## Cash Result

	Year Ended 31 December 2014	Year Ended 31 December 2013
	£'Million	£'Million
Life business	146.2	143.8
Unit Trust business	48.1	44.8
Distribution business	(8.5)	(4.7)
Other business	(20.7)	(15.1)
<b>Cash result after tax</b>	<b>165.1</b>	<b>168.8</b>
<b>IFRS adjustments (after tax)</b>		
Share option expense	(11.4)	(7.8)
Deferred acquisition costs (DAC)	(58.6)	(62.9)
Deferred income (DIR)	68.0	67.9
Acquired value of in-force (PVIF)	(2.6)	(2.6)
Sterling reserves	(7.4)	0.4
IFRS deferred tax adjustments	34.8	26.5
<b>IFRS profit after tax</b>	<b>187.9</b>	<b>190.3</b>
Shareholder tax	(5.0)	0.4
<b>Profit before tax attributable to shareholders' returns</b>	<b>182.9</b>	<b>190.7</b>
Policyholder tax	111.5	270.5
<b>IFRS profit before tax</b>	<b>294.4</b>	<b>461.2</b>

# Notes to the Consolidated Financial Statements

## under International Financial Reporting Standards *continued*

### 3. SEGMENT REPORTING *continued*

#### IFRS Result

	Year Ended 31 December 2014	Year Ended 31 December 2013
	£'Million	£'Million
Life business		
– shareholder	171.7	170.6
– policyholder tax gross up	111.5	270.5
Unit Trust business	59.5	53.9
Distribution business	(10.9)	(6.1)
Other business	(37.4)	(27.7)
<b>IFRS profit before tax</b>	<b>294.4</b>	<b>461.2</b>

#### Underlying profit before tax attributable to shareholders' returns

	Year Ended 31 December 2014	Year Ended 31 December 2013
	£'Million	£'Million
Life business	160.7	162.7
Unit Trust business	61.2	58.3
Distribution business	(10.9)	(6.1)
Other business	(37.4)	(27.7)
<b>Underlying profit</b>	<b>173.6</b>	<b>187.2</b>
<b>Adjustments</b>		
DAC/DIR/PVIF	9.3	3.5
<b>IFRS profit before tax attributable to shareholders' returns</b>	<b>182.9</b>	<b>190.7</b>

Included within the EEV, IFRS profit before tax, post-tax cash result and underlying profit are the following:

	Year Ended 31 December 2014	Year Ended 31 December 2013
	£'Million	£'Million
Shareholder interest income	8.8	7.3
Depreciation	1.9	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.

	31 December 2014	31 December 2013
	£'Million	£'Million
Life business	39,200.0	34,100.0
Unit Trust business	12,800.0	10,200.0
<b>Total FUM</b>	<b>52,000.0</b>	<b>44,300.0</b>
Exclude third party holdings in non-consolidated unit trusts	(2,086.4)	(1,665.6)
Add balance sheet liabilities in unit linked funds	480.9	545.6
Adjustments for other balance sheet assets excluded from FUM		
DAC	813.0	888.8
PVIF	36.8	40.0
Computer software	7.7	8.7
Goodwill	10.1	–
Property & equipment	7.9	5.8
Deferred tax assets	192.8	181.8
Fixed income securities	83.3	67.7
Collective investment schemes	521.7	523.0
Reinsurance assets	85.5	64.2
Insurance and investment contract receivables	63.5	49.9
Other receivables	292.6	229.9
Other receivables eliminated on consolidation	(94.9)	(151.9)
Cash & cash equivalents	274.3	197.1
Other adjustments	5.7	54.3
<b>Total adjustments</b>	<b>694.5</b>	<b>1,039.3</b>
<b>Total assets</b>	<b>52,694.5</b>	<b>45,339.3</b>

## 4. FEE AND COMMISSION INCOME

	Year Ended 31 December 2014	Year Ended 31 December 2013*
	£'Million	£'Million
Advice charges	340.4	250.8
Third party fee and commission income	94.4	73.0
Life company initial margin	26.3	27.9*
Life company management fees	494.5	432.8*
Unit Trust dealing profit	16.0	19.1
Unit Trust management fees	122.4	105.3*
Unit Trust other income	31.6	26.5*
Movement in deferred income	75.4	77.9
<b>Total fee and commission income</b>	<b>1,201.0</b>	<b>1,013.3</b>

\* These figures have been re-presented to more appropriately reflect the management fee income for life and unit trust business.

## 5. INVESTMENT RETURN

	Year Ended 31 December 2014	Year Ended 31 December 2013
	£'Million	£'Million
Dividend income	505.3	455.6
Interest income	23.4	22.5
Rental income	50.8	41.8
Unit linked funds cross holding investment income	423.1	358.1
Net realised gains	381.5	454.1
Net unrealised gains	1,537.1	3,559.8
Income attributable to third party holdings in unit trusts	425.9	939.2
<b>Total investment return</b>	<b>3,347.1</b>	<b>5,831.1</b>



# Notes to the Consolidated Financial Statements

## under International Financial Reporting Standards *continued*

### 6. EXPENSES

The following items are included within the expenses disclosed in the statement of comprehensive income:

	Year Ended 31 December 2014	Year Ended 31 December 2013
	£'Million	£'Million
Employee costs (see Note 7)	111.7	88.6
Depreciation	1.9	1.6
Revaluations	–	0.1
Amortisation of acquired value of in-force business	3.2	3.2
Amortisation of DAC	102.7	117.1
Amortisation of computer software	2.8	2.5
Deferral of DAC	(26.9)	(34.3)
Partner remuneration	455.4	407.1
Payment under operating leases	13.8	10.1
Fees payable to the Company's auditor for the audit of the parent Company and consolidated financial statements	0.1	0.1
Fees payable to the Company's auditor for other services:		
– The audit of the Company's subsidiaries	0.6	0.6
– Audit-related assurance services	0.2	0.1
– Non-audit related services	–	–

### 7. EMPLOYEE COSTS

	Year Ended 31 December 2014	Year Ended 31 December 2013
	£'Million	£'Million
Wages and salaries	84.2	66.9
Social security costs	10.1	8.9
Other pension costs in relation to defined contribution schemes	6.0	5.0
Cost of share awards and options	11.4	7.8
<b>Total employee costs</b>	<b>111.7</b>	<b>88.6</b>
Average monthly number of persons employed by the Group during the year	1,225	985

The above information includes Directors' remuneration. Details of the Directors' remuneration, share options, pension entitlements and interests in shares are disclosed in the Remuneration Report on pages 67 to 87.

## 8. INCOME TAXES

	Year Ended 31 December 2014	Year Ended 31 December 2013
	£'Million	£'Million
UK corporation tax		
– Current year charge	96.2	29.0
– Adjustment in respect of prior year	(7.6)	2.5
Overseas taxes		
– Current year charge	6.9	6.8
	95.5	38.3
Deferred tax on unrealised capital gains and losses in unit linked funds	40.6	278.1
Deferred tax on unrelieved expenses	8.4	2.2
Deferred tax on pensions business losses	–	6.4
Deferred tax on Group Company capital losses		
– Current year	(29.6)	(27.9)
– Adjustment in respect of prior year	6.8	–
Deferred tax charge on other items	(13.3)	(14.2)
Effect on deferred tax of change in tax rate	–	(12.0)
Overseas taxes	(1.9)	–
	11.0	232.6
<b>Total tax charge for the year</b>	<b>106.5</b>	<b>270.9</b>
<b>Attributable to:</b>		
– policyholders	111.5	270.5
– shareholders	(5.0)	0.4
	106.5	270.9

The prior year adjustment in current tax above includes a credit of £0.6 million in respect of policyholder tax (2013: £1.7 million charge).

In arriving at the profit before tax attributable to shareholders' returns, 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.

	Year Ended 31 December 2014	Year Ended 31 December 2013
	£'Million	£'Million
<b>Deferred tax</b>		
Balance at 1 January	314.8	78.1
Charge through the consolidated statement of comprehensive income	11.0	232.6
Arising on acquisitions during the year	1.2	4.1
<b>Balance at 31 December</b>	<b>327.0</b>	<b>314.8</b>

The deferred tax components to which movements above relate to are disclosed in Note 15 Deferred Tax Assets and Note 26 Deferred Tax Liabilities.

Included within the deferred tax current year charge is a credit of £1.5 million (2013: £1.7 million credit) relating to share-based payments. Details of share-based payments are disclosed in Note 32 Share-based Payments.

The change in the corporation tax rate from 21% to 20% effective from 1 April 2015 had already been incorporated into the deferred tax balances in 2013.

# Notes to the Consolidated Financial Statements

## under International Financial Reporting Standards *continued*

### 8. INCOME TAXES *continued*

Reconciliation of tax charge	Year Ended	Year Ended
	31 December 2014	31 December 2013
	£'Million	£'Million
Profit before tax	294.4	461.2
Tax at 21.5% (2013: 23.25%)	63.3	107.2
Effects of:		
Overseas rates and bases of tax	(3.6)	(2.4)
Shareholder deduction for policyholder tax	87.5	207.6
Group company capital losses	(39.5)	(27.9)
Share options	(2.1)	(2.7)
Disallowable expenses	0.9	1.4
Adjustment in respect of prior year	(0.2)	0.8
Change in tax rate	–	(12.0)
Other adjustments	0.2	(1.1)
<b>Total tax charge for the year</b>	<b>106.5</b>	<b>270.9</b>

Reconciliation of tax charge	Year Ended		Year Ended	
	31 December 2014		31 December 2013	
	£'Million		£'Million	
Profit before tax	294.4		461.2	
Tax attributable to policyholders' returns*	(111.5)		(270.5)	
Profit before tax attributable to shareholders' returns	182.9		190.7	
Shareholder tax charge at corporate tax rate of 21.5% (2013: 23.25%)	39.3	21.5%	44.3	23.25%
<b>Adjustments:</b>				
<i>Tax regime differences</i>				
Difference due to overseas subsidiaries	(3.6)	(2.0%)	(2.4)	(1.3%)
<i>Other</i>				
Creation of deferred tax asset on Group Company capital losses	(39.5)		(27.9)	
Adjustment in respect of prior year	(0.2)		0.8	
Share options	(2.1)		(2.7)	
Disallowable expenses	0.9		1.4	
Other	0.2		(1.1)	
	(40.7)	(22.3%)	(29.5)	(15.5%)
Change in tax rate	–		(12.0)	(6.3%)
<b>Shareholder tax charge</b>	<b>(5.0)</b>	<b>(2.7%)</b>	<b>0.4</b>	<b>0.2%</b>
<b>Policyholder tax charge</b>	<b>111.5</b>		<b>270.5</b>	
<b>Total tax charge for the year</b>	<b>106.5</b>		<b>270.9</b>	

\* Tax attributable to policyholder returns is equal to the policyholder tax charge.

## 9. BUSINESS COMBINATIONS

During the year the Group acquired the following subsidiaries in line with the Group's strategic objective of growing the Partnership:

Subsidiary undertaking	Principal activity	% Shareholding	Date of acquisition
<b>PFP Group</b>			
PFPTIME Limited	IFA*	100	24 January 2014
G.M.B Financial Services Limited	Non-trading	100	24 January 2014
PFPTIME (IFA) Limited	Dormant	100	24 January 2014
<b>Henley Group</b>			
Henley Wealth Management International Pte Limited	Holding Company	100	10 June 2014
Australian Expatriate Services Limited	Dormant	100	10 June 2014
Expatriate Insurance Group Limited	Dormant	100	10 June 2014
International Protection Group Pte Limited	General Insurance	100	10 June 2014
The Henley Group Limited	IFA*	100	10 June 2014
The Henley Group Pte Limited	IFA*	100	10 June 2014
THG Wealth Management Limited	UK Distribution	100	10 June 2014

\* Independent Financial Adviser

Acquisition-related costs of £0.1 million have been charged to administration expenses in the consolidated income statement for the year ended 31 December 2014.

### PFP Group

The PFP Group acquisition contributed £0.8 million to revenue and a £0.2 million profit 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 £'Million	Fair value adjustment £'Million	Total £'Million
Financial assets	0.1	1.8	1.9
Cash and cash equivalents	0.4	–	0.4
Financial liabilities	(1.5)	–	(1.5)
<b>Total</b>	<b>(1.0)</b>	<b>1.8</b>	<b>0.8</b>
<b>Consideration</b>			
Cash consideration			0.5
Contingent consideration			0.3
<b>Total consideration</b>			<b>0.8</b>

The contingent consideration is payable if certain performance targets are met, being based on the individual Partner performances. It is expected this 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.

# Notes to the Consolidated Financial Statements

## under International Financial Reporting Standards *continued*

### 9. BUSINESS COMBINATIONS *continued*

#### The Henley Group

The Henley Group acquisition contributed £3.8 million to revenue and a £1.7 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 £5.5 million to revenue and a £1.8 million loss before income tax to the consolidated statement of income for the year.

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

	Book value £'Million	Fair value adjustment £'Million	Total £'Million
Financial assets	0.6	4.6	5.2
Cash and cash equivalents	—	—	—
Financial liabilities	—	—	—
<b>Total</b>	<b>0.6</b>	<b>4.6</b>	<b>5.2</b>
Consideration			
Cash consideration			7.1
Contingent consideration			8.2
<b>Total consideration</b>			<b>15.3</b>
<b>Goodwill</b>			<b>10.1</b>

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.

It is expected that the contingent consideration 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 down to a value of £1.3 million. 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.

### 10. EARNINGS PER SHARE

	Year Ended 31 December 2014	Year Ended 31 December 2013
	Pence	Pence
Basic earnings per share	36.6	37.4
Diluted earnings per share	35.9	36.7
Underlying basic earnings per share	35.2	34.4
Underlying diluted earnings per share	34.6	33.8



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

	Year Ended 31 December 2014 £'Million	Year Ended 31 December 2013 £'Million
<b>Earnings</b>		
Profit after tax ( <i>for both basic and diluted EPS</i> )	<b>187.9</b>	190.3
	Million	Million
<b>Weighted average number of shares</b>		
Weighted average number of ordinary shares in issue ( <i>for basic EPS</i> )	<b>514.0</b>	509.4
Adjustments for outstanding share options	<b>9.0</b>	9.2
Weighted average number of ordinary shares ( <i>for diluted EPS</i> )	<b>523.0</b>	518.6

## 11. DIVIDENDS

The following dividends have been paid by the Group:

	Year Ended 31 December 2014 Pence per Share	Year Ended 31 December 2013 Pence per Share	Year Ended 31 December 2014 £'Million	Year Ended 31 December 2013 £'Million
Final dividend in respect of previous financial year	<b>9.58</b>	6.39	<b>49.4</b>	32.6
Interim dividend in respect of current financial year	<b>8.93</b>	6.38	<b>46.1</b>	32.7
<b>Total dividends</b>	<b>18.51</b>	12.77	<b>95.5</b>	65.3

The Directors have recommended a final dividend of 14.37 pence per share (2013: 9.58 pence). This amounts to £74.6 million (2013: £49.4 million) and will, subject to shareholder approval at the Annual General Meeting, be paid on 15 May 2015 to those shareholders on the register as at 10 April 2015.

## 12. GOODWILL

	31 December 2014 £'Million	31 December 2013 £'Million
Balance at 1 January	—	—
Additions	<b>10.1</b>	—
Accumulated impairment loss	—	—
<b>Balance at 31 December</b>	<b>10.1</b>	—

Goodwill is reviewed at least annually for impairment or when circumstances or events indicate there may be uncertainty over this value. For the purposes of impairment testing, 100% of the goodwill is allocated to the appropriate cash generating unit; being Life.

The recoverable amount has been based on a value in use calculation. The calculation applies an actuarially determined appraisal value, based on the embedded value of the business. The key assumptions used in the value in use calculation are growth in volume of new business at 15% and profitability in line with other existing international business. More information regarding the assumptions used in the embedded value of the business can be found on pages 167 and 168.

It is considered that any reasonably possible levels of change in the key assumptions would not result in impairment of the goodwill.

# Notes to the Consolidated Financial Statements

## under International Financial Reporting Standards *continued*

### 13. INTANGIBLE ASSETS

	Life business – insurance DAC	Life business – investment DAC	Unit Trust business – investment DAC	Total DAC	Acquired value of in-force business	Computer software & other specific software develop- ments	Customer list	Total
	£Million	£Million	£Million	£Million	£Million	£Million	£Million	£Million
<b>Cost</b>								
At 1 January 2013	106.7	1,122.2	289.0	1,517.9	73.4	12.3	3.3	1,606.9
Additions	0.5	23.8	10.0	34.3	–	–	–	34.3
Disposals	–	–	–	–	–	(0.5)	–	(0.5)
Reclassification	–	–	–	–	–	–	(3.3)	(3.3)
At 31 December 2013	107.2	1,146.0	299.0	1,552.2	73.4	11.8	–	1,637.4
<b>At 1 January 2014</b>	<b>107.2</b>	<b>1,146.0</b>	<b>299.0</b>	<b>1,552.2</b>	<b>73.4</b>	<b>11.8</b>	<b>–</b>	<b>1,637.4</b>
<b>Additions</b>	<b>0.5</b>	<b>17.2</b>	<b>9.2</b>	<b>26.9</b>	<b>–</b>	<b>1.8</b>	<b>–</b>	<b>28.7</b>
<b>At 31 December 2014</b>	<b>107.7</b>	<b>1,163.2</b>	<b>308.2</b>	<b>1,579.1</b>	<b>73.4</b>	<b>13.6</b>	<b>–</b>	<b>1,666.1</b>
<b>Accumulated amortisation</b>								
At 1 January 2013	92.2	367.9	86.2	546.3	30.2	0.6	0.3	577.4
Charge for the year	13.5	82.2	21.4	117.1	3.2	2.5	–	122.8
Reclassification	–	–	–	–	–	–	(0.3)	(0.3)
At 31 December 2013	105.7	450.1	107.6	663.4	33.4	3.1	–	699.9
<b>At 1 January 2014</b>	<b>105.7</b>	<b>450.1</b>	<b>107.6</b>	<b>663.4</b>	<b>33.4</b>	<b>3.1</b>	<b>–</b>	<b>699.9</b>
<b>Charge for the year</b>	<b>0.8</b>	<b>80.4</b>	<b>21.5</b>	<b>102.7</b>	<b>3.2</b>	<b>2.8</b>	<b>–</b>	<b>108.7</b>
<b>At 31 December 2014</b>	<b>106.5</b>	<b>530.5</b>	<b>129.1</b>	<b>766.1</b>	<b>36.6</b>	<b>5.9</b>	<b>–</b>	<b>808.6</b>
<b>Carrying value</b>								
At 31 December 2013	1.5	695.9	191.4	888.8	40.0	8.7	–	937.5
<b>At 31 December 2014</b>	<b>1.2</b>	<b>632.7</b>	<b>179.1</b>	<b>813.0</b>	<b>36.8</b>	<b>7.7</b>	<b>–</b>	<b>857.5</b>
Current								<b>106.1</b>
Non-current								<b>751.4</b>
								<b>857.5</b>
<b>Outstanding amortisation period</b>								
At 31 December 2013	6 years	14 years	14 years		12 years	4 years		
<b>At 31 December 2014</b>	<b>6 years</b>	<b>14 years</b>	<b>14 years</b>		<b>12 years</b>	<b>4 years</b>		

Amortisation of deferred acquisition costs is charged within the fees, commission and other acquisition costs line in the statement of comprehensive income. The amortisation of the acquired value of in-force business is charged within other operating expenses with the amortisation of computer software and customer list charged within administration expenses. Amortisation profiles are reassessed annually.

## 14. PROPERTY &amp; EQUIPMENT

	Fixtures & Fittings, Computers & Office Equipment £'Million	Assets Held for Sale – Land £'Million	Total £'Million
<b>Cost</b>			
At 1 January 2013	32.9	1.3	34.2
Additions	3.7	0.2	3.9
Revaluation	–	(0.1)	(0.1)
At 31 December 2013	36.6	1.4	38.0
<b>At 1 January 2014</b>	<b>36.6</b>	<b>1.4</b>	<b>38.0</b>
Additions	4.0	–	4.0
Disposals	–	–	–
<b>At 31 December 2014</b>	<b>40.6</b>	<b>1.4</b>	<b>42.0</b>
<b>Accumulated depreciation</b>			
At 1 January 2013	30.6	–	30.6
Charge for the year	1.6	–	1.6
At 31 December 2013	32.2	–	32.2
<b>At 1 January 2014</b>	<b>32.2</b>	<b>–</b>	<b>32.2</b>
Charge for the year	1.9	–	1.9
<b>At 31 December 2014</b>	<b>34.1</b>	<b>–</b>	<b>34.1</b>
<b>Net book value</b>			
At 1 January 2013	2.3	1.3	3.6
At 31 December 2013	4.4	1.4	5.8
<b>At 31 December 2014</b>	<b>6.5</b>	<b>1.4</b>	<b>7.9</b>
Current			3.2
Non-current			4.7
			<b>7.9</b>

During the year, a contract was signed to sell the land for £1.4 million. As at 31 December 2014 the full conditions of the contract had not yet been met, therefore the land has been re-categorised as 'Assets Held for Sale' and valued at the agreed sale price. The agreed sale price is considered by the Group to be the fair value of the asset as at 31 December 2014. The sale is expected to complete in early 2015.

## 15. DEFERRED TAX ASSETS

	31 December 2014 £'Million	31 December 2013 £'Million
Life business – unrelieved expenses	65.3	73.7
Life business – deferred income	18.4	23.7
Unit Trust business – deferred income	46.1	48.2
Capital losses on liquidations	50.7	27.9
Other	12.3	8.3
<b>Total deferred tax assets</b>	<b>192.8</b>	<b>181.8</b>
Current	41.1	36.8
Non-current	151.7	145.0
	<b>192.8</b>	<b>181.8</b>

Appropriate investment income, gains or profits are expected to arise against which the tax assets can be utilised. In particular, future investment income from the existing assets will be sufficient to utilise the unrelieved expenses and capital gains crystallising in the unit linked funds will utilise the capital losses. Tax assets in relation to deferred income will be utilised as the underlying income is recognised.

At the reporting date there were unrecognised deferred tax assets of £0.2 million (2013: £nil) in respect of losses in companies where appropriate profits are not considered probable in the forecast period.

# Notes to the Consolidated Financial Statements

## under International Financial Reporting Standards *continued*

### 15. DEFERRED TAX ASSETS *continued*

During the year £16.7 million (2013: nil) of deferred tax assets relating to capital losses have been utilised and a further £39.5 million (2013: £27.9 million) has been recognised.

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 in the future. Should such a loss crystallise, the Group will create a tax asset, as appropriate, the impact of which could potentially be material in future periods.

### 16. INVESTMENT PROPERTY

	31 December 2014	31 December 2013
	£'Million	£'Million
Balance at 1 January	732.7	597.6
Additions	254.2	194.1
Capitalised expenditure on existing properties	4.8	–
Disposals	(46.1)	(67.3)
Changes in fair value	85.8	8.3
<b>Balance at 31 December</b>	<b>1,031.4</b>	<b>732.7</b>

Investment property is held within unit linked funds and is considered current.

Investment property is valued monthly by external chartered surveyors in accordance with the guidance issued by The Royal Institution of Chartered Surveyors. The investment property valuation has been prepared using the 'market approach' valuation technique – using prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets.

The rental income and direct operating expenses recognised in the statement of comprehensive income in respect of investment properties are set out below. All expenses relate to property generating rental income.

	Year Ended 31 December 2014	Year Ended 31 December 2013
	£'Million	£'Million
Rental income	50.8	41.8
Direct operating expenses	6.2	5.1

At the year end contractual obligations to purchase, construct or develop investment property amounted to £2.2 million (2013: £0.1 million) and to dispose of investment property amounted to £nil million (2013: £nil).

## 17. 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.

	31 December 2014	31 December 2013
	£'Million	£'Million
<b>Assets</b>		
Investment property	1,031.4	732.7
Investments		
– Equities	34,734.9	29,614.8
– Fixed income securities	6,755.5	5,897.9
– Investment in Collective Investment Schemes	2,440.1	2,718.3
– Currency forwards	38.3	97.7
– Interest rate swaps	10.3	8.6
– Collateralised mortgage obligations	53.4	–
– Fixed Income options	12.4	–
– Index options	18.2	–
– Contracts for differences	27.7	29.4
– Other derivatives	6.1	7.2
Other receivables	312.0	324.1
Other receivables eliminated on consolidation	94.8	151.9
Cash & cash equivalents	4,865.1	3,648.6
<b>Total assets</b>	<b>50,400.2</b>	<b>43,231.2</b>
<b>Liabilities</b>		
Financial liabilities		
– Currency forwards	28.3	49.4
– Interest rate swaps	5.1	11.8
– Fixed Income options	9.7	–
– Index options	8.1	–
– Contracts for differences	18.9	24.8
– Other derivatives	9.2	1.8
Other payables	183.7	241.6
Other payables eliminated on consolidation	217.9	216.2
<b>Total liabilities</b>	<b>480.9</b>	<b>545.6</b>
<b>Net assets held to cover linked liabilities and third party holdings in unit trusts</b>	<b>49,919.3</b>	<b>42,685.6</b>

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.

	31 December 2014	31 December 2013
	£'Million	£'Million
Investment contracts	38,851.2	33,717.5
Net asset value attributable to unit holders	10,617.8	8,535.4
Insurance contract liabilities	384.3	395.0
Consolidation adjustments	66.0	37.7
<b>Net liabilities held to cover linked liabilities and third party holdings in unit trusts</b>	<b>49,919.3</b>	<b>42,685.6</b>



# Notes to the Consolidated Financial Statements

## under International Financial Reporting Standards *continued*

### 18. OTHER RECEIVABLES

	31 December 2014	31 December 2013
	£'Million	£'Million
St. James's Place Partnership loans	158.9	144.2
Prepayments	62.5	25.0
Advanced Partner remuneration	25.1	22.2
Unit linked funds and UTMI (including outstanding security sales)	312.0	324.1
Unit Trust dealing receivables	3.2	4.0
Renewal income	29.1	16.6
Miscellaneous	13.8	17.9
<b>Total other receivables</b>	<b>604.6</b>	<b>554.0</b>
Current	453.7	432.2
Non-current	150.9	121.8
	<b>604.6</b>	<b>554.0</b>

The fair value of loans and receivables included in other receivables is not materially different from amortised cost. St. James's Place Partnership loans are interest bearing (linked to Bank of England base rate plus a margin), repayable on demand and secured against the future renewal income streams of that Partner. The St. James's Place Partnership loans are shown net of a £2.9 million provision (2013: £3.8 million). During the year £1.4 million of the provision was utilised (2013: £2.1 million addition) whilst new provisions and adjustments to existing provisions increased the total by £0.5 million (2013: £0.8 million decrease).

Included within prepayments are operational readiness costs relating to the new administration platform being developed by our key outsourced back office administration provider.

Movement in renewal income:

	31 December 2014	31 December 2013
	£'Million	£'Million
At 1 January 2014	16.6	–
Reclassification*	5.9	3.0
Additions	9.5	16.7
Revaluation	(2.9)	(3.1)
<b>Total renewal income</b>	<b>29.1</b>	<b>16.6</b>

\* The current year reclassification relates to purchased SJP Partner renewal income previously disclosed within miscellaneous. The prior year reclassification related to renewal income previously disclosed within intangible assets (customer lists).

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

	31 December 2014	31 December 2013
Lapse rate – SJP Partner renewal income**	6% – 10%	6% – 10%
Lapse rate – Non SJP renewal income**	14% – 21%	15.0%
Discount rate	5.0%	6.2%

\*\* Future income streams are projected making use of persistency assumptions derived from the Group's experience of the business or, where insufficient data exists, from external industry experience. These assumptions are reviewed on an annual basis.

These assumptions have been used for the analysis of each business combination classified within renewal income.

## 19. CASH & CASH EQUIVALENTS

	31 December 2014	31 December 2013
	£'Million	£'Million
Cash at bank	273.5	195.5
Cash held by third parties	0.8	1.6
Cash & cash equivalents held outside unit linked and unit trust funds	274.3	197.1
Balances held within unit linked and unit trust funds	4,865.1	3,648.6
<b>Total cash &amp; cash equivalents</b>	<b>5,139.4</b>	<b>3,845.7</b>

All cash & cash equivalents are considered current.

## 20. INSURANCE RISK

Insurance risk arises from inherent uncertainties as to the occurrence, amount and timing of insurance liabilities. The Group assumes insurance risk by issuing insurance contracts under which the Group agrees to compensate the client (or other beneficiary) if a specified future event (the insured event) occurs. The Group insures mortality and morbidity risks but has no longevity risk as we have never written any annuity business. The Group has a medium appetite for insurance risk, only actively pursuing it where financially beneficial, or in support of strategic objectives.

Risk	Description	Management
Underwriting	Failure to price appropriately for a risk, or the impact of anti-selection.	The Group ceased writing new protection business in April 2011. Experience is monitored regularly. For most business the premium or deduction rates can be re-set. The Group has fully reinsured the UK insurance risk.
Epidemic/disaster	An unusually large number of claims arising from a single incident or event.	Protection is provided through reinsurance. The Group has fully reinsured the UK insurance risk.
Expense	Administration costs exceed expense allowance.	Administration is outsourced and a tariff of costs is agreed. The contract is monitored regularly to rationalise costs incurred. Internal overhead expenses are monitored and closely managed.
Retention	Loss of future profit due to more clients than anticipated withdrawing their funds.	Retention of insurance contracts is closely monitored and unexpected experience is investigated. Retention experience has continued in line with assumptions during 2013.

## 21. INSURANCE CONTRACT LIABILITIES

	2014	2013
	£'Million	£'Million
Balance at 1 January	466.4	424.0
Movement in unit linked liabilities	(10.7)	58.5
Movement in non-unit linked liabilities		
– New business	(0.2)	(0.3)
– Existing business	7.1	6.3
– Other assumption changes	6.9	(10.3)
– Experience variance	4.9	(11.8)
Total movement in non-unit linked liabilities	18.7	(16.1)
<b>Balance at 31 December</b>	<b>474.4</b>	<b>466.4</b>
Unit linked	384.3	395.0
Non-unit linked	90.1	71.4
	474.4	466.4
Current	106.7	100.7
Non-current	367.7	365.7
	474.4	466.4

During the year various contracts were reclassified from insurance to investment business.

Unit linked liabilities move as a function of net cash flows into policyholder funds and underlying investment performance of those funds.

# Notes to the Consolidated Financial Statements

## under International Financial Reporting Standards *continued*

### 21. INSURANCE CONTRACT LIABILITIES *continued*

Assumptions used in the calculation of liabilities

The principal assumptions used in the calculation of the liabilities are:

Assumption	Description	Rate	
		2014	2013
Interest rate	The valuation interest rate is calculated by reference to the long term gilt yield at 31 December 2014 and the specific gilts backing the liabilities. The specific rates used are between 1.6% and 2.1% depending on the tax regime (2.5% and 3.3% at 31 December 2013).		
Mortality	Mortality is based on Company experience and is set at 72% of the TM/F92 tables with an additional loading for smokers. There has been no change since 2006.		
Morbidity – Critical Illness	Morbidity is based on Company experience. There has been no change during 2014. Sample annual rates per £ for a male non-smoker are:		
	Age		
	25	<b>0.000760</b>	0.000760
	35	<b>0.001334</b>	0.001334
	45	<b>0.003189</b>	0.003189
Morbidity – Permanent Health Insurance	Morbidity is based on Company experience. There has been no change during 2014. Sample annual rates per £ income benefit p.a. for a male non-smoker are:		
	Age		
	25	<b>0.00548</b>	0.00548
	35	<b>0.01447</b>	0.01447
	45	<b>0.03138</b>	0.03138
Expenses	Contract liabilities are calculated allowing for the actual costs of administration of the business. The assumption has been amended to allow for changes to the underlying administration costs.		
	Product		
	Protection business	<b>£34.98</b>	£35.69
Persistency	Allowance is made for a prudent level of lapses within the calculation of the liabilities. The rates have not changed in 2014. Sample annual lapse rates are:		
	2013 & 2014		
		Year 1	Year 5
	Protection business	7%	9%
		Year 10	
		8%	

### Sensitivity analysis

The table below sets out the sensitivity of the profit on insurance business and net assets to changes in key assumptions. The levels of sensitivity tested are consistent with those proposed in the EEV principles and reflect reasonably possible levels of change in the assumptions. The analysis reflects the change in the variable/assumption shown while all other variables/assumptions are left unchanged. In practice variables/assumptions may change at the same time, as some may be correlated (for example, an increase in interest rates may also result in an increase in expenses if the increase reflects higher inflation). It should also be noted that in some instances sensitivities are non-linear. The sensitivity % has been applied to proportion the assumption e.g. application of a 10% sensitivity to a withdrawal assumption of 8% will reduce it to 7.2%.

Sensitivity analysis	Change in assumption	Change in profit before tax	Change in profit before tax	Change in net assets	Change in net assets
		2014	2013	2014	2013
	%	£'Million	£'Million	£'Million	£'Million
Withdrawal rates	-10%	<b>(1.1)</b>	(1.1)	<b>(0.9)</b>	(1.0)
Expense assumptions	-10%	<b>0.3</b>	1.2	<b>0.3</b>	1.0
Mortality/morbidity	-5%	<b>0.0</b>	0.0	<b>0.0</b>	0.0

A change in interest rates will have no material impact on insurance profit or net assets.

## 22. REINSURANCE ASSETS

	31 December 2014	31 December 2013
	£'Million	£'Million
Reinsurers' share of insurance contract liabilities		
– Long term insurance contract liability	76.6	60.5
– Claims outstanding	8.9	3.7
<b>Reinsurance assets</b>	<b>85.5</b>	<b>64.2</b>
Current	24.5	16.1
Non-current	61.0	48.1
	85.5	64.2

During the prior year the Group fully reinsured its remaining UK protection book of business.

A reconciliation of the movement in the net reinsurance balance is set out below:

	2014	2013
	£'Million	£'Million
Reinsurance assets at 1 January	64.2	38.6
Reinsurance component of net change in claims provision	5.2	0.8
Reinsurance component of change in insurance liabilities	16.1	24.8
<b>Reinsurance assets at 31 December</b>	<b>85.5</b>	<b>64.2</b>

The overall impact of reinsurance on the profit for the year was a net charge of £11.8 million (2013: charge of £8.2 million).

## 23. OTHER PROVISIONS AND CONTINGENT LIABILITIES

	Total provisions £'Million
At 1 January 2014	9.7
Utilised/released during the year	(10.7)
Additional provisions	12.4
<b>At 31 December 2014</b>	<b>11.4</b>
Current	7.2
Non-current	4.2
	11.4

Total provisions relate to the cost of redress for mortgage endowment and other complaints. The provision is based on estimates of the total number of complaints expected to be upheld, the estimated cost of redress and the expected timing of settlement.

As more fully set out in the summary of principal risks and uncertainties on pages 36 to 38, 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.

During the normal course of business, the Group may from time to time provide guarantees to Partners, clients or other third parties. However, based upon the information currently available to them, the Directors do not believe there are any guarantees which would have a material adverse effect on the Group's financial position, and so the fair value of any guarantees has been assessed as £nil (2013: £nil).

# Notes to the Consolidated Financial Statements

## under International Financial Reporting Standards *continued*

### 24. INVESTMENT CONTRACT BENEFITS

	2014	2013
	£'Million	£'Million
Balance at 1 January	33,717.5	27,147.4
Deposits	5,022.8	4,612.3
Withdrawals	(2,176.8)	(2,091.7)
Investment contract benefits (principally representing investment expense/income)	3,234.4	5,449.4
Less: investment contract benefits attributable to fund deductions	(520.8)	(460.7)
Less: investment contract benefits attributable to third party holdings in unit trusts	(425.9)	(939.2)
<b>Balance at 31 December</b>	<b>38,851.2</b>	<b>33,717.5</b>
Current	2,913.8	2,528.8
Non-current	35,937.4	31,188.7
	<b>38,851.2</b>	<b>33,717.5</b>

### 25. BORROWINGS

	31 December 2014	31 December 2013
	£'Million	£'Million
Bank loan	84.3	98.7
Current	29.7	4.7
Non-current	54.6	94.0
	<b>84.3</b>	<b>98.7</b>

Bank loans include £750,000 (2013: £750,000) from Bank of Scotland which is secured on property disclosed in Note 14 to the financial statements.

The Group also guarantees £93.9 million (2013: £103.6 million) of direct loans from Bank of Scotland and £20.1 million (2013: £1.2 million) of direct loans from Metro Bank plc to members of the St. James's Place Partnership drawn under total facilities of £120.0 million (2013: £125.0 million) and £40.0 million (2013: £20.0 million), respectively. In the event of default of any individual Partner loan, the Group guarantees to repay the outstanding balance of that loan. These Partners' loans are secured against the future renewal income streams of that Partner.

The fair value of the outstanding bank loans and guarantees are not materially different from amortised cost.

### 26. DEFERRED TAX LIABILITIES

	31 December 2014	31 December 2013
	£'Million	£'Million
On deferred acquisition costs		
– Life and pensions business	115.0	129.7
– Unit trust business	35.8	38.3
On acquired value of in-force business	7.4	8.0
In respect of unit linked funds	354.7	314.1
Other	6.9	6.5
<b>Total deferred tax liabilities</b>	<b>519.8</b>	<b>496.6</b>
Current	76.5	61.7
Non-current	443.3	434.9
	<b>519.8</b>	<b>496.6</b>

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 create a tax liability.



## 27. DEFERRED INCOME

	31 December 2014	31 December 2013
	£'Million	£'Million
Life business	232.6	297.3
Unit Trust business	230.6	241.3
<b>Total deferred income</b>	<b>463.2</b>	<b>538.6</b>
Current	104.2	119.6
Non-current	359.0	419.0
	<b>463.2</b>	<b>538.6</b>

## 28. OTHER PAYABLES

	31 December 2014	31 December 2013
	£'Million	£'Million
Accruals	93.3	74.2
Unit Trust dealing payable	88.5	46.8
Unit linked funds and UTMI (including outstanding security purchases)	183.7	241.6
Miscellaneous	134.2	76.8
<b>Total other payables</b>	<b>499.7</b>	<b>439.4</b>
Current	467.3	439.4
Non-current	32.4	—
	<b>499.7</b>	<b>439.4</b>

Included within miscellaneous is a Contract Payment of £27.4 million (2013: £nil) which is non-interest bearing and repayable on a straight-line basis over the life of a 12 year service agreement commencing in 2017.

## 29. FINANCIAL RISK

### Risk management objectives and risk policies

The Group seeks to manage risk through the operation of unit linked business whereby the policyholder bears the financial risk. In addition, shareholder assets are invested in liquid investments with a strong credit rating.

Under IFRS 7, the Group is required to analyse their exposure to the following risks:

- Credit risk
- Liquidity risk
- Market risk
- Currency risk

**Credit** risk is the risk of loss due to a debtor's non-payment of a loan or other line of credit. Credit risk also arises from holdings of cash and cash equivalents, deposits and formal loans with banks and financial institutions. The Group has adopted a risk averse approach to such risk and has a stated policy of not actively pursuing or accepting credit risk except when necessary to support other objectives.

# Notes to the Consolidated Financial Statements

## under International Financial Reporting Standards *continued*

### 29. FINANCIAL RISK *continued*

Risk	Description	Management
Shareholders' assets	Loss of assets.	Shareholder funds are predominantly invested in AAA rated unitised money market funds and deposits with approved banks. Maximum counterparty limits are set for each company within the Group and aggregate limits are also set at a Group level.
Investment matching of non-linked liabilities	Loss of value of assets.	These liabilities are matched by fixed interest securities with minimum AAA credit ratings or UK Government Gilts; maximum counterparty limits for such holdings are again set for each company within the Group and at an aggregate Group level.
Reinsurance	Failure of counterparty or counterparty unable to meet liabilities.	Credit ratings of potential reinsurers must meet or exceed minimum specified levels. Consideration is also given to size, risk concentrations/exposures and ownership in the selection of reinsurers. The Group also seeks to diversify its reinsurance credit risk through the use of a spread of reinsurers.
Partner loans and advances	Inability of Partners to repay loans or advances from St. James's Place.	Loans and advances are managed in line with the Group's secured lending policy. Loans are secured on the future renewal income stream expected from a Partner's portfolio and loan advances vary in relation to the projected future income of the relevant Partner. Outstanding balances are regularly reviewed and assessed on a conservative basis. Support is provided to help Partners manage their business appropriately. Appropriate provision is made where there is objective evidence of impairment.

**Liquidity** risk is the risk that the Group, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost. The Group is averse to liquidity risk and seeks to minimise this risk by not actively pursuing it except where necessary to support other objectives.

Risk	Description	Management
Cash or expense requirement	A significant cash or expense requirement needs to be met at short notice.	The majority of free assets are invested in cash or cash equivalents and the cash position and forecast are monitored on a monthly basis. Also, the Group maintains a margin of free assets in excess of the minimum required solvency capital within its regulated entities.

**Market** risk is the impact a fall in the value of equity or other asset markets may have on the business. The Group adopts a risk averse approach to market risk, with a stated solvency policy of not actively pursuing or accepting market risk except where necessary to support other objectives. However, the Group accepts the risk that the fall in equity or other asset markets will reduce the level of annual management charge income derived from policyholder assets and the risk of lower future profits.

The table below summarises the main market risks that the business is exposed to and the methods by which the Group seeks to mitigate them.

Risk	Description	Management
Client liabilities	As a result of a reduction in equity values, the Group may be unable to meet client liabilities.	This risk is substantially mitigated by the Group's strategic focus on unit-linked business, by not providing guarantees to clients on policy values and by the matching of assets and liabilities.
Tax	In adverse market conditions, when the Group is realising investment losses rather than gains, the working of the I-E tax regime can lead to short-term capital inefficiencies, including the deferral of the cash benefit arising from tax relief on expenses.	The tax position is monitored closely, in particular the size and sources of relevant income streams.
Retention	Loss of future profit on investment contracts due to more clients than anticipated withdrawing their funds, particularly as a result of poor investment performance.	Retention of investment contracts is closely monitored and unexpected experience variances are investigated. Retention has remained consistently strong throughout 2014, despite the challenging economic environment and volatility, and fund surrender rates have remained low at c.5%.
New Business	Poor performance in the financial markets in absolute terms, and relative to inflation, leads to existing and future clients rejecting investment in longer term assets.	The benefits to clients of longer term equity investment as part of a diversified portfolio of assets is fundamental to our philosophy. Advice and marketing become even more important when market values fall, and greater attention is required to support and give confidence to existing and future clients in such circumstances. This is taken account of by the Group in its activities.

### Currency risk

The Group is not subject to any significant currency risk since all material shareholder financial assets and financial liabilities are denominated in Sterling.

### Categories of financial assets and financial liabilities

The categories and carrying values of the financial assets and financial liabilities held in the Group's balance sheet are summarised in the table below:

31 December 2014	Financial assets at fair value through profit and loss <sup>(1)</sup>	Available for sale	Loans and receivables	Financial liabilities at fair value through profit and loss <sup>(1)</sup>	Financial liabilities measured at amortised cost	Total
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
<b>Financial Assets and Investment Properties</b>						
Investment properties	1,031.4					1,031.4
Equities	34,734.9					34,734.9
Fixed income securities	6,838.8					6,838.8
Investment in Collective Investment Schemes	2,961.7					2,961.7
Derivative financial instruments	166.4					166.4
Other receivables <sup>(2)</sup>						
– St. James's Place Partnership loans			158.9			158.9
– Renewal income		29.1				29.1
– Other			329.0			329.0
Total other receivables		29.1	487.9			517.0
Cash & cash equivalents	4,865.1		274.3			5,139.4
<b>Total financial assets and investment properties</b>	<b>50,598.3</b>	<b>29.1</b>	<b>762.2</b>			<b>51,389.6</b>
<b>Financial Liabilities</b>						
Investment contract benefits				38,851.2		38,851.2
Borrowings					84.3	84.3
Derivative financial instruments				79.3		79.3
Other payables					499.7	499.7
Net asset value attributable to unit holders				10,617.8		10,617.8
<b>Total financial liabilities</b>				<b>49,548.3</b>	<b>584.0</b>	<b>50,132.3</b>

# Notes to the Consolidated Financial Statements

## under International Financial Reporting Standards *continued*

### 29. FINANCIAL RISK *continued*

31 December 2013	Financial assets at fair value through profit and loss <sup>(1)</sup>	Available for sale	Loans and receivables	Financial liabilities at fair value through profit and loss <sup>(1)</sup>	Financial liabilities measured at amortised cost	Total
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
<b>Financial Assets and Investment Properties</b>						
Investment properties	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	3,244.3					3,244.3
Derivative financial instruments	142.9					142.9
Other receivables <sup>(2)</sup>						
– St. James's Place Partnership loans			144.2			144.2
– Renewal income		16.6				16.6
– Other			346.0			346.0
Total other receivables		16.6	490.2			506.8
Cash & cash equivalents	3,648.6		197.1			3,845.7
<b>Total financial assets and investment properties</b>	<b>43,349.0</b>	<b>16.6</b>	<b>687.3</b>			<b>44,052.9</b>
<b>Financial Liabilities</b>						
Investment contract benefits				33,717.5		33,717.5
Borrowings					98.7	98.7
Derivative financial instruments				87.8		87.8
Other payables					439.4	439.4
Net asset value attributable to unit holders				8,535.4		8,535.4
<b>Total financial liabilities</b>				<b>42,340.7</b>	<b>538.1</b>	<b>42,878.8</b>

(1) All financial assets and liabilities at fair value through profit or loss are designated as such upon initial recognition.

(2) Other financial assets exclude prepayments and unearned commission from other receivables.

The carrying value of the unit linked investment contract liabilities may differ from the amount contractually required to pay at maturity. Maturity values of the financial liabilities vary with future policyholder investment and withdrawals as well as investment return, coupled with the impact of capital losses in the funds. The contractual value required to be paid to policyholders as at 31 December 2014 would be £20.1 million lower than the investment contract benefits stated above.

### Income, expense, gains and losses arising from financial assets and financial liabilities

The income, expense, gains and losses arising from financial assets and financial liabilities are summarised in the table below:

Year Ended 31 December 2014	Financial assets at fair value through profit and loss <sup>(1)</sup>	Available for sale	Loans and receivables	Financial liabilities at fair value through profit and loss <sup>(1)</sup>	Financial liabilities measured at amortised cost	Total
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
<b>Financial Assets and Investment Properties</b>						
Investment properties	85.8					85.8
Unit linked assets	3,332.1					3,332.1
Fixed income securities	6.0					6.0
Investment in Collective Investment Schemes	2.7					2.7
Other receivables						
– St. James's Place Partnership loans			6.0			6.0
– Renewal income		(2.9)				(2.9)
Total other receivables		(2.9)	6.0			3.1
Cash & cash equivalents <sup>(2)</sup>			1.2			1.2
<b>Total financial assets and investment properties</b>	<b>3,426.6</b>	<b>(2.9)</b>	<b>7.2</b>			<b>3,430.9</b>
<b>Financial Liabilities<sup>(3)</sup></b>						
Investment contract benefits				2,287.6		2,287.6
Net asset value attributable to unit holders				425.9		425.9
<b>Total financial liabilities</b>				<b>2,713.5</b>		<b>2,713.5</b>

Year Ended 31 December 2013	Financial assets at fair value through profit and loss <sup>(1)</sup>	Available for sale	Loans and receivables	Financial liabilities at fair value through profit and loss <sup>(1)</sup>	Financial liabilities measured at amortised cost	Total
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
<b>Financial Assets and Investment Properties</b>						
Investment properties						
Unit linked assets	5,825.6					5,825.6
Fixed income securities	(2.0)					(2.0)
Investment in Collective Investment Schemes	2.0					2.0
Other receivables						
– St. James's Place Partnership loans			7.5			7.5
– Renewal income		(3.1)				(3.1)
Total other receivables		(3.1)	7.5			4.4
Cash & cash equivalents <sup>(2)</sup>			0.9			0.9
<b>Total financial assets and investment properties</b>	<b>5,825.6</b>	<b>(3.1)</b>	<b>8.4</b>			<b>5,830.9</b>
<b>Financial Liabilities<sup>(3)</sup></b>						
Investment contract benefits				4,049.5		4,049.5
Net asset value attributable to unit holders				939.2		939.2
<b>Total financial liabilities</b>				<b>4,988.7</b>		<b>4,988.7</b>

(1) All financial assets and liabilities at fair value through profit or loss are designated as such upon initial recognition.

(2) The majority of the return from cash & cash equivalents is included within unit linked assets.

(3) None of the change in the fair value of financial liabilities at fair value through profit or loss is attributable to changes in their credit risk.

### Fair value estimation

Financial assets and liabilities, which are held at fair value in the financial statements, are required to have disclosed their fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- 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:

31 December 2014	Level 1	Level 2	Level 3	Total balance
	£'Million	£'Million	£'Million	£'Million
<b>Financial Assets and Investment Properties</b>				
Investment property			1,031.4	1,031.4
Equities	34,734.9			34,734.9
Fixed income securities		6,838.8		6,838.8
Investment in Collective Investment Schemes	2,931.8		29.9	2,961.7
Derivative financial instruments		166.4		166.4
Other receivables			29.1	29.1
Cash & cash equivalents	4,865.1			4,865.1
<b>Total financial assets and investment properties</b>	<b>42,531.8</b>	<b>7,005.2</b>	<b>1,090.4</b>	<b>50,627.4</b>
<b>Financial Liabilities</b>				
Investment contract benefits		38,851.2		38,851.2
Derivative financial instruments		79.3		79.3
Net asset value attributable to unit holders	10,617.8			10,617.8
<b>Total financial liabilities</b>	<b>10,617.8</b>	<b>38,930.5</b>		<b>49,548.3</b>

# Notes to the Consolidated Financial Statements

## under International Financial Reporting Standards *continued*

### 29. FINANCIAL RISK *continued*

31 December 2013	Level 1	Level 2	Level 3	Total balance
	£'Million	£'Million	£'Million	£'Million
<b>Financial Assets and Investment Properties</b>				
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
<b>Total financial assets and investment properties</b>	<b>36,506.4</b>	<b>6,108.6</b>	<b>750.6</b>	<b>43,365.6</b>
<b>Financial Liabilities</b>				
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
<b>Total financial liabilities</b>	<b>8,535.4</b>	<b>33,805.3</b>		<b>42,340.7</b>

The fair value of financial instruments traded in active markets is based on quoted bid prices at the reporting date, as described in the accounting policy (o). These instruments are included in Level 1. Instruments included in Level 1 comprise primarily listed equity instruments.

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.

#### 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.

During 2014, £28.7 million relating to CIS and £5.9 million relating to a reclassification within other receivables were transferred into the Level 3 portfolio. During 2013, IFRS 13 was adopted resulting in investment properties being included within the Level 3 portfolio, as the application of IFRS 13 was prospective investment properties were presented within transfers into Level 3.



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

	2014 £'Million	2013 £'Million
Opening balance	750.6	1.6
Transfer into Level 3	34.6	597.8
Additions during the year	268.5	213.8
Disposed during the year	(46.3)	(67.7)
Gains recognised in the income statement	83.0	5.1
<b>Closing balance</b>	<b>1,090.4</b>	<b>750.6</b>
Total gains for the year included in the statement of comprehensive income for assets held at the end of the reporting year	83.0	4.8

Additions include £259.0 million of investment properties and £9.5 million of renewal income. Gains 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.

### 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 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 £2.8 million and a favourable change in valuation of £3.4 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.

### Credit risk

The following table sets out the maximum credit risk exposure and ratings of financial and other assets which are neither past due or impaired and susceptible to credit risk:

31 December 2014	AAA £'Million	AA £'Million	A £'Million	BBB £'Million	Unrated £'Million	Unit linked funds and third party holdings in unit trusts <sup>(1)</sup> £'Million	Total £'Million
Fixed income securities	2.4	80.9				6,755.5	6,838.8
Investment in Collective Investment Schemes <sup>(2)</sup>	517.3				4.3	2,440.1	2,961.7
Cash & cash equivalents		51.8	212.4	1.5	8.6	4,865.1	5,139.4
Amounts due from reinsurers							
– Claims outstanding		8.9					8.9
– Reinsurers share of long term insurance contract liabilities		76.6					76.6
Total amount due from reinsurers		85.5					85.5
Other receivables					46.1	312.0	358.1
<b>Total</b>	<b>519.7</b>	<b>218.2</b>	<b>212.4</b>	<b>1.5</b>	<b>59.0</b>	<b>14,372.7</b>	<b>15,383.5</b>

(1) Credit risk relating to unit linked and unit trust funds is borne by the policyholder/unit holder.

(2) Investment of shareholder assets in Collective Investment Schemes refers to investment in unitheld money market funds held for the longer term.

# Notes to the Consolidated Financial Statements

## under International Financial Reporting Standards *continued*

### 29. FINANCIAL RISK *continued*

The table below sets out the comparative credit risk analysis as at 31 December 2013:

31 December 2013	AAA	AA	A	BBB	Unrated	Unit linked funds and third party holdings in unit trusts <sup>(1)</sup>	Total
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
Fixed income securities		67.7				5,898.0	5,965.7
Investment in Collective Investment Schemes <sup>(2)</sup>	522.3				3.7	2,718.3	3,244.3
Cash & cash equivalents		4.3	182.5	0.7	9.6	3,648.6	3,845.7
Amounts due from reinsurers							
– Claims outstanding		3.7					3.7
– Reinsurers share of long term insurance contract liabilities		60.5					60.5
Total amount due from reinsurers		64.2					64.2
Other receivables					38.5	324.1	362.6
<b>Total</b>	<b>522.3</b>	<b>136.2</b>	<b>182.5</b>	<b>0.7</b>	<b>51.8</b>	<b>12,589.0</b>	<b>13,482.5</b>

#### Financial assets that are either past due or impaired

Loans to St. James's Place Partnership of £158.9 million (2013: £144.2 million) are net of an impairment provision of £2.9 million (2013: £3.8 million) (see Note 18). The factors considered in determining the impairment include default history, the nature or type of the Partner loan, exposure levels to individual Partners and whether the individual Partner is active or has left.

The movement in the impairment provision will reflect utilisation of the existing provision during the year, but the overall cost of impaired loans (including new provisions) recognised within administration expenses in the statement of comprehensive income during the period was a charge of £0.9 million (2013: £0.2 million).

There are no other financial assets that are impaired, would originally have been past due or impaired but whose terms have been renegotiated, or are past due but not impaired.

#### Contractual maturity and liquidity analysis

The following table sets out the contractual maturity analysis of the Group's financial assets and financial liabilities as at 31 December 2014:

31 December 2014	Up to 1 year	1 – 5 years	Over 5 years	Total ex. unit linked funds and other unit holders	Unit linked funds and third party holdings in unit trusts*	Total
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
<b>Financial Assets</b>						
Equities					34,734.9	34,734.9
Fixed income securities	27.4	11.7	44.2	83.3	6,755.5	6,838.8
Investment in Collective Investment Schemes	517.3			517.3	2,444.4	2,961.7
Derivative financial instruments					166.4	166.4
Other receivables						
– St. James's Place Partnership loans	54.0	94.4	10.5	158.9		158.9
– Renewal income	29.1			29.1		29.1
– Other	24.4			24.4	304.6	329.0
Total other receivables	107.5	94.4	10.5	212.4	304.6	517.0
Cash & cash equivalents	274.3			274.3	4,865.1	5,139.4
<b>Total financial assets</b>	<b>926.5</b>	<b>106.1</b>	<b>54.7</b>	<b>1,087.3</b>	<b>49,270.9</b>	<b>50,358.2</b>
<b>Financial Liabilities</b>						
Investment contract benefits					38,851.2	38,851.2
Borrowings	29.7	50.4	4.2	84.3		84.3
Derivative financial instruments					79.3	79.3
Other payables	285.1	10.3	20.6	316.0	183.7	499.7
<b>Total financial liabilities</b>	<b>314.8</b>	<b>60.7</b>	<b>24.8</b>	<b>400.3</b>	<b>39,114.2</b>	<b>39,514.5</b>

The table below sets out comparative contractual maturity and liquidity analysis as at 31 December 2013:

31 December 2013	Up to 1 year	1 – 5 years	Over 5 years	Total ex. unit linked funds and other unit holders	Unit linked funds and third party holdings in unit trusts*	Total
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
<b>Financial Assets</b>						
Equities					29,614.8	29,614.8
Fixed income securities	16.8	12.0	38.9	67.7	5,898.0	5,965.7
Investment in Collective Investment Schemes	522.3			522.3	2,722.0	3,244.3
Derivative financial instruments					142.9	142.9
Other receivables						
– St. James's Place Partnership loans	41.2	85.0	18.0	144.2		144.2
– Renewal income	16.6			16.6		16.6
– Other	21.9			21.9	324.1	346.0
Total other receivables	79.7	85.0	18.0	182.7	324.1	506.8
Cash & cash equivalents	197.1			197.1	3,648.6	3,845.7
<b>Total financial assets</b>	<b>815.9</b>	<b>97.0</b>	<b>56.9</b>	<b>969.8</b>	<b>42,350.4</b>	<b>43,320.2</b>
<b>Financial Liabilities</b>						
Investment contract benefits					33,717.5	33,717.5
Borrowings	4.7	89.0	5.0	98.7		98.7
Derivative financial instruments					87.8	87.8
Other payables	197.8			197.8	241.6	439.4
<b>Total financial liabilities</b>	<b>202.5</b>	<b>89.0</b>	<b>5.0</b>	<b>296.5</b>	<b>34,046.9</b>	<b>34,343.4</b>

\* Financial liabilities included under unit linked funds and net assets attributable to unit holders are deemed to have a maturity of up to one year since the corresponding unit linked liabilities are repayable and transferable on demand. In practice the contractual maturities of the assets may be longer than one year, but the majority of assets held within the unit linked and unit trust funds are highly liquid and the Group also actively monitors fund liquidity.

### Sensitivity analysis to market risks

The majority of the Group's business is unit linked and the direct associated market risk is therefore borne by policyholders (although there is a secondary impact as shareholder income is dependent upon the markets). Financial assets and liabilities held outside unitised funds primarily consist of fixed interest securities, units in money market funds, cash and cash equivalents, and other assets and liabilities. The fixed interest securities are held to match non linked liabilities and the liability values move broadly in line with the matching asset values such that fair value interest rate risk is immaterial, although there is some residual risk due to imperfect matching. Cash held in unitised money market funds and at bank is valued at par and is unaffected by movement in interest rates. Other assets and liabilities are similarly unaffected by market movements.

As a result of these combined factors, the Group's financial assets and liabilities held outside unitised funds are not materially subject to market risk, and movements at the reporting date in interest rates and equity values have an immaterial impact on the Group's profit after tax and equity. Future profits from annual management charges may be affected by movements in interest rates and equity values.

### 30. CAPITAL MANAGEMENT AND ALLOCATION

It is the Group's policy to maintain a strong capital base in order to:

- protect policyholders' and creditors' interests,
- support the development of its business and create shareholder value, and
- meet regulatory requirements at all times.

Within the Group each subsidiary manages its own capital in the context of the Group Capital Plan. Capital generated in excess of planned requirements is returned to the Group's parent, St. James's Place plc, normally by way of dividends. The Group capital plan is monitored by the Finance Executive Committee on behalf of the St. James's Place plc Board.

The Group's policy is for each Company to hold the higher of:

- the Company's internal assessment of the capital required; and
- the capital requirement of the relevant supervisory body plus a specified margin over this to absorb changes.

Generally, because of the nature of the business and the current regulatory rules, the higher requirement is that of the supervisory body plus the specified margin.

# Notes to the Consolidated Financial Statements

## under International Financial Reporting Standards *continued*

### 30. CAPITAL MANAGEMENT AND ALLOCATION *continued*

The following entities are under supervisory regulation and have to maintain a minimum level of regulatory capital:

Entity	Regulatory Body and Jurisdiction
St. James's Place UK plc	PRA & FCA: Long-term insurance business
St. James's Place International plc	Central Bank of Ireland: Life insurance business
St. James's Place Unit Trust Group Limited	FCA: UCITS Management Company
St. James's Place Wealth Management plc	FCA: Personal Investment Firm
St. James's Place Investment Administration Limited	FCA: Investment Firm
St. James's Place Trust Company Jersey Limited	Jersey Financial Services Commission
St. James's Place Wealth Management (PCIS) Limited	FCA: Securities and Futures
BFS Financial Services Limited	FCA: Personal Investment Firm
Lansdown Place Financial Management Limited	FCA: Personal Investment Firm
PFPTIME Limited	FCA: Personal Investment Firm
The Henley Group Limited	Securities and Futures Commission (Hong Kong): A Member of The Hong Kong Confederation of Insurance Brokers Monetary Authority Singapore: A Member of the Association of Financial Advisors
The Henley Group Pte Limited	

The PRA regulatory requirement for St. James's Place UK plc, which makes up the majority of the Group capital requirement, includes the prescribed minimum solvency margin requirement (the Capital Resources Requirement (CRR)) and an assessment of the risks faced under the business, known as the Individual Capital Assessment. The capital requirement is assessed and monitored by the Finance Executive Committee, a committee of the St. James's Place plc Board. In 2016 this regime will be replaced with Solvency II. The Group is well advanced in our preparations for the change in rules and expects to continue to be well capitalised.

The regulatory requirements for the remaining companies within the Group are assessed and monitored by the relevant Board.

There has been no material change in the Group's management of capital during the year and all regulated entities exceeded the minimum solvency requirements at the reporting date and during the year.

### Capital composition

The principal forms of capital are included in the following balances on the consolidated statement of financial position:

	31 December 2014	31 December 2013
	£'Million	£'Million
Share capital	77.9	77.3
Share premium	147.4	142.2
Treasury shares reserve	(10.5)	(10.2)
Miscellaneous reserves	2.3	2.3
Retained earnings	793.1	694.5
Shareholders' equity	1,010.2	906.1
Non-controlling interests	(0.1)	–
<b>Total equity</b>	<b>1,010.1</b>	<b>906.1</b>

The above assets do not all qualify as regulatory capital. Analysis of the assets which do qualify as regulatory capital is given in Section 2 of the Financial Review on page 26. The Group and its individually regulated operations have complied with all externally and internally imposed capital requirements throughout the year.

### 31. SHARE CAPITAL

	Number of Ordinary Shares	Share Capital
		£'Million
At 1 January 2013	506,831,147	76.0
– Exercise of options	8,384,836	1.3
At 31 December 2013	515,215,983	77.3
– Exercise of options	4,231,408	0.6
<b>At 31 December 2014</b>	<b>519,447,391</b>	<b>77.9</b>

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.

Included in the issued share capital are 3,760,585 (2013: 3,338,458) shares held in the Treasury Shares Reserve with a nominal value of £0.6 million (2013: £0.5 million).

The number of shares reserved for issue under options and contracts for sale of shares, including terms and conditions, is included within Note 32.

### 32. SHARE-BASED PAYMENTS

During the year ended 31 December 2014, the Group operated a number of different equity settled share-based payment arrangements, which are aggregated as follows:

- SAYE plan – this is a standard HMRC approved scheme that is available to all employees where individuals may contribute up to £250 per month over three years to purchase shares at a price not less than 80% of the market price at the date of the invitation to participate.
- Share incentive plan (SIP) – this is an HMRC approved scheme which is available to all employees where individuals may invest up to an annual limit of £1,500 of pre-tax salary in SJP shares, to which the Company will add a further 10%. If the shares are held for five years then they may be sold free of income tax or CGT.
- Executive deferred bonus schemes – under these plans the deferred element of the annual bonus is used to purchase shares at market value in the Company. The shares are held by the Company until vesting after three years and, in addition to the performance targets, which apply prior to any entitlement being granted, further performance conditions may also apply on vesting.
- Executive performance share plan – the Remuneration Committee of the Group Board may make awards of performance shares to the Executive Directors and other senior managers. Two-thirds of shares awarded to Directors are subject to an earnings growth condition of the Group and one-third of shares awarded to Directors are subject to a comparative total shareholder return (TSR) condition, both measured over a three year period. Further information regarding the vesting conditions of the earnings growth and total shareholder return dependent portions of the award is given in the Remuneration Report on page 71. Awards made to senior managers are largely only subject to the earnings growth condition of the Group.
- Partner share option schemes – these were offered to the Partners of the St. James's Place Partnership and vest over three to six years subject to satisfying personal sales related performance criteria. The last award under these schemes was made in 2007.
- Partner performance share plan – a new scheme was launched in January 2008 whereby Partners are entitled to purchase shares in the future at nominal value (15p). The number of shares the Partners are entitled to purchase will depend on their personal business volumes in the year of the award and validation over the following three years.

Share options outstanding under the various share option schemes, together with shares due under the deferred bonus schemes at 31 December 2014 amount to 11.9 million shares (2013: 14.3 million). Of these, 3.5 million (2013: 5.3 million) are under option to Partners of the St. James's Place Partnership, 6.9 million (2013: 7.5 million) are under option to executives and senior management (including 2.7 million (2013: 2.6 million) under option to Directors as disclosed in the Remuneration Report on pages 84 and 85) and 1.5 million (2013: 1.5 million) are under option through the SAYE and SIP schemes. These are exercisable on a range of future dates.

The table below summarises the share-based payment awards made in 2013 and 2014:

	SAYE	Share Incentive Plan	Executive Deferred Bonus	Executive Performance Share Plan
<b>Awards in 2013</b>				
Date of grant	25 March	26 March	21 March	21 March
Number granted	249,691	4,998	435,177	1,335,003
<b>Awards in 2014</b>				
Date of grant	25 March	26 March	26 March	26 March
Number granted	281,243	4,639	555,428	889,357
Contractual life	3.5 years	3 years	3 years	3.5 years
Vesting conditions	3 year saving period	3 year saving period	3 years' service and achievement of personal targets in some instances	3 years' service and achievement of earnings and TSR targets

# Notes to the Consolidated Financial Statements

## under International Financial Reporting Standards *continued*

### 32. SHARE-BASED PAYMENTS *continued*

#### Financial assumptions underlying the calculation of fair value

The fair value expense has been based on the fair value of the instruments granted, as calculated using appropriate derivative pricing models. The table below shows the assumptions and models used to calculate the grant date fair value of each award:

	SAYE	Share Incentive Plan	Executive Deferred Bonus	Executive Performance Share Plan
<b>Valuation model</b>	Black Scholes	Black Scholes	Black Scholes	Monte Carlo
<b>Awards in 2013</b>				
Fair value (pence)	142.0 <sup>(2)</sup>	507.0	510.0	331.5/510.0 <sup>(4)</sup>
Share price (pence)	505.5	507.0	364.7	510.0 <sup>(5)</sup>
Exercise price (pence)	389.0	0.00	0.00	0.00
Expected volatility (% pa) <sup>(1)</sup>	30	N/A	N/A	30
Expected dividends (% pa)	2.1	N/A	N/A <sup>(3)</sup>	N/A
Risk-free interest rate (% pa)	0.4	N/A	N/A	N/A
Volatility of competitors (% pa)	N/A	N/A	N/A	18 to 107
Correlation with competitors (%)	N/A	N/A	N/A	20
<b>Awards in 2014</b>				
Fair value (pence)	232.4 <sup>(2)</sup>	851.5	851.5	608.8/851.5 <sup>(4)</sup>
Share price (pence)	845.0	851.5	851.5	851.5 <sup>(5)</sup>
Exercise price (pence)	677.0	0.0	0.0	0.0
Expected volatility (% pa) <sup>(1)</sup>	29	N/A	N/A	29
Expected dividends (% pa)	1.9	N/A	N/A <sup>(3)</sup>	N/A
Risk-free interest rate (% pa)	1.2	N/A	N/A	N/A
Volatility of competitors (% pa)	N/A	N/A	N/A	20 to 62
Correlation with competitors (%)	N/A	N/A	N/A	20

#### Notes:

- (1) Expected volatility is based on an analysis of the Company's historic share price volatility over a period (typically three or five years) which is commensurate with the expected term of the options or the awards.
- (2) In 2013 and 2014, the vesting period for the SAYE plan was three years. The vesting period may be extended by up to six months in order to catch up on missed contributions.
- (3) Dividends payable on the shares during the restricted period are paid out during the restricted period for the executive deferred bonus schemes and no dividend yield assumption is therefore required.
- (4) The awards made under the executive performance share plan are dependent upon earnings growth in the Company (two-thirds of the award) and a total shareholder return of a comparator group of companies (one-third of the award). This results in having two fair values for each of the awards made in the table above, the first being in relation to the comparator total shareholder return and the second relating to the Company's earnings growth.
- (5) Awards were made under the executive performance share plan on three separate occasions during 2014 (2013: 2).
- (6) There were no awards made in 2013 or 2014 for the executive share option schemes or the sales management share option schemes.

	Year Ended 31 December 2014	Year Ended 31 December 2014	Year Ended 31 December 2013	Year Ended 31 December 2013
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
<b>SAYE</b>				
Outstanding at start of year	1,487,337	£2.92	1,572,172	£2.63
Granted	281,243	£6.77	249,691	£3.89
Forfeited	(75,141)	£4.17	(98,824)	£2.83
Exercised	(234,665)	£2.43	(235,702)	£2.04
Outstanding at end of year	1,458,774	£3.68	1,487,337	£2.92
Exercisable at end of year	–	–	5,862	£3.07
<b>Executive Share Options</b>				
Outstanding at start of year	135,444	£2.22	524,348	£2.01
Granted	–	–	–	–
Forfeited	–	–	–	–
Exercised	(81,174)	£2.08	(388,904)	£1.94
Outstanding at end of year	54,270	£2.43	135,444	£2.22
Exercisable at end of year	54,720	£2.43	135,444	£2.22
<b>Partner Share Options</b>				
Outstanding at start of year	5,172,671	£2.81	10,411,138	£2.77
Granted	–	–	–	–
Forfeited	(11,262)	£1.75	–	–
Exercised	(1,754,044)	£2.63	(5,238,467)	£2.72
Outstanding at end of year	3,407,365	£2.91	5,172,671	£2.81
Exercisable at end of year	3,407,365	£2.91	5,162,046	£2.81



The average share price of the options that were exercised during the year was 766.1 pence (2013: 572.8 pence).

The SAYE plan options outstanding at 31 December 2014 had exercise prices of 296 pence (264,052 options), 275 pence (712,287 options), 389 pence (221,993 options), 677 pence (260,442 options) and a weighted average remaining contractual life of 1.1 years.

The options outstanding under the executive share option schemes at 31 December 2014 had exercise prices ranging from 242 pence to 246 pence and a weighted average remaining contractual life of 0.2 years.

The options outstanding under the Partner share option schemes at 31 December 2014 had exercise prices ranging from 219 pence to 465 pence and a weighted average remaining contractual life of 1.1 years.

### Share Incentive Plan (nil cost option – no proceeds on exercise)

	Year Ended 31 December 2014	Year Ended 31 December 2013
	Number of options	Number of options
Outstanding at start of year	19,611	15,658
Granted	4,639	4,998
Forfeited	(555)	(581)
Exercised	(626)	(464)
Outstanding at end of year	23,069	19,611
Exercisable at end of year	10,005	–

### Executive Performance Share Plan (nil cost option – no proceeds on exercise)

	Year Ended 31 December 2014	Year Ended 31 December 2013
	Number of options	Number of options
Outstanding at start of year	5,168,598	5,270,375
Granted	889,357	1,335,003
Forfeited	(225,315)	(369,221)
Exercised	(620,229)	(1,067,559)
Outstanding at end of year	5,212,411	5,168,598
Exercisable at end of year	1,447,642	516,514

### Partner Performance Share Plan (15 pence nominal share value option – 15 pence per share on exercise)

	Year Ended 31 December 2014	Year Ended 31 December 2013
	Number of options	Number of options
Outstanding at start of year	131,000	307,500
Granted	–	–
Forfeited	–	–
Exercised	(35,500)	(176,500)
Outstanding at end of year	95,500	131,000
Exercisable at end of year	65,000	–

# Notes to the Consolidated Financial Statements

## under International Financial Reporting Standards *continued*

### 32. SHARE-BASED PAYMENTS *continued*

#### Executive Deferred Bonus (nil cost option – no proceeds on exercise)

	Year Ended 31 December 2014	Year Ended 31 December 2013
	Number of shares	Number of shares
Outstanding at start of year	2,210,882	2,923,687
Granted	555,428	435,177
Forfeited	(15,678)	(19,598)
Exercised	(1,073,674)	(1,128,384)
Outstanding at end of year	1,676,958	2,210,882
Exercisable at end of year	–	–

#### Early exercise assumptions

The following allowance has been made for the impact of early exercise once options have vested:

1. SAYE plan – all option holders are assumed to exercise half-way through the six month exercise window.
2. Executive, sales management and partner share option schemes – it is assumed that 10% of option holders exercise their options each year irrespective of the level of the share price. For the remainder it is assumed that one-half will exercise their options each year if the share price is at least 33% above the exercise price.

#### Allowance for performance conditions

The executive performance share plan includes a market based performance condition based on the Company's total shareholder return relative to an index of comparator companies. The impact of this performance condition has been modelled using Monte Carlo simulation techniques, which involve running many thousands of simulations of future share price movements for both the Company and the comparator index. For the purpose of these simulations it is assumed that the share price of the Company and the comparator index are 20% (2013: 20%) correlated and that the comparator index has volatilities ranging between 20% p.a. to 62% p.a. (2013: 18% p.a. to 107% p.a.).

The performance condition is based on the Company's performance relative to the comparator index over a three year period commencing on 1 January each year. The fair value calculations for the awards that were made in 2014 therefore include an allowance for the actual performance of the Company's share price relative to the index over the period between 1 January 2014 and the various award dates.

#### Charge to the consolidated statement of comprehensive income

The table below sets out the charge to the consolidated statement of comprehensive income in respect of the share-based payment awards:

	Year Ended 31 December 2014	Year Ended 31 December 2013
	£'Million	£'Million
Share-based payment expense	11.4	7.8

### 33. FINANCIAL COMMITMENTS

At 31 December 2014, the Group had the following annual commitments under non-cancellable operating leases in connection with the rental of office buildings and office equipment with varying lease end dates ranging from 2014 to 2029:

	31 December 2014	31 December 2013
	£'Million	£'Million
Within one year	1.2	0.5
Between two and five years	5.9	3.4
In more than five years	6.4	6.7
<b>Total financial commitments</b>	<b>13.5</b>	<b>10.6</b>

As at 31 December 2014, there was £0.1 million (2013: £0.2 million) of future minimum sublease payments expected to be received under non-cancellable sub-leases.

### 34. 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 £8.0 million (2013: £16.1 million income) and the total value of transactions with those non-consolidated unit trusts was £47.4 million (2013: £32.1 million). Net management fees receivable from these unit trusts amounted to £20.7 million (2013: £19.4 million). The value of the investment into the non-consolidated unit trusts at 31 December 2014 was £130.7 million (2013: £92.2 million).

#### Transactions with key management personnel

Key management personnel have been defined as the Board of Directors and members of the Executive Board Committee. The remuneration paid to the Board of Directors of St. James's Place, is set out in the Remuneration Report on page 80, in addition to the disclosure below.

The Remuneration Report also sets out transactions with the Directors under the Deferred Bonus Scheme, the Performance Share Plan, the Executive Share Option Scheme and the SAYE Share Option Schemes, together with details of the Directors' interests in the share capital of the Company.

The remuneration paid to key management personnel is as follows:

	31 December 2014	31 December 2013
	£'Million	£'Million
Aggregate emoluments	2.6	1.8
Bonuses	3.1	1.8
Pension contribution	0.4	0.3
Other benefits	0.3	0.2
	<b>6.4</b>	<b>4.1</b>

The charge to the statement of comprehensive income in respect of the share-based payment awards made to the key management personnel of St. James's Place during 2014 was £3.6 million (2013: £2.8 million).

#### Related parties

The total value of St. James's Place funds under management held by related parties of the Group as at 31 December 2014 was £16.2 million (2013: £11.0 million).

Commission, advice fees and remuneration of £1,639,654 (2013: £865,019) was paid, under normal commercial terms, to St. James's Place Partners and employees who were related parties by virtue of being connected persons with key management personnel. The outstanding amount payable at 31 December 2014 was £123,100 (2013: £105,440).

Outstanding at the year end were partner loans of £420,039 (2013: £479,816) due from St. James's Place Partners who were related parties by virtue of being connected persons with key management personnel. During the year £nil (2013: £nil) was advanced and £90,302 (2013: £86,759) was repaid by Partners who were related parties. St. James's Place Partnership loans are interest bearing (linked to Bank of England base rate plus a margin), repayable on demand and secured against the future renewal income streams of that Partner.

At the start of the year, related parties of key management personnel, held 177,029 (2013 - 73,333) shares and options under various St. James's Place plc share option schemes. During the year 28,993 (2013 - Nil) shares and options were granted, 1,757 (2013 - Nil) options lapsed, Nil (2013 - 45,000) options were exercised and 25,548 (2013 - Nil) shares were released.

# Notes to the Consolidated Financial Statements

## under International Financial Reporting Standards *continued*

### 35. INTERESTS IN UNCONSOLIDATED ENTITIES

#### Unconsolidated Structured Entities

The Group operates investment vehicles, such as unit trusts, primarily to match unit holder liabilities. The investment vehicles are primarily financed by investments from unit holders. Note 2 sets out the judgements inherent in determining when the Group controls, and therefore consolidates, the relevant investment vehicles.

The majority of the risk from a change in the value of the Group's investment in unconsolidated unit trusts is matched by a change in policyholder liabilities. However, the maximum exposure to loss is equal to the carrying value of the investment with the balance being included within investments in Collective Investment Schemes. At 31 December 2014, the total net asset value of unconsolidated unit trusts in which the Group held a beneficial interest was £2,235.0 million (2013: £1,789.3 million).

The following unit trusts are not consolidated within the Group financial statements; however the Group does act as the manager of these unit trusts.

Name of entity	% of ownership interest		Nature of relationship	Measurement method	Net asset value as at 31 December	
	2014	2013			2014	2013
					£'Million	£'Million
St. James's Place Property Unit Trust	0.00	0.00	Manager of unit trust	N/A	620.0	393.4
St. James's Place UK High Income Unit Trust	8.10	6.61	Manager of unit trust	Fair value through profit or loss	1,615.0	1,395.9
					<b>2,235.0</b>	<b>1,789.3</b>

As at 31 December 2014 the value of the Group's interests in the individual unconsolidated unit trusts were £nil (2013: £nil) in St. James's Place Property Unit Trust and £130.8 million (2013: £92.3 million) in St. James's Place UK High Income Unit Trust.

#### Associates

The following unit trusts are not consolidated within the Group financial statements; however they do meet the criteria of an associate.

Name of entity	% of ownership interest		Nature of relationship	Measurement method	Net asset value as at 31 December	
	2014	2013			2014	2013
					£'Million	£'Million
St. James's Place UK High Income Unit Trust	8.10	6.61	Manager of unit trust	Fair value through profit or loss	1,615.0	1,395.9
					<b>1,615.0</b>	<b>1,395.9</b>

### 36. PRINCIPAL SUBSIDIARIES

#### Investment Holding Companies

St. James's Place Investments plc\*

#### Life Assurance

St. James's Place Wealth Management Group plc\*

#### Unit Trust Management

St. James's Place UK plc

#### Distribution

St. James's Place International plc (*incorporated in Ireland*)

#### Management Services

St. James's Place Unit Trust Group Limited

#### IFA Acquisitions

St. James's Place Wealth Management plc

#### Asia Distribution

St. James's Place Management Services Limited\*\*

St. James's Place Acquisition Services Limited

St. James's Place International Distribution Limited

\* Directly held by St. James's Place plc.

\*\* The Company also operates a branch in the Republic of Ireland.

The Company owns either directly or indirectly 100% of the voting ordinary equity share capital of the above-named subsidiaries, as such they have been appropriately consolidated.

A full list of subsidiaries is available on request from the registered office and will be submitted with the Company's Annual Return.

All of these companies are registered in England and Wales and operate principally in the United Kingdom, except where otherwise stated.

Due to ongoing solvency requirements, there are restrictions on the amount of distributable reserves within the life assurance, unit trust and financial services operating companies of the Group which restricts their ability to transfer cash dividends to the Company.

The following subsidiaries of St. James's Place plc have taken advantage of the exemption from statutory audit granted by section 479A of the Companies Act 2006. In accordance with section 479C, St. James's Place plc has therefore guaranteed all the outstanding liabilities as at 31 December 2014 of:

Anglia Financial Limited (03835743)  
 BFS Financial Services Limited (4609753)  
 Chapman Associates Limited (3047530)  
 Chapman Hunter Group Limited (6034452)  
 Entellus Limited (01611224)  
 EW Smith & Co Independent Financial Advisors Limited (4088394)  
 G.M.B. Financial Services Limited (04074782)  
 Lansdown Place Financial Management Limited (2195886)  
 Lansdown Place Group Holdings Limited (6390547)  
 Lopsystem Limited (01503794)  
 LP Auto Enrolment Solutions Limited (8257531)  
 LP Wealth Management Limited (5458948)  
 M.H.S (Holdings) Limited (00559995)  
 PFPTIME Limited (04047197)  
 St. James's Place Acquisition Services Limited (7730835)  
 St. James's Place Administration Limited (00740495)  
 St. James's Place Client Solutions Limited (5487108)  
 St. James's Place International Distribution Limited (08798683)  
 St. James's Place Investment Administration Limited (08764231)  
 St. James's Place Investment Trust Limited (00209445)  
 St. James's Place Investments plc (01773177)  
 St. James's Place Nominees Limited (08764214)  
 St. James's Place Partnership Limited (00425649)  
 St. James's Place Reassurance (2009) Limited (6718989)  
 St. James's Properties Limited (01075927)  
 SJP AESOP Trustees Limited (04089795)  
 SJPC 2000 plc (SCO13363)  
 THG Wealth Management Limited (08077989)

All Group companies have an accounting reference date of 31 December except for St. James's Place Investment Administration Limited (08764231) that has an accounting reference date of 30 November.

# Notes to the Consolidated Financial Statements

## under International Financial Reporting Standards *continued*

### **36. PRINCIPAL SUBSIDIARIES** *continued*

In addition, the Group financial statements consolidate the following unit trusts:

St. James's Place Allshare Income Unit Trust  
St. James's Place Alternative Assets Unit Trust  
St. James's Place Balanced Managed Unit Trust  
St. James's Place Continental European Unit Trust  
St. James's Place Corporate Bond Unit Trust  
St. James's Place Emerging Markets Equity Unit Trust  
St. James's Place Equity Income Unit Trust  
St. James's Place Ethical Unit Trust  
St. James's Place Far East Unit Trust  
St. James's Place Gilts Unit Trust  
St. James's Place Global Emerging Markets Unit Trust  
St. James's Place Global Equity Income Unit Trust  
St. James's Place Global Equity Unit Trust  
St. James's Place Global Unit Trust  
St. James's Place Greater European Progressive Unit Trust  
St. James's Place High Octane Unit Trust  
St. James's Place Index Linked Gilts Unit Trust  
St. James's Place International Corporate Bond Unit Trust  
St. James's Place International Equity Unit Trust  
St. James's Place Investment Grade Corporate Bond Unit Trust  
St. James's Place Managed Growth Unit Trust  
St. James's Place Money Market Unit Trust  
St. James's Place Multi Asset Unit Trust  
St. James's Place North American Unit Trust  
St. James's Place Strategic Managed Unit Trust  
St. James's Place UK and General Progressive Unit Trust  
St. James's Place UK and International Unit Trust  
St. James's Place UK Absolute Return Unit Trust  
St. James's Place UK Growth Unit Trust  
St. James's Place UK Income Unit Trust  
St. James's Place Worldwide Opportunities Unit Trust

All of these unit trusts are managed in the United Kingdom.



# Parent Company Financial Statements

on UK GAAP Basis

## CONTENTS

- 154 Independent Auditors' Report
- 156 Balance Sheet of the Parent Company
- 157 Notes to the Parent Company Financial Statements

Strategic Report

St. James's Place Foundation

Governance

Financial Statements

Other Information

# Independent Auditors' Report

## to the members of St. James's Place plc

### REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

#### Our opinion

In our opinion, St. James's Place plc's parent company financial statements (the 'financial statements'):

- give a true and fair view of the state of the parent company's affairs as at 31 December 2014;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### What we have audited

St. James's Place plc's financial statements comprise:

- the balance sheet of the parent company as at 31 December 2014; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report and Accounts (the 'Annual Report'), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### OTHER REQUIRED REPORTING

#### Consistency of other information

##### *Companies Act 2006 opinions*

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

##### *ISAs (UK & Ireland) reporting*

Under International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)') we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

### Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### Directors' remuneration

#### *Directors' remuneration report - Companies Act 2006 opinion*

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

#### *Other Companies Act 2006 reporting*

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

### RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

#### Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 92, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### OTHER MATTER

We have reported separately on the group financial statements of St. James's Place plc for the year ended 31 December 2014.

#### **Jeremy Jensen (Senior Statutory Auditor)**

*for and on behalf of PricewaterhouseCoopers LLP*

*Chartered Accountants and Statutory Auditors*

London

24 February 2015

- (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 statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Balance Sheet of the Parent Company

	Notes	31 December 2014	31 December 2013
		£'Million	£'Million
<b>Fixed assets</b>			
Investment in subsidiaries	2	402.1	390.7
<b>Current assets</b>			
Amounts owed by Group undertakings		106.7	54.6
<b>Current liabilities</b>			
Corporation tax liabilities		(0.4)	(0.2)
<b>Net current assets</b>		<b>106.3</b>	<b>54.4</b>
<b>Total assets less current liabilities</b>		<b>508.4</b>	<b>445.1</b>
<b>Capital and reserves</b>			
Called up share capital	3	77.9	77.3
Share premium account	4	147.4	142.2
Share option reserve	4	92.6	81.2
Other reserves	4	0.1	0.1
Profit and loss account	4	190.4	144.3
<b>Total shareholders' funds</b>		<b>508.4</b>	<b>445.1</b>

The financial statements on pages 156 to 160 were approved by the Board of Directors on 24 February 2015 and signed on its behalf by:



**David Bellamy**  
Chief Executive



**Andrew Croft**  
Chief Financial Officer

The notes and information on pages 157 to 160 form part of these financial statements.

# Notes to the Parent Company Financial Statements

## 1. ACCOUNTING POLICIES

### Basis of preparation

St. James's Place plc ('the Company') is a limited liability company incorporated in England and Wales and whose shares are publicly traded. The Company offers a range of insurance, investment and other wealth management services through its subsidiaries, which are incorporated in the UK and Ireland.

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention. The Company has elected to continue to prepare the parent financial statements in accordance with UK Generally Accepted Accounting Practice. In publishing the Parent Company financial statements, the Company has taken advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual profit and loss account and related notes that form part of these financial statements. The Company is not required to present a statement of total recognised gains and losses.

As discussed in the Directors' Report the going concern basis has been adopted in preparing these financial statements.

All accounting policies have been reviewed for appropriateness in accordance with Financial Reporting Standard (FRS) 18 (*Accounting Policies*) and have been applied consistently to all years presented in these Parent Company financial statements. The Company has not presented a cash flow statement as a consolidated cash flow statement is presented in the consolidated Group financial statements.

### Significant accounting policies

#### (a) Investment return

Investment return comprises dividends from subsidiaries, which are accounted for when received.

#### (b) Taxation

Taxation is based on profits and income for the year as determined in accordance with the relevant tax legislation, together with adjustments to provisions for prior years.

#### (c) Investment in subsidiaries

Investments in subsidiaries are carried at cost stated after any impairment losses, plus the cost of share awards granted by the Company of its own shares.

#### (d) Debtors

Debtors are initially recognised at fair value and subsequently held at amortised cost less impairment losses.

#### (e) Amounts owed to Group undertakings

Amounts owed to Group undertakings initially are recognised at fair value and subsequently held at amortised cost.

#### (f) Impairment losses

The carrying amounts of the assets are reviewed at each reporting date to determine whether there is any indication of impairment. If there is any indication of irrecoverability or impairment, the asset's recoverable amount is estimated based on the present value of its estimated future cash flows.



# Notes to the Parent Company

## Financial Statements *continued*

### 2. INVESTMENT IN SUBSIDIARIES

	2014	2013
	£'Million	£'Million
<b>Cost at 1 January</b>		
Investment in Group undertakings	311.4	311.4
Share options granted by Company	81.2	73.4
	<b>392.6</b>	<b>384.8</b>
<b>Additions in the year</b>		
Investment in Group undertakings	–	–
Share options granted by Company	11.4	7.8
	<b>11.4</b>	<b>7.8</b>
<b>Cost at 31 December</b>		
Investment in Group undertakings	311.4	311.4
Share options granted by Company	92.6	81.2
	<b>404.0</b>	<b>392.6</b>
<b>Impairment in value</b>		
Investment in Group undertakings	(1.9)	(1.9)
<b>Net book value at 31 December</b>	<b>402.1</b>	<b>390.7</b>

The Directors' believe that the carrying value of the investments is supported by their underlying net assets.

#### Principal Subsidiary Undertakings at 31 December 2014

<b>Investment Holding Companies</b>	St. James's Place Investments plc St. James's Place Wealth Management Group plc
<b>Life Assurance</b>	St. James's Place UK plc St. James's Place International plc ( <i>incorporated in Ireland</i> )
<b>Unit Trust Management</b>	St. James's Place Unit Trust Group Limited
<b>Distribution</b>	St. James's Place Wealth Management plc
<b>Management Services</b>	St. James's Place Management Services Limited*
<b>IFA Acquisitions</b>	St. James's Place Acquisition Services Limited
<b>Asia Distribution</b>	St. James's Place International Distribution Limited

\* The Company also operates a branch in the Republic of Ireland.

A full list of subsidiaries is available on request from the registered office and will be submitted with the Company's Annual Return.

The Company owns either directly or indirectly 100% of the voting ordinary equity share capital of the above-named subsidiaries.

All of these companies are registered in England and Wales and operate principally in the United Kingdom except where otherwise stated.

Due to ongoing solvency requirements, there are restrictions on the amount of distributable reserves within the life assurance, unit trust and financial services operating companies of the Group which restricts their ability to transfer cash dividends to the Company.



### 3. CALLED UP SHARE CAPITAL

	Number of Ordinary Shares	Called up Share Capital £'Million
At 1 January 2013	506,831,147	76.0
– Exercise of options	8,384,836	1.3
At 31 December 2013	515,215,983	77.3
– Exercise of options	4,231,408	0.6
<b>At 31 December 2014</b>	<b>519,447,391</b>	<b>77.9</b>

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.

4,231,408 shares were issued in the year at a nominal value of £0.6 million, for which the Company received consideration of £5.8 million.

### 4. RESERVES

	Share Premium Account £'Million	Profit and Loss Account £'Million	Share Option Reserve £'Million	Other Reserves £'Million	Total £'Million
At 1 January 2013	127.7	120.6	73.4	0.1	321.8
Profit for the financial year		89.0			89.0
Dividends		(65.3)			(65.3)
Issue of share capital					
Exercise of options	14.5				14.5
Cost of share options expensed in subsidiary			7.8		7.8
At 31 December 2013	142.2	144.3	81.2	0.1	367.8
Profit for the financial year		141.6			141.6
Dividends		(95.5)			(95.5)
Issue of share capital					
Exercise of options	5.2				5.2
Cost of share options expensed in subsidiary			11.4		11.4
<b>At 31 December 2014</b>	<b>147.4</b>	<b>190.4</b>	<b>92.6</b>	<b>0.1</b>	<b>430.5</b>

### 5. AUDITORS' REMUNERATION

The total audit fee in respect of the Group is set out in Note 6 on page 120 of the consolidated financial statements. The audit fee charged to the Company for the year ended 31 December 2014 is £1,000 (2013: £1,000).

### 6. DIVIDENDS

The following dividends have been paid by the Group:

	Year Ended 31 December 2014 Pence per share	Year Ended 31 December 2013 Pence per share	Year Ended 31 December 2014 £'Million	Year Ended 31 December 2013 £'Million
Final dividend in respect of previous financial year	9.58	6.39	49.4	32.6
Interim dividend in respect of current financial year	8.93	6.38	46.1	32.7
<b>Total</b>	<b>18.51</b>	<b>12.77</b>	<b>95.5</b>	<b>65.3</b>

The Directors have recommended a final dividend of 14.37 pence per share (2013: 9.58 pence). This amounts to £74.6 million (2013: £49.4 million) and will, subject to shareholder approval at the Annual General Meeting, be paid on 15 May 2015 to those shareholders on the register as at 10 April 2015.

# Notes to the Parent Company

## Financial Statements *continued*

### 7. RELATED PARTY TRANSACTIONS AND BALANCES

At the year end the following related party balances existed:

	31 December 2014	31 December 2013
	£'Million	£'Million
<i>Investments in Group companies</i>		
St. James's Place Partnership Limited	42.0	42.0
St. James's Place Wealth Management Group plc	180.3	168.9
St. James's Place Investments plc	179.8	179.8
<i>Intra group debtors</i>		
St. James's Place Investments plc	106.7	54.6

During the year, the Company received £142.0 million (2013: £89.0 million) dividends from subsidiary undertakings.

The following wholly-owned subsidiaries of St. James's Place plc have taken advantage of the exemption from statutory audit granted by section 479A of the Companies Act 2006. In accordance with section 479C, St. James's Place plc has therefore guaranteed all the outstanding liabilities as at 31 December 2014 of:

Anglia Financial Limited (03835743)  
 BFS Financial Services Limited (4609753)  
 Chapman Associates Limited (3047530)  
 Chapman Hunter Group Limited (6034452)  
 Entellus Limited (01611224)  
 EW Smith & Co Independent Financial Advisors Limited (4088394)  
 G.M.B. Financial Services Limited (04074782)  
 Lansdown Place Financial Management Limited (2195886)  
 Lansdown Place Group Holdings Limited (6390547)  
 Lopsystem Limited (01503794)  
 LP Auto Enrolment Solutions Limited (8257531)  
 LP Wealth Management Limited (5458948)  
 M.H.S (Holdings) Limited (00559995)  
 PFPTIME Limited (04047197)  
 St. James's Place Acquisition Services Limited (7730835)  
 St. James's Place Administration Limited (00740495)  
 St. James's Place Client Solutions Limited (5487108)  
 St. James's Place International Distribution Limited (08798683)  
 St. James's Place Investment Administration Limited (08764231)  
 St. James's Place Investment Trust Limited (00209445)  
 St. James's Place Investments plc (01773177)  
 St. James's Place Nominees Limited (08764214)  
 St. James's Place Partnership Limited (00425649)  
 St. James's Place Reassurance (2009) Limited (6718989)  
 St. James's Properties Limited (01075927)  
 SJP AESOP Trustees Limited (04089795)  
 SJPC 2000 plc (SCO13363)  
 THG Wealth Management Limited (08077989)

All subsidiary companies have an accounting reference date of 31 December except for St. James's Place Investment Administration Limited (08764231) that has an accounting reference date of 30 November.

### 8. DIRECTORS' EMOLUMENTS

The Directors' responsibilities relate primarily to the trading companies of the Group and accordingly their costs are charged to those companies and none are met by the Parent Company. Disclosure of the Directors' emoluments is made within the Remuneration Report on page 80.

### 9. COMPANY INFORMATION

In the opinion of the Directors there is not considered to be any ultimate controlling party.

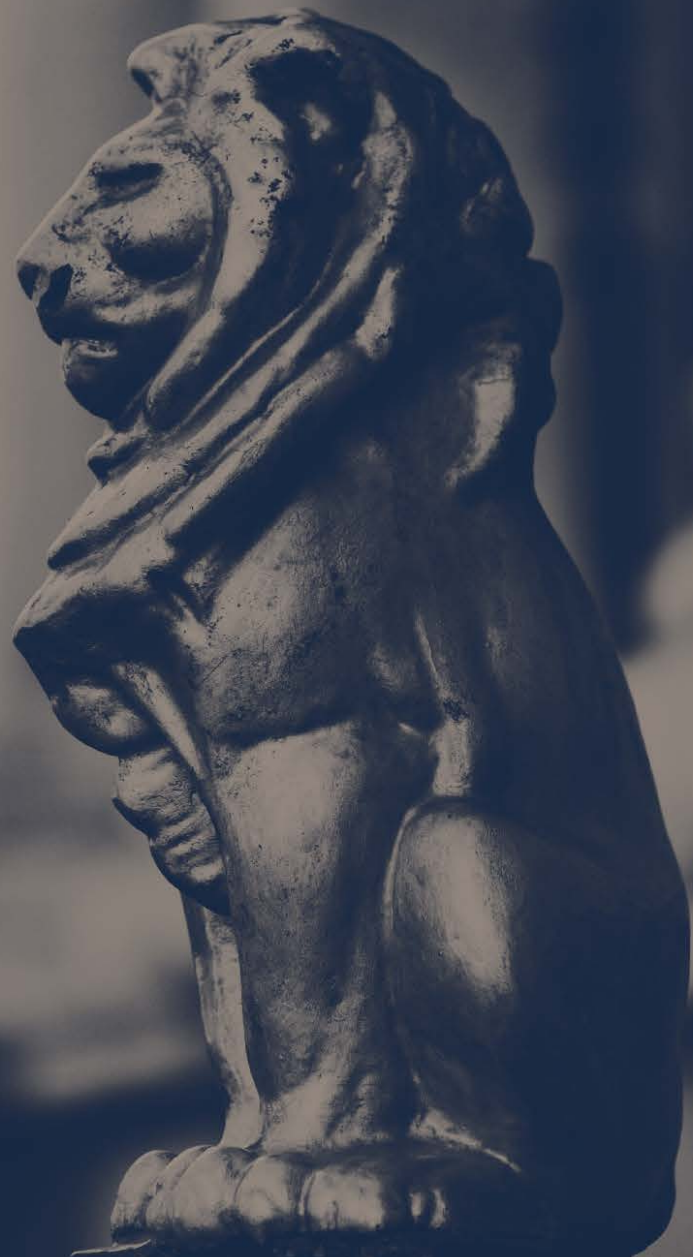
Copies of the consolidated financial statements of St. James's Place plc may be obtained from the Company Secretary, St. James's Place plc, St. James's Place House, James's Place House, 1 Tetbury Road, Cirencester, Gloucestershire, GL7 1FP.

# Supplementary Information

## on European Embedded Value Basis

### CONTENTS

162	Independent Auditors' Report
163	Consolidated Statement of Income
164	Consolidated Statement of Changes in Equity
165	Consolidated Statement of Financial Position
166	Notes to the European Embedded Value Basis



# Independent Auditors' Report

## to the Directors of St. James's Place plc

### REPORT ON THE GROUP SUPPLEMENTARY FINANCIAL STATEMENTS – EUROPEAN EMBEDDED VALUE BASIS

#### Our opinion

In our opinion, the St. James's Place plc (the "Group") Supplementary Financial Statements – European Embedded Value Basis (the 'supplementary financial statements') for the year ended 31 December 2014, have been properly prepared in all material respects in accordance with the European Embedded Value ('EEV') basis set out in Note I – Basis of preparation.

#### What we have audited

St. James's Place plc's supplementary financial statements comprise:

- the consolidated statement of income, European Embedded Value Basis as at 31 December 2014;
- the consolidated statement of changes in equity, European Embedded Value Basis as at 31 December 2014;
- the consolidated statement of financial position, European Embedded Value Basis as at 31 December 2014; and
- the notes to the supplementary financial statements which should be read in conjunction with the Group's financial statements.

The financial reporting framework that has been applied in the preparation of the supplementary financial statements is the EEV basis set out in Note I – Basis of preparation.

In applying the EEV basis, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events as set out in Note III – Assumptions.

### RESPONSIBILITIES FOR THE SUPPLEMENTARY FINANCIAL STATEMENTS AND THE AUDIT

#### Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the supplementary financial statements in accordance with the EEV basis set out in Note I – Basis of preparation.

Our responsibility is to audit and express an opinion on the supplementary financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the Company's directors as a body in conformity with the methodology and disclosure requirements contained in the document 'Supplementary Reporting for Long Term Insurance Business (the European Embedded Value Method)' issued by the CFO forum, in accordance with our engagement letter dated 17 July 2014 and for no other purpose. We do not, in giving this opinion, 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, including without limitation under any contractual obligations of the company, save where expressly agreed by our prior consent in writing.

#### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the supplementary financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the supplementary financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited supplementary financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### PricewaterhouseCoopers LLP

Chartered Accountants

London

24 February 2015

#### Notes:

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

# Consolidated Statement of Income

## European Embedded Value Basis

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

	Note	Year Ended	Year Ended
		31 December	31 December
		2014	2013
		£'Million	£'Million
Life business		467.0	365.7
Unit Trust business		177.7	130.8
Distribution business		(10.9)	(6.1)
Other		(37.4)	(27.7)
<b>EEV operating profit</b>		<b>596.4</b>	<b>462.7</b>
Investment return variances		80.2	344.2
Economic assumption changes		(7.0)	10.6
<b>EEV profit before tax</b>		<b>669.6</b>	<b>817.5</b>
<b>Tax</b>			
Life business		(104.1)	(127.5)
Unit Trust business		(39.4)	(42.3)
Distribution business		2.1	1.4
Other		8.8	6.5
Corporation tax rate change		—	18.9
		(132.6)	(143.0)
<b>EEV profit after tax</b>		<b>537.0</b>	<b>674.5</b>
EEV profit attributable to non-controlling interests		(0.1)	—
EEV profit attributable to equity share holders		537.1	674.5
<b>EEV profit on ordinary activities after tax</b>		<b>537.0</b>	<b>674.5</b>
		Pence	Pence
Basic earnings per share	VI	104.5	132.4
Diluted earnings per share	VI	102.7	130.1
Operating profit basic earnings per share	VI	93.1	72.9
Operating profit diluted earnings per share	VI	91.5	71.6

The notes and information on pages 166 to 173 form part of this supplementary information.

# Consolidated Statement of Changes in Equity

## European Embedded Value Basis

	Year Ended 31 December 2014	Year Ended 31 December 2013
	£'Million	£'Million
<b>Opening equity on an EEV basis</b>	<b>2,964.1</b>	<b>2,336.3</b>
EEV profit after tax for the year	537.0	674.5
Issue of share capital	5.8	15.8
Retained earnings credit in respect of share option charges	11.0	7.8
Retained earnings credit in respect of proceeds from exercise of share options of shares held in trust	–	0.1
Dividends paid	(95.5)	(65.3)
Consideration paid for own shares	(5.2)	(5.3)
Non-controlling interests arising on purchase of subsidiaries during the year	–	0.2
<b>Closing equity on an EEV basis</b>	<b>3,417.2</b>	<b>2,964.1</b>

The notes and information on pages 166 to 173 form part of this supplementary information.

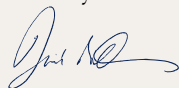


# Consolidated Statement of Financial Position

## European Embedded Value Basis

	31 December 2014	31 December 2013
	£'Million	£'Million
<b>Assets</b>		
Goodwill	10.1	–
Intangible assets		
Deferred acquisition costs	813.0	888.8
Value of long-term business in-force		
– long-term insurance	1,825.3	1,583.7
– unit trusts	611.2	506.3
Computer software	7.7	8.7
	3,267.3	2,987.5
Property & equipment	7.9	5.8
Deferred tax assets	192.8	181.8
Investment property	1,031.4	732.7
Investments	44,701.8	38,967.7
Reinsurance assets	85.5	64.2
Insurance and investment contract receivables	63.5	49.9
Income tax assets	–	–
Other receivables	604.6	554.0
Cash & cash equivalents	5,139.4	3,845.7
<b>Total assets</b>	<b>55,094.2</b>	<b>47,389.3</b>
<b>Liabilities</b>		
Insurance contract liabilities	474.4	466.4
Other provisions	11.4	9.7
Financial liabilities	39,014.8	33,904.0
Deferred tax liabilities	512.4	488.6
Insurance and investment contract payables	50.4	38.1
Deferred income	463.2	538.6
Income tax liabilities	32.8	4.9
Other payables	499.7	439.4
Net asset value attributable to unit holders	10,617.8	8,535.4
Preference shares	0.1	0.1
<b>Total liabilities</b>	<b>51,677.0</b>	<b>44,425.2</b>
<b>Net assets</b>	<b>3,417.2</b>	<b>2,964.1</b>
<b>Shareholders' equity</b>		
Share capital	77.9	77.3
Share premium	147.4	142.2
Treasury share reserve	(10.5)	(10.2)
Miscellaneous reserves	2.3	2.3
Retained earnings	3,200.1	2,752.5
<b>Total shareholders' equity on an EEV basis</b>	<b>3,417.2</b>	<b>2,964.1</b>
	Pence	Pence
<b>Net assets per share</b>	<b>657.9</b>	<b>575.3</b>

The supplementary information on pages 163 to 173 was approved by the Board of Directors on 24 February 2015 and signed on its behalf by:



**David Bellamy**  
Chief Executive



**Andrew Croft**  
Chief Financial Officer

The notes and information on pages 166 to 173 form part of this supplementary information.

# Notes to the European Embedded Value Basis

## I. BASIS OF PREPARATION

The supplementary information on pages 163 to 173 shows the Group's results as measured on a European Embedded Value (EEV) basis. This includes results for the life, pension and investment business, including unit trust business. The valuation is undertaken 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'). The treatment of all other transactions and balances is unchanged from the primary financial statements on an IFRS basis. The EEV basis recognises the long-term nature of the emergence of shareholder cash returns by reflecting the net present value of expected future cash flows.

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

### (a) Covered business

The covered business is the life, pension and investment business, including unit trust business, undertaken by the Group.

### (b) Calculation of EEV on existing business

Profit from existing business comprises the expected return on the value of in-force business at the start of the year plus the impact of any changes in the assumptions regarding future operating experience, plus changes in reserving basis (other than economic assumption changes), plus profits and losses caused by differences between the actual experience for the year and the assumptions used to calculate the embedded value at the end of the year.

### (c) Allowance for risk

The allowance for risk in the shareholder cash flows is a key feature of the EEV Principles. The EEV Principles set out three main areas of allowance for risk in the embedded value:

- the risk discount rate;
- the allowance for the cost of financial options and guarantees; and
- the cost of holding both prudential reserves and any additional capital required.

The reported EEV allows for risk via a risk discount rate based on a bottom-up market-consistent approach, plus an appropriate additional margin for non-market risk. The Group does not offer products that carry any significant financial guarantees or options.

### (d) Non-market risk

Best estimate assumptions have been established based on available information and when used within the market consistent calculations provide the primary evaluation of the impact of non-market risk. However, some non-market operational risks are not symmetric, with adverse experience having a higher impact on the EEV than favourable experience. Allowance has been made for this by increasing the risk discount rate by 0.8% (2013: 0.8%).

### (e) The risk discount rate

A market-consistent embedded value for each product class has been calculated.

In principle, each cash flow is valued using the discount rate applied to such a cash flow in the capital markets. However in practice, where cash flows are either independent or move linearly with market movement, it is possible to apply a simplified method known as the 'certainty equivalent' approach. Under this approach all assets are assumed to earn the risk free rate and are discounted using that risk free rate. A market-consistent cost of holding the required capital has also been calculated.

As part of this approach, an appropriate adjustment has been made to reflect the fact that the value of tax relief on expenses does not move linearly with market movements. Finally, an additional allowance for non-market risk has been made by increasing the discount rate by 0.8%.

For presentational purposes, a risk discount rate has then been calculated which under the EEV basis gives the same value determined above. This provides an average risk discount rate for the EEV and is described in relation to the risk free rate. This average risk discount rate has also been used to calculate the published value of new business.

**(f) Cost of required capital**

In light of the results of internal analysis, the Directors consider that the minimum regulatory capital provides adequate capital cover for the risks inherent in the covered business. The required capital for the EEV calculations has therefore been set to the optimised minimum regulatory capital.

The EEV includes a reduction for the cost of holding the required capital. No allowance has been made for any potential adjustment that the investors may apply because they do not have direct control over their capital. Any such adjustment would be subjective, as different investors will have different views of what, if any, adjustment should be made.

**(g) New business**

The new business contribution arising from reported new business premiums has been calculated using the same assumptions as used in the EEV at the end of the financial year. 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 value of new business has been established at the end of the reporting year and has been calculated using actual acquisition costs.

**(h) Operating profit**

Operating profit is determined as the increase in the embedded value over the year excluding market-related impacts such as the effects of economic assumption changes and investment variances and grossed up for shareholder tax.

**(i) Tax**

The EEV includes the present value of tax relief on life assurance expenses calculated on a market-consistent basis. This calculation takes into account all expense and income amounts projected for the in-force business (including any carried forward unutilised relief on expenses).

In determining the market-consistent value an appropriate allowance is made to reflect the fact that the value of tax relief on expenses does not move linearly with market movements.

When calculating the value of new business, priority is given to relieving the expenses relating to that business.

**III. ASSUMPTIONS****(a) Economic assumptions**

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

	Year Ended 31 December 2014	Year Ended 31 December 2013
Risk free rate	1.9%	3.1%
Inflation rate	2.9%	3.2%
Risk discount rate (net of tax)	5.0%	6.2%
Future investment returns:		
– Gilts	1.9%	3.1%
– Equities	4.9%	6.1%
– Unit linked funds		
– Capital growth	1.5%	2.5%
– Dividend income	2.7%	2.9%
– Total	4.2%	5.4%
Expense inflation	3.7%	4.0%

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

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

# Notes to the European Embedded Value Basis

*continued*

## III. ASSUMPTIONS *continued*

### (b) Experience assumptions

The principal experience assumptions have been set on a best estimate basis. They are reviewed regularly.

The persistency assumptions are derived from the Group's own experience or, where insufficient data exists, from external industry experience. They reflect our best estimate of experience over the long term. Given the significant changes currently being implemented in the pension market, we have maintained our persistency assumptions for pension business unchanged at this year-end. At our next review of the assumption in 2015, we will take into account both the positive experience from recent years, but also any change in policyholder behaviour that becomes evident following the changes in April 2015 during the year. To aid investors who wish to make their own judgement about these changes, we have provided the pensions persistency sensitivity separately in our analysis on page 171.

The expense assumptions include allowance for both third party administration costs and corporate overhead costs incurred in respect of covered business. The corporate costs have been apportioned so that the total maintenance cost represents the anticipated ongoing expenses, including systems development costs, which are expected to arise in future years in meeting the policy servicing requirements of the in-force business. In line with the EEV principles, our expense assumptions make no allowance for efficiency savings or future productivity gains that are not confirmed and quantifiable. In particular, despite good progress with the investment programme at our key outsource provider to enhance our 'back office' systems, we have not reflected any benefit from these changes to the ongoing expense assumptions. We expect that the impact will be confirmed during 2015. For investors who wish to make their own judgement about the potential impact, an expense sensitivity is included on page 171.

Mortality and morbidity assumptions have been set by reference to the Group's own experience, published industry data and the rates set by the Group's reinsurers.

### (c) Tax

The EEV result has been calculated allowing for tax and has been grossed up to a pre-tax level for presentation in the profit and loss account. The corporation tax rate used for this grossing up is 20.1% (2013: 20.3%) for UK life and pensions business, 12.5% (2013: 12.5%) for Irish life and pensions business and 20.2% (2013: 20.5%) for unit trust business. Future tax has been determined assuming a continuation of the current tax legislation. The reduction in tax rates for UK business reflects the changes in tax rate enacted in the year.

## IV. COMPONENTS OF EEV PROFIT

### (a) Life business

	Year Ended 31 December 2014	Year Ended 31 December 2013
Note	£'Million	£'Million
New business contribution	1 233.7	213.6
Profit from existing business		
Unwind of discount rate	144.9	89.4
Experience variances	78.1	53.9
Operating assumption changes	3.0	4.6
Investment income	7.3	4.2
<b>EEV operating profit</b>	<b>467.0</b>	<b>365.7</b>
Investment return variances	61.8	271.8
Economic assumption changes	(3.3)	7.7
<b>EEV profit before tax</b>	<b>525.5</b>	<b>645.2</b>
Tax	(104.1)	(127.5)
Corporation tax rate change	–	15.2
<b>EEV profit after tax</b>	<b>421.4</b>	<b>532.9</b>

Note 1: New business contribution after tax is £187.6 million (2013: £171.4 million).

**(b) Unit Trust business**

	Note	Year Ended 31 December 2014 £'Million	Year Ended 31 December 2013 £'Million
New business contribution	1	139.4	113.6
Profit from existing business			
Unwind of discount rate		37.1	22.7
Experience variances		0.4	(6.5)
Operating assumption changes		—	—
Investment income		0.8	1.0
<b>EEV operating profit</b>		<b>177.7</b>	<b>130.8</b>
Investment return variances		18.4	72.4
Economic assumption changes		(3.7)	2.9
<b>EEV profit before tax</b>		<b>192.4</b>	<b>206.1</b>
Tax		(39.4)	(42.3)
Corporation tax rate change		—	3.7
<b>EEV profit after tax</b>		<b>153.0</b>	<b>167.5</b>

Note 1: New business contribution after tax is £110.8 million (2013: £90.3 million).

**(c) Combined Life and Unit Trust business**

	Note	Year Ended 31 December 2014 £'Million	Year Ended 31 December 2013 £'Million
New business contribution	1	373.1	327.2
Profit from existing business			
Unwind of discount rate		182.0	112.1
Experience variances		78.5	47.4
Operating assumption changes		3.0	4.6
Investment income		8.1	5.2
<b>EEV operating profit</b>		<b>644.7</b>	<b>496.5</b>
Investment return variances		80.2	344.2
Economic assumption changes		(7.0)	10.6
<b>EEV profit before tax</b>		<b>717.9</b>	<b>851.3</b>
Tax		(143.5)	(169.8)
Corporation tax rate change		—	18.9
<b>EEV profit after tax</b>		<b>574.4</b>	<b>700.4</b>

Note 1: New business contribution after tax is £298.4 million (2013: £261.7 million).

# Notes to the European Embedded Value Basis

*continued*

## IV. COMPONENTS OF EEV PROFIT *continued*

### (d) Detailed analysis

In order to better explain the movement in capital flows, the components of the EEV profit for the year ended 31 December 2014 are shown separately between the movement in IFRS net assets and the present value of the in-force business (VIF) in the table below. All figures are shown net of tax.

	Movement in IFRS Net Assets £'Million	Movement in VIF £'Million	Movement in EEV £'Million
New business contribution	(49.3)	347.7	298.4
Profit from existing business	236.7	(236.7)	–
Unwind of discount rate	–	145.5	145.5
Experience variances	27.7	21.3	49.0
Operating assumption changes	(1.4)	4.0	2.6
Investment return	6.6	–	6.6
Investment return variances	(0.1)	64.3	64.2
Economic assumption changes	(0.9)	(4.7)	(5.6)
Miscellaneous	(31.3)	7.7	(23.6)
<b>EEV profit after tax</b>	<b>188.0</b>	<b>349.1</b>	<b>537.1</b>

The comparative figures for 2013 are as follows:

	Movement in IFRS Net Assets £'Million	Movement in VIF £'Million	Movement in EEV £'Million
New business contribution	(45.8)	307.6	261.8
Profit from existing business	191.4	(191.4)	–
Unwind of discount rate	–	89.6	89.6
Experience variances	41.3	(11.3)	30.0
Operating assumption changes	(5.0)	9.0	4.0
Investment return	4.2	–	4.2
Investment return variances	18.4	257.1	275.5
Economic assumption changes	3.9	4.8	8.7
Miscellaneous	(18.2)	–	(18.2)
Corporation tax rate change	–	18.9	18.9
<b>EEV profit after tax</b>	<b>190.2</b>	<b>484.3</b>	<b>674.5</b>



## V. EEV 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 key 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
<b>Value at 31 December 2014</b>		<b>373.1</b>	<b>298.4</b>	<b>3,417.2</b>
100bp reduction in risk free rates, with corresponding change in fixed interest asset values	1	(6.3)	(5.1)	(15.5)
10% reduction in withdrawal rates:	2			
Pensions		11.1	8.9	60.1
Other		22.1	17.7	121.2
<b>Total</b>		<b>33.2</b>	<b>26.6</b>	<b>181.3</b>
10% reduction in expenses		7.6	6.2	36.1
10% reduction in market value of equity assets	3	–	–	(322.2)
5% reduction in mortality and morbidity	4	–	–	–
100bp increase in equity expected returns	5	–	–	–
100bp increase in assumed inflation	6	(7.4)	(6.0)	(28.9)

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 reinsurers 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 ten 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	46.7	37.4	239.7

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.

## VI. EARNINGS PER SHARE

	Year Ended 31 December 2014	Year Ended 31 December 2013
	Pence	Pence
Basic earnings per share	<b>104.5</b>	132.4
Diluted earnings per share	<b>102.7</b>	130.1
Operating basic earnings per share	<b>93.1</b>	72.9
Operating diluted earnings per share	<b>91.5</b>	71.6

# Notes to the European Embedded Value Basis

*continued*

## VI. EARNINGS PER SHARE *continued*

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

	Year Ended 31 December 2014	Year Ended 31 December 2013
	£'Million	£'Million
<b>Earnings</b>		
Profit after tax ( <i>for both basic and diluted EPS</i> )	537.0	674.5
Operating profit after tax ( <i>for both basic and diluted EPS</i> )	478.4	371.5
	Million	Million
<b>Weighted average number of shares</b>		
Weighted average number of ordinary shares in issue ( <i>for basic EPS</i> )	514.0	509.4
Adjustments for outstanding share options	9.0	9.2
Weighted average number of ordinary shares ( <i>for diluted EPS</i> )	523.0	518.6

## VII. RECONCILIATION OF IFRS AND EEV PROFIT BEFORE TAX AND NET ASSETS

	Year Ended 31 December 2014	Year Ended 31 December 2013
	£'Million	£'Million
<b>IFRS profit before tax</b>	294.4	461.2
Tax attributable to policyholder returns	(111.5)	(270.5)
Profit before tax attributable to shareholders' returns	182.9	190.7
Add back: amortisation of acquired value in-force business	3.2	3.2
Movement in life value of in-force (net of tax)	241.7	360.1
Movement in unit trust value of in-force (net of tax)	104.9	122.8
Tax gross up of movement in value in-force	136.9	140.7
<b>EEV profit before tax</b>	669.6	817.5
	31 December 2014	31 December 2013
	£'Million	£'Million
<b>IFRS net assets</b>	1,010.1	906.1
Less: acquired value of in-force	(36.8)	(40.0)
Add: deferred tax on acquired value of in-force	7.4	8.0
Add: life value of in-force	1,825.3	1,583.7
Add: unit trust value of in-force	611.2	506.3
<b>EEV net assets</b>	3,417.2	2,964.1

## VIII. RECONCILIATION OF LIFE COMPANY FREE ASSETS TO CONSOLIDATED GROUP EQUITY AND ANALYSIS OF MOVEMENT IN FREE ASSETS

	31 December 2014	31 December 2013
	£'Million	£'Million
<b>Life company estimated free assets</b>	<b>278.3</b>	234.9
Estimated required life company solvency capital	48.9	49.3
Other subsidiaries, consolidation and IFRS adjustments	682.9	621.9
<b>IFRS net assets</b>	<b>1,010.1</b>	906.1

	31 December 2014	31 December 2013
	£'Million	£'Million
<b>Life company estimated free assets at 1 January</b>	<b>234.9</b>	155.7
Investment in new business	(26.8)	(28.7)
Profit from existing business	163.9	157.0
Dividends paid	(100.0)	(47.0)
Investment return	5.9	3.4
Movement in required solvency capital	0.4	(5.5)
<b>Life company estimated free assets at 31 December</b>	<b>278.3</b>	234.9

# Other Information

## CONTENTS

175 Shareholder Information

176 How to Contact Us and Advisers

177 St. James's Place Partnership Locations

178 Glossary

# Shareholder Information

## ANALYSIS OF NUMBER OF SHAREHOLDERS

Analysis by Number of Shares	Holders	%	Shares held	%
1 – 999	2,455	44.25	924,963	0.18
1,000 – 9,999	2,244	40.45	6,742,560	1.30
10,000 – 99,999	529	9.53	17,194,927	3.31
100,000 and above	320	5.77	494,584,941	95.21
	5,548	100.00	519,447,391	100.00

## 2015 FINANCIAL CALENDAR

Ex-dividend date for final dividend	Thursday, 9 April 2015
Record date for final dividend	Friday, 10 April 2015
Announcement of first quarter new business	Tuesday, 28 April 2015
Annual General Meeting	Thursday, 14 May 2015
Payment date for final dividend	Friday, 15 May 2015
Announcement of Interim Results and second quarter new business	Wednesday, 29 July 2015
Ex-dividend date for interim dividend	Thursday, 3 September 2015
Record date for interim dividend	Friday, 4 September 2015
Payment date for interim dividend	Friday, 2 October 2015
Announcement of third quarter new business	Tuesday, 27 October 2015

The above dates are subject to change and further information on the 2015 financial calendar can be found on the Company's website, [www.sjp.co.uk](http://www.sjp.co.uk)

## DIVIDEND REINVESTMENT PLAN

The Directors introduced a Dividend Reinvestment Plan (DRP) during 2012. If you would prefer to receive new shares instead of cash dividends, please complete a Dividend Reimbursement Plan (DRP) mandate form, which is available from our Registrars, Computershare Investor Services PLC. Their contact details are on page 176.

## SHARE DEALING

A telephone share dealing service has been established with the Registrars, Computershare Investor Services PLC, which provides shareholders with a simple way of buying or selling St. James's Place plc shares on the London Stock Exchange. If you are interested in this service, telephone 0870 703 0084.

## ELECTRONIC COMMUNICATIONS

If you would like to have access to shareholder communications such as the Annual Report and the Notice of General Meeting through the internet rather than receive them by post, please register at [www.etreeuk.com/stjamesplace](http://www.etreeuk.com/stjamesplace).

An internet share dealing service is also available. Further information about this section can be obtained by logging on to: [www.computershare.com/investor/sharedealing](http://www.computershare.com/investor/sharedealing).

# How to Contact Us and Advisers

## HOW TO CONTACT US

### Registered Office

St. James's Place House  
1 Tetbury Road  
Cirencester  
Gloucestershire  
GL7 1FP

Tel: 01285 640302  
Fax: 01285 640436  
www.sjp.co.uk

### Chairman

Sarah Bates  
email c/o: hugh.gladman@sjp.co.uk

### Chief Executive

David Bellamy  
email: david.bellamy@sjp.co.uk

### Chief Financial Officer

Andrew Croft  
email: andrew.croft@sjp.co.uk

### Company Secretary

Hugh Gladman  
email: hugh.gladman@sjp.co.uk

### Customer Service

Will Alterman  
Tel: 01285 878352  
Fax: 01285 878111  
email: will.alterman@sjp.co.uk

### Analyst Enquiries

Tony Dunk  
Tel: 01285 878079  
Fax: 01285 657208  
email: tony.dunk@sjp.co.uk

### Media Enquiries

Bell Pottinger  
Tel: 020 3772 2566  
email: SJP@Bell-Pottinger.com

## ADVISERS

### Bankers

#### Bank of Scotland

150 Fountainbridge  
Edinburgh  
EH3 9PE

#### Barclays Bank PLC

1 Churchill Place  
London  
E14 5HP

#### The Royal Bank of Scotland

135 Bishopsgate  
London  
EC2M 3UR

### Brokers

#### JPMorgan Cazenove Limited

25 Bank Street  
London  
E14 5JP

#### Bank of America Merrill Lynch

2 King Edward Street  
London  
EC1A 1HQ

### Independent Auditors

#### PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors  
7 More London Riverside  
London  
SE1 2RT

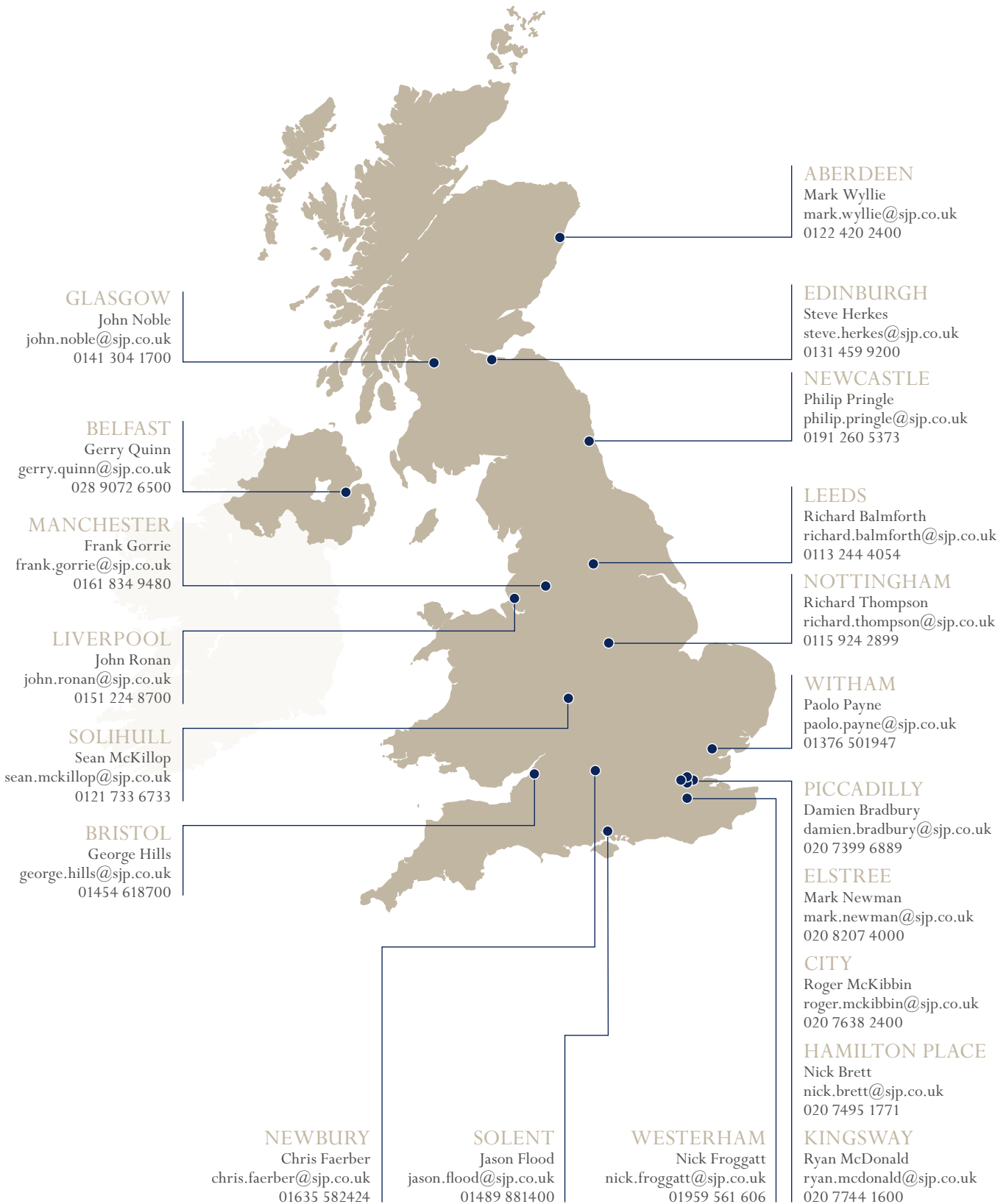
### Registrars & Transfer Office

#### Computershare Investor Services PLC

The Pavilions  
Bristol  
BS99 6ZZ  
email: webcorres@computershare.co.uk  
Tel: 0870 702 0197  
www.computershare.com



# St. James's Place Partnership Locations



# Glossary

## ADVISER OR FINANCIAL ADVISER

An individual who is authorised by the FCA to provide financial advice.

## ANNUAL PREMIUM EQUIVALENT (APE)

Used as a measure of annual sales, being the annual premium of new regular investments plus 10% of single premium investments.

## CASH RESULT

A post-tax measure of emergence during the year of cash available for paying a dividend. The measure reflects underlying cashflows consistent with the IFRS results, but without adjustment for intangibles including DAC, DIR, PVIF and deferred tax. The result also reflects any reserving constraint imposed on an insurance company in the Group by its local statutory solvency regime. Finally, no allowance is made for the cost of share options.

## CHIEF OPERATING DECISION MAKER

The Executive Committee of the Board which is responsible for allocating resources and assessing the performance of the operating segments.

## CLIENT NUMBERS

The number of individuals who have received advice from a St. James's Place Partner and own a St. James's Place wrapper.

## CLIENT SATISFACTION

The business commissions a client survey each year from Ledbury Research. Satisfaction is measured by the response to the question "How would you rate your overall satisfaction with St. James's Place? (Marketplace: your wealth manager) (where 10 is very satisfied and 1 is very dissatisfied)". Our client satisfaction metric reports the proportion of clients that indicated a satisfaction rating of 8 or more out of 10.

## CLIENT RETENTION

Client retention is assessed by calculating the proportion of clients at 1st January in the year, who remain as a client throughout the year and are still a client on the 31st December of the same year.

## DEFERRED ACQUISITION COSTS (DAC)

An intangible asset required to be established through the application of IFRS to our long-term business. The value of the asset is equal to the amount of all costs which accrue in line with new business volumes. The asset is amortised over the expected lifetime of the business.

## DEFERRED INCOME (DIR)

Deferred income which arises from the requirement in IFRS that initial charges on long-term financial instruments should only be recognised over the lifetime of the business. The initial amount of the balance is equal to the charge taken.

## EUROPEAN EMBEDDED VALUE (EEV)

A value determined in accordance with the EEV Principles issued in May 2004 by the Chief Financial Officers Forum, as supplemented by the Additional Guidance on EEV Disclosures issued in October 2005 (together "the EEV Principles"). The EEV recognises the long-term nature of the emergence of shareholder cash returns by reflecting the net present value of expected future cash flows.

## FINANCIAL CONDUCT AUTHORITY (FCA)

One of the two bodies (along with the PRA) which replaced the Financial Services Authority from 1 April 2013. The FCA is a company limited by guarantee and is independent of the Bank of England. It is responsible for the conduct of business regulation of all firms (including those firms subject to prudential regulation by the PRA) and the prudential regulation of all firms not regulated by the PRA. The FCA has three statutory objectives: securing an appropriate degree of protection for consumers, protecting and enhancing the integrity of the UK financial system, and promoting effective competition in the interests of consumers.

## FINANCIAL SERVICES COMPENSATION SCHEME (FSCS)

The FSCS is the UK's statutory compensation scheme for customers of authorised financial services firms. This means that the FSCS can pay compensation if a firm is unable, or is likely to be unable, to pay claims against it. The FSCS is an independent body, set up under the Financial Services and Markets Act 2000 (FSMA), and funded by a levy on "authorised financial services firms". The scheme covers deposits, insurance policies, insurance brokering, investments, mortgages and mortgage arrangement.

## FUNDS UNDER MANAGEMENT (FUM)

Represents all assets actively managed or administered by or on behalf of the Group. It includes all life insurance and unit trust assets, but does not include assets managed by third parties where we have only introduced or advised on the business.

## INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

These are accounting regulations designed to ensure comparable preparation and disclosure of statements of financial position, and are the standards that all publicly listed companies in the European Union are required to use.

## INVESTMENT MANAGEMENT APPROACH (IMA)

The IMA is how St. James's Place manages clients' investments. It is managed by the St. James's Place Investment Committee, which in turn is advised by respected independent investment research consultancies, led by Stamford Associates. The Investment Committee is responsible for identifying fund-managers for our funds, selecting from fund management firms all around world. They are also responsible for monitoring the performance of our fund managers, and, if circumstances should change and it becomes necessary then they are responsible for changing the fund manager as well.

**POLICYHOLDER AND SHAREHOLDER TAX**

The UK tax regime facilitates the collection of tax from life insurance policyholders by making an equivalent charge within the corporate tax of the Company. This part of the overall tax charge, which is attributable to policyholders, is called policyholder tax. The rest is shareholder tax.

**PRESENT VALUE OF NEW BUSINESS (PVNBP)**

Present value of new regular premiums plus 100% of single premiums, calculated using assumptions consistent with those used to determine the value of new business under European Embedded Value (EEV) principles published by the CFO forum.

**PROFIT BEFORE SHAREHOLDER TAX**

A profit measure which reflects the IFRS result adjusted for policyholder tax, but before deduction of shareholder tax. Within the financial statements the full title of this measure is profit before tax attributable to shareholders' returns.

**PRUDENTIAL REGULATORY AUTHORITY (PRA)**

One of the two bodies (along with the FCA) which replaced the Financial Services Authority from 1 April 2013. The PRA is a part of the Bank of England and is responsible for the prudential regulation of deposit taking institutions, insurers and major investment firms. The PRA has two statutory objectives: to promote the safety and soundness of these firms and, specifically for insurers, to contribute to the securing of an appropriate degree of protection for policyholders.

**PURCHASED VALUE OF IN-FORCE (PVIF)**

An intangible asset established on takeover or acquisition, reflecting the present value of the expected emergence of profits from a portfolio of long-term business. The asset is amortised in line with the emergence of profits.

**REGISTERED INDIVIDUALS (RI)**

An individual who is registered by the FCA, particularly an individual who is registered to provide financial advice. See also Adviser and St. James's Place Partner.

**SOLVENCY II**

New insurance regulations designed to harmonise EU insurance regulation. The key concerns of the regulation are to ensure robust risk management in insurance companies and to use that understanding of risk to help determine the right amount of capital for European insurance companies to hold to ensure their ongoing viability in all but the most severe stressed scenarios. Solvency II is due to become effective from 1 January 2016.

**ST. JAMES'S PLACE PARTNER**

A member of the St. James's Place Partnership. Specifically the individual or business that is registered as an Appointed Representative of St. James's Place on the FCA website. St. James's Place Partner businesses vary in size and structure. Many are sole traders but there are also a growing number of businesses employing many advisers.

**ST. JAMES'S PLACE PARTNERSHIP**

The collective name for all of our advisers, who are Appointed Representatives of St. James's Place.

**THE HENLEY GROUP**

A business providing financial advice to largely British expatriate clients based in Shanghai, Singapore and Hong Kong. It was acquired by the Group during 2014.

**UNDERLYING CASH RESULT**

Timing variances in cash emergence, particularly due to tax and insurance reserve impacts, will impact the regular development of the cash result. The underlying cash result is adjusted for these items, and therefore provides the most useful measure which the Board reviews (in conjunction with Group solvency) when determining any proposed dividend to shareholders.

**UNDERLYING PROFIT**

A profit measure, based upon Profit before shareholder tax, but adjusted to remove the impact of movements in DAC, DIR and PVIF balances and associated tax balances.

# Notes



ST. JAMES'S PLACE PLC

ST. JAMES'S PLACE HOUSE  
1 TETBURY ROAD  
CIRENCESTER  
GLOUCESTERSHIRE  
GL7 1FP

T: 0800 01 38 137

[www.sjp.co.uk](http://www.sjp.co.uk)