ST. JAMES'S PLACE PLC

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PRESS RELEASE

25 February 2016

ANNOUNCEMENT OF
ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

STRONG GROWTH UNDERPINS 20% INCREASE IN DIVIDEND

St. James's Place plc ("SJP"), the wealth management group, today issues its annual results for the year ended 31 December 2015:

Financial highlights:

- EEV new business profit £440.7 million (2014: £373.1 million)
- EEV operating profit £660.2 million (2014: £596.4 million)
- EEV net asset value per share 737.3 pence (2014: 657.9 pence)
- IFRS profit before shareholder tax £151.3 million (2014: £182.9 million)
- Underlying post tax cash result £182.1 million (2014: £173.8 million)
- Final dividend of 17.24 pence per share (2014: 14.37 pence per share) giving a full year dividend of 27.96 pence per share – up 20%
- Group Solvency II free assets of £809.2 million compared with £440.2 million on Solvency I basis, giving Solvency ratio of 151% (156% before the final proposed dividend)

Strategic initiatives:

- Rowan Dartington acquisition now completed
- New office opening in Canary Wharf in May
- Academy concept extended to include training specialist staff and Regional Academy in Scotland

New business highlights:

- Record gross inflows of £9.24 billion (2014: £7.88 billion)
- Net inflow of funds under management of £5.78 billion (2014: £5.09 billion)
- Funds under management of £58.6 billion (2014: £52.0 billion)

David Bellamy, Chief Executive Officer, commented:

"Despite the continued uncertainty in world stock markets, the strong growth across all key areas once again demonstrates the resilience of the business and delivered another record year of new investments, funds under management and operating performance.

The continuing growth and maturity in funds under management has, as expected, translated into continued growth in the underlying cash result. I am therefore pleased to confirm the final dividend of 17.24 pence per share, taking the total dividend for the year to 27.96 pence per share, up 20% on 2014.

Our success has been, and continues to be, built on our fundamental belief that for most people their finances and wealth are personal and they want to be treated in a highly personalised way and by someone they trust. We see a growing demand for sound, personal, financial planning advice as individuals recognise the financial implications of increased life expectancy, whilst being faced with increasingly complex options in respect of their investments.

That increasing demand, coupled with the ongoing growth in the size of the Partnership, means that we remain well placed to continue our growth in 2016 and beyond, in line with our medium term objectives."

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Analyst presentation at **11am for 11.15 am** at:

Bank of America Merrill Lynch Financial Centre,
2 King Edward Street,
London EC1A 1HQ

to be held in the Auditorium

Alternatively, if you are unable to attend but would like to watch a livestream of the presentation on the day, please click on the link below or via our website:

(Live and On-demand):

http://www.investis-live.com/st-jamess-place/56a8b2bf4abaa50b005dd901/fy15

There will also be a Dial in:

Conference call dial in details:
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All other locations + 44 20 3059 8125
Participant Password: St James Place

Replay Dial-in details
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Passcode: 2608111 followed by #

CHIEF EXECUTIVE'S REPORT

In many ways, 2015 was a quite extraordinary year. From the continuation of the Greek bailout saga to the crisis in Syria and Iraq, including the rise of ISIS and the atrocities committed by its supporters across the world and the desperate images of migrants in Turkey, the Mediterranean and throughout Europe. Closer to home, we had what for many was a surprise result in the UK general election, and an equally surprising leadership result for the Labour Party. The year ended with severe flooding in the North, with those dreadful scenes of disruption to many families, but where we saw how a great community spirit and resilience can endure. A difficult time for many people and a volatile one for markets.

Despite the continued uncertainty in world stock markets, St. James's Place (SJP) has once again achieved strong growth across all of the key aspects of the business. Gross inflows were 17% higher at a record £9.24 billion which, when combined with the sustained high retention of clients and their investments, resulted in record net inflows in the twelve months of £5.78 billion, taking funds under management to £58.6 billion, up 13% for the year.

Our success has been, and continues to be, built on our fundamental belief that for most people their finances and wealth are personal and they want to be treated in a highly personalised way and by someone they trust. Indeed, we see a growing demand for sound, personal, financial planning advice as individuals begin to fully comprehend the financial implication of increased life expectancy whilst being faced with increasingly complex options in respect of their pension funds.

As investor behaviours adapt to this changing retirement landscape and the prolonged environment of low interest rates, we have continued to evolve our investment approach, through the introduction of new investment funds, the Strategic Income and Diversified Bond funds, launched in November to provide increased investment diversification for clients. Alongside the evolution of our investment management approach, the acquisition of Rowan Dartington Holdings Limited, a specialist stockbroking and discretionary investment service, broadens our range of supplementary investment services, to include advisory portfolio management, direct equity, trust and charity portfolio management. We plan to make these enhanced services available to our existing clients later in the spring, whilst enabling our Partners and advisers to access new clients who value such services.

At the other end of the spectrum, we recognise the intergenerational challenges that some of our clients tell us they face in trying to help their offspring, particularly in relation to owning their own homes or funding education. So in 2016, in addition to looking to enhance our estate planning services through a more formalised probate service and expansion of our long-term care offerings, we will explore with our third party providers bespoke mortgage and protection products to meet this need.

Financial Performance

The strong growth in new business and funds under management are reflected in the financial results in all measures. However, the results were negatively impacted by a significant £14.2 million increase in our levy to the Financial Services Compensation Scheme.

The figures also reflect our continued strategic investments including the SJP Academy, our Asian operations and our back office infrastructure development.

The operating profit on a European Embedded Value (EEV) basis was £660.2 million (2014: £596.4 million) which reflects the above factors, together with a positive experience and operating assumption change.

The profit before shareholder tax, on an International Financial Reporting Standards (IFRS) basis of £151.3 million (2014: £182.9 million) was also impacted by the negative £21.7 million change in the movement of certain accounting intangible assets and liabilities. The underlying profit for the year was £163.7 million compared with £173.6 million for the prior year.

A more detailed commentary on the financial results is included in the CFO Report on pages 7 to 9 and the Financial Review on pages 10 to 39.

Dividend

At the half year we increased the interim dividend by 20% and said it was our intention to increase the final dividend at a similar rate.

Consequently, and supported by the continued strong performance of the business, the Board has proposed a final dividend of 17.24p per share, up 20%, which brings the full year dividend to 27.96p per share, also up 20%.

The final dividend for 2015, subject to approval of shareholders at our AGM, will be paid on 13 May to shareholders on the register at the close of business on 8 April. As usual a Dividend Reinvestment Plan continues to be available for shareholders.

Clients

At the heart of our sustained growth is our commitment to achieving the best possible outcome for our clients and the importance we place on maintaining long lasting relationships with them and serving them and our Partners well. We firmly believe that this highly personalised approach continues to have a very important place in UK financial services today and will do so in the future.

However, we are not at all complacent and every year we take the opportunity to seek feedback, from our clients directly, in response to their annual Wealth Account statement. The research carried out in the last two months once again shows a consistently high advocacy score, where 95% of our clients confirmed that they would recommend St. James's Place to others, with around 60% having already done so. Similarly, when asked to assess our proposition in terms of value for money, 79% of our clients said excellent or good, with a further 19% describing it as reasonable.

I said earlier that for most people their finances and wealth are personal and these survey results, together with the direct contact our Partners maintain with clients, reassures us that our clients value the personal face-to-face relationship they provide. Last year, largely through the strong advocacy of our existing clients a further 54,000 new clients were introduced to St. James's Place, taking the total number of clients to over 525,000.

Investment Management

Stock markets started 2015 very positively reaching record highs in both the US and UK before retreating over the remainder of year on concerns of slowing global growth and in particular in respect of China.

Year on year stock markets fell with the FTSE 100, for example, down 4.9% in capital terms albeit the return including dividends was only marginally negative.

Against this backdrop, the relative performance of our funds was good and in particular all our portfolios made positive returns, with the Balance Income portfolio, for example, up 3.2%.

Low interest rates continue to present a challenge for income seeking investors. In recognition of this, as I mentioned earlier, we launched two new income focused funds in November.

Firstly, the Diversified Bond fund which aims to provide an attractive level of income by investing across a broad universe of global fixed-interest markets. The fund combines three complementary investment strategies managed by Payden & Rygel, Brigade Capital Management and TwentyFour Asset Management.

The second new fund is the Strategic Income fund which aims to generate a higher level of income than traditional fixed-interest and equity funds. This fund blends four independent investment strategies managed by MidOcean

Credit Fund Management, Schroders, BlueBay Asset Management and TwentyFour Asset Management and predominantly invests in high-yielding fixed-interest assets whilst having some exposure to global equity markets.

With the addition of these new funds and specialist investment managers, our investment proposition for clients now includes 70 carefully selected managers from around the world.

Market volatility and continued global uncertainty underline the importance of diversification, which remains one of our core investment principles. By continuing to develop our investment approach, so that it takes account of a changing investment world, we are confident we can help our clients fulfil their long term financial goals.

The St. James's Place Partnership

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.

In 2015, alongside the impressive financial results, I am therefore pleased to report that through the continued acquisition of highly established advisers, the integration of new Partners in Asia and the success of our extended Academy programme, the size the Partnership increased to 2,264, whilst our total qualified adviser community increased by 10% to 3,113.

The sustained growth in our Partner and adviser community 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 and advisers receive.

As our Partner practices grow and the administration of their clients' affairs becomes increasingly complex, we will look to find ways to make it easier for our Partners, advisers and their support staff to serve their clients well and build even more successful businesses. This is the driver behind our investment in our back-office development and the extension of our Academy concept to the training of specialist support staff for our existing Partners.

This community, of around 4,000 people, perform a variety of roles for Partners and we plan to deepen our relationship with these teams in 2016 so as to help with the smooth running of our Partners' businesses.

Alongside these initiatives, we are investing in additional space for our London offices and we will be opening a new office, in Canary Wharf, in May.

Our business in Asia is making good progress and we continue to focus our overseas efforts here such that, whilst we will continue to explore an entry into the Middle East, if we do decide to enter it's unlikely we will do so until 2017.

'Back-office' Administration

In 2014, we embarked on one of the most significant developments in our back office for some time. The initial phase saw the unification of our two major back office teams, in Craigforth and Essex, coming together under the management of IFDS.

That was followed by the development of a new software platform, called 'Bluedoor', for the combined administration teams and towards the end of last year, we began the migration of our business to the new platform, starting with our unit trust and ISA business, which was successfully completed in October.

This year our focus is on pensions and we anticipate launching our new retirement account on the platform later in the summer.

The St. James's Place Foundation & Community Engagement

2015 was again a record year for fund raising for our Foundation. Raising funds for those less fortunate has always been at the heart of the Group's culture, and the collective efforts of the whole of our community, including employees, Partners, suppliers and others connected to St. James's Place, resulted in over £3.5 million being raised which, when matched by the Company, meant over £7 million for the Foundation. The cumulative total raised to date is now approaching £50 million, and we were again able to support over 600 charitable projects in the year.

Our cultural driver of 'doing the right thing' runs through the whole organisation, underpinning all our interactions with our local and extended communities. Our continued membership of FTSE4GOOD recognises the positive nature of our work in these areas. We're proud of the significant contribution we make through our Foundation, and our other initiatives, including our structured programmes for summer interns and Apprenticeships. We are also committed to maintaining our Living Wage accreditation, being one of only 20 FTSE100 companies to achieve this status.

Finally, we're also very proud of the contribution that our whole community makes to their communities, not least through the wide variety of fund raising events for the Foundation that took place throughout the year.

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

We have once again achieved strong growth across all of the key aspects of the business and are well placed to achieve further growth in 2016 and beyond.

David Bellamy
Chief Executive
24 February 2016

CHIEF FINANCIAL OFFICER'S REPORT

As highlighted earlier, 2015 was another year of strong operating performance with growth in all the business fundamentals.

The financial results reflect this operating performance but they were also impacted by both a significant increase in the levy charged by the Financial Services Compensation Scheme (FSCS levy) and the higher costs associated with a number of strategic investments we are making in the business, laying foundations for the future.

The FSCS levy for the year was £20.1 million (£15.9 million post tax), an increase of £14.2 million compared to the prior year charge of £5.9 million (£4.7 million post tax).

The costs associated with our strategic investments includes the Academy at £5.5 million (2014: £4.1 million), our Asian operations at £7.5 million (2014: £3.6 million) and our back office infrastructure development at £18.1 million (2014: £11.9 million).

The additional FSCS levy and these investment costs effect all the profit measures.

Financial results

We continue to report our results on both IFRS and EEV bases, as well as providing further detail on the cash result, reflecting cash emergence from the business. Detailed explanation and analysis of these measures is provided on page 10 and 11.

IFRS Result

We present both the Profit before shareholder tax, which removes the impact of policyholder tax, and Underlying profit before shareholder tax, which adjusts the Profit before shareholder tax for movements in intangible assets and liabilities (DAC/DIR/PVIF see page 21).

We regard Underlying profit as the most appropriate measure, based upon IFRS, for assessing operating performance.

The performance on these measures is noted in the table below:

	2015 £'Million	2014 £'Million
Profit before shareholder tax	151.3	182.9
Underlying profit before shareholder tax	163.7	173.6

Both measures have been impacted by the £14.2 million increase in the FSCS levy together with the higher costs associated with our investment in laying the foundations for the future. In addition, the Profit before shareholder tax result has also been adversely effected by a reduction of £21.7 million in contribution from movements in the DAC/DIR/PVIF adjustments.

Cash Result

At £182.1 million (2014: £173.8 million), the Underlying cash result for the year was up 5%, reflecting the strong underlying growth in income from Funds under Management (up 18%), partially offset by the additional FSCS levy (£11.2 million post-tax) together with the Academy and Asian expenditure. For comparison, if we were to adjust for the increase in the FSCS levy, the Underlying Cash Result would have been some 11% higher.

Taking into account the cost of our investment into the back office infrastructure and other timing variances, the Cash result was £171.5 million (2014: £165.1 million).

EEV Result

The New business profit of £440.7 million (2014: £373.1 million) was up 18% reflecting the strong gross inflows, whilst the Operating profit for the period was £660.2 million (2014: £596.4 million).

The Operating profit reflects not only the higher New business profit but also a further positive experience variance and a positive operating assumption change, partially offset by the higher FSCS levy and investment costs. The 2015 result is also negatively impacted by a lower opening risk discount rate (5.0% in 2015 v 6.2% in 2014), resulting in a lower contribution from the unwind of discount rate of some £41.4 million less than that expected if the discount rate was unchanged.

The net asset value per share increased 12% over the year to 737.3p (2014: 657.9p).

Dividend

At the half year we increased the interim dividend by 20% and commented it was our intention to increase the final dividend at a similar rate.

Given the continued strong performance of the business, the Board has proposed a final dividend of 17.24p per share, up 20%. This provides for a full year dividend of 27.96 pence per share, also growth of 20%, and represents a payout ratio compared to underlying cash of 80%. However, if we adjust the underlying cash result to remove increase in the FSCS levy, then the payout ratio would be 76%.

It is our intention to continue our policy of increasing the dividend in line with the underlying performance of the business.

Capital & Solvency II

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

The start of 2016 sees the introduction of a new regulatory solvency regime known as Solvency II. The underlying driver of the new Solvency II regulation is to focus attention on risk and risk management. Whilst the regulations introduce extensive new valuation and reporting requirements, some presentational changes and a number of moving parts, it has not altered our business or risk profile, and our solvency position remains both robust and secure.

After taking account of the £90.5 million cost of the proposed final dividend, we are reporting Solvency II free assets at the group level of £809.2 million compared to corresponding Solvency I free assets of £440.2 million.

The new Solvency II solvency ratio at the Group level is 151% (156% before the final proposed dividend).

Concluding remarks

2015 was another strong financial performance which has enabled the Board to propose a 20% increase in the dividend.

Our core business and its financials are in good shape. As noted in my opening remarks, we have already been laying strategic foundations for the future, which now includes the acquisition of the discretionary fund management business Rowan Dartington. We are well set for further growth, and continuing to increase the return to shareholders.

Andrew Croft
Chief Financial Officer
24 February 2016

FINANCIAL REVIEW

The Financial Model

The Group's strategy is to attract and retain retail funds under management (FUM) on which we receive an annual management fee. This is the principal source of income for the Group, from which we invest in growth and development of the Partnership, acquiring new funds under management and meeting the expenses of the business.

The level of income is dependent on the level of client funds and asset values. In addition, since much of our business does not generate net cash in the first six years, the level of income will increase as a result of new business from six years ago becoming cash generative. This deferral of cash generation means the business always has six years' worth of funds in the 'gestation' period. (Analysis of the FUM from which income is generated is presented in Section 1.)

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. However, the Group also invests in new client services, computer systems and other corporate initiatives, all of which are reported as development expenditure. (Analysis of the Expenses is presented in Section 2.)

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 provide a good return on the investment (see page 14).

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.

Profit Measurement

In line with statutory reporting requirements we report profits assessed on an IFRS basis. However 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 and is paid on to HMRC, management believes it is useful to separately identify the **profit before shareholder tax**. This measure reflects the IFRS 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). Due to regulation change in 2013 there was a step change in the progression of these items, which resulted in significant accounting presentation changes despite the fundamentals of our vertically-integrated business remaining unchanged. We therefore present an additional 'non-GAAP' **underlying profit** measure which is derived from the IFRS result by adjusting for these intangibles. Management believes this adjusted IFRS result provides the most useful measure of operating performance.

Thirdly, the **cash result** and **underlying cash result** are the principal measures that the Board considers when determining the dividend payment to shareholders as they best reflect the cash generated by the business.

The Board starts by considering the underlying cash result, which most clearly reflects the impact of the primary drivers of the business (being FUM and expenses as described in Sections 1 and 2). This is derived from the underlying profit measure, principally by adjusting for differences between deferred and current tax, share option costs and some solvency reserve impacts.

Other cash flows are taken into account in the Cash result, not least tax settlement timing variances and changes in solvency reserving requirements. Allowance is also made for the cost of the back-office infrastructure development.

These two measures are presented with a breakdown explaining the sources of profit based on the key drivers of the business, with the aim of assisting investors to understand the development of profits. The Board also 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 existing business, and so the breakdown identifies the new business impact and makes clear the ongoing contribution from the established business.

Neither the cash result nor the underlying cash result should be confused with the IFRS cash flow statement which is prepared in accordance with IAS 7 and disclosed on page 68.

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

We have provided an analysis of the FUM development in Section 1 and Expenses in Section 2. Section 3 provides a commentary on the performance of the business on the IFRS basis whilst Sections 4 and 5 provide further detail on the Cash and EEV results. Finally, Section 6 covers the Solvency and Capital Management.

SECTION 1: FUNDS UNDER MANAGEMENT

This section starts with analysis of the movement in the funds under management of the group. This is followed by information about the income the group earns from managing these funds, together with the profile of these earnings, and finally a geographical and segmental analysis of the funds under management.

Movement in funds under management

During 2015 we have seen gross new funds of £9.24 billion, growth of 17% and a net inflow of funds under management of £5.78 billion (2014: £5.09 billion), growth of 14%. Investment return has also been positive although not as strong as in the prior year. Nevertheless, given the strong net inflow, and the positive investment performance, funds under management increased to £58.61 billion.

Analysis of the development of the funds under management is provided in the following tables:

Year Ended 31 December 2015		**Investment**	**Pension**	**UT/ISA**	**Total**
		£'billion	**£'billion**	**£'billion**	**£'billion**
Opening funds under management		21.14	18.08	12.79	52.01
Gross inflows		2.45	3.66	3.13	9.24
Net investment return		0.19	0.38	0.25	0.82
Regular income withdrawals and maturities	1	(0.48)	(0.62)	-	(1.10)
Surrenders and part surrenders	2	(0.78)	(0.64)	(0.94)	(2.36)
Closing funds under management		22.52	20.86	15.23	58.61
Net inflows		1.19	2.40	2.19	5.78
Implied surrender rate as a percentage of average funds under management		3.6%	3.3%	6.7%	4.3%

In addition, there is a further £430 million of funds under management in third party funds within our Asia business.

Year Ended 31 December 2014		Investment	Pension	UT/ISA	Total
		£'billion	£'billion	£'billion	£'billion
Opening funds under management		18.74	15.36	10.20	44.30
Gross inflows		2.70	2.43	2.75	7.88
Net investment return		0.87	1.17	0.58	2.62
Regular income withdrawals and maturities	1	(0.43)	(0.42)	-	(0.85)
Surrenders and part surrenders	2	(0.74)	(0.46)	(0.74)	(1.94)
Closing funds under management		21.14	18.08	12.79	52.01
Net inflows		1.53	1.55	2.01	5.09
Implied surrender rate as a percentage of average funds under management		3.7%	2.8%	6.4%	4.0%

In addition, there was a further £449 million of funds under management in third party funds within our Asia business.

Notes

1. Regular income withdrawals are 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.

2. 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.

Fees on funds under management

As noted at the start of this Financial Review, our financial model is to attract and retain retail funds under management (FUM) on which we receive an annual management fee.

The net annual management fee retained by the Group is c.0.77% post tax. However, due to our product structure, investment and pension business does not generate net cash in the first six years. Consequently, the level of income we are receiving today is not fully representative of the expected earnings from the funds we are managing, and these earnings will increase as a result of the new business from six years ago becoming cash generative. This deferral of cash generation means there is always six years' worth of business in the 'gestation' period.

Our product structure involves an early withdrawal charge that reduces to zero over the first six years of the life of the policy. This allows us to establish an opening liability net of the outstanding withdrawal charge that would apply if the policy were to be encashed.

As the withdrawal charge reduces to zero over the first six years of the policy, so the liability to the policyholder is enhanced by increasing their funds by 1% per annum. In other words there is a cost which offsets the annual management fee above. This is known as the 'unwind' of the withdrawal charge.

As a result 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.

Year	Total £'billion
2010	2.0
2011	2.4
2012	2.7
2013	3.7
2014	3.9
2015	4.5
Total	19.2

These funds under management are not yet generating income within the cash result but will do so once the six year early withdrawal charge is fully unwound. This £19.2 billion represents approximately a third of the total funds under management which, if all the business reached the end of the early withdrawal charge period, would contribute an additional £147.7 million to the annual post-tax cash result.

Although, as noted above, a proportion of the new client funds do not generate a meaningful net income to the Group within the first six years, the Group does incur costs associated with attracting these new funds and therefore the Directors believe it is useful to provide details of the economic return we expect will be generated from the new business. In other words, the business case for the investment in attracting new clients and funds under management.

As detailed later in this review on page 24, a net cost of £84.2 million (2014: £62.7 million) has been incurred to attract the £9.24 billion of gross new funds (2014: £7.88 billion). The increase in this net cost has been impacted by a significant increase in the FSCS levy.

We regard this as an investment in new business which we expect to generate income in the future significantly exceeding this cost 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 2015	Year Ended 31 December 2014
Gross inflows (£'billion)	9.24	7.88
Post-tax investment in new business (£'million)	(84.2)	(62.7)
Post-tax present value of expected profit from investment (£'million)	358.9	298.4
Cost of new business (% of new money invested)*	0.9%	0.8%
New business margin (% of new money invested)	4.8%	4.7%
Cash payback period (years)	5	4
Internal rate of return (net of tax)	22.1%	26.1%

* The investment as a percentage of net inflow of funds under management was 1.5% compared with 1.2% for 2014.

Geographical and segmental analysis

The table below provides a geographical and segmental analysis of funds under management at the end of each year.

	31 December 2015		31 December 2014	
	£'billion	**% of total**	£'billion	% of total
UK Equities	15.6	27%	14.9	29%
North American Equities	13.1	22%	10.4	20%
Fixed Interest	8.8	15%	7.1	14%
European Equities	6.2	11%	6.0	11%
Asia & Pacific Equities	4.9	8%	4.8	9%
Cash	4.6	8%	4.4	8%
Property	2.2	4%	1.5	3%
Alternative Investments	1.3	2%	0.9	2%
Other	1.9	3%	2.0	4%
Total	58.6	100%	52.0	100%

SECTION 2: EXPENSES

Management Expenses

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

	Note	**Year Ended 31 December 2015**	Year Ended 31 December 2014
		£' Million	£' Million
Paid from policy margins and advice charges			
Partner remuneration	1	495.2	455.4
Investment expenses	1	121.9	124.6
Third party administration	1	56.6	44.3
		673.7	624.3
Direct expenses			
Other performance related costs	2	94.3	86.8
Establishment costs	3	139.4	125.1
Academy costs	4	5.5	4.1
Other development costs	5	21.1	15.6
Back office infrastructure costs	6	18.1	11.9
Regulatory fees	7	7.5	6.1
FSCS levy	8	20.1	5.9
Contribution from third party new business	9	(25.4)	(22.4)
		280.6	233.1
		954.3	857.4

Notes

1. These costs are met from corresponding policy margins and any variation in them from changes in the volumes of new business or the level of the stock markets does not directly impact the profitability of the Group.

2. Other performance related costs, for both Partners and employees, vary with the level of new business and operating profit performance of the business.

3. 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 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.

   During 2016 we will be expanding our presence in London with a new office opening in Canary Wharf as well as taking additional space in our existing London locations. Reflecting this additional expenditure we expect establishment expenses in 2016 to increase by c.11% (8.5% before these additional property costs).

4. The Academy continues to be an important strategic investment for the future. The additional expenditure during 2015 reflected both the increased number of Academy participants, together with the expansion of the programme to Manchester and Solihull.

   2016 spend will increase further to an expected £7.5 million, reflecting continued Academy intakes in London, additional intakes in Manchester and Solihull, plus our first Academy intake in Edinburgh.

5. Other development costs represent the expenditure associated with the on-going development in our investment proposition, corporate initiatives, technology improvements and other system developments. These costs amounted to £21.1 million for the year (2014: £15.6 million). Included within these costs is £1.6 million in relation to due diligence and transaction costs of our acquisition of Rowan Dartington.

   We will continue to invest in the business and anticipate development spend in 2016 to be in line with the previous year.

6. The costs of the back office investment programme and related costs were £18.1 million (2014: £11.9 million).

   The change programme has continued to progress well during 2015, albeit the project is running behind and costing more than our original plan. During the final quarter of last year we undertook full migration of the unit trust and ISA business onto the new system. This was a significant milestone for the project and we will start to see the benefits accrue in 2016 (within the EEV result an assumption change has been made to reflect the lower charges which now apply to the existing business).

   Having successfully completed this phase of the project, during 2016 we will launch a new retirement account and plan the migration of the existing pension and drawdown business once the pensions landscape is clear. As we continue to develop the system and migrate the existing business we will incur further investment expenditure and anticipate costs for 2016 of a similar amount to 2015.

7. The regulatory costs represent the fees payable to the regulatory bodies of £7.5 million (2014: £6.1 million), we expect 2016 costs to increase to some £8.5 million.

8. This represents our required contribution to the Financial Services Compensation Scheme of £20.1 million (2014: £5.9 million).

   The key driver of this increase relates to our share of compensation claims made by the FSCS in relation to external failures within the life and pension intermediary regulatory category. Whilst we are anticipating a further elevated levy in 2016 (our current estimate is for a levy of c.£16.0 million), we expect a more normalised level in future years.

9. Contribution from third party product new business reflects the net income received from wealth management business of £10.0 million (2014: £9.0 million), from group pension business of £0.9 million (2014: £0.8 million) and from protection business of £14.5 million (2014: £12.6 million).

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 64.

	Year Ended 31 December 2015	Year Ended 31 December 2014
	£' Million	£' Million
Expenses per table above	**954.3**	**857.4**
Reversal of contribution to third party product sales	25.4	22.4
Other expenses		
DAC movement	68.0	75.8
Amortisation of PVIF	3.2	3.2
Investment transaction costs	19.0	20.6
Share option costs	15.7	11.4
Share option NI	3.4	2.7
Acquired IFA operating costs	6.7	6.0
SJP Asia operating costs	7.5	3.6
Interest expense	4.4	3.8
Charitable donations	3.5	3.6
Other	15.7	12.4
	147.1	143.1
Total expenses	**1,126.8**	**1,022.9**

SECTION 3: INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The performance of the business and the IFRS result are best understood through the key drivers of FUM and expenses as described in the previous sections, together with other miscellaneous cash flows. These combine to explain the Underlying cash result on which the Underlying profit and the IFRS result develop.

The table below starts with the Underlying cash result (detailed in Section 4 on page 24) and provides a reconciliation to the Underlying profit result and the IFRS result.

The results are reported "after tax" and also "before shareholder tax". In arriving at the profit before shareholder tax (which is effectively "after policyholder 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 assessed based on the effective rate of tax that is applicable to the shareholders, with the balance being treated as tax in respect of policyholders. Further detail is provided on page 22 of this review and in Note 6 on page 78.

	2015		2014	
	Before shareholder tax	**After tax**	Before shareholder tax	After tax
	£' Million	**£' Million**	£' Million	£' Million
Underlying cash	197.0	182.1	192.9	173.8
Share options	(15.7)	(15.0)	(11.4)	(11.4)
Deferred tax impacts	-	52.1	-	34.6
Solvency reserves	(1.8)	(1.8)	(7.4)	(7.4)
Back office infrastructure	(18.1)	(14.4)	(11.9)	(9.3)
Variance	2.3	3.8	11.4	0.6
Underlying profit	163.7	206.8	173.6	180.9
DAC/DIR/PVIF	(12.4)	(4.8)	9.3	7.0
IFRS profit	151.3	202.0	182.9	187.9

	Year Ended 31 December 2015	Year Ended 31 December 2014
	Pence	Pence
IFRS basic earnings per share	38.9	36.6
IFRS diluted earnings per share	38.5	35.9
Underlying basic earnings per share	39.8	35.2
Underlying diluted earnings per share	39.4	34.6
Underlying cash basic earnings per share	34.6	33.8
Underlying cash diluted earnings per share	34.2	33.2

Underlying Profit before Shareholder tax

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

	Year Ended 31 December 2015 £' Million	Year Ended 31 December 2014 £' Million
Life business	174.2	160.7
Unit Trust business	70.7	61.2
Funds management business	244.9	221.9
Distribution business	(21.2)	(10.9)
Back office infrastructure development	(18.1)	(11.9)
Other	(41.9)	(25.5)
Underlying profit before shareholder tax	163.7	173.6

Funds management

The profit for the year to 31 December 2015 was £244.9 million (2014: £221.9 million) which was 10% higher than the prior year. The increase mainly reflects higher income from funds under management.

Distribution business

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 profit or loss from the distribution activity. In any one year, this result will depend upon the level of new business and expenses.

The 2015 result has been negatively impacted by a significantly higher contribution to the FSCS, which for the year was £20.1 million (2014: £5.9 million). The Asian business also made a loss in the year of £7.0 million (2014: £1.7 million for the part-year) reflecting the corporate investment in securing this business. After adjusting for these costs in both years, there was a trading profit of £5.9 million in the current year compared with a trading loss of £3.3 million in 2014.

Back office development

As noted on page 17 the costs incurred during the year on the back office development project (known as Bluedoor) were £18.1 million (2014: £11.9 million).

Other

Other operations made a negative contribution of £41.9 million (2014: loss of £25.5 million). The largest contributors to the result are share option activity and strategic investment activity (other than the back office development identified separately above). The higher share option cost of £15.7 million in the current year (2014: £11.4 million) reflects the launch of a new Partner share scheme in the second half of 2015. The expected full year share option cost for 2016 is £19.7 million.

NI costs associated with the exercise of share options were also higher in the year at £3.4 million (2014: £2.7 million). Investment in strategic developments, including the Academy, Asia proposition development, and Rowan Dartington also increased from £6.4 million to £8.4 million.

Total

The total underlying profit before shareholder tax for the year was £163.7 million compared with £173.6 million in 2014. The lower result in 2015 reflects the increase in share option costs, the higher FSCS levy and the back office development costs in the year. Adjusting for these items in both years provides a like for like comparison of £217.6 million for 2015, up 7.3% from £202.8 million for the prior year.

DAC/DIR/PVIF

As noted in the table below the net movement in these intangibles resulted in a negative contribution to profit before tax of £12.4 million for the year compared with a positive contribution to profit of £9.3 million in 2014.

	Year Ended 31 December 2015		Year Ended 31 December 2014	
	Before shareholder tax	**After tax**	Before shareholder tax	After tax
	£'Million	**£'Million**	£'Million	£'Million
Amortisation credit	12.4	15.8	28.3	22.1
Arising on new business	(24.8)	(20.6)	(19.0)	(15.1)
Movement in year	(12.4)	(4.8)	9.3	7.0

The reduction, year on year, in the amortisation credit before shareholder tax is the consequence of the changes in adviser charging rules in 2013, which altered the nature of certain cash flows in the Group, moving them from long term manufacturing margins to short term advice margins. The positive contribution from the amortisation of accumulated DAC, DIR and PVIF balances from prior years has, as anticipated and reported previously, reduced during 2015. In 2016 we expect it to reduce by a further £20 million and become a charge as the amortisation of outstanding deferred expenses exceeds the recognition of deferred income. Further reductions in future years should be expected as the historic balances are unwound.

The smaller reduction in the amortisation credit after tax includes a £5.9 million credit which is the impact of the changes in future Corporation tax rates which is explained in more detail in the section on Shareholder tax on page 22. The impact is a credit because the deferred tax liability associated with the DAC and PVIF balances exceeds the deferred tax liability associated with the DIR balances.

By contrast with the amortisation credit, the negative contribution arising on new business has increased during 2016 reflecting the higher new business levels. This will continue to move in line with new business volumes.

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 regards the Underlying profit measure as the most appropriate measure, based upon IFRS, for assessing operating performance.

Profit before shareholder tax

The profit before shareholder tax for the year was £151.3 million compared with £182.9 million in 2014. As the analysis in the paragraphs above demonstrates, the lower result in the current year reflects the significant increase in the FSCS levy, the increased investment in back-office development and other corporate initiatives, but also a negative £21.7 million contribution from the movement in DAC/DIR/PVIF intangibles.

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 6 on page 78.

	Year Ended 31 December 2015	Year Ended 31 December 2014
	£' Million	£' Million
Expected shareholder tax	(29.2)	(35.7)
Recognition of capital losses	74.8	39.5
Other tax adjustments	0.6	1.2
Corporation tax rate change	4.5	-
Actual shareholder tax	50.7	5.0
Expected shareholder tax rate	19.3%	19.5%
Actual shareholder tax rate	(33.5%)	(2.7%)

The **expected shareholder tax** principally reflects the current UK corporation tax and overseas rates applicable and will vary from year to year depending upon the emergence of profit between the different tax regimes which apply to the St. James's Place Group companies.

In the second half of 2015, management completed the review of all historic Group companies, a project that commenced a number of years ago. During this process management identified further capital losses which it is expected will be utilised over the next ten years, albeit the actual rate of utilisation will depend on business growth and external factors, particularly investment market conditions. The rate of utilisation has been tested for sensitivity to experience and it is resilient to a range of reasonably foreseeable scenarios. Therefore a further deferred tax asset of £74.8 million has been established within the IFRS result.

A further two reductions in the Corporation tax rate (from 20% to 19% in April 2017 followed by a further cut to 18% in April 2020) were announced in the 2015 Summer budget and included in the Finance (No2) Act 2015. The impact of these changes on the deferred tax assets and liabilities has been included as a reduction in tax of £4.5 million.

The overall impact of the above effects is to increase the tax credit reported in the profit before shareholder tax result to a credit of £50.7 million (2014: credit of £5.0 million).

IFRS profit

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 2015	Year Ended 31 December 2014
	£' Million	£' Million
IFRS profit before tax	174.1	294.4
Policyholder tax	(22.8)	(111.5)
Profit before shareholder tax	151.3	182.9
Shareholder tax	50.7	5.0
IFRS profit after tax	202.0	187.9

In 2015, the **IFRS profit before tax** for the year was £174.1 million (2014: £294.4 million) with the principal contribution to the change being the decrease in the policyholder tax charges from £111.5 million in 2014 to £22.8 million in the current year.

The **policyholder tax** charge depends on the level of underlying policyholder taxable benefit determined by growth in value of the SJP funds. The higher charge in 2014 reflects higher growth in policyholders funds in that year compared to the current year.

The **IFRS profit after tax** after tax for the year was £202.0 million compared to £187.9 million for 2014, which reflects the impact from the recognition of capital losses as already covered.

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 2015	Year Ended 31 December 2014
	£' Million	£' Million
Purchased value of in-force*	27.4	29.4
Deferred acquisition costs*	627.2	662.2
Deferred income*	(368.3)	(398.7)
Other IFRS net assets	199.8	145.2
Solvency net assets	609.0	572.0
Total IFRS net assets	1,095.1	1,010.1

* net of deferred tax

	Year Ended 31 December 2015	Year Ended 31 December 2014
	Pence	Pence
Net asset value per share	208.7	194.5

SECTION 4: CASH RESULT

The cash and underlying cash results should not be confused with the IFRS cash flow statement which is prepared in accordance with IAS 7 and disclosed on page 68.

The cash result and underlying cash result are the principal measures the Board considers when determining the dividend payment to shareholders. The Board starts by considering the underlying cash result, which most clearly reflects the impact of the primary drivers of the business (being FUM and expenses as described in Sections 1 and 2). This is derived from the Underlying profit measure, principally by adjusting for differences between deferred and current tax, share option costs and some solvency reserve impacts.

Other cash flows are also taken into account in the Cash result, not least tax settlement timing variances and changes in solvency reserving requirements. Allowance is also made for the cost of the back-office development. In considering the dividend the Directors will take into account the impact of the Cash result on the overall capital position of the Group.

The Cash result and Underlying cash result, which are presented after tax, are 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 into these two elements.

Year Ended 31 December 2015	**Note**	**In-Force**	**New Business**	**Total**
		£'Million	**£'Million**	**£'Million**
Net annual management fee	1	406.7	33.5	440.2
Unwind of early withdrawal charge	2	(143.1)	(18.5)	(161.6)
Net income from funds under management		263.6	15.0	278.6
Margin arising from new business	3	-	41.7	41.7
Establishment expenses	4	(11.1)	(100.2)	(111.3)
Development expenses	5	-	(21.2)	(21.2)
Regulatory fees	6	(0.6)	(5.2)	(5.8)
FSCS levy	7	(1.6)	(14.3)	(15.9)
Shareholder interest	8	8.6	-	8.6
Tax relief from capital losses	9	12.1	-	12.1
Miscellaneous	10	(4.7)	-	(4.7)
Underlying cash result		266.3	(84.2)	182.1
Back office infrastructure development	11			(14.4)
Variance	12			3.8
Cash result				171.5

Year Ended 31 December 2014	Note	In-Force	New Business	Total
		£'Million	£'Million	£'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
Tax relief from capital losses	9	16.7	-	16.7
Miscellaneous	10	(0.1)	-	(0.1)
Underlying cash result		236.5	(62.7)	173.8
Back office infrastructure development	11			(9.3)
Variance	12			0.6
Cash result				165.1

Notes

All numbers are expressed after tax at the prevailing tax rate for each year.

1. The net annual management fee: This is the manufacturing margin the Group retains from funds under management after payment of the associated costs (e.g. investment advisory fees and Partner remuneration). Broadly speaking the Group retains an average rate of 0.77% (post tax) of funds under management (2014: 0.77% post tax).

   The level of net annual management fee was some 18% higher than last year, reflecting the higher average funds under management in 2015.

   Further analysis of the FUM generating the net annual management fee, and the outlook is presented in Section 1 on page 12.

2. Unwind of early withdrawal charge: This relates to the reserving methodology applied to the early withdrawal charge within the structure of single premium life and pension business. At the outset of the product we establish a liability net of the outstanding withdrawal charge which would apply if the policy were to be encashed. As the withdrawal charge reduces by 1% per annum to zero over the first six years (the 'gestation' period), the liability to the policyholder increases. This cost is known as the 'unwind of early withdrawal charge'. In practice it offsets the annual management fee above.

   Like the net annual management fee, the unwind of the withdrawal charge has increased due to growth in funds under management. However, the movement is also impacted by the fact that the funds under management added six years ago have completed the withdrawal charge period.

   Further commentary on the unwind of the withdrawal charge, together with information on the FUM still in the gestation period is presented in Section 1 on page 13.

3. Margin arising from new business: This is the cash impact of new business in the year, reflecting growth in new business and production related expenses.

4. Establishment expenses: These are the expenses of running the Group's infrastructure. Further analysis is presented in Section 2 on page 16.

5. Development expenses: These represent the expenditure on Group developments. Further analysis is presented in Section 2 on page 17.

6. Regulatory fees: This reflects the fees payable to the Regulatory bodies. Further analysis is presented in Section 2 on page 17.

7. FSCS levy: This reflects the full year levy. Further analysis is presented in Section 2 on page 17.

8. Shareholder interest: This is the assumed income accruing on the investments and cash held for regulatory purposes together with the interest received on the surplus capital held by the Group.

9. Tax relief from capital losses: In recent years, a deferred tax asset has been established for historic capital losses which are now regarded as being capable of utilisation over the medium term. During the year £12.1 million tax value of these losses has been utilised (2014: £16.7 million) benefiting the cash result by the same amount. In both years the actual tax losses utilised exceeded the expected £8 - 10 million benefit in a year.

   Since the tax losses have been recognised immediately through a deferred tax asset in the IFRS result, utilisation of tax losses in the cash result is offset in the IFRS results because of the reduction in the deferred tax asset.

10. Miscellaneous: This represents the cash flow of the business not covered in any of the other categories, including tax relief arising from deferred recognition of insurance business acquisition expenses (due to structural timing differences in the life company tax computation).

11. Back office infrastructure: These costs relate to a major project which has combined our back offices under one management team and put in place one unified, client centric administration system, enabling them to deliver improved service and improved efficiency for the business. Further analysis is presented in Section 2 on page 17.

12. 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. In both years the variances arise mainly from policyholder-tax charge effects.

Cash Balance Sheet

In addition to presenting an IFRS balance sheet (on page 67) and an EEV balance sheet (on page 53), 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 as well as removing the policyholder interest in the unit-linked funds.

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 (Adjustment 1), and removal of a number of significant 'non-cash' items (Adjustment 2) – in particular DAC, DIR, deferred tax).

31 December 2015	**IFRS Balance Sheet**	Adjustment 1	Adjustment 2	**Cash Result Balance Sheet**	2014
	£'Million	**£'Million**	**£'Million**	**£'Million**	£'Million
Assets					
Goodwill	10.1	-	-	10.1	10.1
Deferred acquisition costs	745.0	-	(745.0)	-	-
Acquired value of in force business	33.6	-	(33.6)	-	-
Developments	4.3	-	-	4.3	7.7
Property & equipment	8.0	-	-	8.0	7.9
Deferred tax assets	225.9	-	(225.9)	-	-
Investment property	1,344.9	(1,344.9)	-	-	-
Equities	37,960.8	(37,960.8)	-	-	-
Fixed income securities	8,934.0	(8,850.9)	-	83.1	83.3
Investment in Collective Investment Schemes	3,269.6	(2,738.6)	-	531.0	517.3
Derivative financial instruments	364.1	(364.1)	-	-	-
Reinsurance assets	85.0	-	-	85.0	85.5
Insurance and investment contract receivables	76.2	-	-	76.2	63.5
Other receivables	891.0	(472.6)	(5.8)	412.6	292.6
Cash & cash equivalents	5,325.1	(5,091.6)	-	233.5	274.3
Total assets	**59,277.6**	**(56,823.5)**	**(1,010.3)**	**1,443.8**	**1,342.2**
Liabilities					
Insurance contract liabilities	463.5	(376.5)	(2.6)	84.4	89.2
Other provisions	15.4	-	-	15.4	11.4
Investment contracts	43,159.8	(43,115.5)	-	44.3	18.7
Borrowings	181.8	-	-	181.8	84.3
Derivative financial instruments	221.1	(221.1)	-	-	-
Deferred tax liabilities	434.6	(93.7)	(140.5)	200.4	263.6
Insurance and investment contract payables	45.9	-	-	45.9	50.4
Deferred income	413.5	-	(413.5)	-	-
Income tax liabilities	29.6	-	-	29.6	32.8
Other payables	660.8	(460.3)	(1.1)	199.4	188.6
NAV attributable to unit holders	12,556.4	(12,556.4)	-	-	-
Preference shares	0.1	-	-	0.1	0.1
Total liabilities	**58,182.5**	**(56,823.5)**	**(557.7)**	**801.3**	**739.1**
Net Assets	**1,095.1**	**-**	**(452.6)**	**642.5**	**603.1**

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

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 66 - Consolidated Statement of Changes in Equity).

Going forward the Solvency I regulations no longer apply and therefore we will change the Cash result and the Cash result balance sheet that we present to reflect the equivalent movement in net assets under the new Solvency II regulations - see also page 34.

SECTION 5: EUROPEAN EMBEDDED VALUE (EEV)

Life business and wealth management business differ from most other businesses, in that the shareholder profit from the sale of a product emerges over a long period in the future. We therefore complement the IFRS result by providing additional disclosure on a realistic basis, in line with the European Embedded Value principles. This result brings into account the net present value of the expected future cash flows and we believe this measure is useful to investors when assessing the total economic value of the Group's operating performance.

The table below and accompanying notes summarise the profit before tax of the combined business. The detailed result is shown on pages 51 to 63.

	Year Ended 31 December 2015	Year Ended 31 December 2014
	£' Million	£' Million
Life business	467.0	467.0
Unit Trust business	274.4	177.7
Funds management business	741.4	644.7
Distribution business	(21.2)	(10.9)
Back office infrastructure development	(18.1)	(11.9)
Other	(41.9)	(25.5)
EEV operating profit	660.2	596.4
Investment return variance	(24.4)	80.2
Economic assumption changes	0.9	(7.0)
EEV profit before tax	636.7	669.6
Tax	(116.5)	(132.6)
Corporation tax rate change	47.8	-
EEV profit after tax	568.0	537.0

	Year Ended 31 December 2015	Year Ended 31 December 2014
	Pence	Pence
EEV operating profit basic earnings per share	103.9	93.1
EEV operating profit diluted earnings per share	102.8	91.5

EEV Operating Profit

Funds Management Business

The funds management business operating profit has increased to £741.4 million (2014: £644.7 million) and a full analysis of the result is shown below:

	Year Ended 31 December 2015	Year Ended 31 December 2014
	£' Million	£' Million
New business contribution	440.7	373.1
Profit from existing business		
- unwind of the discount rate	172.4	182.0
- experience variance	78.1	78.5
- operating assumption change	44.1	3.0
Investment income	6.1	8.1
Fund management business EEV operating profit	741.4	644.7

The **new business contribution** for the year at £440.7 million (2014: £373.1 million) was some 18% higher than the prior year reflecting new business growth.

The **unwind of the discount rate** for the year was £172.4 million (2014: £182.0 million). The unwind is calculated by multiplying the opening VIF by the discount rate but adjusting to reflect emergence of profits into cash during the year. The lower result in the current year principally reflects the lower opening discount rate, as the opening VIF balance was higher.

The discount rate is based on the risk free rate, which is set by reference to the yield on a UK 10 year gilt at the start of the year. As a result the unwind for the current year is based on a discount rate of 5.0% compared with 6.2% for the prior year. Had the current year discount rate been consistent with 2014 then the unwind and operating profit, would have been £41.4 million higher.

There was a very strong positive **experience variance** during the year of £78.1 million, which follows a similarly strong positive variance of £78.5 million in the prior year. As covered on page 22, further capital losses were identified within historic group companies, and the net present value of the future benefit is recognised in the EEV as a positive £63.1 million experience variance.

The balance of the experience variance reflects continuing strong retention and other miscellaneous items.

There was a large positive **operating assumption change** in the year of £44.1 million (2014: £3.0 million). The major contributors to this result are changes to the pension retention assumption and the maintenance expense assumption, as follows:

1. Pension retention assumption – For a number of years, retention of pension funds under management has been better than the EEV operating assumption. Following the 2015 annual actuarial investigation, the assumption has been amended better to reflect experience. The maximum term has also been extended, reflecting the potential for continuation of the business beyond the client age of 75.

2. Maintenance expense assumption – During 2015 the contract with our third party back office administrator was updated to reflect administration charges for business administered on the new Bluedoor administration

platform. This resulted in a change in the maintenance expense operating assumption. However, it will take some time for the remaining business to be migrated to the new system, and so the valuation also reflects the expected costs of both the future systems development and migration of the remaining existing business.

The operating assumption change therefore reflects the full cost of the change in tariff on existing business, but we also expect savings will arise on new business costs. These are not reflected in the embedded value and will emerge within the future new business contribution.

The **investment income** for the year was lower at £6.1 million (2014: £8.1 million), reflecting the lower risk free interest rate.

Distribution business, back office development and other

These items have already been commented on in the IFRS section on page 20.

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 can result in a large positive or negative variance.

The fall in global stock markets during the second half of 2015 has impacted the investment return on our funds. However, in comparison to the falls experienced in world stock markets (for example the FTSE 100 fell 4.9%), the investment returns on our funds were only slightly lower than allowed for in the calculation of the embedded value. Consequently there was a small negative investment return variance of £24.4 million for the year (2014: positive £80.2 million reflecting the strong market growth in that year).

Economic Assumption Changes

There was a small positive variance of £0.9 million arising from changes in the economic basis adopted at the year-end (2014: £7.0 million negative).

EEV Profit before Tax

The total profit before tax for the year was £636.7 million, compared with £669.6 million, although the comparison is obscured by the different investment market experience and consequential investment return variance in the two years.

Tax

The tax charge at £116.5 million (2014: £132.6 million) reflects the underlying result.

A further two reductions in the Corporation tax rate (from 20% to 19% in April 2017 followed by a further cut to 18% in April 2020) were announced in the 2015 Summer budget and included in the Finance (No2) Act 2015. The capitalised effect of these changes has been included as a reduction in tax of £47.8 million.

EEV Profit after Tax

The EEV profit after tax was £568.0 million (2014: £537.0 million) reflecting the movement in EEV Profit before Tax, but also the positive impact of the tax rate change.

New Business Margin

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

The table below presents the margin before tax from our manufactured business based on gross fund flows:

	Year Ended 31 December 2015	Year Ended 31 December 2014
	£’ Million	£’ Million
Life business		
Investment business		
New business contribution (£’millions)	124.9	146.2
New money invested (£’millions)	2,447.0	2,702.0
Margin (%)	5.1	5.4
Pension business		
New business contribution (£’millions)	140.6	87.5
New money invested (£’millions)	3,660.9	2,428.5
Margin (%)	3.8	3.6
Unit Trust business		
New business contribution (£’millions)	175.2	139.4
New money invested (£’millions)	3,129.9	2,750.7
Margin (%)	5.6	5.1
Total business		
New business contribution (£’millions)	440.7	373.1
New money invested (£’millions)	9,237.8	7,881.2
Margin (%)	4.8	4.7
Post tax margin (%)	*3.9*	*3.8*

Overall the margin has increased to 4.8% (2014: 4.7%). The changes in margin in the different business lines result from different drivers. The reduction in Investment business margin reflects particular features of the business written in the year. The increase in margin on Pension business reflects the change in retention assumptions. The increase in margin on Unit Trust business reflects revised allocation of expenses as a result of migration of the business to the new administration system.

The benefit of lower expenses associated with the new administration contract will be reflected in the 2016 results, as an increase in the new business margin for all business in future years.

Analysis of the EEV result 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 2015	Year Ended 31 December 2014
	£' Million	£' Million
Value of in-force		
- Life	2,471.6	2,234.0
- Unit Trust	787.6	611.2
Solvency I net assets	609.0	572.0
Total embedded value	3,868.2	3,417.2

	Year Ended 31 December 2015	Year Ended 31 December 2014
	Pence	Pence
Net asset value per share	737.3	657.9

SECTION 6: SOLVENCY, CAPITAL MANAGEMENT AND LIQUIDITY

The new Solvency II regulation for European Insurance companies and groups became effective from the 1 January 2016. As a consequence, this year, we are reporting for the last time on the familiar Solvency I basis, and we are introducing new reporting on the Solvency II basis.

Solvency I

We have already presented the Cash result net assets of £642.5 million (2014: £603.1 million) in the table on page 27. The Solvency I net assets, at £609.0 million (2014: £572.0 million) is some £33.5 million lower, principally due to an amount of additional prudential reserves (over that required by the UK regulator) arising from the Irish solvency regulations.

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

	Life	Other Regulated	Other	Total
	£'Million	£'Million	£'Million	£'Million
Solvency I net assets	338.5	98.1	172.4	609.0
Intra-group proposed dividends	(140.0)	-	140.0	-
Proposed final 2015 dividend			(90.5)	(90.5)
Solvency I net assets after dividends	198.5	98.1	221.9	518.5
Required minimum regulatory capital	52.1	26.2		
Solvency ratio	381%	374%		
Management solvency buffer	164.3	52.3		
Management solvency ratio	121%	188%		

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.

The Insurance Groups Directive (IGD) assessment 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 £198.5 million Life company solvency assets identified in the table above. At 31 December 2015 the IGD resources were estimated at £250 million (2014: £266 million).

Solvency II

The underlying driver of the new Solvency II regulation is to focus attention on risk management. We therefore introduce our Solvency II results by reprising some key themes underpinning risk management in our business.

St. James's Place is a simple wealth management group (in contrast with the many complex insurance groups that are also impacted by Solvency II), offering mainly investment products. Our strategy is to attract and administer retail funds under management, from which we receive an annual management fee (we are a fee-based business). Our clients can access their investments on demand but, because we match the surrender value, movements in equity markets, interest rates, mortality, morbidity, longevity and currency rates have little impact on our ability to meet liabilities (although they can affect emergence of profit). We also have a prudent capital

management approach and invest surplus assets in cash, AAA rated money-market funds and UK government securities. The overall effect has been a resilient solvency position and ability to meet liabilities, even through adverse market conditions.

The new regulation introduces extensive new valuation and reporting requirements. However our approach to managing the business is unchanged: we will continue to match the surrender value on unit-linked business, thereby mitigating both market and persistency risk, and ensuring that we will always be able to meet our liability to clients.

Nevertheless, the new regulation does introduce changes to the way we report on solvency. Firstly, the net assets will be presented on a Solvency II basis and we have provided a reconciliation to the Solvency I basis in Note 1 below. Secondly, we are required to recognise a new asset in respect of the expected Value of In-Force cashflows (VIF), together with a new Risk Margin (RM) (an amount reflecting the cost to secure the transfer of the business to a third party, if required). Together the Solvency II net assets, VIF and RM will comprise the ‘Own Funds’ (equal to the difference between the Gross Assets and the Technical Provisions). Finally we calculate a Solvency Capital Requirement (SCR), which reflects the capital required to protect against a range of 1 in 200 stresses.

Given our simple business we have been able to adopt the Standard Formula approach in calculating the SCR, and we have not needed (or chosen) to adopt any of the Transitional Provisions in the calculation of the technical provisions or SCR.

Solvency II Opening Balance Sheet

An analysis of the opening Solvency II position for our group, split by regulated and non-regulated entities at the end of 2015 is presented in the table below:

	Note	**Life £'Million**	**Other Regulated £'Million**	**Other £'Million**	**Total £'Million**
Solvency II net assets	1	553.5	96.7	162.7	812.9
Intra-group proposed dividends		(140.0)		140.0	-
Proposed final 2015 dividend				(90.5)	(90.5)
Solvency II net assets (post dividend)		413.5	96.7	212.2	722.4
Value of in-force (VIF)	2	2,306.6	-	-	2,306.6
Risk Margin	3	(624.0)	-	-	(624.0)
Own Funds (A)		2,096.1	96.7	212.2	2,405.0
Solvency capital requirement (B)	4	(1,569.6)	(26.2)	-	(1,595.8)
Solvency II Free assets		526.5	70.5	212.2	809.2

Notes

1. Shareholder net assets are the tangible assets the group holds in excess of those assets held to meet the client liabilities. To aid comparison with the Solvency I shareholder assets (shown in this section on page 34) and the Cash result net assets (shown in Section 4 on page 27) a reconciliation is provided in the table below:

	Life	**Other Regulated**	**Other**	**Total**
	£'Million	**£'Million**	**£'Million**	**£'Million**
Solvency I net assets (Section 6 page 34)	338.5	98.1	172.4	609.0
Release of Solvency I prudence reserves and other adjustments	37.0	1.3	(4.8)	33.5
Cash result net assets (Section 4 page 27)	375.5	99.4	167.6	642.5
IFRS deferred tax asset	170.3		5.3	175.6
Goodwill and Intangibles			(14.4)	(14.4)
Release of Solvency I reserves	9.9			9.9
Other	(2.2)	(2.7)	4.2	(0.7)
Solvency II net assets	553.5	96.7	162.7	812.9

2. The value of in-force represents the expected future emergence of profit, calculated as prescribed by the Solvency II regulations. Specific requirements in the Solvency II regulation give rise to differences with the VIF presented in the EEV result on pages 29 to 33 and therefore to aid understanding the table below provides a reconciliation between the two numbers. Note, Solvency II only applies to the life business and so the unit trust business VIF is not reflected in the Solvency II own funds assessment.

	Life	**Other Regulated**	**Other**	**Total**
	£'Million	**£'Million**	**£'Million**	**£'Million**
EEV VIF (Section 5 page 33)	2,471.6	787.6	-	3,259.2
Remove UT/ISA VIF		(787.6)		(787.6)
Change in contract boundaries	(111.8)			(111.8)
Discounted deferred tax asset	(123.8)			(123.8)
Add back EEV risk margin	147.8			147.8
Economic basis differences	(31.1)			(31.1)
Adjustment for Solvency I reserves and other items	(46.1)			(46.1)
Solvency II VIF	2,306.6	-	-	2,306.6

The principal differences between the two methods of calculating VIF are:

- The Solvency II approach has not been extended to our Unit Trust and ISA business meaning the significant additional VIF on this business is not reflected
- The Solvency II methodology requires a very prudent assumption about the "contract boundary" for regular premium business, resulting in the potential value from all future investment premiums being discounted
- Under EEV a discounted deferred tax asset is assessed in the VIF. Under the Solvency II approach the undiscounted deferred tax asset (calculated in line with the IFRS 12) is assessed in the net assets

- Under our EEV approach we make allowance for non-hedgeable risk through including an explicit margin in the risk discount rate of 0.73% (see page 55). The equivalent requirement in Solvency II is achieved through ensuring assumptions are "best estimate of outcomes". The explicit addition therefore falls away in Solvency II.

The remaining difference in the VIF balance is made up of a number of smaller points, including the removal of Solvency I reserves and the use of a slightly different economic basis.

3. The assessment of the "Risk Margin" is a specific new adjustment for Solvency II.
4. The solvency capital requirement has been calculated using the prescribed rules for the standard formula approach. We have not used an internal model.

Solvency Ratios and Sensitivities

In comparing the Solvency I and Solvency II positions it will be noted that the level of own funds is higher under Solvency II, however the Solvency Capital Requirement is also higher. As the following table demonstrates, the increase in the SCR leads to a much lower value for the solvency ratio, despite the higher level of free assets. This is a general feature of Solvency II and the change to lower solvency ratios will be common across the industry.

	Solvency I	**Solvency II**
	£'Million	**£'Million**
Net assets before final dividend	609.0	812.9
Final proposed dividend	(90.5)	(90.5)
Net assets after final dividend	518.5	722.4
Value of in-force (VIF)	-	2,306.6
Risk Margin	-	(624.0)
Own Funds (A)	518.5	2,405.0
Solvency capital requirement (B)	(78.3)	(1,595.8)
Free assets	440.2	809.2
Solvency ratio (A/B)	662%	151%

The solvency ratios before taking account of the final dividend are 778% under Solvency I and 156% under Solvency II.

The nature of our business is that much of the Own Funds value reflects future profits, but the SCR similarly reflects loss of future profits. As a result the solvency ratio can move counter-intuitively with changes in experience, as the following sensitivities demonstrate:

	Solvency II Free Assets	**Solvency Ratio**
	£'Million	**%**
Original valuation	809.2	151%
10% reduction in FUM	753.6	153%
10% increase in lapse assumption	832.0	156%
10% increase in renewal expense assumption	777.2	149%

Introducing the Management Solvency Buffer (MSB)

As a result of the counter-intuitive nature of the sensitivities above, we believe a solvency ratio is not an appropriate metric on which to assess the strength of our business and instead we intend to use as our metric, the level of assets in excess of client unit-linked liabilities. This will ensure we are able to meet client liabilities at all times, and we also intend to hold a prudent Management Solvency Buffer (MSB) as protection against other risks. We have assessed the MSB for our Life business as £150 million, having taking into account a wide range of factors and information, not least the results from stress and scenario testing carried out as part of our annual ORSA (Own Risk and Solvency Assessment). We will also continue to hold capital within the group in respect of the other regulated (but non-insurance companies), typically based on 200% of the sectoral requirement.

	Life	**Other Regulated**	**Other**	**Total**
	£'Million	**£'Million**	**£'Million**	**£'Million**
Solvency II net assets	553.5	96.7	162.7	812.9
Intra-group proposed dividends	(140.0)	-	140.0	-
Proposed final 2015 dividend			(90.5)	(90.5)
Solvency II net assets after dividends	413.5	96.7	212.2	722.4
Management Solvency Buffer (MSB)	150.0	52.3		
Management solvency ratio	276%	185%		

It is worth noting that the Solvency II net assets includes a £170 million IFRS deferred tax asset which is not immediately fungible. However, we do expect it will be utilised over the next ten years, albeit the actual rate of utilisation will depend on business growth and external factors particularly investment market conditions. More generally, our intention is that assets backing the MSB should be liquid and of high credit quality.

Liquidity

As noted above, our investment policy is always to hold assets to match unit-linked liabilities, and to hold any excess in assets that are liquid and high credit quality. An analysis of the liquid asset holdings is provided below:

Holding Name	£'Million	£'Million
UK government gilts		
2% UK Treasury Index Linked 22/01/2016	12.5	
5.8% UK Treasury 26/07/2016	11.4	
4% UK Treasury 07/09/2016	13.0	
2.5% UK Treasury Index Linked 17/07/2024	17.9	
2% UK Treasury Index Linked 26/01/2035	24.4	79.2
Other government bonds		
1.125% Singapore Government Bonds 01/04/2016		3.9
AAA rated money market funds		
BlackRock	123.2	
Goldman Sachs	37.1	
HSBC	54.9	
Insight	84.0	
JP Morgan	87.0	
Legal & General	80.3	
Royal Bank of Scotland	8.0	
Scottish Widows	56.5	531.0
Bank balances		
Bank of Scotland	73.8	
Barclays	68.3	
HSBC	21.4	
Lloyds TSB	28.2	
NatWest	11.1	
RBS	12.9	
Santander	7.4	
Others	10.4	233.5
Total		847.6

In the normal course of business, the Company is expected to generate regular, positive cashflow, from annual management income exceeding expenses. As noted previously, future growth in cashflow is driven by new business, but in the short term growth will reflect the transition as new business from six years ago becomes cash generative.

A further source of liquidity is share option proceeds. At 31 December 2015, there were 2.3 million share options outstanding under the various share option schemes which, if exercised, would provide up to £11.0 million (2014: £15.4 million), of future capital and liquidity for the Company.

Finally, as noted at the half-year, the Group has refinanced and extended our borrowing arrangements, providing funding for the acquisition of Rowan Dartington, and committed facilities for the future should they be required. See Note 10 on page 83.

The key calls on liquidity will be payment of the Group dividend and investment to support the business. As noted previously, our policy is to increase the dividend in line with the underlying performance of the business. We believe this will also enable us to continue to invest in the business to support out growth aspirations.

RISK AND RISK MANAGEMENT

Overview and Culture

The St. James's Place Group is exposed to a wide variety of risks as a result of its business activities and the industry in which it operates, as well as a number of external factors and threats. Under the leadership, direction and oversight of our Board, these risks are carefully managed, contributing to our competitive advantage and helping us to achieve our business and client objectives.

We do not seek to eliminate risk entirely, rather we seek to understand our risks fully, and to apply appropriate risk management strategies such that all material risks are identified, and appropriately managed or mitigated. Risk management is a core aspect of decision-making and is embedded in our culture. Our framework is specifically designed to manage the risks that are important to our shareholders, Partners, clients, regulators and employees, and to provide reasonable assurance against material financial misstatement or loss.

Risk management and solvency projections form a key part of the business planning process, including in relation to decisions on strategic developments, pricing and dividend payments.

Risk Appetite

The Board chooses carefully the risks it accepts and those it seeks to limit or avoid. These choices are set out in our Risk Appetite Statement, which is owned by the Board and reviewed at least annually. In particular it articulates:

- Risks that are actively sought in pursuit of return
- Risks that are consciously avoided
- Risks that are reduced through transfer to other parties
- Risks that are minimised through controls

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

Risk Management Framework

The Board, through its Risk Committee, takes an active role in overseeing the Risk Management Framework, for which it is responsible. This framework is the combined processes by which the Group identifies, assesses, measures, manages and monitors the risks that may impact on the successful delivery of business objectives.

The Group's Own Risk and Solvency Assessment (ORSA) is a central part of this framework, the main elements of which are shown in the following diagram.

The Board Risk Committee (BRC) comprises Independent Non-executive Board members, and is responsible for ensuring that a culture of effective risk identification and management is fostered across the Group.

The BRC is supported by the Executive Board (ExBo), but also by the Group Risk Executive and by Risk Management teams at Group and local levels, 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. The other executive subcommittees of ExBo (the Executive Committees) also provide support for the management of risks in their areas of responsibility.

The risk management framework is grounded in the outcomes which are key to our organisation. These are:

	Outcomes
Clients	That we deliver positive outcomes for our increasing population of clients
Partners	That we continue to grow and develop the Partnership, both numbers and skills
People	That we treat all of our stakeholders well
Regulators	That we are compliant, have an open and honest relationship with our regulators and protect our reputation
Financial & Shareholders	That we deliver sustainable growth in reported profits on all measures

Whilst clearly a simplification of the business model, this focuses attention on those things that are of greatest importance, and hence indicates where risk management activity should be focused. It also allows the identification of the individuals within the Group responsible for managing these risks.

Within these outcomes, indicators are used to monitor performance against risk appetite. Each indicator has an owner on the Executive Board who is accountable for managing the associated risks and providing regular reports to the Executive Board. This enables the Executive Board to maintain effective oversight of all outcomes, and to manage any conflicts of interest that arise between them.

To ensure a comprehensive risk universe, there is also a bottom-up element to our framework. Each Division of the Group is responsible for the identification, management and quarterly reporting of its own risks, and is supported in this by the Risk Management function. 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.

Own Risk and Solvency Assessment ("ORSA")

Many of the activities of the Group, and the legal entities in the Group, are regulated. We have relationships with the UK regulators (PRA and FCA) and the Irish Regulator (Central Bank of Ireland), and with the local regulators in Singapore and Hong Kong. The nature of our 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.

The different regulated entities in the Group are governed by a number of specific regulations, however, as an Insurance Group we are primarily governed by the new Solvency II Directive, which came into force on 1 January 2016. As part of these regulations, we are required to undertake an ORSA for the Group and each insurance company within the Group. The Group has been preparing for the new regulations for a number of years, and has submitted preparatory ORSA reports to our regulators in 2014 and 2015, relating to the periods ended 31 December 2013 and 31 December 2014, respectively.

The ORSA is directed by the Board and is intended to be a comprehensive risk assessment, bringing together an understanding of the risks that the Group faces, in the context of the strategic plan, and how these risks may

change over our planning period. It also requires quantitative analysis of the capital required, and how it might develop over our planning period (5 years).

Capital for our insurance companies is based on the Solvency II regulations: separate risk based capital assessments are performed for the other regulated entities. As a result of these activities we have considered the calculation and allocation of risk capital to all the major risks in the Group, and the insurance companies in particular, and the adequacy of the capital position.

Viability Statement

In accordance with provision C.2.2. of the UK Corporate Governance Code, the Directors have assessed the Group's current financial position and future prospects over a five year period, and have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of this assessment.

In reaching this conclusion the Directors have taken into account a number of different strands of work, including:

- the Business Plan and associated "2020 Vision" document,
- an assessment of the economic, regulatory, competitive and risk environment which was carried out as part of the Board's strategy review process, and
- the latest Group Own Risk and Solvency Assessment (ORSA), which is a new requirement under the Solvency II Directive, and which scope is summarised in the section above.

As a result of this work the Board has concluded that the business model remains appropriate, with no concerns that would fundamentally threaten the business model or market. This is also supported by the resilience that the Group has demonstrated over recent years and in a variety of different external conditions.

A planning period of five years is used both in medium term business planning and also for the ORSA, and has therefore been used for the Code requirement as well, reflecting the horizon over which the Board sets medium term strategy.

The ORSA was particularly useful in assessing viability as it has a similar purpose and includes a range of stress tests, which have been performed at the level of the two insurance companies (St. James's Place UK Plc and St. James's Place International Plc) as well as at the level of the Group. The stress tests evaluated the impact on the free assets of the Group of a change in key assumptions or circumstances. In all adverse tests, free assets were available, demonstrating the Group's resilience to adverse conditions. Reverse stress tests have also been performed on liquidity, the results of which indicate that the Group can reasonably expect to have sufficient liquid funds to be able to meet its liabilities over the planning period.

The Group monitors performance against a range of predefined indicators, which will identify if experience over the planning period differs from risk appetite or expectations, allowing management action to be taken.

Internal Control

The internal control environment in St. James's Place is built upon a strong control culture which is underpinned by our Code of Ethics and organisational delegation of responsibility. The Board has adopted the "three lines of defence" model for the internal control system, under which the 1st Line is Business Operations, the 2nd Line is Oversight Functions including Risk Management and Compliance, and the 3rd Line is Independent Assurance. The purpose of this internal control system is to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance.

Management has delegated responsibility to implement and maintain effective controls, such that the Group operates within the risk appetite agreed by the Board. The Audit Committee, on behalf of the Board, monitors

the effectiveness of internal controls across all business areas primarily through the outcomes of independent assurance assignments undertaken by Internal Audit.

Control Self-assessment

Control Self-Assessment ("CSA") is a continuous activity, which has a formal summary on an annual basis, and forms a key part of our internal control system. This self-assessment process requires business areas to review their controls regularly, and sign-off on their efficacy, against a standard set of control statements. Collectively these control statements embody the elements required for an organisation to maintain a control framework across the five components of Control Environment, Risk Assessment, Control Activities, Information & Communication, and Monitoring Activities, as laid down in the internationally accepted COSO control standards.

This process is beneficial as it provides confidence that business areas can meet their objectives, clarity to support decision making, and agility in adapting to change and complexity. The annual summary of the control self-assessment process contributes to the year-end Internal Control Evaluation exercise undertaken by Internal Audit as part of the assurance provision to the Audit Committee.

Financial Reporting Processes

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

- Extensive documentation, operation and assessment of controls in key risk areas
- Monthly review and sign-off of all financial accounting data submitted by outsource 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

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:

Non-Financial Risks

Risk	Description	Outcome	Management and Controls
Client proposition	Clients invariably rely on members of the St. James's Place 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. The Group guarantees the advice given by Partners and also has 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, pressure on margins for both new and 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. The Group offers a diversified product range, including both onshore and offshore investments, and third party relationships are in place to provide access to products which are not manufactured within the Group. 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.

Risk	Description	Outcome	Management and Controls
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. The risks are two-fold: - New regulatory, legislative or tax requirements may result in implementation costs and disruption to business. - Failure to comply with existing or new applicable regulations could result in a fine or regulatory censure.	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.
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, the implementation of executive and management development initiatives, forward succession planning 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 SJP Partnership. Inadequacies in the range of products, technology or services 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 SJP 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	We actively manage and monitor the performance of our investment managers through the Investment Committee which also makes use of firms of professional advisers, including respected independent investment research consultancies, Stamford Associates, Redington and AON Consulting, 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	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 or fraud, 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, including regular penetration testing exercises. We remain vigilant to the increasing threat from cyber risks and have also recently strengthened fraud prevention controls. 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. A specific current example of this risk is the potential of 'Brexit' following a referendum.	Financials and shareholders	In many cases political risk cannot be mitigated, although the Group seeks engagement with major political parties and also engages the services of relevant public relations and communications consultants, with the aim that key issues impacting the group ae taken into consideration in the development of changes.
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.

Financial Risks

Risk	Description	Outcome	Management and Controls
Market Risk – Loss of Annual Management Charge (AMC) income	A reduction in funds may arise from market shocks, poor market performance, or a widening of credit spreads This would reduce future AMC income, and hence future profits. It may also result in I-E tax inefficiency for SJPUK, as the value of deferred tax assets depends on having sufficient levels of future investment income to provide relief for the expenses. Shareholder assets may be used to seed new funds, leading to direct exposure to market movements for short periods after the launch of new funds.	Financials and shareholders	The Group accepts the risk of reduced future profits as a result of market risk within unit linked and unit trust funds. A realistic value has been placed on tax relief anticipated from deferred expenses, but it is accepted that, following a market fall, the recovery of this value may be deferred over a longer period, thereby reducing its value. The use of seeding capital is approved by the Executive Board for each individual fund launch, and shareholder funds are withdrawn as soon as possible, typically within a few months of launch owing to predictable fund inflows when new funds are included in portfolios.
Insurance risk	A reduction in funds under management owing to poor persistency would reduce future AMC income. This may arise from factors such as changes in the economic climate, poor investment performance, competitor activity, or reputational damage to the Group. Adverse mortality or disability experience, in particular higher death claims following an incident or widespread illness, or longer-term increases in mortality rates, would reduce future profits.	Financials and shareholders	Persistency risk is managed through the long-term relationships between Partners and clients. In particular, Partners keep clients informed during periods of market volatility, and lower-risk funds and portfolios are available, with no charges for switching. The Investment Management Approach involves monitoring of fund manager performance, and changes are made where appropriate. Some of the key sources of reputational risk and related controls are described in the table above. Mortality and disability risk is substantially reduced through the use of reassurance with low retention. Mortality risk benefits on investment products are generally limited to 1% of invested assets. Most risk deductions are reviewable and an increase in reassurance rates would be passed on to clients through increases to charges and/or premiums within 5 years. Experience analysis is performed.
Expense risk	Increased expenses, in particular higher than expected administration costs, would reduce future profits.	Financials and shareholders	Expenses are controlled through contracts with third party administrators and expense controls at Group level, so that growth in average per policy expenses is no greater than the rate of increase in the average weekly earnings index. Administration charges are reviewable.

Risk	Description	Outcome	Management and Controls
Interest rate and credit risks	Changes in interest rates or the failure of a counterparty may reduce the value of fixed interest assets held to match future fixed liabilities, and shareholder assets. Key counterparties include reassurers, banks, money market funds, issuers of fixed interest securities, Partners to whom loans have been granted, and other debtors.	Financials and shareholders	Asset-liability matching reduces interest rate risk on matching assets and no guarantees are offered. Shareholder funds are invested in high credit rating and highly liquid cash and cash-equivalent investments, and only highly rated reinsurers are used. Partner loans are granted for business purposes, and are secured against income streams on a conservative multiple and with extensive financial monitoring. A pre-payment has been made to IFDS in anticipation of future benefits arising from the development of the new Bluedoor administration system. However, the contract with Bluedoor would enable the Group to continue to use the Bluedoor system in the event of failure of IFDS.
Liquidity risk	Liquidity issues may arise from client requests to switch or withdraw money from unit-linked funds, and through events that may require immediate recourse to shareholder funds.	Financials and shareholders	Client funds are invested in deep and liquid markets and, where investments are less liquid, contractual terms are included, allowing the flexibility to defer withdrawals. Sizeable balances of liquid shareholder assets are maintained and the emergence of cash profits is monitored. Banks' propensity to lend in support of Partner loans is also monitored. Liquidity scenario analysis has been conducted during 2015, to verify the adequacy of the liquidity buffers that are held.

CHAIRMAN'S REPORT

I am pleased we are reporting to you on a good set of results for St. James's Place plc, its clients, shareholders, Partners, staff and other stakeholders. 2015 was another year of political, social and economic turbulence, but the business has again performed robustly.

St. James's Place has grown steadily since its foundation in 1992. There is clearly a significant demand from our clients for the integrated financial advice and investment approach provided by our Partners. Our challenge is to continue to deliver the support to our Partners to help them deliver what clients value, in ways which meet or exceed their expectations. This allows us to continue to grow through high levels of client satisfaction which leads to high levels of retention, increasing advocacy and a sound reputation. It requires focus on the provision of face to face advice and the integrity of the investment management approach, together with the avoidance of unwise diversions. The world around us changes, of course, and sets us challenges from time to time, and will continue so to do.

Successfully managing the growth in our community, and nurturing such a pool of talent, is a key responsibility for any organisation and this is therefore a key area of interest for the Board. We look to attract, develop and retain talented people of both genders, and indeed of diverse skills and mind-sets in a wider sense, so as not to unwittingly exclude any particular group from the opportunities we can offer or deprive ourselves of people who could bring benefits to our community. Last year, I reported that a group led by Ian Gascoigne would look at patterns of female participation in our workforce, and there will be more information about his progress in the Annual Report & Accounts. We also continue to observe the skills, experience and potential of our people and having expanded the Executive Board at the start of 2015 we are building on these foundations. We have also been looking at the skills and experience of the Board and planning for longer-term succession.

Of course culture is key and the Board remains convinced that maintaining the culture of "doing the right thing" is essential for the successful future of the business. That's not to say that we get everything right all the time but setting the principle matters.

2015 has been a busy year for St. James's Place, and your Board has been active in its oversight. I noted last year that "we are not great strategic risk takers", and we have continued to take a cautious approach, to avoid losing focus or expanding beyond our expertise. Our core business, has continued to grow strongly and in 2014 we established our longer term 2020 vision which examined the size of the opportunity available to us by retaining that focus. Our relatively small steps into Asia and into the DFM market make use of our core strengths, and the expertise already developed within our business. However, they also allow us to expand our areas of activity, and the offering to our clients, without taking undue risk, and over the longer term they may provide significant opportunities. We have also moved forward with the development of the new back-office administration system, which has involved a significant amount of work on a large programme. The Board is mindful that rapid development is challenging for any organisation and needs careful management. Further developments will therefore only be considered in light of our low risk appetite for strategic risk.

Whilst our Board has always engaged actively in consideration of risk management, the introduction of Solvency II, the new Senior Insurance Managers Regime (SIMR), and the new Corporate Governance Code requirements for a "robust assessment of risk" and a "viability statement", have all resulted in particular work this year. The Board has spent a considerable amount of time engaging with and overseeing these processes. As an "insurance group" we are required to consider our whole group in an Own Risk and Solvency Assessment (ORSA). This comprehensive assessment of our ability to deliver to clients over the lifetime of their policies also provides insight into the risks to delivering for shareholders. We have a conservative approach to managing the balance sheet with client liabilities and assets being matched. Our risk profile is therefore less like an insurance company and more comparable with providers of advice and asset management, with our main financial risk being the potential loss of future value (i.e. loss of the Embedded Value). Consequently, our key risks are not financial, but operational and reputational; or put another way: delivery to clients and Partners.

This year we undertook an external Board evaluation. The detail of the evaluation will be found in the Annual Report & Accounts, but in summary we were pleased that the Board was considered to be working well, with effective discussions and constructive relationships. We will, however, continue to learn and adapt: our training and development programmes are active and being supplemented, and we can make our paperwork more rigorous.

Finally, during the course of the year we noted and participated in a number of public initiatives seeking to support and develop Board governance. As a Wealth Management Business, we are interested in these initiatives not only as a corporate body but also in respect of the £58.0 billion of assets we manage on behalf of our clients. The stewardship of these assets is very important and we have been working with both our fund managers and with our corporate advisers to evolve our future approach. Our own ongoing dialogue with shareholders is equally important and further detail on our activity in this respect will be found in the Annual Report & Accounts. It goes without saying that I am always pleased to meet with shareholders and please do feel free to contact me during the year.

2015 has been another good year for St. James's Place and for your Board, and we are pleased to propose a final dividend of 17.24p up 20%. I look forward to supporting the business in continuing to deliver to clients, Partners, employees and shareholders in 2016.

Sarah Bates
Chairman
24 February 2016

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.

CONSOLIDATED STATEMENT OF INCOME

	Note	Year Ended 31 December 2015	Year Ended 31 December 2014
		£' Million	£' Million
Life business		467.0	467.0
Unit Trust business		274.4	177.7
Distribution business		(21.2)	(10.9)
Other		(60.0)	(37.4)
EEV operating profit		660.2	596.4
Investment return variances		(24.4)	80.2
Economic assumption changes		0.9	(7.0)
EEV profit before tax		636.7	669.6
Tax			
Life business		(82.2)	(104.1)
Unit Trust business		(51.7)	(39.4)
Distribution business		3.1	2.1
Other		14.3	8.8
Corporation tax rate change		47.8	-
		(68.7)	(132.6)
EEV profit after tax		568.0	537.0
EEV profit attributable to non-controlling interests		(0.3)	(0.1)
EEV profit attributable to equity share holders		568.3	537.1
EEV profit on ordinary activities after tax		568.0	537.0
		Pence	Pence
Basic earnings per share	VI	109.4	104.5
Diluted earnings per share	VI	108.3	102.7
Operating profit basic earnings per share	VI	103.9	93.1
Operating profit diluted earnings per share	VI	102.8	91.5

EUROPEAN EMBEDDED VALUE BASIS
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Year Ended 31 December 2015	Year Ended 31 December 2014
	£' Million	£' Million
Opening equity on an EEV basis	**3,417.2**	**2,964.1**
EEV profit after tax for the year	568.0	537.0
Issue of share capital	11.7	5.8
Retained earnings credit in respect of share option charges	14.8	11.0
Retained earnings credit in respect of proceeds from exercise of share options of shares held in trust	0.1	-
Dividends paid	(130.8)	(95.5)
Consideration paid for own shares	(12.8)	(5.2)
Closing equity on an EEV basis	**3,868.2**	**3,417.2**

EUROPEAN EMBEDDED VALUE BASIS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 December 2015	31 December 2014
	£' Million	£' Million
Assets		
Goodwill	10.1	10.1
Intangible assets		
Deferred acquisition costs	745.0	813.0
Value of long-term business in-force		
- long-term insurance	2,012.9	1,825.3
- unit trusts	787.6	611.2
Computer software	4.3	7.7
	3,559.9	3,267.3
Property & equipment	8.0	7.9
Deferred tax assets	225.9	192.8
Investment property	1,344.9	1,031.4
Investments	50,528.5	44,701.8
Reinsurance assets	85.0	85.5
Insurance and investment contract receivables	76.2	63.5
Other receivables	891.0	604.6
Cash & cash equivalents	5,325.1	5,139.4
Total assets	**62,044.5**	**55,094.2**
Liabilities		
Insurance contract liabilities	463.5	474.4
Other provisions	15.4	11.4
Financial liabilities	43,562.7	39,014.8
Deferred tax liabilities	428.4	512.4
Insurance and investment contract payables	45.9	50.4
Deferred income	413.5	463.2
Income tax liabilities	29.6	32.8
Other payables	660.8	499.7
Net asset value attributable to unit holders	12,556.4	10,617.8
Preference shares	0.1	0.1
Total liabilities	**58,176.3**	**51,677.0**
Net assets	**3,868.2**	**3,417.2**
Shareholders' equity		
Share capital	78.7	77.9
Share premium	158.3	147.4
Treasury share reserve	(18.5)	(10.5)
Miscellaneous reserves	2.3	2.3
Retained earnings	3,647.4	3,200.1
Total shareholders' equity on an EEV basis	**3,868.2**	**3,417.2**
	Pence	Pence
Net assets per share	737.3	657.9

NOTES TO THE EUROPEAN EMBEDDED VALUE BASIS

I. BASIS OF PREPARATION

The supplementary information on pages 51 to 63 shows the Group's results as measured on a European Embedded Value (EEV) basis. This includes results for the life, pension and investment business, and also the 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 ("CFO Forum"), a group of chief financial officers from 19 major European insurers as supplemented by the Additional Guidance on EEV Disclosures issued in October 2005 (together "the EEV Principles") with the exception of new business. Consistent with prior reporting periods, the value of incremental premiums to existing business is treated as new business in the year of increment, rather than at the outset of the policy. This approach better reflects the way the Group manages its business.

In recognition of the late finalisation of the Solvency II requirements, the CFO Forum issued additional guidance in October 2015 noting their view that the Embedded Value does not require an allowance for Solvency II and its associated consequences. The EEV basis has therefore been prepared assuming the future continuation of the regulatory solvency requirements as they applied at 31 December 2015.

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.

During the period a new contract for administration has been completed with our third party administrator which, after a period of development, will reduce future expenses. The expected future impact is a modest increase to the EEV, applied as an operating assumption change on the EEV 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 0.73% (2014: 0.76%).

(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 0.73% (2014: 0.76%).

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

With the exception of expenses, 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 ha been calculated using actual acquisition costs. The new contract for administration completed with our third party administrator is expected to reduce future expenses. The reduction in future expense has been applied to the total EEV at the end

of the year, and the new business contribution for business written during the year therefore reflects the previous tariff.

(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 2015	Year Ended 31 December 2014
Risk free rate	2.1%	1.9%
Inflation rate	2.7%	2.9%
Risk discount rate (net of tax)	5.2%	5.0%
Future investment returns:		
- Gilts	2.1%	1.9%
- Equities	5.1%	4.9%
- Unit linked funds		
- Capital growth	1.3%	1.5%
- Dividend income	3.1%	2.7%
- Total	4.4%	4.2%
Expense inflation	3.2%	3.7%

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

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

NOTES TO THE EUROPEAN EMBEDDED VALUE BASIS (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 and reflect our best estimate of experience over the long-term. Where sufficient data does not exist, external industry experience may be used. As a result of the review completed in 2015, our approach to modelling future lapse rates on pensions business has been developed to allow for the duration of the policy, in addition to age of the client, as a further risk factor affecting future experience. We have also updated our assumptions to allow for retention of pension business beyond age 75 following changes announced in the March 2014 budget regarding the removal of the requirement to purchase an annuity by this age. We will continue to monitor any change in policyholder behaviour arising from the pension freedom changes also announced in the March 2014 budget and the development of future experience. To aid investors who wish to make their own judgement about these changes, we have included a pensions persistency sensitivity separately in our analysis on page 60.

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. As a result of good progress with the investment programme at our key outsource provider to enhance our 'back office' systems, and the commencement of the migration business to the new administration system, we have now reflected the benefit from these changes in the ongoing expense assumptions via a change in operating assumption. This is applied as a change in operating assumptions to the total EEV at the end of the year and does not therefore feed into the reported new business contribution.

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 reassurers.

(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 18.6% (2014: 20.1%) for UK life and pensions business, 12.5% (2014: 12.5%) for Irish life and pensions business and 18.8% (2014: 20.2%) for unit trust business. Future tax has been determined assuming a continuation of the current tax legislation. The reduction in tax rates for UK and unit trust business reflects the changes in tax rate enacted in the year.

NOTES TO THE EUROPEAN EMBEDDED VALUE BASIS (continued)

IV. COMPONENTS OF EEV PROFIT

(a) Life business

	Note	Year Ended 31 December 2015 £' Million	Year Ended 31 December 2014 £' Million
New business contribution	1	265.5	233.7
Profit from existing business			
Unwind of discount rate		136.3	144.9
Experience variances		83.2	78.1
Operating assumption changes		(22.8)	3.0
Investment income		4.8	7.3
EEV operating profit		**467.0**	**467.0**
Investment return variances		(25.0)	61.8
Economic assumption changes		1.1	(3.3)
EEV profit before tax		**443.1**	**525.5**
Tax		(82.2)	(104.1)
Corporation tax rate change		38.1	-
EEV profit after tax		**399.0**	**421.4**

Note 1: New business contribution after tax is £216.7 million (2014: £187.6 million).

(b) Unit Trust business

	Note	Year Ended 31 December 2015 £' Million	Year Ended 31 December 2014 £' Million
New business contribution	1	175.2	139.4
Profit from existing business			
Unwind of discount rate		36.1	37.1
Experience variances		(5.1)	0.4
Operating assumption changes		66.9	-
Investment income		1.3	0.8
EEV operating profit		**274.4**	**177.7**
Investment return variances		0.6	18.4
Economic assumption changes		(0.2)	(3.7)
EEV profit before tax		**274.8**	**192.4**
Tax		(51.7)	(39.4)
Corporation tax rate change		9.7	-
EEV profit after tax		**232.8**	**153.0**

Note 1: New business contribution after tax is £142.2 million (2014: £110.8 million).

NOTES TO THE EUROPEAN EMBEDDED VALUE BASIS (continued)

(c) Combined Life and Unit Trust business

	Note	Year Ended 31 December 2015	Year Ended 31 December 2014
		£' Million	£' Million
New business contribution	1	440.7	373.1
Profit from existing business			
Unwind of discount rate		172.4	182.0
Experience variances		78.1	78.5
Operating assumption changes		44.1	3.0
Investment income		6.1	8.1
EEV operating profit		**741.4**	**644.7**
Investment return variances		(24.4)	80.2
Economic assumption changes		0.9	(7.0)
EEV profit before tax		**717.9**	**717.9**
Tax		(133.9)	(143.5)
Corporation tax rate change		47.8	-
EEV profit after tax		**631.8**	**574.4**

Note 1: New business contribution after tax is £358.9 million (2014: £298.4 million).

(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 2015 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	Movement in VIF	Movement in EEV
	£' Million	£' Million	£' Million
New business contribution	(67.3)	426.2	358.9
Profit from existing business	257.5	(257.5)	-
Unwind of discount rate	-	140.7	140.7
Experience variances	(17.4)	55.0	37.6
Operating assumption changes	5.6	29.4	35.0
Investment return	4.9	-	4.9
Investment return variances	(0.2)	(19.6)	(19.8)
Economic assumption changes	(0.3)	1.1	0.8
Miscellaneous	19.2	(57.1)	(37.9)
Corporation tax rate change	-	47.8	47.8
EEV profit after tax	**202.0**	**366.0**	**568.0**

NOTES TO THE EUROPEAN EMBEDDED VALUE BASIS (continued)

The comparative figures for 2014 are as follows:

	Movement in IFRS Net Assets	Movement in VIF	Movement in EEV
	£' Million	£' Million	£' 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)
EEV profit after tax	**188.0**	**349.1**	**537.1**

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 Pre-tax	Change in new business contribution Post-tax	Change in European Embedded Value Post-tax
		£' Million	£' Million	£' Million
Value at 31 December 2015		**440.7**	**358.9**	**3,868.2**
100bp reduction in risk free rates, with corresponding change in fixed interest asset values	1	(5.6)	(4.7)	(26.1)
10% reduction in withdrawal rates:	2			
Pensions		17.7	14.4	85.3
Other		22.9	18.7	127.9
Total		40.6	33.1	213.2
10% reduction in expenses	3	7.3	6.0	29.7
10% reduction in market value of equity assets	4	-	-	(371.2)
5% reduction in mortality and morbidity	5	-	-	-
100bp increase in equity expected returns	6	-	-	-
100bp increase in assumed inflation	7	(7.7)	(6.3)	(34.3)

NOTES TO THE EUROPEAN EMBEDDED VALUE BASIS (continued)

V. EEV SENSITIVITIES (CONTINUED)

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: The new business contribution within the EEV does not reflect future expense levels that would apply under the new administration contract.

Note 4: 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 5: Assumes the benefit of lower experience is passed on to clients and reassurers at the earliest opportunity.

Note 6: 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 7: 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	55.5	45.2	271.3

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

VI. EARNINGS PER SHARE

	Year Ended 31 December 2015	Year Ended 31 December 2014
	Pence	Pence
Basic earnings per share	109.4	104.5
Diluted earnings per share	108.3	102.7
Operating basic earnings per share	103.9	93.1
Operating diluted earnings per share	102.8	91.5

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

	Year Ended 31 December 2015	Year Ended 31 December 2014
	£'Million	£'Million
Earnings		
Profit after tax *(for both basic and diluted EPS)*	568.0	537.0
Operating profit after tax *(for both basic and diluted EPS)*	539.2	478.4
	Million	Million
Weighted average number of shares		
Weighted average number of ordinary shares in issue *(for basic EPS)*	519.1	514.0
Adjustments for outstanding share options	5.2	9.0
Weighted average number of ordinary shares *(for diluted EPS)*	524.3	523.0

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

	Year Ended 31 December 2015	Year Ended 31 December 2014
	£' Million	£' Million
IFRS profit before tax	**174.1**	**294.4**
Tax attributable to policyholder returns	(22.8)	(111.5)
Profit before tax attributable to shareholders' returns	151.3	182.9
Add back: amortisation of acquired value in-force business	3.2	3.2
Movement in life value of in-force (net of tax)	187.6	241.7
Movement in unit trust value of in-force (net of tax)	176.4	104.9
Tax gross up of movement in value in-force	118.2	136.9
EEV profit before tax	**636.7**	**669.6**

	31 December 2015	31 December 2014
	£'Million	£' Million
IFRS net assets	**1,095.1**	**1,010.1**
Less: acquired value of in-force	(33.6)	(36.8)
Add: deferred tax on acquired value of in-force	6.2	7.4
Add: life value of in-force	2,012.9	1,825.3
Add: unit trust value of in-force	787.6	611.2
EEV net assets	**3,868.2**	**3,417.2**

VIII. RECONCILIATION OF LIFE COMPANY FREE ASSETS TO CONSOLIDATED GROUP EQUITY AND ANALYSIS OF MOVEMENT IN FREE ASSETS

	31 December 2015	31 December 2014
	£' Million	£' Million
Life company estimated free assets	**298.9**	**278.3**
Estimated required life company solvency capital	52.1	48.9
Other subsidiaries, consolidation and IFRS adjustments	744.1	682.9
IFRS net assets	**1,095.1**	**1,010.1**

	31 December 2015	31 December 2014
	£' Million	£' Million
Life company estimated free assets at 1 January	**278.3**	**234.9**
Investment in new business	(34.1)	(26.8)
Profit from existing business	203.9	163.9
Dividends paid	(150.0)	(100.0)
Investment return	4.0	5.9
Movement in required solvency capital	(3.2)	0.4
Life company estimated free assets at 31 December	**298.9**	**278.3**

CONSOLIDATED ACCOUNTS ON INTERNATIONAL FINANCIAL REPORTING STANDARDS BASIS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year Ended 31 December 2015	Year Ended 31 December 2014
		£' Million	£' Million
Insurance premium income		54.7	57.4
Less premiums ceded to reinsurers		(32.6)	(33.5)
Net insurance premium income		22.1	23.9
Fee and commission income	5	1,310.2	1,201.0
Investment return		1,755.8	3,347.1
Other operating income		1.5	1.2
Net income	4	3,089.6	4,573.2
Policy claims and benefits			
- Gross amount		(65.0)	(58.8)
- Reinsurers' share		28.5	24.1
Net policyholder claims and benefits incurred		(36.5)	(34.7)
Change in insurance contract liabilities			
- Gross amount		10.8	(8.0)
- Reinsurers' share		(0.5)	21.2
Net change in insurance contract liabilities		10.3	13.2
Investment contract benefits		(1,762.5)	(3,234.4)
Fees, commission and other acquisition costs		(812.4)	(824.0)
Administration expenses		(311.2)	(195.7)
Other operating expenses		(3.2)	(3.2)
		(1,126.8)	(1,022.9)
Profit before tax	4	174.1	294.4
Tax attributable to policyholders' returns	6	(22.8)	(111.5)
Profit before tax attributable to shareholders' returns		151.3	182.9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

	Note	Year Ended 31 December 2015 £' Million	Year Ended 31 December 2014 £' Million
Profit before tax attributable to shareholders' returns		151.3	182.9
Total tax expense	6	27.9	(106.5)
Less: tax attributable to policyholders' returns	6	22.8	111.5
Tax attributable to shareholders' returns	6	50.7	5.0
Profit and total comprehensive income for the year		**202.0**	**187.9**
Loss attributable to non-controlling interests		(0.2)	(0.1)
Profit attributable to equity shareholders		202.2	188.0
Profit and total comprehensive income for the year		**202.0**	**187.9**
		Pence	Pence
Basic earnings per share	7	38.9	36.6
Diluted earnings per share	7	38.5	35.9

Underlying profit measure:

	Note	Year Ended 31 December 2015 £' Million	Year Ended 31 December 2014 £' Million
Profit before tax attributable to shareholders' returns		**151.3**	**182.9**
Adjustments:			
DAC/DIR/PVIF		12.4	(9.3)
Underlying profit before tax attributable to shareholders' returns	1	**163.7**	**173.6**
Profit and total comprehensive income for the year		**202.0**	**187.9**
Adjustments:			
DAC/DIR/PVIF		4.8	(7.0)
Underlying profit and total comprehensive income for the year	1	**206.8**	**180.9**
		Pence	Pence
Underlying basic earnings per share	7	39.8	35.2
Underlying diluted earnings per share	7	39.4	34.6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to Equity Shareholders							
	Note	Share Capital	Share Premium	Treasury Shares Reserve	Retained Earnings	Misc Reserves	Total	Non-controlling Interests	Total Equity
		£'M	£' M	£' M	£' M	£'M	£' M	£' M	£' M
At 1 January 2014		77.3	142.2	(10.2)	694.5	2.3	906.1	-	906.1
Profit/(loss) and total comprehensive income for the year					188.0		188.0	(0.1)	187.9
Dividends	8				(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
At 31 December 2014		77.9	147.4	(10.5)	793.1	2.3	1,010.2	(0.1)	1,010.1
Profit/(loss) and total comprehensive income for the year					202.2		202.2	(0.2)	202.0
Dividends	8				(130.8)		(130.8)		(130.8)
Issue of share capital	12	0.3	1.9				2.2		2.2
Exercise of options	12	0.5	9.0				9.5		9.5
Consideration paid for own shares				(12.8)			(12.8)		(12.8)
Own shares vesting charge				4.7	(4.7)		-		-
Retained earnings credit in respect of proceeds from exercise of share options of shares held in trust				0.1			0.1		0.1
Retained earnings credit in respect of share option charges					14.8		14.8		14.8
At 31 December 2015		78.7	158.3	(18.5)	874.6	2.3	1,095.4	(0.3)	1,095.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2015	31 December 2014
		£' Million	£' Million
Assets			
Goodwill		10.1	10.1
Intangible assets			
- Deferred acquisition costs		745.0	813.0
- Acquired value of in-force business		33.6	36.8
- Computer software		4.3	7.7
		793.0	867.6
Property & equipment		8.0	7.9
Deferred tax assets	9	225.9	192.8
Investment property		1,344.9	1,031.4
Investments			
- Equities		37,960.8	34,734.9
- Fixed income securities		8,934.0	6,838.8
- Investment in Collective Investment Schemes		3,269.6	2,961.7
- Derivative Financial Instruments		364.1	166.4
Reinsurance assets		85.0	85.5
Insurance and investment contract receivables		76.2	63.5
Other receivables		891.0	604.6
Cash & cash equivalents		5,325.1	5,139.4
Total assets		**59,277.6**	**52,694.5**
Liabilities			
Insurance contract liabilities		463.5	474.4
Other provisions		15.4	11.4
Financial liabilities			
- Investment contracts benefits		43,159.8	38,851.2
- Borrowings	10	181.8	84.3
- Derivative Financial Instruments		221.1	79.3
Deferred tax liabilities		434.6	519.8
Insurance and investment contract payables		45.9	50.4
Deferred income		413.5	463.2
Income tax liabilities		29.6	32.8
Other payables		660.8	499.7
Net asset value attributable to unit holders		12,556.4	10,617.8
Preference shares		0.1	0.1
Total liabilities		**58,182.5**	**51,684.4**
Net assets		**1,095.1**	**1,010.1**
Shareholders' equity			
Share capital	12	78.7	77.9
Share premium		158.3	147.4
Treasury shares reserve		(18.5)	(10.5)
Miscellaneous reserves		2.3	2.3
Retained earnings		874.6	793.1
Shareholders' equity		**1,095.4**	**1,010.2**
Non-controlling interests		(0.3)	(0.1)
Total equity		**1,095.1**	**1,010.1**
		Pence	Pence
Net assets per share		208.7	194.5

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year Ended 31 December 2015	Year Ended 31 December 2014
		£' Million	£' Million
Cash flows from operating activities			
Profit before tax for the year		174.1	294.4
Adjustments for:			
Depreciation		2.5	1.9
Amortisation of acquired value of in-force business		3.2	3.2
Amortisation of computer software		3.4	2.8
Share-based payment charge		15.7	11.4
Interest income		(23.9)	(21.9)
Interest paid		4.4	3.8
Changes in operating assets and liabilities			
Decrease in deferred acquisition costs (net)		68.0	75.8
Increase in investment property		(313.5)	(298.7)
Increase in investments		(5,826.7)	(5,734.1)
Decrease/(increase) in reinsurance assets		0.5	(21.3)
Increase in insurance and investment contract receivables		(12.7)	(13.6)
Increase in other receivables		(316.5)	(84.9)
(Decrease)/increase in insurance contract liabilities		(10.9)	8.0
Increase in provisions		4.0	1.7
Increase in financial liabilities (excluding borrowings)		4,450.4	5,125.2
(Decrease)/increase in insurance and investment contract payables		(4.5)	12.3
Decrease in deferred income		(49.7)	(75.4)
Increase in other payables		164.0	60.3
Increase in net assets attributable to unit holders		1,938.6	2,082.4
Cash generated from operating activities		**270.4**	**1,433.3**
Interest received		23.9	21.9
Interest paid		(4.4)	(3.8)
Income taxes paid		(61.7)	(35.5)
Net cash generated from operating activities		**228.2**	**1,415.9**
Cash flows from investing activities			
Acquisition of property & equipment		(4.0)	(4.0)
Acquisition of intangible assets		-	(1.8)
Acquisition of subsidiaries and other business combinations, net of cash acquired		(0.8)	(7.2)
Net cash used in investing activities		**(4.8)**	**(13.0)**
Cash flows from financing activities			
Proceeds from the issue of share capital		9.5	5.9
Consideration paid for own shares		(12.8)	(5.2)
Proceeds from exercise of options over shares held in trust		0.1	-
Additional borrowings		175.0	-
Repayment of borrowings		(79.1)	(14.4)
Dividends paid	8	(130.8)	(95.5)
Net cash used in financing activities		**(38.1)**	**(109.2)**
Net increase in cash & cash equivalents		**185.3**	**1,293.7**
Cash & cash equivalents at 1 January		**5,139.4**	**3,845.7**
Exchange gains on cash and cash equivalents		0.4	-
Cash & cash equivalents at 31 December		**5,325.1**	**5,139.4**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

1. BASIS OF PREPARATION

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.

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' return 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.

2. OTHER ACCOUNTING POLICIES

The other accounting policies used by the Group in preparing the results are consistent with those applied in preparing the statutory accounts for the year ended 31 December 2014.

3. 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. It is this classification that management consider to be a critical judgement, however, due to the carrying value of the insurance contract liabilities within the Statement of Financial Position, management do not consider insurance business to be significant to the Group.

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).

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 an effect on the statement of comprehensive income of the Group are:

- The lapse assumption, which is set prudently based on an investigation of experience during the year.
- The level of expenses, which is based on actual expenses in 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.

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 and new business 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.

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.

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.

4. 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 St. James's Place Unit Trust Group Limited and St. James's Place Investment Administration Limited.

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 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

Gross inflows to funds under management

Gross inflows to funds under management is the income measure that is monitored on a monthly basis by the chief operating decision maker.

	Year Ended 31 December 2015	Year Ended 31 December 2014
	£' Million	£' Million
Life business	6,110.0	5,130.0
Unit Trust business	3,130.0	2,750.0
Total gross inflows	**9,240.0**	**7,880.0**
Adjustments to IFRS basis		
Life business		
Exclude life gross inflows	(6,110.0)	(5,130.0)
Insurance premiums receivable	54.7	57.4
Less: insurance premium income ceded to reinsurers	(32.6)	(33.5)
Fee income (management fees)	571.9	520.8
Net movement on deferred income	38.4	64.7
Investment return (primarily in unit linked funds)	1,531.7	2,914.6
Unit Trust business		
Exclude unit trust gross inflows	(3,130.0)	(2,750.0)
Fee income (dealing profit and management fees)	193.4	170.0
Net movement on deferred income	11.3	10.7
Investment return	0.4	0.4
Distribution business		
Fee and commission income receivable	490.0	429.3
Other investment return	0.2	0.3
Other business		
Fee income receivable	5.2	5.5
Investment return on third party holdings in consolidated unit trusts	216.8	425.9
Other investment return	6.7	5.9
Other operating income	1.5	1.2
Total adjustments	**(6,150.4)**	**(3,306.8)**
Net income	**3,089.6**	**4,573.2**

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

Segment Profit

Four separate measures of profit are monitored on a monthly basis by the Board. These are European Embedded Value ("EEV") and IFRS (both pre-tax), underlying profit before tax and post-tax cash result. Information as to the definition of these measures can be found on pages 10 and 11 of the Financial Review.

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 the EEV basis within this announcement. A reconciliation of EEV operating profit to IFRS profit before tax is shown below.

EEV result	Year Ended 31 December 2015	Year Ended 31 December 2014
	£' Million	£' Million
Life business	467.0	467.0
Unit Trust business	274.4	177.7
Distribution business	(21.2)	(10.9)
Other business	(60.0)	(37.4)
EEV operating profit	**660.2**	**596.4**
Investment return variance	(24.4)	80.2
Economic assumption changes	0.9	(7.0)
EEV profit before tax	**636.7**	**669.6**
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)	(187.6)	(241.7)
Movement in unit trust value of in-force (net of tax)	(176.4)	(104.9)
Tax of movement in value of in-force	(118.2)	(136.9)
Profit before tax attributable to shareholders' returns	151.3	182.9
Tax attributable to policyholder returns	22.8	111.5
IFRS profit before tax	**174.1**	**294.4**

Cash result	Year Ended 31 December 2015	Year Ended 31 December 2014
	£' Million	£' Million
Life business	163.0	146.2
Unit Trust business	56.4	48.1
Distribution business	(18.1)	(8.5)
Other business	(29.8)	(20.7)
Cash result after tax	**171.5**	**165.1**
IFRS adjustments (after tax)		
Share option expense	(15.0)	(11.4)
Deferred acquisition costs (DAC)	(52.7)	(58.6)
Deferred income (DIR)	43.9	68.0
Acquired value of in-force (PVIF)	(2.6)	(2.6)
Sterling reserves	(1.8)	(7.4)
IFRS deferred tax adjustments	58.7	34.8
IFRS profit after tax	202.0	187.9
Shareholder tax	(50.7)	(5.0)
Profit before tax attributable to shareholders' returns	151.3	182.9
Policyholder tax	22.8	111.5
IFRS profit before tax	**174.1**	**294.4**

IFRS result	Year Ended 31 December 2015	Year Ended 31 December 2014
	£' Million	£' Million
Life business		
- shareholder	162.9	171.7
- policyholder tax gross up	22.8	111.5
Unit Trust business	69.6	59.5
Distribution business	(21.2)	(10.9)
Other business	(60.0)	(37.4)
IFRS profit before tax	**174.1**	**294.4**

Underlying profit	Year Ended 31 December 2015	Year Ended 31 December 2014
	£' Million	£' Million
Life business	174.2	160.7
Unit Trust business	70.7	61.2
Distribution business	(21.2)	(10.9)
Other business	(60.0)	(37.4)
Underlying profit before tax attributable to shareholders' returns	**163.7**	**173.6**
Adjustments		
DAC/DIR/PVIF	(12.4)	9.3
Profit before tax attributable to shareholders' returns	**151.3**	**182.9**

Included within the EEV, IFRS profit before tax, post-tax cash result and underlying profit are the following:

	Year Ended 31 December 2015	Year Ended 31 December 2014
	£'Million	£'Million
Shareholder interest income	10.3	8.8
Depreciation	2.5	1.9

Segment Assets
Funds under Management ("FUM")

FUM within the St. James's Place Group, rounded to the nearest £0.01 billion, are monitored on a monthly basis by the Board.

	31 December 2015	31 December 2014
	£' Million	£' Million
Life business	43,380.0	39,200.0
Unit Trust business	15,230.0	12,800.0
Total FUM	**58,610.0**	**52,000.0**
Exclude third party holdings in non-consolidated unit trusts	(2,497.1)	(2,086.4)
Add balance sheet liabilities in unit linked funds	806.3	480.9
Adjustments for other balance sheet assets excluded from FUM		
DAC	745.0	813.0
PVIF	33.6	36.8
Computer software	4.3	7.7
Goodwill	10.1	10.1
Property & equipment	8.0	7.9
Deferred tax assets	225.9	192.8
Fixed income securities	83.1	83.3
Collective investment schemes	532.7	521.7
Reinsurance assets	85.0	85.5
Insurance and investment contract receivables	76.2	63.5
Other receivables	412.5	292.6
Other receivables eliminated on consolidation	(125.4)	(94.9)
Cash & cash equivalents	233.5	274.3
Other adjustments	33.9	5.7
Total adjustments	**667.6**	**694.5**
Total assets	**59,277.6**	**52,694.5**

5. FEE AND COMMISSION INCOME

	Year Ended 31 December 2015	Year Ended 31 December 2014
	£' Million	£' Million
Advice charges	397.4	340.4
Third party fee and commission income	97.8	94.4
Life company initial margin	30.5	26.3
Life company management fees	541.4	494.5
Unit Trust dealing profit	16.2	16.0
Unit Trust management fees	147.4	122.4
Unit Trust other income	29.8	31.6
Movement in deferred income	49.7	75.4
Total fee and commission income	**1,310.2**	**1,201.0**

6. INCOME TAXES

	Year Ended 31 December 2015	Year Ended 31 December 2014
	£' Million	£' Million
UK corporation tax		
- Current year charge	86.0	96.2
- Adjustment in respect of prior year	0.7	(7.6)
Overseas taxes		
- Current year charge	3.7	6.9
	90.4	95.5
Deferred tax on unrealised capital gains and losses in unit linked funds	(50.0)	40.6
Deferred tax on unrelieved expenses	8.1	8.4
Deferred tax on recognition and usage of capital losses arising in the Group		
- Capital losses recognised in the year	(74.8)	(39.5)
- Utilisation in the year	12.1	9.9
- Adjustment in respect of prior year	(1.1)	6.8
Deferred tax charge on other items	(10.2)	(13.3)
Effect on deferred tax of change in tax rate	(4.5)	-
Overseas deferred taxes on losses	2.1	(1.9)
	(118.3)	11.0
Total tax (credit)/charge for the year	**(27.9)**	**106.5**
Attributable to:		
- policyholders	22.8	111.5
- shareholders	(50.7)	(5.0)
	(27.9)	**106.5**

The prior year adjustment in current tax above includes a charge of £1.0 million in respect of policyholder tax (2014: £0.6 million credit).

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.

	Year Ended 31 December 2015	Year Ended 31 December 2014
	£' Million	£' Million
Deferred tax		
Balance at 1 January	327.0	314.8
(Credit)/charge through the consolidated statement of comprehensive income	(118.3)	11.0
Arising on acquisitions during the year	-	1.2
Balance at 31 December	**208.7**	**327.0**

Included within the deferred tax current year charge is a charge of £1.8 million (2014: £1.5 million credit) relating to share-based payments.

The reduction in the corporation tax rate from 20% to 19% effective from 1 April 2017 and from 19% to 18% effective from 1 April 2010 have already been incorporated into the deferred tax balances as the changes were enacted in 2015.

	Year Ended 31 December 2015	Year Ended 31 December 2014
	£' Million	£' Million
Reconciliation of tax (credit)/charge		
Profit before tax	174.1	294.4
Tax at 20.25% (2014: 21.5%)	35.3	63.3
Effects of:		
Lower rates of corporate income tax in overseas subsidiaries	(1.4)	(3.6)
Allowance for policyholder tax in the calculation of shareholder profit	18.1	87.5
Recognition and usage of company capital losses arising in the Group	(74.8)	(39.5)
Differences in accounting and tax bases in relation to employee share schemes	(5.4)	(2.1)
Disallowable expenses	3.0	0.9
Adjustment in respect of prior year	(1.5)	(0.2)
Change in tax rate	(4.5)	-
Other adjustments	3.3	0.2
Total tax (credit)/charge for the year	**(27.9)**	**106.5**

Reconciliation of tax (credit)/charge	Year Ended 31 December 2015 £'Million		Year Ended 31 December 2014 £'Million	
Profit before tax	174.1		294.4	
Tax attributable to policyholders' returns*	(22.8)		(111.5)	
Profit before tax attributable to shareholders' return	151.3		182.9	
Shareholder tax charge at corporate tax rate of 20.25% (2014: 21.5%)	30.6	20.25%	39.3	21.5%
Adjustments:				
Tax regime differences				
Lower rates of corporation tax in overseas subsidiaries	(1.4)		(3.6)	
	(1.4)	(0.9%)	(3.6)	(2.0%)
Other				
Recognition and usage of capital losses arising in the Group	(74.8)		(39.5)	
Adjustment in respect of prior year	(1.5)		(0.2)	
Differences in accounting and tax bases in relation to employee share schemes	(5.4)		(2.1)	
Disallowable expenses	3.0		0.9	
Other	3.3		0.2	
	(75.4)	(49.8%)	(40.7)	(22.3%)
Change in tax rate	(4.5)		-	
Shareholder tax credit	(50.7)	(33.5%)	(5.0)	(2.7%)
Policyholder tax charge	22.8		111.5	
Total tax (credit)/charge for the year	**(27.9)**		**106.5**	

* Tax attributable to policyholder returns is equal to the policyholder tax charge.

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.

As noted on page 22, in the second half of 2015, management completed the review of all historic Group companies, a project that commenced a number of years ago. During this process management identified further capital losses which it is expected will be utilised over the next ten years, albeit the actual rate of utilisation will depend on business growth and external factors, particularly investment market conditions. The rate of utilisation has been tested for sensitivity to experience and it is resilient to a range of reasonably foreseeable scenarios. Therefore a further deferred tax asset of £74.8 million has been established within the IFRS result.

7. EARNINGS PER SHARE

	Year Ended 31 December 2015	Year Ended 31 December 2014
	Pence	Pence
Basic earnings per share	38.9	36.6
Diluted earnings per share	38.5	35.9
Underlying basic earnings per share	39.8	35.2
Underlying diluted earnings per share	39.4	34.6

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

	Year Ended 31 December 2015	Year Ended 31 December 2014
	£' Million	£' Million
Earnings		
Profit after tax (*for both basic and diluted EPS*)	202.0	187.9
Underlying profit after tax (*for both basic and diluted EPS*)	206.8	180.9
Weighted average number of shares	Million	Million
Weighted average number of ordinary shares in issue *(for basic EPS)*	519.1	514.0
Adjustments for outstanding share options	5.2	9.0
Weighted average number of ordinary shares *(for diluted EPS)*	524.3	523.0

8. DIVIDENDS

The following dividends have been paid by the Group:

	Year Ended 31 December 2015	Year Ended 31 December 2014	Year Ended 31 December 2015	Year Ended 31 December 2014
	Pence per Share	Pence per Share	£' Million	£' Million
Final dividend in respect of previous financial year	14.37	9.58	74.8	49.4
Interim dividend in respect of current financial year	10.72	8.93	56.0	46.1
Total dividends	**25.09**	**18.51**	**130.8**	**95.5**

The Directors have recommended a final dividend of 17.24 pence per share (2014: 14.37 pence). This amounts to £90.5 million (2014: £74.6 million) and will, subject to shareholder approval at the Annual General Meeting, be paid on 13 May 2016 to those shareholders on the register as at 8 April 2016.

9. DEFERRED TAX ASSETS

	31 December 2015 £' Million	31 December 2014 £' Million
Life business – unrelieved expenses	57.1	65.3
Life business – deferred income	4.4	18.4
Unit Trust business – deferred income	40.8	46.1
Capital losses available future relief	113.1	50.7
Employee share scheme costs	5.8	7.6
Future capital allowances	3.0	2.5
Other	1.7	2.2
Total deferred tax assets	**225.9**	**192.8**
Current	40.8	41.1
Non-current	185.1	151.7
	225.9	192.8

Appropriate investment income, gains or profits are expected to arise against which the tax assets can be utilised. In particular

- future investment income over the next 6 years from the existing assets will be sufficient to utilise the unrelieved expenses.
- capital gains crystallising in the unit linked funds will utilise the capital losses. It is anticipated that the losses will be utilised within approximately 10 years. In the three years from 2013 to 2015 losses with a tax value of £29.0 million have been utilised, indicating an average of approximately £10.0 million per annum, which is consistent with the predicted usage.
- Tax assets in relation to deferred income will be utilised over the next 14 years as the underlying income is recognised.

At the reporting date there were unrecognised deferred tax assets of £1.4 million (2014: £0.2 million) in respect of losses in companies where appropriate profits are not considered probable in the forecast period. These losses primarily relate to our Asia based businesses and can be carried forward indefinitely.

During the year £12.1 million (2014: £16.7 million) of deferred tax assets relating to capital losses have been utilised and a further £74.8 million (2014: £39.5 million) have been recognised. It is expected that these losses will be utilised over the next ten years, albeit the actual rate of utilisation will depend on business growth and external factors, particularly investment market conditions. The rate of utilisation has been tested for sensitivity to experience and it is resilient to a range of reasonably foreseeable scenarios.

The reductions in the corporation tax rate from 20% to 19% effective from 1 April 2017 and from 19% to 18% effective from 1 April 2020 have been incorporated into the deferred tax balances as the changes were enacted in 2015.

10. BORROWINGS

	31 December 2015 £' Million	31 December 2014 £' Million
Bank borrowings	132.0	84.3
Loan notes	49.8	-
Total borrowings	**181.8**	**84.3**
Current	1.0	29.7
Non-current	180.8	54.6
	181.8	84.3

During the year a new £250 million revolving credit facility (repayable over five years with a variable interest rate) was entered into with a group of UK banks. The Group has initially drawn £125 million under the fully-committed facility.

In addition, during the year, the Group entered into a USD $160 million private shelf facility. The Group authorised the issue of £50 million of loan notes during the year in relation to the aforementioned facility. The notes were issued in sterling eliminating any Group currency risk. The notes are repayable over 10 years with a variable interest rate.

The Group also guarantees £77.2 million (2014: £93.9 million) of direct loans from Bank of Scotland, £44.8 million (2014: £20.1 million) of direct loans from Metro Bank plc and £19.4 million (2014: £nil) of direct loans from Santander plc to members of the St. James's Place Partnership drawn under total facilities of £90.0 million (2014: £120.0 million), £76.0 million (2014: £40.0 million) and £25.0 million (2014: £nil), 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.

11. CAPITAL MANAGEMENT AND ALLOCATION

It is the Group's policy to maintain a strong capital base in order to:

- protect clients' interests,
- meet regulatory requirements,
- protect creditors' interests, and
- create shareholder value through support for business development.

Within the Group, each subsidiary manages its own capital in the context of a Group capital plan. Any capital 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 position is monitored by the Finance Executive Committee on behalf of the St. James's Place plc Board.

The Group's policy is for each subsidiary to hold the higher of:
- the capital required by any relevant supervisory body uplifted by a specified margin to absorb changes; or
- the capital required based on the company's internal assessment.

For our insurance companies, we hold capital based on our own internal assessment, albeit recognising the regulatory requirement. For other regulated companies we generally hold capital based on the regulatory requirement uplifted by a specified margin.

The following entities are subject to regulatory supervision and have to maintain a minimum level of regulatory capital:

Entity	Regulatory Body and Jurisdiction
St. James's Place UK plc	PRA & FCA: Long-term insurance business
St. James's Place International plc	Central Bank of Ireland: Life insurance business
St. James's Place Unit Trust Group Limited	FCA: UCITS Management Company
St. James's Place Investment Administration Limited	FCA: Investment Firm
St. James's Place Wealth Management (PCIS) Limited	FCA: Securities and Futures Firm
St. James's Place Wealth Management plc	FCA: Personal Investment Firm
BFS Financial Services Limited	FCA: Personal Investment Firm
Lansdown Place Financial Management Limited	FCA: Personal Investment Firm
PFPTime Limited	FCA: Personal Investment Firm
St. James's Place (Hong Kong) Limited (*formerly The Henley Group Limited*)	Securities and Futures Commission (Hong Kong): A Member of The Hong Kong Confederation of Insurance Brokers
St. James's Place (Singapore) Private Limited (*formerly The Henley Group Pte Limited*)	Monetary Authority Singapore: A Member of the Association of Financial Advisors
St. James's Place Trust Company Jersey Limited	Jersey Financial Services Commission

In addition, the St. James's Place Group is regulated as an Insurance Group, subject to the Insurance Group's Directive (IGD), and with the PRA as the lead regulator.

As an insurance group, St. James's Place is subject to the new Solvency II regulations, which were implemented on 1 January 2016. More information about the impact of the implementation of Solvency II is included in the Financial Review on page 34. The overall capital position for the Group at 1 January 2016, assessed in the standard formula basis, is presented in the following table:

1 January 2016	**Group** £' Million
IFRS total assets	59,277.6
Less Solvency II valuation adjustments and unit linked liabilities	(58,555.2)
Solvency II net assets	722.4
Management Solvency Buffer (MSB)	*202.3*
Excess of free assets over MSB	*520.1*
Solvency II VIF	2,306.6
Risk margin	(624.0)
Standard formula SCR (A)	(1,595.8)
Sub-total	86.8
Solvency II Free Assets (B)	809.2
Solvency II ratio ((B – A)/A)	151%

An overall internal capital assessment is required for insurance groups. This is known as an ORSA (own Risk and Solvency Assessment) and is described in more detail in the section on Risk and Risk Management on page 41.

The capital requirement and the associated solvency of the Group are assessed and monitored by the Finance Executive Committee, a committee of the St. James's Place plc Board. The regulatory requirements for the remaining companies within the Group are assessed and monitored by the relevant subsidiary boards.

Although there has been a significant change in the approach to assessing "required capital" during the year (as a result of Solvency II), there has been no material change in the level of capital required, or in the Group's management of capital. 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 2015	31 December 2014
	£' Million	£' Million
Share capital	78.7	77.9
Share premium	158.3	147.4
Treasury shares reserve	(18.5)	(10.5)
Miscellaneous reserves	2.3	2.3
Retained earnings	874.6	793.1
Shareholders' equity	1,095.4	1,010.2
Non-controlling interests	(0.3)	(0.1)
Total equity	1,095.1	1,010.1

The above assets do not all qualify as regulatory capital. The required minimum regulatory capital and analysis of the assets that qualify as regulatory capital are outlined in Section 6 of the Financial Review in this announcement, which demonstrates that the Group has met its internal capital objectives. The Group and its individually regulated operations have complied with all externally and internally imposed capital requirements throughout the year.

12. SHARE CAPITAL

	Number of Ordinary Shares	Share Capital
		£' Million
At 1 January 2014	515,215,983	77.3
- Exercise of options	4,231,408	0.6
At 31 December 2014	**519,447,391**	**77.9**
- Issue of share capital	206,366	-
- Exercise of options	5,011,455	0.8
At 31 December 2015	**524,665,212**	**78.7**

The total authorised number of ordinary shares is 605 million (2014: 605 million), with a par value of 15 pence per share (2014: 15 pence per share). All issued shares are fully paid.

Included in the issued share capital are 3,309,971 (2014: 3,760,585) shares held in the Treasury Shares Reserve with a nominal value of £0.5 million (2014: £0.6 million). The Treasury Shares are held by a subsidiary undertaking, St. James's Place Management Services Limited.

13. 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 £10.1 million (2014: £8.0 million income) and the total value of transactions with those non-consolidated unit trusts was £43.0 million (2014: £47.4 million). Net management fees receivable from these unit trusts amounted to £22.3 million (2014: £20.7 million). The value of the investment into the non-consolidated unit trusts at 31 December 2015 was £176.5 million (2014: £130.7 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 key management personnel is as follows:

	31 December 2015	31 December 2014
	£' Million	£' Million
Short-term employee benefits	3.2	2.9
Post-employment benefits	0.4	0.4
Other long term benefits	1.6	1.6
Share based payment	1.6	1.5
	6.8	**6.4**

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 2015 was £3.7 million (2014: £3.6 million).

The total value of St. James's Place funds under management held by related parties of the Group as at 31 December 2015 was £20.4 million (2014: £16.2 million). The total value of St. James's Place plc dividends paid to related parties of the Group during the year was £1.3 million (2014: £0.6 million).

14. EVENTS AFTER THE REPORTING PERIOD

After the reporting period end the Group received regulatory approval for the change in control in relation to the acquisition of 100% of the voting equity interests of Rowan Dartington Holdings Limited and its subsidiaries. As a result, completion of the acquisition became unconditional. Consequently, as of the date that change of control was obtained, Rowan Dartington Holdings Limited and its subsidiaries will be consolidated into the 2016 Group results. The acquisition is in line with the Group's strategic objective of broadening the business model and expanding the client proposition.

Rowan Dartington Group

The net assets, fair value adjustments and consideration for these acquisitions are estimated below:

	Book value	Fair value adjustment	Total
	£'Million	£'Million	£'Million
Financial assets	7.3	30.8	38.1
Cash and cash equivalents	1.3	-	1.3
Financial liabilities	(6.7)	(5.7)	(12.4)
Total	1.9	25.1	27.0
Consideration			
Initial consideration			20.0
Deferred consideration			7.1
Contingent consideration			7.4
Total consideration			34.5
Goodwill			7.5

Goodwill comprises the value placed on the experience and expertise of the Rowan Dartington management team within the discretionary fund management sector.

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 Investment Executives not be met, the contingent consideration will decrease on a pro-rata basis down to a value of £nil.

15. NON STATUTORY ACCOUNTS

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2015 or 2014, but is derived from those accounts. Statutory accounts for 2014 have been delivered to the registrar of companies, and those for 2015 will be delivered in due course. The auditors have reported on those accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 of the Companies Act 2006.

16. ANNUAL REPORT

The Company's annual report and accounts for the year ended 31 December 2015 is expected to be posted to shareholders by 1 April 2016. Copies of both this announcement and the annual report and accounts will be available to the public at the Company's registered office at St. James's Place House, 1 Tetbury Road, Cirencester GL7 1FP and through the Company's website at www.sjp.co.uk.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL FINANCIAL REPORT

The Directors confirm to the best of their knowledge that:

- The financial statements have been prepared in accordance with International Reporting Financial Standards as adopted by the EU and give a true and fair view of the assets, liabilities, financial position and profit for the Company and the undertakings included in the consolidation as a whole;
- The EEV supplementary information has been prepared in accordance with the EEV Principles; and
- Pursuant to Disclosure and Transparency Rules Chapter 4, the Directors' report of the Company's annual report and accounts includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties faced by the business.

On behalf of the Board

David Bellamy	Andrew Croft
Chief Executive	Chief Financial Officer

24 February 2016