ST. JAMES'S PLACE PLC

27 St. James's Place, London SW1A 1NR
Telephone 020 7493 8111 Facsimile 020 7493 2382

PRESS RELEASE

28 February 2017

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2016

STRONG GROWTH UNDERPINS 20% INCREASE IN FINAL DIVIDEND

St. James's Place plc ("SJP"), the wealth management group, today issues its annual results for the year ended 31 December 2016:

Financial highlights

- EEV new business profit £520.2 million (2015: £440.7 million)
- EEV operating profit £673.6 million (2015: £660.2 million)
- EEV net asset value per share 900.7p (2015: 737.3p)
- Profit before shareholder tax £140.6 million (2015: £151.3 million)
- Operating cash result (post tax) £226.0 million (2015: £195.6 million)
- Underlying cash result (post tax) £199.5 million (2015: £182.1 million)

Dividend

- Final dividend of 20.67 pence per share (2015: 17.24 pence per share) up 20% providing a full year dividend of 33.00 pence per share (2015: 27.96 pence per share) growth of 18%

Other highlights

- Record gross inflows of £11.4 billion (2015: £9.2 billion)
- Net inflow of funds under management of £6.8 billion (2015: £5.8 billion)
- Funds under management of £75.3 billion (2015: £58.6 billion)
- We now have 3,415 qualified advisers, up 10% for the year

David Bellamy, Chief Executive Officer, commented:

"Despite the economic and political uncertainty, challenging markets and the surprising political events, St. James's Place once again achieved strong growth across all key aspects of the business, resulting in another record year of new investments, funds under management and operating profits.

At the heart of our sustained growth is our commitment to achieving good outcomes for our clients and the importance we place on building long term relationships. That very nearly 90% of new investments come from existing clients, referrals and introductions and 99% of our clients, who responded to our recent survey, feel our proposition offers value for money, is testament to the fact that we are doing this.

At the time of our half year results, we increased the interim dividend by 15% and reaffirmed our commitment to continue to grow the dividend in line with the underlying performance of the business. Consequently, and supported by the continued strong performance of the business, the Board has proposed a final dividend of 20.67p per share, up 20%, which brings the full year dividend to 33.0p per share, growth of 18%.

Looking forward, we entered 2017 with a stronger adviser team, a more diversified investment proposition and a greater need for advice clients can rely on. We remain committed to relationship based advice and believe we are better placed than ever to serve our clients well and for the opportunities that lie ahead."

Enquiries:

David Bellamy, Chief Executive Officer	Tel: 020 7514 1963
Andrew Croft, Chief Financial Officer	Tel: 020 7514 1963
Tony Dunk, Investor Relations Director	Tel: 020 7514 1963
Bell Pottinger	Tel: 020 7861 3917
John Sunnucks	
Ben Woodford	
email: Bwoodwood@BellPottinger.com	

Analyst presentation at 9.15am for 9.30am at:

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

to be held in the King Edward Hall

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/5882271b8c50771000744476/znps

There will also be a Dial in:

Conference call dial in details:
United Kingdom (Local) 020 3059 8125
All other locations + 44 20 3059 8125
Participant Password: St James Place

Replay Dial-in details

United Kingdom 0121 260 4861
All other locations + 44 121 260 4861
Passcode: 5151971 followed by #

CHIEF EXECUTIVE'S REPORT

2016 was an extraordinary year when market participants, most commentators and the public were surprised by how events unfolded.

First it was the vote to leave the EU in June and then it was the outcome of the US Presidential election. Both seemed to defy the pollsters' predictions and both have impacted stock markets in a somewhat unexpected way.

If they teach us one thing (again) it's to avoid trying to predict the future!

Despite this political uncertainty St. James's Place once again achieved strong growth across all key aspects of the business. Gross inflows were 23% higher at a record £11.4 billion which, together with characteristically high retention of client funds, resulted in record net inflows in the twelve months of £6.8 billion. These net inflows, together with the strong investment returns our clients enjoyed, gave rise to 28% growth in funds under management to £75.3 billion.

At the heart of our sustained growth is our commitment to achieving good outcomes for our clients and the importance we place on building long term relationships and serving them well. That very nearly 90% of new investments come from existing clients, referrals and introductions and 99% of our clients, who responded to our recent survey, feel our proposition offers value for money, is testament to the fact that we are doing this.

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, amongst other things, the financial implication of increased life expectancy whilst being faced with increasingly complex options in respect of their pension arrangements, supporting their offspring and other family matters. The scale and quality of the Company's relationship based approach to wealth management, twinned with our distinctive investment management proposition, which has been positioned to serve this market, is doing so.

We work to offer a consistent service to our Partners, and through them to their clients who do not have the time, expertise, inclination or confidence to look after their own affairs and we recognise that, for most of them, their main priority is to keep their money safe, ensure it is invested efficiently and at the very least realise a decent return. Our portfolio approach, which gives access to a globally diversified range of assets, the holistic advice available from our Partners on everything from tax to intergenerational planning, is designed with this objective in mind.

FINANCIAL PERFORMANCE

As reported within the Chief Financial Officer's report on pages 6 to 8 the strong operating performance of the business during the year is reflected in the financial performance for the year.

As well as paying a growing dividend to shareholders we are continuing to invest in the business for the future be it the Academy, our growing operations in Asia, our new investment into Discretionary Fund Management or our back office infrastructure. Whilst these investments are consuming capital today we are very pleased with how each initiative is developing and we expect a good return for shareholders in the future.

DIVIDEND

At the half year, we increased the interim dividend by 15% and reaffirmed our commitment to continue to grow the dividend in line with the underlying performance of the business.

Consequently, and supported by the continued strong performance of the business, the Board has proposed a final dividend of 20.67 pence per share, up 20%, which brings the full year dividend to 33.0 pence per share, up 18%.

The final dividend for 2016, subject to approval of shareholders at our AGM, will be paid on 12 May to shareholders on the register at the close of business on 7 April. As usual, a Dividend Reinvestment Plan continues to be available for shareholders.

CLIENTS

Key to our sustained success has been our core commitment to achieving the best possible outcome for our clients and ensuring that they remain well served by our long-term, face-to-face approach to wealth management. While the evolution of the UK wealth management landscape means that UK savers and investors have an array of options available to them today, we know that a highly personalised, relationship-driven model is in high demand and we are confident that this will remain so in the future.

However, we are not complacent and we regularly take the opportunity to seek feedback directly from all our clients. The most recent research, carried out in early 2017 following receipt of annual Wealth Account statements, indicates that overall client satisfaction remains very strong with 94% of clients who responded telling us that that they are either satisfied or very satisfied with the overall relationship. This sentiment is echoed by the fact that more than 97% of clients confirmed that they would recommend St. James's Place to others, indeed 56% say they have already done so. And, as I commented earlier, when asked to indicate whether they feel our proposition offers value for money, 99% of the clients who responded, said reasonable, good or excellent, with 82% in the higher categories.

We will build upon these excellent results and seek further improvements, to our standards of service and proposition, to ensure clients continue to receive high quality, face-to-face advice they can trust and demonstrable value creation for their wealth.

INVESTMENT MANAGEMENT

2016 was a year of strong growth for many major stock markets across the globe. There were two great political events that dominated much of the political and economic debate during the year - the UK's Brexit vote and election of Donald Trump as US President – but these surprise outcomes ultimately did little to dent market momentum as both the S&P 500 and FTSE 100, for example, struck new highs in late 2016.

Meanwhile, our funds performed strongly over the period, and all eight of our portfolios delivered positive returns, ranging from 5.2% for the Defensive portfolio to 20.7% for the Adventurous portfolio, net of all charges.

For much of the year, low and negative interest rates created headwinds for those seeking income, and a summer interest rate cut by the Bank of England only added to the challenge. By the end of the year, however, the tide appeared to be turning, as US yields rose following the presidential election, and the Federal Reserve used its December meeting to raise interest rates.

It was against this backdrop that we launched our new Worldwide Income fund in October. The fund aims to obtain an attractive level of income through investing largely in global equities. Equities are a proven source of long-term income, and the new fund add to the diversity of income sources we can provide our investors. The fund is managed by Clyde Rossouw of Investec Asset Management based in Cape Town, demonstrating once again the global nature of our investment manager selection process.

The political surprises of 2016 offer a reminder of the importance of diversification, whether by geography or asset class. We will continue to adapt our investment approach to ensure we are responding to the evolving investment environment. In doing so, we believe we can continue to help our clients fulfil their long-term financial goals.

THE ST. JAMES'S PLACE PARTNERSHIP

Increasing the number of Partners and advisers, whilst at the same time providing them with the tools and support to deliver high quality outcomes for clients remains one of the key drivers to achieving our long-term growth objectives.

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, our qualified Adviser population increased by 10% to 3,415, across the 2,378 Partner businesses. In many ways, the added momentum in growth in our qualified adviser population reflects the evolution of Partner businesses, as they seek to acquire more clients and continue to provide a high level of service to their existing clients.

As our Partner practices grow and the administration of their clients' affairs becomes increasingly complex, we will continue to 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.

Alongside the Partnership we completed the acquisition of Rowan Dartington in the first half of 2016 and we have seen the number of investment executives increase by 21% from 34 to 41.

THE ST. JAMES'S PLACE FOUNDATION AND COMMUNITY ENGAGEMENT

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 total funds raised of £7.6 million (including company matching). This means the total amount raised to date is now over £54 million, benefitting the hundreds of causes it has and will continue to support and quite literally changing people's lives.

To mark our 25th Anniversary year and in keeping with our strong desire to further support fund-raising efforts, the Board, on behalf of shareholders, has agreed to double the matched funding. It is a special incentive for 2017 only and subject to an overall cap of £10 million.

In addition to these fund-raising efforts, the 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 take a great deal of pride in the significant contribution we make through the Foundation and 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.

OUR COMMUNITY

The strength and continued growth of the business is due to the hard work and dedication of our Partners, their staff, our management teams and all 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

Looking forward, we entered 2017 with a stronger adviser team, a more diversified investment proposition and a greater need for advice clients can rely on. We remain committed to relationship based advice and believe we are better placed than ever to serve our clients well and for the opportunities that lie ahead.

David Bellamy
Chief Executive
27 February 2017

CHIEF FINANCIAL OFFICER'S REPORT

Despite the uncertainties caused by political events during the year, our business has performed strongly, with growth in all the business fundamentals.

As already covered in the Chief Executive's Report the growth in gross and net inflows, together with the investment return in our funds, gave rise to a 28% growth in our funds under management to £75.3 billion.

Shareholders will be aware that our financial model is to attract and retain funds under management on which we will receive an annual management fee, and consequently this strong growth in funds under management is reflected in our financial results.

At the same time we are investing in the business for the future. The increase in costs of these initiatives is also reflected in the results, but with an expectation of future returns for the business.

FINANCIAL RESULTS

As shareholders will be aware from previous periods, we report our results on both IFRS and EEV bases, as well as providing further detail on the cash emergence from the business. Detailed explanation and analysis of the results on these measures is provided in the Financial Review on pages 9 to 34.

Overall, the results reflect the underlying strong business performance over the year, but there are a number of particular factors which have also impacted the results:

(i) Our required contribution to the Financial Services Compensation Scheme (FSCS) was again at an elevated level, negatively impacting the results by £17.2 million pre-tax (£13.7 million post-tax) compared with a £20.1 million pre-tax (£15.9 million post-tax) for the prior year.
(ii) During the year we have continued to invest strongly in our future with a current year impact of £34.0 million pre-tax (2015: £17.2 million pre-tax). We are very pleased with the success of our Academy, and both the Asia operations and our new DFM offering, Rowan Dartington, are developing well.
(iii) The continuation of our back office infrastructure investment cost £20.9 million for the year compared with £18.1 million for the prior year.
(iv) As noted at the half year we have been voluntarily reviewing charges on two small cohorts of business: waiving exit charges at the minimum retirement age where they existed on some older pension contracts (written before July 1999); and reassessing risk charges on a reviewable protection contract. The combined impact of these actions is a negative one-off £8.2 million pre-tax in the cash and IFRS results, which rises to £13.6 million pre-tax in the EEV result when the reduction in future charges is also fully capitalised.

Also, at the end of the year, we have reassessed the value of the investment contract unit liability to better reflect recent experience and to match the encashment value of client investments. This reassessment reduces the liability by £267 million, with an offsetting increase in the Deferred Income liability in the IFRS statement of financial position. There is no impact on IFRS net assets or profit, nor will there be any impact on the emergence of profit in future years. This change better reflects our business and we believe it will simplify reporting in future. Where this change has any presentation impact on each of the reporting metrics, it is commented on in the relevant sections of the Financial Review.

IFRS Result

The **IFRS profit after tax** was £111.7 million (2015: £202.0 million). The principle reason for the reduction in the current year was that the prior year result was enhanced by recognition of £74.8 million of deferred tax asset on historic capital losses. The 2016 result is also impacted by the continuing unwind of intangible DAC/DIR/PVIF balances.

The **Underlying profit before shareholder tax** was £163.5 million (2015: £163.7 million) reflecting an increase in the income from funds under management, offset by the higher expenses, the cost of investment and the other items noted at the start of this statement.

The **Profit before shareholder tax**, which takes account of the amortisation of intangible assets and liabilities, was £140.6 million (2015: £151.3 million). As previously indicated, the amortisation of the intangible assets and liabilities will for a number of years exceed the establishment of new intangibles and be a negative to both the Profit before shareholder tax and the IFRS profit after tax results.

Cash Result (presented post tax)

The **Operating cash result** for the year was £226.0 million (2015: £195.6 million), growth of 16%, reflecting the increased annual management fees from the higher funds under management offset by higher expenses.

Some of this operating cash is then expensed through investment in the Academy, the Asian operations, our new DFM offering and other strategic investments. The total post tax investment during the year was £26.5 million (2015: £13.5 million) resulting in the **Underlying cash result** of £199.5 million (2015: £182.1 million), growth of 10%.

The **Cash result** was £175.4 million (2015: £171.5 million) reflecting the underlying cash result adjusted for the cost of the back office infrastructure investment and a number of one-off items detailed in the Financial Review on page 28.

The reassessment of the investment contract unit liability will change the emergence of cash in future years (detailed in the Financial Review on page 28). Had the change been implemented at the start of 2016 then the cash results noted above would have been some £25 million higher.

Note that the cash, operating 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 50.

EEV Result

In line with our previous guidance, we have reduced the level of EEV reporting and now only provide summarised disclosure in the Financial Review rather than full supplementary information.

The **EEV new business contribution** for the year was £520.2 million (2015: £440.7 million), growth of 18%. The growth was slightly lower than the new business growth (+23%) due to higher expenses associated with the strong adviser growth and a change in business mix.

The **EEV operating profit** for the year was £673.6 million (2015: £660.2 million) growth of 2%, however, the prior year benefitted from a significantly higher experience variance and operating assumption changes. Excluding these items in both years, together with the 2016 benefit from the inclusion of Rowan Dartington, the growth in the operating profit would have been 18%, in line with the growth in the new business contribution.

The rise in global stock markets during the second half of the year, partly arising out of the currency impact from the depreciation of sterling, has contributed to a very strong investment return for our funds. This gave rise to a positive investment variance of £537.2 million compared to a small negative variance of £24.4 million for the prior year.

Total **EEV profit before tax** for the period was therefore £1,198.4 million with the positive investment variance explaining most of the significant increase compared with £636.7 million for the prior year. The net asset value per share on an EEV basis at the end of the year was 900.7 pence (31 December 2015: 737.3 pence).

The EEV result is unaffected by the reassessment of the investment contract unit liability.

DIVIDEND

At the half year we increased the interim dividend by 15% to 12.33p and re-iterated our intention to continue to grow the dividend in line with the underlying performance of the business. Given the continued strong performance of the business during the second half of 2016, the Board has recommended a final dividend of 20.67p per share, an increase of 20% which will consume £109 million. This will provide for a full year dividend of 33p growth of 18%.

Over the last ten years we have progressively grown the dividend, even during 2008/09, with compound growth of some 25% per annum.

CAPITAL AND 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.

We assess our solvency against a Management solvency buffer (see page 29) and with Management free assets considerably in excess of the buffer, our solvency position remains strong. We also provide an estimate of our Solvency II free assets position, which at £952.2 million before the dividend (2015: £899.7 million), provides a solvency ratio of 147% (2015: 156%) also demonstrating the financial strength of the business.

CONCLUDING REMARKS

The business, financials and lead indicators are in very good shape. The cash emergence is expected to continue to grow as business matures from the gestation period and starts to contribute to the cash earnings.

In addition to increasing the dividend to shareholders we are continuing to invest in the business for the future.

Finally, as noted in the Chief Executive's Report, the proven strength of our business model and good momentum in our business gives us confidence in our ability to deliver continued growth in line with our objectives.

Andrew Croft
Chief Financial Officer
27 February 2017

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 for as long as the clients remain invested. This is the principal source of income for the Group out of which we meet the overheads of the business, invest in growing the Partnership and invest in acquiring new FUM.

The level of income is dependent on the level of client funds and the level of asset values. In addition, since around half of our business does not generate net income 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. More information about our Fees on Funds under Management can be found in Section 1 on page 14.

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. The Group also invests in ensuring the quality of our proposition for clients and Partners through investment in new client services and existing IT systems. Finally, we are also looking to the future, with investment in strategic initiatives, including the Academy, Asia, DFM and our Back-office infrastructure programme. More information about our expenses can be found in Section 2 on page 16.

A small proportion of Group expenditure is required to support management of existing funds, but the majority of expenditure is investment in growing the Partnership and acquiring new funds. The resulting new business is expected to generate income for an average of 14 years, and is expected to provide a good return on the investment (see page 15).

Given the importance of FUM to profit generation by the business, we provide an analysis of the FUM make-up and development in section 1. Section 2 covers expenses, which is the other significant driver of profits, with sections 3-5 reporting on the performance of the business on the IFRS, cash and EEV result bases, and providing commentary on solvency and liquidity.

Performance Measurement

In line with statutory reporting requirements we report profits assessed on an International Financial Reporting Standards (IFRS) basis. However, given the long-term nature of the business and the high level of investment in new business generation each year, we believe 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. Therefore, consistent with last year, we complement IFRS reporting with additional disclosure on various alternative performance measures (APMs).

APMs are not defined by the relevant financial reporting framework (which for the Group is IFRS), but we use them to provide greater insight to the financial performance, financial position and cash flows of the Group and the way it is managed. Summary information about the key APMs used in our Financial Review is provided in the following table.

APM	Definition	Why is this measure used?	Reconciliation to the financial statements
Solvency II net assets	Based on IFRS Net Assets, but with the following adjustments: 1. Reflection of the recognition requirements of the Solvency II regulations for assets and liabilities. In particular this removes, DAC, DIR, PVIF, other intangibles and some other small items which are treated as inadmissible from a regulatory perspective; and 2. Adjustment to remove the matching client assets and the liabilities as these do not represent shareholder assets. No adjustment is made to deferred tax as this is treated as an allowable asset in the Solvency II regulation.	Our ability to satisfy our liabilities to clients, and consequently our solvency, is central to our business. By removing the liabilities which are fully matched by assets, this presentation allows the reader to focus on the business operation. It also provides a simpler comparison with other wealth management companies.	Refer to page 23.
Cash result, Underlying cash result and Operating cash result	The Cash result is defined as the movement between the opening and closing Solvency II net assets adjusted for the following items: 1. The movement in deferred tax is removed to reflect just the cash realisation from the deferred tax position; 2. The movements in goodwill and other intangibles are included; and 3. Other changes in equity, such as dividends paid in the year and share option costs, are excluded. The Operating cash result reflects the regular emergence of cash from the business operations. The Underlying cash result additionally reflects the cash impact of the strategic investments we are making. Finally the Cash result reflects all other cash items, including those whose emergence is volatile, varying over time, and often influenced by market movements, together with the short term costs associated with the back-office infrastructure project. Neither the cash result nor the underlying cash result should be confused with the IFRS consolidated statement of cash flows which is prepared in accordance with IAS 7.	IFRS methodology recognises non-cash items such as deferred tax and share options. By contrast, dividends can only be paid to shareholders from appropriately fungible assets. The Board therefore uses the cash results to monitor the level of cash generated by the business. While the Cash result gives an absolute measure of the cash generated in the year, the Underlying and Operating cash results are particularly useful for monitoring the expected long term rate of cash emergence, which is particularly useful in considering the supportability of dividends and sustainable dividend growth.	Refer to page 18 and also see Note 4 – Segment Profit

APM	Definition	Why is this measure used?	Reconciliation to the financial statements
Policyholder and Shareholder tax	Shareholder tax is estimated by making an assessment of the effective rate of tax that is applicable to the shareholders on the profits attributable to shareholders. This is calculated by applying the appropriate effective corporate tax rates to the shareholder profits. In effect, the shareholder tax is assessed by calculating the expected level of shareholder tax implied by the post-tax result, but with explicit adjustment in the calculation for any significant one-off tax adjustments. The remainder of the tax charge represents tax on policyholder's investment returns. This calculation method is consistent with the legislation relating to the calculation of tax on shareholder profits.	The UK tax regime facilitates the collection of tax from life insurance policyholders by making an equivalent charge within the corporate tax of the Company. The total tax charge for the insurance companies therefore comprises both this element and an element more closely related to normal corporation tax. Life insurance business impacted by this tax typically includes policy charges which align with the tax liability, to mitigate the impact on the corporate. As a result when policyholder tax increases, the charges also increase. Given these offsetting items can be large, and typically don't perform in line with the business, it is beneficial to be able to identify the two elements separately. We therefore refer to that part of the overall tax charge, which is deemed attributable to policyholders, as policyholder tax, and the rest as shareholder tax.	Disclosed as separate line items in the statement of comprehensive income on page 47.
Profit before shareholder tax	A profit measure which reflects the IFRS result adjusted for policyholder tax, but before deduction of shareholder tax. Within the consolidated statement of comprehensive income the full title of this measure is "Profit before tax attributable to shareholders' returns".	The IFRS methodology requires that the tax recognised in the financial statements should include the tax incurred on behalf of policyholders in our UK life assurance company. Since the policyholder tax charge is unrelated to the performance of the business, we believe it is useful to separately identify the profit before shareholder tax, which reflects the IFRS profit before tax, adjusted for tax paid on behalf of policyholders.	Disclosed as a separate line item in the statement of comprehensive income on page 47.
Underlying profit	A profit measure which reflects the IFRS result adjusted to remove the DAC, DIR and PVIF adjustments.	The IFRS methodology promotes recognition of profits in line with the provision of services and so, for long-term business, some of the initial cash flows are spread over the life of the contract through the use of intangible assets and liabilities (known as DAC – Deferred Acquisition Costs and DIR – Deferred Income). Due to the retail distribution review (RDR) regulation change in 2013, there was a step change in the progression of these items in our financial statements, which resulted in significant accounting presentation changes despite the fundamentals of our vertically-integrated business remaining unchanged. We therefore believe it is useful to consider the IFRS result having removed the impact of movements in these intangibles as it better reflects the underlying performance of the business.	Refer to page 18.

APM	Definition	Why is this measure used?	Reconciliation to the financial statements
EEV operating profit	A discounted cashflow valuation methodology, assessing the long-term economic value of the business. Our embedded value is determined in line with the EEV principles, originally set out by the Chief Financial Officers (CFO) Forum in 2004, and amended for subsequent changes to the principles, including those published in April 2016, following the implementation of Solvency II. The EEV operating profit reflects the total EEV result with an adjustment to strip out the impact of stockmarket and other economic effects during the year.	Both the IFRS and cash results reflect only the cashflows in the year. However, our business is long-term, and activity in the year can generate business with a long-term value. We therefore believe it is helpful to understand the full economic impact of activity in the year, which is the aim of the EEV methodology. Within the EEV, many of the future cash flows derive from fund charges, which change with movements in stock markets. Since the impact of these changes is typically unrelated to the performance of the business, we believe that the EEV operating profit (reflecting the EEV profit, adjusted to reflect only the expected investment performance and no change in economic basis) provides the most useful measure of embedded value performance in the year.	See Note 4 – Segment Profit

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 2016 we have seen gross new funds of £11.35 billion (2015: £9.24 billion), growth of 23% and a net inflow of funds under management of £6.78 billion (2015: £5.78 billion), growth of 17%. The investment return contributed £8.7 billion (2015: £0.8 billion contribution) to funds under management during the year with this contribution reflecting both the higher stock markets but also the positive impact of the deprecation of Sterling on the overseas assets. Given the strong net inflow, and the positive investment performance, funds under management increased to £75.31 billion (2015: £58.61 billion).

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

Year Ended 31 December 2016		**Investment**	**Pension**	**UT/ISA & DFM**	**Total**
		£'Billion	**£'Billion**	**£'Billion**	**£'Billion**
Opening funds under management		22.52	20.86	15.23	58.61
Rowan Dartington acquisition		-	-	1.26	1.26
Gross inflows		2.28	5.12	3.95	11.35
Net investment return		2.12	4.40	2.19	8.71
Regular income withdrawals and maturities	1	(0.52)	(0.84)	(0.11)	(1.47)
Surrenders and part surrenders	2	(0.90)	(0.91)	(1.29)	(3.10)
Rowan Dartington – Ardan International disposal		-	-	(0.05)	(0.05)
Closing funds under management		25.50	28.63	21.18	75.31
Net inflows		0.86	3.37	2.55	6.78
Implied surrender rate as a percentage of average funds under management		3.7%	3.7%	6.8%	4.6%

Included within "UT/ISA & DFM" are gross inflows of £0.42 billion and outflows of £0.16 billion relating to Rowan Dartington. Also included is the £0.05 billion reduction in funds under management relating to the disposal of Rowan Dartington's non-core international platform business, Ardan International, in December 2016.

A further £466 million of investments is managed in third party funds within our Asia business.

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%

A further £430 million of investments is managed in third party funds within our Asia business.

Notes

1. Regular income withdrawals are those amounts, pre-selected by clients, which are paid out by way of periodic income. Maturities are those sums paid out where the plan has reached the intended, pre-selected, maturity event (e.g. retirement).

2. Surrenders and part surrenders are those amounts where clients have chosen to withdraw money from their plan which were not pre-selected regular income withdrawals or maturities.

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.

The table below provides an estimated current value of the funds under management in the gestation period.

Year	**31 December 2016 Total £'Billion**	31 December 2015 Total £'Billion
2010	-	2.0
2011	2.4	2.4
2012	2.9	2.7
2013	4.0	3.7
2014	4.4	3.9
2015	5.3	4.5
2016	6.1	-
Total	25.1	19.2

This £25.1 billion of funds under management in the gestation period represents approximately a third of the total funds under management which, if all the business reached the end of the gestation period, would contribute some £195 million to the annual post-tax cash result.

The Business Case for new Funds Under Management

The Group incurs costs associated with attracting new funds. We 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 26, a net cost of £106.7 million (2015: £84.2 million) has been incurred to attract the £11.35 billion of gross new funds (2015: £9.24 billion).

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 2016	Year Ended 31 December 2015
Gross inflows (£'Billion)	11.35	9.24
Post-tax investment in new business (£'Million)		
- Operating costs	(80.2)	(70.7)
- Investment costs	(26.5)	(13.5)
- Total costs	(106.7)	(84.2)
Post-tax present value of expected profit from investment (£'Million)	427.8	358.9
Cost of new business (% of new money invested)*	1.0%	0.9%
New business margin (% of new money invested)	4.6%	4.8%
Cash payback period (years)	5	5
Internal rate of return (net of tax)	21.7%	22.1%

* The investment as a percentage of net inflow of funds under management was 1.6% compared with 1.5% for 2015.

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 2016		31 December 2015	
	£'Billion	**% of total**	£'Billion	% of total
North American Equities	17.5	23%	13.1	22%
UK Equities	17.3	23%	15.6	27%
Fixed Interest	12.8	17%	8.8	15%
European Equities	8.2	11%	6.2	11%
Asia and Pacific Equities	6.2	8%	4.9	8%
Cash	6.0	8%	4.6	8%
Property	2.4	3%	2.2	4%
Alternative Investments	1.9	3%	1.3	2%
Other	3.0	4%	1.9	3%
Total	75.3	100%	58.6	100%

SECTION 2: EXPENSES

Management Expenses

The table below provides a breakdown of the management expenditure (before tax):

	Note	**Year Ended 31 December 2016**	Year Ended 31 December 2015
		£'Million	£'Million
Establishment costs	1	160.7	139.4
Other performance related costs	2	104.0	94.3
Operational development costs	3	17.0	17.3
Strategic development costs	4	6.6	1.9
Academy costs	5	7.2	5.5
Asia costs	6	13.8	7.9
DFM costs	7	12.9	1.6
Back-office infrastructure development	8	20.9	18.1
Regulatory fees	9	8.3	7.5
FSCS levy	9	17.2	20.1
		368.6	313.6

Notes

1. Establishment costs are the running costs of the Group's infrastructure and are relatively fixed in nature in the short term, although they are subject to inflationary increases. These costs will increase as the infrastructure expands to manage the higher number of existing clients, the growing number of advisers and increasing business volumes.

   The growth in the establishment expenses during the year was higher than our targeted growth due to the very strong new business result together with above target growth in new advisers, a primary driver to the infrastructure costs.

   We expect the growth in the establishment costs for 2017 to be more in line with our medium term business targets.

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. Operational development costs represent business as usual expenditure to support the business, such as the on-going development of our investment proposition and our technology, including focus on cyber security.

   We expect costs in 2017 to be at a similar level.

4. As a growth business we are constantly looking to new opportunities and expect to incur a small level of ongoing expense associated with pursuing other strategic developments.

   We will continue to explore opportunities and undertake appropriate initiatives.

5. The Academy is an important strategic investment for the future and we are continuing to grow our investment in this programme. Costs have increased in recent years as we have increased the number of students within the programme and launched more regional academies.

   Our investment in the academy will continue in 2017 with expected costs of some £8.0 million.

6. Our expansion into Asia through operations in Singapore, Hong Kong and Shanghai is intended to provide diversification of our growth model through exporting our successful wealth management proposition to new markets, starting with the UK ex-pat market. Costs reflect both the ongoing operational costs, but also the development costs associated with growing these businesses to achieve sustainable scale. We have also seen these costs increase due to the depreciation of Sterling.

   Our investment will continue in 2017 and we expect this investment cost to increase by £3-4 million.

7. Completion of the purchase of Rowan Dartington in March 2016 facilitated a new DFM operation within the SJP proposition. We expect this business will grow quickly, requiring investment to support these ambitions.

8. Our back-office infrastructure programme is a multi-year initiative to upgrade our administration so it can support our future business goals. Having achieved the migration of our ISA and Unit Trust proposition to our new Bluedoor system in 2015, the focus in 2016 has been the launch of a new retirement account with the eventual aim being to migrate pension and drawdown business onto the new system. The costs in 2017 will be at a similar level to 2016.

9. The costs of operating in a regulated sector include fees charged by the regulators and our contribution to the Financial Services Compensation Scheme. Our position as a market-leading provider of advice, means we make a very substantial contribution to supporting the industry compensation scheme, the FSCS, thereby providing protection for clients of other sector businesses that fail. In the last couple of years, the levy has been at an elevated level and we remain hopeful that it will return to a more normalised level in future, albeit we now expect a third year of an elevated contribution in the 2017/18 funding year. The FSCS levy is met by our various regulated companies and is split £16.5 million (2015: £19.8 million) via the Distribution business and £0.7 million (2015: £0.3 million) via the Life and Unit Trust regulated business.

Group Expenses

The table below provides a reconciliation from the management expenses above to the total Group expenses included in the Consolidated Statement of Comprehensive Income on page 47.

	Note	**Year Ended 31 December 2016**	Year Ended 31 December 2015
		£'Million	£'Million
Expenses per table above		368.6	313.6
Payments to Partners	10	599.7	518.5
Investment expenses	10, 11	67.9	143.5
Third party administration	10, 12	74.2	56.6
Acquired IFA operating costs		3.1	3.0
Amortisation and revaluation of DAC and PVIF		63.4	76.0
Share option costs		23.9	15.7
Share option NI		1.9	3.4
Interest expense and bank charges		6.2	6.0
Charitable donations		3.4	3.5
Other		12.8	10.3
		856.5	836.5
Total expenses		1,225.1	1,150.1

Notes

10. These costs are met from corresponding 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.

11. As noted in the 2015 Annual Report & Accounts, in preparation for migration of business to the Bluedoor platform, we restructured our funds so that Investment expenses of all unit trusts are charged directly to the trust rather than some being settled by the manager or life company. As a result, the Investment expenses for most funds are no longer consolidated in the financial statements, but neither is the equal and offsetting fee, resulting in a neutral profit impact overall (and a neutral impact on clients).

12. Also as noted in the 2015 Annual Report & Accounts, as a result of the migration of business to a new back office platform, a new administration tariff with our outsourced provider now applies to business transacted. Consequently, some administration costs which were previously charged to the trusts are now being treated as expenses, with a corresponding offsetting increase in fee income; again resulting in a neutral impact overall. As a result, the Third Party Administration costs reported in 2016 increased by c.10% in addition to the growth in business.

SECTION 3: INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

As noted at the start of this review, two key measures based on IFRS are **Profit before shareholder tax**, which removes the impact of policyholder tax, and **Underlying profit** result, which removes the impact of changes in certain intangibles (DAC/DIR/PVIF). Of these two we believe Underlying profit provides the more useful measure, based on IFRS, for assessing operating performance.

As noted in the Chief Financial Officer's report, the results reflect the underlying strong business performance, but also a number of other drivers most notably including the FSCS levy and the continued investment in our business (not least our back-office infrastructure, the Academy and recent acquisitions).

	2016		2015	
	Before shareholder tax	**After tax**	Before shareholder tax	After tax
	£' Million	**£' Million**	£' Million	£' Million
Underlying cash	221.3	199.5	197.0	182.1
Share options	(23.9)	(23.9)	(15.7)	(15.0)
Deferred tax impacts	-	(21.1)	-	52.1
Insurance reserves	(1.6)	(1.6)	(1.8)	(1.8)
Back office infrastructure	(20.9)	(16.7)	(18.1)	(14.4)
Variance	(11.4)	(7.7)	2.3	3.8
Underlying profit	163.5	128.5	163.7	206.8
DAC/DIR/PVIF	(22.9)	(16.8)	(12.4)	(4.8)
IFRS profit	140.6	111.7	151.3	202.0

	Year Ended 31 December 2016	Year Ended 31 December 2015
	Pence	Pence
IFRS basic earnings per share	21.5	38.9
IFRS diluted earnings per share	21.3	38.5
Underlying cash basic earnings per share	38.2	34.6
Underlying cash diluted earnings per share	37.9	34.2

Underlying Profit before Shareholder tax

The result for the year was £163.5 million, in line with the result of £163.7 million in 2015. A breakdown by segment is provided in the following table:

	Year Ended 31 December 2016 £' Million	Year Ended 31 December 2015 £' Million
Life business	165.8	174.2
Unit Trust and DFM business	92.3	70.7
Funds management business	258.1	244.9
Distribution business	(25.9)	(21.2)
Back office infrastructure development	(20.9)	(18.1)
Other	(47.8)	(41.9)
Underlying profit before shareholder tax	163.5	163.7

Funds management

The profit for the year to 31 December 2016 was £258.1 million (2015: £244.9 million), which was 5% higher than the prior year. Higher income from funds under management was partially offset by higher expenses and some one-off costs from reviewing charges in two small cohorts of legacy business. The investment in the infrastructure of Rowan Dartington for future growth reduced profit by £5.1 million. Finally, a reallocation of expenses between Life and Unit Trust business has impacted the respective results of each business.

Distribution business

St. James's Place is a vertically integrated firm, allowing it to benefit from the synergies of combining funds management with distribution. Therefore, as well as the income generated on the funds under management, there is a further margin from the distribution activity, which depends principally on the levels of new business, expenses and investment.

The 2016 result has been negatively impacted by a continued, albeit slightly reduced year on year, high contribution to the FSCS, which for the year was £16.5 million (2015: £19.8 million). The Asian business also made a loss in the year of £13.2 million (2015: £7.0 million) reflecting the corporate investment in securing this business. After adjusting for these costs in both years, there was a trading profit of £3.8 million in the current year which was similar to the trading profit of £5.6 million in 2015.

Back office development

As noted on page 16 our investment in our back office development project (known as Bluedoor) during the year was £20.9 million (2015: £18.1 million).

Other

Other operations made a negative contribution of £47.8 million (2015: negative contribution of £41.9 million). The largest contributors to the result were the costs of share options and the impact of strategic investment (other than the back office development identified separately above).

The higher share option cost of £23.9 million in the current year (2015: £15.7 million) principally reflected a full year expense of the new Partner share scheme which was launched in the second half of 2015. Additionally, National Insurance associated with share options cost £1.9 million in the year (2015: £3.4 million).

In 2016 investment in RD and Asia which have been allocated above, but other strategic development costs, including the Academy, were £15.7 million compared to £10.2 million in 2015 (see Section 2 on page 16 for more detail on the associated expenses).

Finally, our matching grant and other contributions to the work of the Foundation totalled £3.7 million in 2016 (2015: £3.8 million).

DAC, DIR and PVIF

The net movement in the DAC, DIR and PVIF intangibles has a negative contribution to profit as summarised in the table below. Additional analysis is included in Note 8 on page 62.

	Year Ended 31 December 2016		Year Ended 31 December 2015	
	Before shareholder tax	**After tax**	Before shareholder tax	After tax
	£'Million	**£'Million**	£'Million	£'Million
Amortisation	(4.5)	(3.4)	12.4	9.9
Tax rate change	-	2.1	-	5.9
Arising on new business	(18.4)	(15.5)	(24.8)	(20.6)
Movement in year	(22.9)	(16.8)	(12.4)	(4.8)

The net impact of amortisation of the accumulated balances of DAC and PVIF assets, and DIR liability, has, as expected, reduced again during the period, turning negative compared with the prior year.

The amortisation pattern of DAC and DIR is different, with the DAC balance amortising steadily over 14 years while a substantial proportion of the DIR balance will amortise over 6 years. Historically this has resulted in faster deferred income recognition than acquisition expense accrual, and a positive impact overall from amortisation.

However, since the implementation of RDR in 2013 the level of new DAC and DIR has reduced significantly and the large historic balances have been unwinding down towards the new normal. The faster amortisation of DIR means that its trend towards a new lower rate has been quicker, causing the net amortisation level to reduce and ultimately turn negative, which developing effect can also be seen in Note 8.

Previous guidance stated this reducing trend would continue until the pre-RDR DIR balance had unwound (over 6 years, say 2020), at which point the net amortisation level would stabilise before starting to increase back towards a new long-term level as the pre-RDR DAC balance unwinds (by 14 years, say 2028). However, the reassessment of £267 million of investment contract liability at the end of 2016 has re-established a significant DIR balance, which will amortise over the next 6 years. We therefore expect a change in the overall amortisation in 2017 to a positive £30-35 million before shareholder tax. The equivalent in 2016 would have been c.£50 million before shareholder tax and c.£40 million after tax, which reflect an increase of c.£55 million before shareholder tax and c.£45 million after tax. (For clarity, there is no change in expected pattern of DAC amortisation.)

At the same time, the revised assessment of investment contact liability results in a change in the income deferred from future new business. If the revised approach was applied to business in 2016 the impact would have been an increase in new DIR of c.£90 million (c.£70 million after tax), taking the total negative impact from new business to around £110 million before shareholder tax and c.£90 million after tax. In future years we would expect this negative contribution to move in line with new business growth albeit reflecting business mix impacts.

Overall, and since our business has been growing, we expect that the negative impact of deferring more income from new business will exceed the positive impact of amortising the historic balances, meaning the DAC/DIR/PVIF adjustment will be more negative in future. But of course this will simply offset the equal and opposite positive impact we are expecting in the Cash result (see page 25).

Tax rate changes in both years impacted the post-tax movements.

Finally, it is important to note the intangible and deferred nature of these items, meaning that they do not reflect the operating performance of the business. This is why we believe the Underlying profit measure, which is adjusted from IFRS to remove these impacts, provides a useful measure of operating performance.

Shareholder Tax

The actual tax rate in each of the periods may be impacted by significant one-off items and events such as a change in corporation tax rate. The table below provides a high level analysis of shareholder tax, and a more detailed analysis is included in Note 7.

	Year Ended 31 December 2016	Year Ended 31 December 2015
	£' Million	£' Million
Expected shareholder tax	(27.2)	(29.2)
Recognition of capital losses	2.2	74.8
Other tax adjustments	(2.6)	0.6
Corporation tax rate change	(1.3)	4.5
Actual shareholder tax	(28.9)	50.7
Expected shareholder tax rate	19.3%	19.3%
Actual shareholder tax rate	20.6%	(33.5%)

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.

There has been a small reassessment in the **recognition of capital losses** adding £2.2 million to profit (negative tax impact) in the year (2015: £74.8 million negative tax impact, positive profit) and the combined impact of a number of other small tax adjustments was a £2.6 million negative impact on profit, or increase to tax (2015: £0.6 million negative impact on tax, positive on profit).

The reduction in the rate of corporation tax to 17% from 1 April 2020 was enacted in the Finance Act 2016. The impact of this reduction on the net deferred tax assets and liabilities results in a negative impact of £1.3 million due to the level of deferred tax assets being greater than the level of deferred tax liabilities (2015: £4.5 million positive impact).

The overall impact of these effects was to increase the tax charge on an IFRS basis to £28.9 million (2015: negative impact on tax of £50.7 million).

IFRS profit

Analysis of the IFRS profit before tax, Profit before shareholder tax and IFRS profit after tax is presented in the table below, which also shows the impact of the tax incurred on behalf of policyholders:

	Year Ended 31 December 2016 £' Million	Year Ended 31 December 2015 £' Million
IFRS profit before tax	486.3	174.1
Policyholder tax	(345.7)	(22.8)
Profit before shareholder tax	140.6	151.3
Shareholder tax	(28.9)	50.7
IFRS profit after tax	111.7	202.0

The **Profit before shareholder tax** for the year was £140.6 million (31 December 2015: £151.3 million). The impact of the increasingly negative contribution from the net movement in DAC/DIR/PVIF intangibles was a major contributor to the lower Profit before shareholder tax result in the current period.

The **IFRS profit after tax** result similarly reflected the impact of the negative net movement in DAC/DIR/PVIF in the current period, but the prior period result also benefitted significantly from recognition of £74.8 million of capital losses. These two factors more than reversed the underlying growth in the business and resulted in a significant reduction in profit between the years.

By contrast the **IFRS profit before tax** increased significantly to £486.3 million (31 December 2015: £174.1 million). This significant increase reflects the underlying positive investment performance in client policies, which generates higher policy charges intended to meet the Policyholder tax element of the corporate tax charge (as described in the definition of Policyholder tax provided on page 11). In practice, the very substantial increase in IFRS profit before tax is offset by the equivalent increase in Policyholder tax, and it is the Profit before shareholder tax which provides a better indication of the underlying performance of the business.

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 2016 £' Million	Year Ended 31 December 2015 £' Million
Purchased value of in-force*	25.0	27.4
Deferred acquisition costs*	587.0	627.2
Deferred income*	(607.9)	(368.3)
Other IFRS net assets	1.5	7.7
Solvency II net assets	1,070.0	801.1
Total IFRS net assets	1,075.6	1,095.1

* net of deferred tax

	Year Ended 31 December 2016 Pence	Year Ended 31 December 2015 Pence
Net asset value per share	203.9	208.7

SECTION 4: SOLVENCY, LIQUIDITY AND CASH RESULTS

This section brings together our reporting on the Solvency II net assets and liquidity, together with our reporting of the Cash results and solvency.

Solvency II Net Assets

In addition to presenting an IFRS statement of financial position (on page 49), we believe it is beneficial to provide a balance sheet reflecting our approach to managing solvency. Solvency II net assets are based on the IFRS statement of financial position, but with adjustments made to accounting assets and liabilities to reflect the Solvency II regulations. In addition provision for insurance liabilities is set equal to the associated unit liabilities. The following table sets out the adjustments to move from IFRS to Solvency II net assets.

31 December 2016	**IFRS Balance Sheet**	Adjustment 1	Adjustment 2	**Solvency II Net Assets Balance Sheet**	2015
	£'Million	**£'Million**	**£'Million**	**£'Million**	£'Million
Assets					
Goodwill	13.8	-	(13.8)	-	-
Deferred acquisition costs	684.8	-	(684.8)	-	-
Acquired value of in force business	30.4	-	(30.4)	-	-
Developments	3.0	-	(3.0)	-	-
Property and equipment	23.1	-	-	23.1	8.0
Investment property	1,462.4	(1,462.4)	-	-	-
Equities	46,598.7	(46,598.7)	-	-	-
Fixed income securities	12,445.5	(12,397.8)	-	47.7	83.1
Investment in Collective Investment Schemes	3,864.8	(2,997.4)	-	867.4	531.0
Derivative financial instruments	729.1	(729.1)	-	-	-
Reinsurance assets	80.5		(80.5)	-	-
Cash and cash equivalents	7,413.1	(7,067.2)		345.9	233.5
Other receivables	1,473.0	(187.2)	(63.0)	1,222.8	500.1
Deferred tax assets	199.9	-	(42.2)	157.7	179.2
Total assets	**75,022.1**	**(71,439.8)**	**(917.7)**	**2,664.6**	**1,534.9**
Liabilities					
Insurance contracts liabilities	518.2	(435.3)	(82.9)	-	-
Borrowings	281.4	-	-	281.4	181.8
Investment contract benefits	53,307.1	(53,307.1)	-	-	-
Derivative financial instruments	281.9	(281.9)	-	-	-
Net asset value attributable to unit holders	17,032.0	(17,032.0)	-	-	-
Other provisions	17.1	-	-	17.1	15.4
Other payables	1,173.6	(383.5)	(1.1)	789.0	300.7
Income tax liabilities	72.7	-	-	72.7	29.6
Deferred tax liabilities	614.8	-	(180.5)	434.3	206.2
Deferred income	647.6	-	(647.6)	-	-
Preference shares	0.1	-	-	0.1	0.1
Total liabilities	**73,946.5**	**(71,439.8)**	**(912.1)**	**1,594.6**	**733.8**
Net Assets	**1,075.6**	**-**	**(5.6)**	**1,070.0**	**801.1**

Adjustments:

1. Nets out the policyholder interest in unit-linked assets and liabilities.
2. Adjustments to the IFRS statement of financial position in line with Solvency II requirements, including removal of DAC, DIR, PVIF, deferred tax, goodwill and other intangibles.

Liquidity

Included in the previous table are holdings in Fixed Interest Securities, Collective Investment Schemes and other cash and cash equivalents. It is our policy is always to hold such assets in high credit quality liquid assets. An analysis of these holdings is provided below:

Holding Name	£'Million	£'Million
Fixed Interest Securities		
1% UK Treasury 07/09/2017	42.3	
1.75% UK Treasury 22/01/2017	0.6	
1.375% Singapore Government Bonds 01/10/2017	4.8	47.7
Collective Investment Schemes (AAA rated money market funds)		
Aberdeen	54.3	
BlackRock	178.0	
Goldman Sachs	154.4	
HSBC	28.6	
Insight	153.3	
JP Morgan	151.0	
Legal & General	147.8	867.4
Cash and cash equivalents (bank balances)		
Bank of Scotland	31.8	
Barclays	93.5	
HSBC	55.8	
Lloyds TSB	47.0	
Metro	23.0	
NatWest	37.9	
Santander	35.1	
Others	21.8	345.9
Total		1,261.0

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.

The key calls on liquidity will be investment to support the business and payment of the Group dividend. 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 our growth aspirations.

Movement in Solvency II Net Assets

The table below details the movement in the Solvency II net assets over the year which after adjusting for changes in non-cash items such as deferred tax assets, goodwill and intangibles, as well as changes in equity such as dividends paid in the year (see also page 48 – consolidated statement of changes in equity) provides the net cash result for the period.

	Year Ended 31 December 2016	Year Ended 31 December 2015*
	£'Million	£'Million
Opening Solvency II Net Assets	801.1	708.7
Dividend paid in period	(155.2)	(130.8)
Issue of share capital and exercise of options	6.6	11.8
Consideration paid for own shares	(5.5)	(12.8)
Movement in other reserves	0.2	-
Change in deferred tax	(17.2)	52.7
Change in goodwill and intangibles	(2.4)	-
Unit liability reassessment	267.0	-
Cash result	175.4	171.5
Closing Solvency II Net Assets	1,070.0	801.1

* The Solvency II net assets disclosed at 31 December 2015 were adjusted for submission to the regulator.

The closing Solvency II Net Assets reflects an increase of £267 million as a result of unit liability reassessment (impacting Adjustment 2 in the table on page 23). This increase in net assets does not reflect a change in the underlying business and so, when considering solvency, management offsets the positive increase in Solvency II Net Assets by increasing the capital requirement (the Management Solvency Buffer) by a similar amount (see also page 29).

Cash results

As noted above, the change in the Solvency II Net Assets, after adjusting for changes in non-cash items such as deferred tax assets, goodwill and intangibles, as well as changes in equity such as dividends paid in the year (see also page 48 – consolidated statement of changes in equity) provides the Cash result for the period. The Cash result provides an alternative view of the cash generation of the Group during a reporting period. The Cash result should not be confused with the IFRS consolidated statement of cash flows which is prepared in accordance with IAS 7 and disclosed on page 50.

The following tables show: an Operating cash result, reflecting the regular emergence of cash from the business operations; and an Underlying cash result which additionally reflects the cash impact of our strategic investments. The reconciliation of the Underlying cash result to the Underlying profit measure is presented on page 18.

There are also some cash items whose emergence is volatile, varying over time, and which are influenced by market movements. These impacts, together with the short term costs associated with the back office infrastructure project are shown after the Underlying cash result.

The Cash results are presented after tax and can be analysed as 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 following tables and commentary provide an indicative analysis of the Cash result into these two elements.

The Cash results are the principal measures the Board considers when determining the dividend payment to shareholders.

Year Ended 31 December 2016

	Note	In-Force	New Business	Total
		£'Million	**£'Million**	**£'Million**
Operational				
Net annual management fee	1	468.5	40.4	508.9
Reduction in fees in gestation period	1	(165.6)	(24.3)	(189.9)
Net income from funds under management	1	302.9	16.1	319.0
Margin arising from new business	2	-	49.0	49.0
Establishment expenses	3	(12.9)	(115.7)	(128.6)
Operational development expenses	3	-	(13.9)	(13.9)
Regulatory fees	3	(0.4)	(3.4)	(3.8)
FSCS levy	3	(1.4)	(12.3)	(13.7)
Shareholder interest	4	9.8	-	9.8
Tax relief from capital losses	5	12.6	-	12.6
Miscellaneous	6	(4.4)	-	(4.4)
Operating cash result		306.2	(80.2)	226.0
Investment				
Academy	7	-	(5.8)	(5.8)
Asia	7	-	(12.2)	(12.2)
DFM	7	-	(3.2)	(3.2)
Strategic development costs	7	-	(5.3)	(5.3)
Underlying cash result		306.2	(106.7)	199.5
Back-office infrastructure development	7			(16.7)
Variance	8			(7.4)
Cash result				175.4

Year Ended 31 December 2015*

	Note	In-Force	New Business	Total
		£'Million	£'Million	£'Million
Operational				
Net annual management fee	1	406.7	33.5	440.2
Reduction in fees in gestation period	1	(143.1)	(18.5)	(161.6)
Net income from funds under management	1	263.6	15.0	278.6
Margin arising from new business	2	-	47.8	47.8
Establishment expenses	3	(11.1)	(100.2)	(111.3)
Operational development expenses	3	-	(13.8)	(13.8)
Regulatory fees	3	(0.6)	(5.2)	(5.8)
FSCS levy	3	(1.6)	(14.3)	(15.9)
Shareholder interest	4	8.6	-	8.6
Tax relief from capital losses	5	12.1	-	12.1
Miscellaneous	6	(4.7)	-	(4.7)
Operating cash result		266.3	(70.7)	195.6
Investment				
Academy	7	-	(4.4)	(4.4)
Asia	7	-	(6.3)	(6.3)
DFM	7	-	(1.3)	(1.3)
Strategic development costs	7	-	(1.5)	(1.5)
Underlying cash result		266.3	(84.2)	182.1
Back-office infrastructure development	7			(14.4)
Variance	8			3.8
Cash result				171.5

*The Cash result for 2015 reflected the movement in certain Solvency I reserves as that was the regulatory regime at the time.

Notes

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

1. The net annual management fee is the manufacturing margin the Group retains from funds under management after payment of the associated costs (e.g. investment advisory fees and payments to Partners). Broadly speaking the Group receives an average net annual management fee of 0.77% (post tax) of funds under management (2015: 0.77% post tax).

   However, as noted in Section 1 on page 14, due to our product structure, investment and pension business does not generate cash in the first six years (known as the ‘gestation period’). This is reflected in an adjustment which is the reduction in fees in gestation period.

   The overall result is the net income from funds under management which was some 15% higher than 2015, reflecting higher average funds under management during the year.

   The reassessment of the level of the investment contract liability has resulted in an increase in Solvency II Net Assets of £267 million at the year end, but this amount will gradually unwind during the next 6 years through a higher reduction in fees in the gestation period. If the approach had been implemented at the start of the year, the impact would have been an increase in the negative amount by some £45 million.

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

   The revised assessment of investment contact liabilities results in an increase in the level of initial margin recognised in the Cash result through the margin arising from new business. If this approach had been adopted at the start of 2016 the margin would have been some £70 million higher. In future years, this additional margin will move in line with new businesses volumes, albeit adjusted for any business mix effects.

3. Expenses: These reflect the expenses of running the Group and more detail is provided in the table on page 16 in Section 2. In line with the rest of the table they are presented after allowance for tax.

4. 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.

5. 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. Utilisation during the year of £12.6 million tax value (2015: £12.1 million) was slightly ahead of our expected rate of c. £8-10 million benefit in a year.

6. Miscellaneous: This represents the cash flow of the business not covered in any of the other categories, including ongoing administration expenses and associated policy charges, together with utilisation of the deferred tax asset in respect of prior years’ unrelieved expenses (due to structural timing differences in the life company tax computation).

7. Strategic investments, including back office infrastructure: These reflect significant investments in developing our business for the future. Further analysis of the expenses associated with these initiatives is presented in Section 2 on page 16, but all are expected to result in either additional funds (Academy, Asia and DFM) or expense savings (Back office infrastructure) in the future. Advice margin generated in Asia and all fees generated by DFM are reflected in the relevant line.

8. Variance: This reflects variances in the settlement of tax related liabilities between the policyholders (unit-linked funds), the shareholder and HMRC. It also reflects a £6.6 million negative one-off cost of reviewing charges in two small cohorts of legacy business and a number of other small positive and negative one-off items.

Solvency

St. James's Place is a simple wealth management group 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 encashment value on the unit-linked business, movements in equity markets, interest rates, mortality, morbidity, longevity and currency rates have little impact on our ability to meet liabilities (although they can impact 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 is assurance that we can meet liabilities, and a resilient solvency position that is dependable even through adverse market conditions.

We manage solvency of our business on the basis of holding assets in excess of the client unit-linked liabilities plus a Management Solvency Buffer (MSB). This ensures we are able not only to meet client liabilities at all times, but the prudence of the MSB acts as protection against other risks.

At 2015 year end we assessed the MSB for our life businesses as £150 million, having taken 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). At the 2016 year end, on the same basis, we assessed the MSB for our life businesses as £170 million, increasing slightly as a result of economic conditions.

However, as a result of our reassessing the unit liability in line with the encashment value the Solvency II net assets have increased by £267 million, with no change in our risk profile. We therefore believe it is appropriate to increase our MSB to £437 million at the year-end (equal to £170 million plus £267 million).

During H1 2017, we are undertaking an asset-liability matching exercise which will reduce our corporate exposure to market risk and result in a reduction in risk capital requirement. Following this exercise, we will review the MSB and we expect it will reduce. We will report on the outcome of that review at half year.

We continue to hold capital within the Group in respect of the other regulated (but non-insurance) companies, based on holding excess capital significantly above the regulatory requirement.

31 December 2016	Life	Other Regulated	Other	Total	2015 Total
	£'Million	£'Million	£'Million	£'Million	£'Million
Solvency II net assets*	530.0	145.3	394.7	1,070.0	812.9
Management Solvency Buffer (MSB)	437.0	90.0		527.0	202.3
Management solvency ratio	121%	161%			

*After payment of year end intragroup dividend but before Group Final dividend.

Solvency II net assets reflects the assets of the Group in excess of those matching the clients' (unit-linked) liabilities. It includes a £149.9 million deferred tax asset which is not immediately fungible, although we expect it will be utilised over the next ten years. The actual rate of utilisation will depend on business growth and external factors, particularly investment market conditions.

Solvency II Balance Sheet

Whilst we focus on Solvency II net assets and the MSB to manage solvency, we provide additional information about the Solvency II free asset position for information. The presentation starts from the same Solvency II net assets, but includes recognition of an asset in respect of the expected Value of In-Force cashflows (VIF) and a Risk Margin (RM) reflecting the potential cost to secure the transfer of the business to a third party. The Solvency II net assets, VIF and RM comprise the 'Own Funds', which is assessed against a Solvency Capital Requirement (SCR), reflecting the capital required to protect against a range of "1 in 200" stresses. The SCR is calculated on the Standard Formula approach. No allowance has been made for Transitional Provisions in the calculation of Technical provisions or SCR.

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

31 December 2016	Life	Other Regulated	Other	Total	2015 Total
	£'Million	£'Million	£'Million	£'Million	£'Million
Solvency II net assets *	530.0	145.3	394.7	1,070.0	812.9
Value of in-force (VIF)	2,707.9			2,707.9	2,306.6
Risk Margin	(779.2)			(779.2)	(624.0)
Own Funds (A)	2,458.7	145.3	394.7	2,998.7	2,495.5
Solvency capital requirement (B)	(1,991.0)	(55.5)		(2,046.5)	(1,595.8)
Solvency II free assets	467.7	89.8	394.7	952.2	899.7
Solvency ratio (A/B)	123%	262%		147%	156%

*After payment of year end intragroup dividend but before Group Final dividend.

The solvency ratio after taking account of the final dividend is 141% at the year end (2015: 151%).

As noted in our commentary on the Solvency II result last year, 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 is not very sensitive to changes in experience or assumptions, and can move counter-intuitively depending on circumstances. For example, the relative reduction in Solvency ratio from 2015 to 2016, is partly due to changes in economic assumptions, particularly lower interest rates and higher future inflation expectations. However, it has also been impacted by the positive impact of investment performance on FUM, which has resulted in an increase in SCR by over 25%. Since Solvency II Net Assets (typically cash or fixed interest) have not increased in line with markets, the ratio has fallen. So despite the positive impact on our business of strong investment performance, our solvency ratio has reduced.

More generally, since our business profile has not changed significantly from last year end, the sensitivity analysis presented at that stage remains relevant.

SECTION 5: EMBEDDED VALUE (EV)

Life business and wealth management business differ from most other businesses, in that the expected shareholder income from the sale of a product emerges over a long period in the future. We therefore complement the IFRS and cash results by providing additional disclosure on an EV basis, which brings into account the net present value of the expected future cash flows. We believe that a measure of total economic value of the Group's operating performance is useful to investors.

As in previous reporting, our EV continues to be calculated on a basis determined in accordance with the EEV principles originally issued in May 2004 by the Chief Financial Officers Forum (CFO Forum) and supplemented in October 2005. Following the introduction of Solvency II, the CFO Forum published an amended set of principles in April 2016. The key change implemented in our results for December 2016 is to reflect a reduction in the cost of holding a revised level of solvency capital, moving from assuming 100% of Solvency I capital requirement to reflecting our new approach to capital management for the Group based on holding a Management Solvency Buffer over the unit-linked liabilities for our Life businesses.

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

	Year Ended 31 December 2016 £' Million	Year Ended 31 December 2015 £' Million
Life business	501.4	467.0
Unit Trust and DFM business	266.8	274.4
Funds management business	768.2	741.4
Distribution business	(25.9)	(21.2)
Back office infrastructure development	(20.9)	(18.1)
Other	(47.8)	(41.9)
EEV operating profit	673.6	660.2
Investment return variance	537.2	(24.4)
Economic assumption changes	(12.4)	0.9
EEV profit before tax	1,198.4	636.7
Tax	(212.9)	(116.5)
Corporation tax rate change	28.6	47.8
EEV profit after tax	1,014.1	568.0

	Year Ended 31 December 2016 Pence	Year Ended 31 December 2015 Pence
EEV operating profit basic earnings per share	105.9	103.9
EEV operating profit diluted earnings per share	105.2	102.8

EEV Operating Profit

Funds Management Business

The funds management business operating profit has increased to £768.2 million (2015: £741.4 million) and a full analysis of the result is shown below:

	Year Ended 31 December 2016 £' Million	Year Ended 31 December 2015 £' Million
New business contribution	520.2	440.7
Profit from existing business		
- unwind of the discount rate	199.6	172.4
- experience variance	1.4	78.1
- operating assumption change	18.6	44.1
Addition of Rowan Dartington	21.0	-
Investment income	7.4	6.1
Fund management business EEV operating profit	768.2	741.4

The **new business contribution** for the year at £520.2 million (2015: £440.7 million) was some 18% higher than the prior year, reflecting the strong gross inflows (up 23%) and the mix of business.

The **unwind of the discount rate** for the year was £199.6 million (2015: £172.4 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 result in the current year reflects both a slightly higher discount rate than 2015 and the higher start year opening VIF balance.

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. The unwind for the current year is based on a discount rate of 5.2% compared with 5.0% for the prior year. Had the discount rate been consistent with 2015 the unwind and operating profit would have been £8.0 million lower.

There was a small positive **experience variance** during the year of £1.4 million. The strong positive variance of £78.1 million in the prior year principally reflected the value ascribed to significant capital losses within the historic Group companies identified in the year.

As in the prior year, the positive **operating assumption change** in the year of £18.6 million (2015: £44.1 million) reflected improvements in the retention assumptions on pension business (Drawdown business in 2016) and adjustment to the maintenance expense assumption.

The **addition of Rowan Dartington** within the embedded value calculation has contributed £21.0 million.

The **investment income** for the year was little changed at £7.4 million (2015: £6.1 million).

Distribution business, back office development and other

These items have already been commented on in the IFRS section on page 19.

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 rise in global stock markets during the second half of the year, together with the currency impact from the depreciation of Sterling, has significantly contributed to a strong investment return for our funds. Average growth in our funds of 14% to 18% (net of charges) compares with an assumed investment return of 2.5% (net of charges), which gives rise to a significant positive investment variance of £537.2 million for the year. For the prior year there was a negative investment return of £24.4 million reflecting the slightly lower actual investment return compared with the assumed return.

Economic Assumption Changes

The negative variance of £12.4 million arising in the year principally reflects the increase in the implied inflation rate (2015: £0.9 million positive).

EEV Profit before Tax

The total profit before tax for the year was £1,198.4 million, compared with £636.7 million, although the significant improvement is principally reflecting the difference in the investment return variance between the two years.

Tax

The tax charge at £212.9 million (2015: £116.5 million) reflects the underlying result.

A further reduction in the corporation tax rate from 18% to 17% effective 1 April 2020 was enacted in the Finance Act 2016. The capitalised effect of this change has been included as a reduction in tax of £28.6 million. Those tax cuts previously announced have already been reflected in the valuation.

EEV Profit after Tax

The EEV profit after tax was £1,014.1 million (2015: £568.0 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 2016	Year Ended 31 December 2015
Investment		
New business contribution (£'Million)	108.3	124.9
New money invested (£'Billion)	2.28	2.45
Margin (%)	4.8	5.1
Pension		
New business contribution (£'Million)	207.9	140.6
New money invested (£'Billion)	5.12	3.66
Margin (%)	4.1	3.8
Unit Trust and DFM business		
New business contribution (£'Million)	204.0	175.2
New money invested (£'Billion)	3.95	3.13
Margin (%)	5.2	5.6
Total business		
New business contribution (£'Million)	520.2	440.7
New money invested (£'Billion)	11.35	9.24
Margin (%)	4.6	4.8
Post tax margin (%)	3.8	3.9

The slight fall in the total margin from 4.8% to 4.6% reflects both a positive impact from an increased level of new business together with a negative impact from a change in business mix, with a greater proportion of pension business in the current year.

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 2016 £' Million	Year Ended 31 December 2015 £' Million
Value of in-force		
- Life	2,636.2	2,279.5
- Unit Trust and DFM	1,044.9	787.6
Solvency II net assets	1,070.0	801.1
Total embedded value	4,751.1	3,868.2

	Year Ended 31 December 2016 Pence	Year Ended 31 December 2015 Pence
Net asset value per share	900.7	737.3

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, clients, Partners, regulators and employees, and to provide reasonable assurance against material financial misstatement or loss.

Risk management, solvency projections and stress and scenario testing 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 detail in our Group Risk Appetite Statement, which is owned by the Board and reviewed at least annually. The Risk Appetite Statement is aligned with the outcomes-based approach of the Group's business and client objectives and the overarching Risk Management Framework. 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; and
- 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 is reported regularly to 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 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 Committee 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 sub-committees 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:

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*

FINANCIALS AND 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 within agreed thresholds 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.

Recognising the importance of ongoing effective risk management, the Group maintains a comprehensive suite of governance policies to support the Risk Management Framework.

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 activity, 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 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, containing the ORSAs for each insurance company within the Group. We also produce a separate ORSA for the Singapore Branch of St. James's Place International, to meet the requirements of the local regulator. In 2016 the Group submitted its third annual ORSA report to the regulator, relating to the period ended 31 December 2015.

The ORSA is directed by the Board, with active engagement from the boards of St. James's Place UK plc ("SJPUK") and St. James's Place International plc ("SJPI"), 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). The ORSA is a continually evolving process which has been useful to inform management decisions during the year and is increasingly embedded in ongoing risk management processes throughout the Group.

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. This process ensures our continued confidence that the regulated entities remain strongly capitalised.

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 strategy documents;
- 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 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 considered include a broad range of scenarios, including market shocks, mass lapse events, new business growth scenarios and particularly operational risk events. These were evaluated for the impact on the free assets of the Group of the change in key assumptions or circumstances. In all severe but plausible 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 and 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; and
- 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 are the risks which could have a material impact on the key strategic outcomes in the five areas set out on page 36. The Group Board and the Boards of the insurance entities have responsibility for assessing their main risks and these are monitored on a regular basis by the Board Risk Committee, the Executive Board, the SJPUK and SJPI Boards, the SJPI Risk and Compliance Committee and the SJPI Singapore Branch Executive Management Committee.

Against each of the principal risks, consideration is given to the level of exposure and the extent to which the risk can be mitigated. For example, the Group believes that the Accumulation of Reputational Issues risk set out below presents a significant exposure yet is difficult to mitigate beyond the processes currently in place across the business. Conversely, the Investor Relations risk described below presents a more moderate exposure and can be mitigated through the ongoing development of the Investor Relations team.

In reflection of the stability and consistency of the Group's business model, there have been no significant changes in the principal risks to the Group over the last year. However, notable political events and economic changes during the year have had the effect of bringing certain risks, in particular those in respect of market performance and relative exchange rates, into sharper focus. The changes in government and uncertainties created by the vote to leave the European Union have led to an increase in the risks associated with regulatory, legislative and tax changes, although the Group remains well-positioned to accommodate and build on any such changes.

The 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
Systemic advice failure	Clients rely on their SJP Partners for the provision of initial and ongoing advice. Failures in the quality of advice or documentation of advice could lead to redress costs, reputational damage and regulatory intervention.	Clients	There are many processes in place to mitigate this risk, including detailed advice guidance with appropriate governance around changes and updates, appropriate incentive structures, Partner training and accreditation, compliance procedures, monitoring processes and quality checking. The Group guarantees the advice given by Partners and also has appropriate professional indemnity insurance in place.
Cyber risk or outsourcing failure	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. In particular, a significant cyber-attack could cause very substantial reputational damage.	Clients, Financials and Shareholders	We maintain close working relationships with our outsourcing partners, who are central to our business model. This enables us in seeking to work effectively and efficiently together to deliver the best result. Service level agreements are in place and performance is monitored against these. In the extreme event, all our relationships are governed by formal agreements with notice periods. The business continuity arrangements of each outsourcer are also continually tested and improved and scenario analysis is carried out. An effective information security control framework is in place and we continue to enhance our existing cyber security risk management capabilities in light of the increasing threat in this area.
Low yield environment	Our approach to investment management may fail to deliver expected returns to clients of the Group or the range of products and services offered may become inappropriate for client needs.	Clients	We actively manage and monitor the performance of our investment managers through the Investment Committee, which also makes use of firms of professional investment 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. Effective governance frameworks are

Risk	Description	Outcome	Management and Controls
			in place in respect of manufactured and third-party products.
Partner proposition, recruitment and retention	Group products are distributed, and ongoing advice is provided, exclusively through the SJP Partnership. Inadequacies in the Partner proposition, range of products, technology or services offered to the Partnership may result in inefficiencies and frustration, with consequent loss of Partners and client impact, or inability to recruit sufficient, high quality new Partners or field management.	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.
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. Wholesale changes to regulations or to the political environment may result in implementation costs and disruption to business. The Group could face a fine or regulatory censure from failure to comply with applicable regulations, with increased supervisory intrusion and disruption to business.	Regulators	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.
Competition and charge pressure	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. The low yield environment places additional pressure on client charges and advice fees.	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 is monitored allowing action to be taken in a timely manner if required. The Group offers a diversified product range, including manufactured and third party products. We have a proven track record in Partner and employee acquisition and retention. 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
			Similarly, variable remuneration of key employees is structured to aid retention.
Availability of credit	Lack of availability of credit may limit the Group's ability to provide Partner loans and make strategic investments.	Financials and shareholders	A debt funding policy is in place, with committed funds available through the revolving credit facility. Credit-approved bank lending facilities are available to support Partner loans. Further corporate borrowing requires approval at Board level.
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.
Accumulation of reputational issues	The success of the Group is closely linked with the strength of the St. James's Place brand. An accumulation of reputational issues, for example advice failures, fraud, service issues, low client investment returns, has the potential to damage the brand, leading to reduced retention and lower levels of new business.	Financials and shareholders	Mitigants for individual reputational events are described earlier in the table. The Group seeks to achieve the best possible outcomes for its clients and the cultural driver of 'doing the right thing' runs through the whole organisation. However, it is recognised that isolated incidents will occur and, when this is the case, the Group seeks to rectify the issue and achieve positive outcomes for clients.
People and culture	People and the distinctive culture of the Group play an important part in its success. Poorly managed expansion, succession, culture and resourcing may lead to loss of valued individuals, increased risk of errors, and failure to deliver on the business plan.	People	This risk is mitigated through effective leadership, succession planning, the implementation of executive and management development initiatives and regular surveys and consultation groups. The latter enable us to monitor the sentiment of our staff and Partners and identify any potential adverse impacts upon, or trends within, our culture, and respond appropriately.

FINANCIAL RISKS

Risk	Description	Outcome	Management and Controls
Market Risk – Loss of Annual Management Charge (AMC) income	A reduction in funds under management owing to market shocks, poor market performance or currency and exchange rate movements would reduce future AMC income, and hence future profits.	Financials and shareholders	The Group accepts the risk of reduced future profits as a result of market shocks, poor market performance, adverse movement in credit spreads or currency movements. This risk is mitigated to an extent by the diversified fund range.

Risk	Description	Outcome	Management and Controls
Insurance risk	A reduction in funds under management owing to poor retention 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	Retention 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 benefit 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 five 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. Clients meet investment management fees directly through the product, with changes, both positive and negative, also passed on.

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 by the shareholder. 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	Generally, shareholder funds are invested in high credit rating and highly liquid cash and cash-equivalent investments, and only highly rated reinsurers are used. However, in support of the business, some shareholder funds (outside the insurance companies) are used to provide loans to Partners. These are secured against income streams on a conservative multiple and with appropriate 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.

CHAIR'S REPORT

As you will already have read in the Chief Executive's and the Chief Financial Officer's statements, 2016 was another strong year for St. James's Place plc.

In my Statement of last year, I commented that 2015 had seen much political, economic and social upheaval but 2016 was perhaps even more startling. Much has been written about the potential impacts of the Brexit referendum and the election of President Trump, but predicting the future is difficult and relying on such predictions can be risky. We will therefore continue to focus on the fundamentals of the business: delivering good outcomes for our clients through the St. James's Place Partnership. Naturally, we keep a watchful eye on developments within the world around us, which will no doubt continue to change. However, we benefit from our Partner-client centric model which provides a rapid and direct source of information about how the landscape is developing on the ground and therefore how to respond. In times of uncertainty, the benefits of St. James's Place's long term approach to advice and investment should stand our clients in good stead.

David Bellamy has decided to step down from the Board at the end of 2017 after 26 years as an executive, the last 11 of which he has served as Chief Executive Officer. Under his leadership, St. James's Place has gone from strength to strength and is now the leading wealth manager in the UK. It has demonstrably delivered for all of our stakeholders: clients, shareholders, Partners, employees and the charities supported by the St. James's Place Foundation. David has been an outstanding Chief Executive and, although he will continue to lead the business for the remainder of the year, on behalf of the Board and the entire St. James's Place community, I would like to thank him. We are especially pleased that he will remain with the Group in an advisory capacity and will take on the role of Non-executive Chairman of our new International operations.

I am delighted that Andrew Croft will become Chief Executive from the 1st of January 2018. Andrew has already played a key role in the success of the Group serving as Chief Financial Officer for the last 12 years and is the ideal person to lead St. James's Place. At the same time, Craig Gentle, who joined the group in 2016 as Chief Risk Officer, will be appointed as Chief Financial Officer.

In recent years we have expanded our senior management team such that we have an outstanding leadership group with real strength and depth which Andrew will lead. The management changes we have announced reflect the continued development of the executive team as well as our commitment to the strategy which has been so successful over the years.

Having come far in our first 25 years, we are excited about the opportunities that lie ahead. We recognise that it is incumbent on us to build on our strong foundations by continuing to make incremental improvements in all aspects of the business and by learning fast where we do not do as well as we would like. That includes the further development of our proposition for both clients and Partners alike, maintaining our ability to deliver superior client outcomes, expanding our use of technology to support Partners, and completing the transfer of our back-office administrative systems. It also means sustaining our focus on our core areas of expertise and retaining our low strategic risk appetite.

It is crucial that we preserve the distinct culture that characterises St. James's Place. Much is written about culture these days but it is important to be focussed on good evidence of what makes organisations behave in a responsible, fair and sustainable way in respect of all in their communities. We aim to keep those principles firmly in mind in all that we do. It would be rash to claim that we never make mistakes, but if we do, we seek to rectify and to learn as quickly as we can.

One cornerstone of our distinct culture which brings together the entire St. James's Place community is the commitment to the St James's Place Foundation, together with the charities that it supports. Therefore, the Board is pleased to announce the doubling of matched funding for our 25th anniversary year. Alongside our support for the Foundation, we remain committed to being involved in our local communities by way of volunteering and support, as well as through providing employability skills training for young people and through delivering financial education courses for school children.

We have taken seriously our responsibilities to develop our people. For example, we are progressing our Academy concept further with a new programme for para-planners and accreditation schemes for our Partner support teams. We are also enjoying the successes of our apprenticeship and graduate schemes, are working on our management development programmes, and have made advances on gender and diversity. The St. James's Place community is a broad church in many ways but we keep working to make sure we do not unwittingly deter good people from joining us, nor fail to support their continued development once part of the business.

We do operate in a complex world and our stakeholders understandably make many demands of us. We participate frequently in regulatory and government consultations. We survey our clients, Partners and employees, and we engage very actively with our shareholders not only regarding our financial results and strategy, but also around many governance matters. All of these matters are discussed by your Board and we think it is to all stakeholders' benefit that lines of communication are very short. We have always favoured identifying how developments in the governance environment lead to more effective returns for stakeholders, rather than simply adhering to box ticking exercises. It is in all our interests to make sure we continue to deliver good outcomes for our clients and take care of our communities. By doing so we are much more likely to deliver safe, sustainable growth for our shareholders.

2016's results are a result of that approach and the work done over many years as the business has evolved and developed. Our strategic and operational progress in 2016 should bear fruit in future years. The strength of our performance in 2016 and our confidence in our future growth prospects, means that the Board is pleased to propose a 20% increase in the final dividend to 20.67p per share, giving an increase of 18% for the full year. I look forward to supporting the business in continuing to deliver to client, Partners, employees and shareholders in 2017.

Sarah Bates
Chair
27 February 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year Ended 31 December 2016	Year Ended 31 December 2015
		£' Million	£' Million
Insurance premium income		52.2	54.7
Less premiums ceded to reinsurers		(31.5)	(32.6)
Net insurance premium income		**20.7**	**22.1**
Fee and commission income	5	1,703.9	1,333.5
Investment return	6	9,630.1	1,755.8
Other operating income		-	1.5
Net income		**11,354.7**	**3,112.9**
Policy claims and benefits			
- Gross amount		(62.7)	(65.0)
- Reinsurers' share		21.7	28.5
Net policyholder claims and benefits incurred		**(41.0)**	**(36.5)**
Change in insurance contract liabilities			
- Gross amount		(64.6)	10.8
- Reinsurers' share		4.1	(0.5)
Net change in insurance contract liabilities		**(60.5)**	**10.3**
Investment contract benefits		**(9,541.8)**	**(1,762.5)**
Expenses		**(1,225.1)**	**(1,150.1)**
Profit before tax	4	**486.3**	**174.1**
Tax attributable to policyholders' returns	7	(345.7)	(22.8)
Profit before tax attributable to shareholders' returns		**140.6**	**151.3**
Total tax (expense)/credit	7	(374.6)	27.9
Less: tax attributable to policyholders' returns	7	345.7	22.8
Tax attributable to shareholders' returns	7	(28.9)	50.7
Profit and total comprehensive income for the year		**111.7**	**202.0**
Loss attributable to non-controlling interests		(0.5)	(0.2)
Profit attributable to equity shareholders		112.2	202.2
Profit and total comprehensive income for the year		**111.7**	**202.0**
		Pence	Pence
Basic earnings per share	12	21.5	38.9
Diluted earnings per share	12	21.3	38.5

The results relate to continuing operations.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share Capital	Share Premium	Shares in Trust Reserve	Retained Earnings	Misc Reserves	Total	Non-controlling Interests	Total Equity
		Equity attributable owners of the parent							
		£'M	£' M	£' M	£' M	£'M	£' M	£' M	£' M
At 1 January 2015		77.9	147.4	(10.5)	793.1	2.3	1,010.2	(0.1)	1,010.1
Profit/(loss) and total comprehensive income/(expense) for the year					202.2		202.2	(0.2)	202.0
Dividends	12				(130.8)		(130.8)		(130.8)
Issue of share capital		0.3	1.9				2.2		2.2
Exercise of options		0.5	9.0				9.5		9.5
Consideration paid for own shares				(12.8)			(12.8)		(12.8)
Shares sold during the year				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
Profit/(loss) and total comprehensive income/(expense) for the year					112.2		112.2	(0.5)	111.7
Dividends	12				(155.2)		(155.2)		(155.2)
Issue of share capital	12		0.9				0.9		0.9
Exercise of options	12	0.4	5.3				5.7		5.7
Consideration paid for own shares				(5.5)			(5.5)		(5.5)
Shares sold during the year				3.1	(3.1)		-		-
Misc reserves on acquisition						0.2	0.2		0.2
Retained earnings credit in respect of share option charges					22.7		22.7		22.7
At 31 December 2016		79.1	164.5	(20.9)	851.2	2.5	1,076.4	(0.8)	1,075.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2016	As at 31 December 2015
		£' Million	£' Million
Assets			
Goodwill	8	13.8	10.1
Intangible assets			
- Deferred acquisition costs	8	684.8	745.0
- Acquired value of in-force business	8	30.4	33.6
- Computer software	8	3.0	4.3
		732.0	793.0
Property and equipment		23.1	8.0
Deferred tax assets	7	199.9	225.9
Reinsurance assets		80.5	85.0
Other receivables		1,473.0	967.2*
Investments			
- Investment property	9	1,462.4	1,344.9
- Equities		46,598.7	37,960.8
- Fixed income securities		12,445.5	8,934.0
- Investment in Collective Investment Schemes		3,864.8	3,269.6
- Derivative financial instruments		729.1	364.1
Cash and cash equivalents	9	7,413.1	5,325.1
Total assets		**75,022.1**	**59,277.6**
Liabilities			
Borrowings	10	281.4	181.8
Deferred tax liabilities	7	614.8	434.6
Insurance contract liabilities		518.2	463.5
Deferred income	8	647.6	413.5
Other provisions		17.1	15.4
Other payables		1,173.6	706.7*
Investment contracts benefits		53,307.1	43,159.8
Derivative financial instruments		281.9	221.1
Net asset value attributable to unit holders	9	17,032.0	12,556.4
Income tax liabilities		72.7	29.6
Preference shares		0.1	0.1
Total liabilities		**73,946.5**	**58,182.5**
Net assets		**1,075.6**	**1,095.1**
Shareholders' equity			
Share capital	12	79.1	78.7
Share premium		164.5	158.3
Shares in trust reserve		(20.9)	(18.5)
Miscellaneous reserves		2.5	2.3
Retained earnings		851.2	874.6
Equity attributable to owners of the parent		**1,076.4**	**1,095.4**
Non-controlling interests		(0.8)	(0.3)
Total equity		**1,075.6**	**1,095.1**
		Pence	Pence
Net assets per share		203.9	208.7

* Some lines have been aggregated in the comparative to simplify the presentation.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year Ended 31 December 2016	Year Ended 31 December 2015
		£' Million	£' Million
Cash flows from operating activities			
Profit before tax for the year		486.3	174.1
Adjustments for:			
Depreciation		4.4	2.5
Amortisation of acquired value of in-force business	8	3.2	3.2
Amortisation of computer software	8	3.4	3.4
Share-based payment charge		23.9	15.7
Interest income		(26.6)	(23.9)
Interest expense		4.9	4.4
Increase in provisions		1.7	4.0
Exchange rate gains		(3.3)	-
Changes in operating assets and liabilities			
Decrease in deferred acquisition costs	8	60.2	68.0
Increase in investment property		(117.5)	(313.5)
Increase in other investments		(13,109.6)	(5,826.7)
Decrease in reinsurance assets		4.5	0.5
Increase in other receivables		(464.4)	(451.8)*
Increase/(decrease) in insurance contract liabilities		54.6	(10.9)
Increase in financial liabilities (excluding borrowings)		10,207.8	4,450.4
Increase/(decrease) in deferred income	8	234.1	(49.7)
Increase in other payables		407.8	282.1*
Increase in net assets attributable to unit holders		4,475.6	1,938.6
Cash generated from operating activities		**2,251.0**	**270.4**
Interest received		26.6	23.9
Interest paid		(4.9)	(4.4)
Income taxes paid		(87.7)	(61.7)
Net cash generated from operating activities		**2,185.0**	**228.2**
Cash flows from investing activities			
Acquisition of property and equipment		(19.6)	(4.0)
Acquisition of intangible assets	8	(2.1)	-
Acquisition of subsidiaries and other business combinations, net of cash acquired		(23.1)	(0.8)
Net cash used in investing activities		**(44.8)**	**(4.8)**
Cash flows from financing activities			
Proceeds from the issue of share capital		5.7	9.5
Consideration paid for own shares		(5.5)	(12.8)
Proceeds from exercise of options over shares held in trust		-	0.1
Additional borrowings	10	100.0	175.0
Repayment of borrowings		(0.9)	(79.1)
Dividends paid	12	(155.2)	(130.8)
Net cash used in financing activities		**(55.9)**	**(38.1)**
Net increase in cash and cash equivalents		**2,084.3**	**185.3**
Cash and cash equivalents at 1 January	9	**5,325.1**	**5,139.4**
Exchange gains on cash and cash equivalents		3.7	0.4
Cash and cash equivalents at 31 December	9	**7,413.1**	**5,325.1**

* Some lines have been aggregated in the comparative to simplify the presentation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

1. ACCOUNTING POLICIES

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group").

The Group financial statements have been prepared and approved by the Directors in accordance with International 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.

Within the financial statements, a number alternative performance measures (APMs) are disclosed. An APM is a measure of financial performance, financial position or cash flows which is not defined by the relevant financial reporting framework, which for the Group is International Financial Reporting Standards (IFRS) as adopted by the European Union. APMs are used to provide greater insight to the performance of the Group and the way it is managed by the Directors. Information on Alternative Performance Measures is provided in the Financial Review on page 10 which defines each APM, explains why it is used and, where applicable, how the measure can be reconciled to the IFRS financial statements.

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 2015.

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 considers to be a critical judgement; however, due to the carrying value of the insurance contract liabilities within the statement of financial position, management does not consider insurance business to be significant to the Group.

Subsidiaries
Subsidiaries are those entities which the Group controls. Control exists if the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity (including unit trusts in which the Group holds more than 30% of the units).

Deciding the amount of management expenses that are treated as 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.

Estimates
The principal areas in which the Group applies accounting estimates are:

- Determining the value of insurance contract liabilities;
- Determining the fair value of investment contract benefits;
- Determining the fair value of investment property;
- Determining the fair value liability to policyholders for capital losses in unit funds;
- Amortisation and recoverability of deferred acquisition costs and deferred income;
- Determining the fair value, amortisation and recoverability of acquired in-force business;
- Fair value estimation of assets acquired;
- Determining the value of deferred tax assets;
- Recoverability of St. James's Place Partnership loans;
- Measurement of prepaid operational readiness costs; and
- Determining the fair value of share-based payments.

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 2016 and expected rates in 2017 and the long-term;
- The mortality and morbidity rates, which are based on the results of an investigation of experience during the year; and
- The assumed rate of investment return, which is based on current gilt yields.

Determining the fair value of investment contract benefits
In accordance with IFRS 13, the Group categorises unit-linked insurance contracts as financial liabilities, carried on the statement of financial position at fair value. The fair value of unit linked liabilities is assessed by reference to the value of the underlying net asset value of the Group's unitised investment funds, determined on a bid value, at the reporting date. As the underlying net asset value is determined using inputs other than quoted prices but which are observable, either directly (that is, as prices) or indirectly (that is, derived from prices), the liability is categorised as a level 2 financial instrument.

Determining the fair value of financial instruments and investment property
In accordance with IFRS 13, the Group categorises financial instruments carried on the statement of financial position 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.

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; and
- The assumed period for development of capital gains, which is estimated from recent experience.

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 impact 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.

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.

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.

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.

Determining the fair value of share-based payments
In determining the fair value of share-based payments and the related charge to the statement of comprehensive income, the Group makes assumptions about the future events and market conditions. In particular, judgement must be formed as to the likely number of share awards that will vest, and the fair value of each award granted.

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 composition of the segments has changed and comparatives have been restated on the new basis. The Group's only reportable segment under IFRS 8 is a "wealth management" business – which is a vertically-integrated business providing support to our clients through the provision of financial advice and assistance through our Partner network, and financial solutions including (but not limited to) wealth management products manufactured in the Group, such as insurance bonds, pensions, unit trust and ISA investments, and a DFM service.

Separate geographical segmental information is not presented since the Group does not segment its business geographically. Most of its customers are based in the United Kingdom, as is management of the assets. In particular, the operation based in south-east Asia is not yet sufficiently material for separate consideration.

Segment Revenue

Revenue received from fee and commission income is set out in Note 5 which sets out the different types of revenue received from our wealth management business.

Segment Profit

Two separate measures of profit are monitored on a monthly basis by the Board. These are the post-tax underlying cash result and pre-tax European Embedded Value ("EEV").

Underlying cash Result

The measure of cash profit monitored on a monthly basis by the Board is the post-tax underlying cash result. This reflects emergence of cash available for paying a dividend during the year. Underlying cash is based on the cashflows within the IFRS results, but with no allowance for intangibles, principally DAC, DIR, PVIF, goodwill and deferred tax. As the cost associated with share options is reflected in changes in shareholder equity, they are also not included in the underlying cash result.

More detail is provided in the Financial Review section of the Annual Report and Accounts.

The cash result should not be confused with the IFRS consolidated statement of cash flows which is prepared in accordance with IAS 7.

	Year Ended 31 December 2016	Year Ended 31 December 2015
	£' Million	£' Million
Underlying cash result after tax	**199.5**	**182.1**
Share option expense	(23.9)	(15.0)
IFRS deferred tax adjustments	(21.1)	52.1
Insurance reserves	(1.6)	(1.8)
Back office infrastructure	(16.7)	(14.4)
Variance	(7.7)	3.8
DAC/DIR/PVIF	(16.8)	(4.8)
IFRS profit after tax	111.7	202.0
Shareholder tax	28.9	(50.7)
Profit before tax attributable to shareholders' returns	140.6	151.3
Tax attributable to policyholder returns	345.7	22.8
IFRS profit before tax	**486.3**	**174.1**

EEV Operating Profit

EEV operating profit is monitored on a monthly basis by the Board. The components of the EEV operating profit are included in more detail in the Financial Review section of the Annual Report and Accounts.

	Year Ended 31 December 2016	Year Ended 31 December 2015
	£'Million	£'Million
EEV operating profit before tax	**673.6**	**660.2**
Investment return variance	537.2	(24.4)
Economic assumption changes	(12.4)	0.9
EEV profit before tax	**1,198.4**	**636.7**
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)	(642.7)	(187.6)
Movement in unit trust value of in-force (net of tax)	(257.6)	(176.4)
Tax of movement in value of in-force	(154.3)	(118.2)
Profit before tax attributable to shareholders' returns	140.6	151.3
Tax attributable to policyholder returns	345.7	22.8
IFRS profit before tax	**486.3**	**174.1**

Segment Assets

Funds under Management ("FUM")

FUM, as reported in Section 1 of the Financial Review on page 13 is the measure of Segment Assets which is monitored on a monthly basis by the Board.

	31 December 2016	31 December 2015
	£' Million	£' Million
Investment	25,500.0	22,520.0
Pension	28,630.0	20,860.0
UT/ISA and DFM	21,180.0	15,230.0
Total FUM	**75,310.0**	**58,610.0**
Exclude client and third party holdings in non-consolidated unit trusts and DFM	(4,153.9)	(2,497.1)
Other	283.7	562.8
Gross assets held to cover unit liabilities	**71,439.8**	**56,675.7**
IFRS intangible assets (see page 23 Adjustment 2) including Goodwill, DAC, PVIF, Reassurance and Deferred Tax	917.7	1,067.0
Shareholder gross assets (see page 23)	2,664.6	1,534.9
Total assets	**75,022.1**	**59,277.6**

5. FEE AND COMMISSION INCOME

	Year Ended 31 December 2016 £' Million	Year Ended 31 December 2015 £' Million
Advice charges	510.7	420.7
Third party fee and commission income	103.5	97.8
Wealth management fees	590.7	544.2
Investment management fees	52.6	137.5
Fund tax deductions	352.2	27.8
Discretionary fund management (DFM) fees	5.3	-
Fee and commission income before DIR amortisation	**1,615.0**	**1,228.0**
Amortisation of DIR	88.9	105.5
Total fee and commission income	**1,703.9**	**1,333.5**

6. INVESTMENT RETURN

	Year Ended 31 December 2016 £' Million	Year Ended 31 December 2015 £' Million
Investment return on net assets held to cover unit liabilities:		
Rental income	72.4	60.4
(Loss)/gain on revaluation of investment properties	(23.4)	74.0
Net investment return on financial instruments classified as fair value through profit and loss	7,456.8	1,396.0
	7,505.8	1,530.4
Income attributable to third party holdings in unit trusts	2,094.5	216.8
	9,600.3	**1,747.2**
Investment return on shareholder assets:		
Net investment return on financial instruments classified as fair value through profit and loss	22.9	2.7
Interest income on financial instruments held at amortised cost	6.9	5.9
Total investment return	**9,630.1**	**1,755.8**

Included in the net investment return on financial instruments classified as fair value through profit and loss within investment return on net assets held to cover unit liabilities is dividend income of £756.2 million (2015: £586.4 million).

7. INCOME AND DEFERRED TAXES

Tax for the year

	Year Ended 31 December 2016	Year Ended 31 December 2015
Current tax	£' Million	£' Million
UK corporation tax		
- Current year charge	171.8	86.0
- Adjustment in respect of prior year	(0.6)	0.7
Overseas taxes		
- Current year charge	4.2	3.7
- Adjustment in respect of prior year	(0.1)	-
	175.3	90.4
Deferred tax		
Unrealised capital gains and losses in unit linked funds	196.3	(50.0)
Unrelieved expenses		
- Additional expenses recognised in the year	(12.5)	(11.6)
- Utilisation in the year	18.7	19.7
Capital losses		
- Additional losses recognised in the year	(2.2)	(74.8)
- Utilisation in the year	12.6	12.1
- Adjustment in respect of prior year	0.1	(1.1)
DAC, DIR and PVIF	(11.6)	(4.4)
Other items	(4.4)	(5.8)
Change in tax rate	1.3	(4.5)
Overseas taxes on losses	0.3	2.1
Adjustments in respect of prior periods	0.7	-
	199.3	(118.3)
Total tax charge/(credit) for the year	**374.6**	**(27.9)**
Attributable to:		
- policyholders	345.7	22.8
- shareholders	28.9	(50.7)
	374.6	**(27.9)**

The prior year adjustment in current tax above includes a credit of £1.4 million in respect of policyholder tax (2015: £1.0 million charge).

Included within the deferred tax on "other items" is a charge of £0.2 million (2015: £1.8 million credit) relating to share-based payments.

In arriving at the profit before tax attributable to shareholders' return, it is necessary to estimate the analysis of the total tax charge between that payable in respect of policyholders and that payable by shareholders. Shareholder tax is estimated by making an assessment of the effective rate of tax that is applicable to the shareholders on the profits attributable to shareholders. This is calculated by applying the appropriate effective corporate tax rates to the shareholder profits. The remainder of the tax charge represents tax on policyholders' investment returns. This calculation method is consistent with the legislation relating to the calculation of tax on shareholder profits.

Tax paid in the year

	Year Ended 31 December 2016 £' Million	Year Ended 31 December 2015 £' Million
Current tax charge for the year	175.3	90.4
Payments to be made in future years in respect of current year	(72.6)	(28.7)
Payments made in current year in respect of prior years	30.6	32.3
Other	0.1	(0.5)
Tax paid	**133.4**	**93.5**
Tax paid can be analysed as:		
- Taxes paid in UK	129.0	89.3
- Taxes paid in overseas jurisdictions	1.9	1.8
- Withholding taxes suffered on investment income received	2.5	2.4
Tax paid	**133.4**	**93.5**

Movement in net deferred tax balance

	Year Ended 31 December 2016 £' Million	Year Ended 31 December 2015 £' Million
Deferred tax asset	*225.9*	*192.8*
Deferred tax liability	*(434.6)*	*(519.8)*
Net deferred tax balance at 1 January	(208.7)	(327.0)
(Charge)/credit through the consolidated statement of comprehensive income	(199.3)	118.3
Arising on acquisitions during the year	(6.9)	-
Deferred tax asset	*199.9*	*225.9*
Deferred tax liability	*(614.8)*	*(434.6)*
Balance at 31 December	**(414.9)**	**(208.7)**

Reconciliation of tax charge to expected tax

	Year Ended 31 December 2016 £' Million		Year Ended 31 December 2015 £' Million	
Profit before tax	486.3		174.1	
Tax attributable to policyholders' returns*	(345.7)		(22.8)	
Profit before tax attributable to shareholders' return	140.6		151.3	
Shareholder tax charge at corporate tax rate of 20% (2015: 20.25%)	28.1	20%	30.6	20.25%
Adjustments:				
Tax regime differences				
Lower rates of corporation tax in overseas subsidiaries	(0.9)	(0.6%)	(1.4)	(0.9%)
Expected shareholder tax	27.2	19.3%	29.2	19.3%
Other				
Non-taxable income	(1.0)		-	
Recognition and usage of capital losses arising in the Group	(2.2)		(74.8)	
Adjustment in respect of prior year	(0.1)		(1.5)	
Differences in accounting and tax bases in relation to employee share schemes	0.7		(5.4)	
Disallowable expenses	1.2		3.0	
Tax losses not recognised or past losses now recognised	2.0		1.8	
Other	(0.2)		1.5	
	0.4	(0.3%)	(75.4)	(49.8%)
Change in tax rate	1.3		(4.5)	
Shareholder tax charge/(credit)	28.9	(20.6%)	(50.7)	(33.5%)
Policyholder tax charge	345.7		22.8	
Total tax charge/(credit) for the year	**374.6**		**(27.9)**	

*Tax attributable to policyholder returns is equal to the policyholder tax charge and reflects fund tax deductions offset by policyholder tax effects on intangibles.

Tax calculated on profit before tax at 20% (2015: 20.25%) would amount to £97.3 million (2015: £35.3 million). The difference of £277.3 million (2015: £(63.2) million) between this number and the total tax of £374.6 million (2015: £(27.9) million) is made up of the reconciling items above which total £0.8 million (2015: £(81.3) million) and the effect of the apportionment methodology on tax applicable to policyholder returns of £276.5 million (2015: £18.1 million).

Deferred Tax Assets

	Expected utilisation Years	31 December 2016 £' Million	31 December 2015 £' Million
Unrelieved expenses (life insurance business)	6	50.9	57.1
Deferred income (DIR)	14	39.7	45.2
Capital losses (available for future relief)	10	99.0	113.1
Employee share scheme costs	3	5.5	5.8
Future capital allowances	6	4.1	3.0
Other		0.7	1.7
Total deferred tax assets		**199.9**	**225.9**

Appropriate investment income, gains or profits are expected to arise against which the tax assets can be utilised. Whilst the actual rates of utilisation will depend on business growth and external factors, particularly investment market conditions, they have been tested for sensitivity to experience and are resilient to a range of reasonably foreseeable scenarios.

At the reporting date there were unrecognised deferred tax assets of £4.1 million (2015: £1.4 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.

Deferred Tax Liabilities

	Expected utilisation Years	31 December 2016 £' Million	31 December 2015 £' Million
Unrealised capital gains (and losses) on life insurance (BLAGAB) assets backing unit liabilities	6	501.1	304.8
Deferred acquisition costs (DAC)	14	97.8	117.8
Acquired value of in-force business (PVIF)	10	5.4	6.2
Renewal income assets	20	8.6	3.5
Other		1.9	2.3
Total deferred tax liabilities		**614.8**	**434.6**

Future Tax Rate Changes

Future tax rate changes, including the further reduction in the corporation tax rate from 18% to 17% effective from 1 April 2020 which was enacted in the Finance Act 2016, have been incorporated into the deferred tax balances.

Other Tax Matters

We have considered the OECD Base Erosion and Profit Shifting ("BEPS") actions relevant to the St. James's Place Group and believe that they will not have a material impact on the financial results of the Group. We have developed our processes and procedures to enable completion of any required reporting by the relevant deadlines.

8. GOODWILL, INTANGIBLE ASSETS, DEFERRED ACQUISITION COSTS AND DEFERRED INCOME

	Goodwill	Acquired value of in-force business	Computer software & other specific software developments	DAC	DIR
	£' Million	**£' Million**	**£' Million**	**£' Million**	**£' Million**
Cost					
At 1 January 2015	10.1	73.4	13.6	1,579.1	(1,149.2)
Additions	-	-	-	32.1	(55.8)
At 31 December 2015	10.1	73.4	13.6	1,611.2	(1,205.0)
At 1 January 2016	**10.1**	**73.4**	**13.6**	**1,611.2**	**(1,205.0)**
Additions	**3.7**	**-**	**2.1**	**38.6**	**(56.0)**
Addition due to reassessment of unit liability	**-**	**-**	**-**	**-**	**(267.0)**
At 31 December 2016	**13.8**	**73.4**	**15.7**	**1,649.8**	**(1,528.0)**
Accumulated amortisation					
At 1 January 2015	-	36.6	5.9	766.1	(686.0)
Charge for the year	-	3.2	3.4	100.1	(105.5)
At 31 December 2015	-	39.8	9.3	866.2	(791.5)
At 1 January 2016	**-**	**39.8**	**9.3**	**866.2**	**(791.5)**
Charge for the year	**-**	**3.2**	**3.4**	**98.8**	**(88.9)**
At 31 December 2016	**-**	**43.0**	**12.7**	**965.0**	**(880.4)**
Carrying value					
At 31 December 2015	10.1	33.6	4.3	745.0	(413.5)
At 31 December 2016	**13.8**	**30.4**	**3.0**	**684.8**	**(647.6)**
Current	-	3.2	0.9	98.7	(134.5)
Non-current	13.8	27.2	2.1	586.1	(513.1)
	13.8	30.4	3.0	684.8	(647.6)
Outstanding amortisation period					
At 31 December 2015	n/a	10 years	4 years	14 years	6-14 years
At 31 December 2016	**n/a**	**9 years**	**4 years**	**14 years**	**6-14 years**

Goodwill

The carrying value of goodwill split by acquisition is as follows:

	31 December 2016 £' Million	31 December 2015 £' Million
SJP Asia companies	10.1	10.1
Technical Connection Limited	3.7	-
Balance at 31 December	**13.8**	**10.1**

Goodwill is reviewed at least annually for impairment or when circumstances or events indicate there may be uncertainty over this value. The recoverable amount has been based on value in use calculations using pre-tax cash flows. Details of the assumptions made in these calculations are provided below:

Key assumptions based on experience:	Value of new business
Projection period:	5 years of detailed forecasts extrapolated into perpetuity using a long term growth rate
Long term growth rate:	1.4%
Pre-tax discount rate:	3.0%

It is considered that any reasonably possible levels of change in the key assumptions would not result in impairment of the goodwill.

Acquired value of in-force business/DAC/Computer software

Amortisation is charged to expenses in the statement of comprehensive income. Amortisation profiles are reassessed annually.

DIR

Amortisation is credited within fee and commission income in the statement of comprehensive income. Amortisation profiles are reassessed annually.

9. INVESTMENTS, INVESTMENT PROPERTY AND CASH

Net assets held to cover unit liabilities

Included within the statement of financial position are the following assets and liabilities comprising the net assets held to cover unit liabilities.

	31 December 2016	31 December 2015
	£' Million	£' Million
Assets		
Investment property	1,462.4	1,344.9
Equities	46,598.7	37,960.8
Fixed income securities	12,397.8	8,850.9
Investment in Collective Investment Schemes	2,997.4	2,736.9
Derivative financial instruments		
- Currency forwards	86.5	33.8
- Interest rate swaps	40.0	13.5
- Collaterised mortgage obligations	510.2	238.7
- Index options	17.7	20.3
- Contracts for differences	8.2	10.7
- Equity rate swaps	26.2	16.1
- Foreign currency options	18.7	22.8
- Total return swaps	18.7	6.6
- Other derivatives	2.9	1.6
Cash and cash equivalents	7,067.2	5,091.6
Other receivables	187.2	603.9
Total assets	**71,439.8**	**56,953.1**
Liabilities		
Derivative financial instruments		
- Currency forwards	176.4	168.6
- Interest rate swaps	38.3	5.9
- Fixed Income options	-	6.1
- Index options	5.9	3.6
- Contracts for differences	2.9	4.3
- Equity rate swaps	30.2	5.8
- Foreign currency options	10.1	19.6
- Total return swaps	8.1	0.2
- Other derivatives	10.0	7.0
Other payables	383.5	585.2
Total liabilities	**665.4**	**806.3**
Net assets held to cover linked liabilities	**70,774.4**	**56,146.8**
Investment contract benefits	53,307.1	43,159.8
Net asset value attributable to unit holders	17,032.0	12,556.4
Unit linked insurance contract liabilities	435.3	376.5
Consolidation adjustments	-	54.1
Net unit linked liabilities	**70,774.4**	**56,146.8**

Net assets held to cover linked liabilities, and third party holdings in unit trusts, are considered to have a maturity of up to one year since they are actively traded and managed to facilitate immediate settlement.

Investment Property

	31 December 2016	31 December 2015
	£' Million	£' Million
Balance at 1 January	1,344.9	1,031.4
Additions	131.6	247.9
Capitalised expenditure on existing properties	9.3	5.9
Disposals	-	(14.3)
Changes in fair value	(23.4)	74.0
Balance at 31 December	**1,462.4**	**1,344.9**

Investment property is held within unit linked funds and is considered current.

Investment property is valued monthly by external chartered surveyors in accordance with the guidance issued by The Royal Institution of Chartered Surveyors. The investment property valuation has been prepared using the "market approach" valuation technique – using prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets.

The rental income and direct operating expenses recognised in the statement of comprehensive income in respect of investment properties are set out below. All expenses relate to property generating rental income.

	Year Ended 31 December 2016	Year Ended 31 December 2015
	£' Million	£' Million
Rental income	72.4	60.4
Direct operating expenses	6.3	5.8

At the year-end contractual obligations to purchase, construct or develop investment property amounted to £4.5 million (2015: £9.0 million) and to dispose of investment property amounted to £nil (2015: £nil).

Cash and cash equivalents

	31 December 2016	31 December 2015
	£' Million	£' Million
Cash at bank	341.1	233.5
Cash held by third parties	4.8	-
Cash and cash equivalents not held to cover unit liabilities	345.9	233.5
Balances held to cover unit liabilities	7,067.2	5,091.6
Total cash and cash equivalents	**7,413.1**	**5,325.1**

All cash and cash equivalents are considered current.

10. BORROWINGS AND FINANCIAL COMMITMENTS

Borrowings

	31 December 2016 £' Million	31 December 2015 £' Million
Bank borrowings	231.3	132.0
Loan notes	50.1	49.8
Total borrowings	**281.4**	**181.8**
Current	1.3	1.0
Non-current	280.1	180.8
	281.4	181.8

In the prior year a £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 initially drew down £125 million under the fully-committed facility, with an additional £100 million being drawn in the current year.

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

The Group also guarantees loans provided by third parties to Partners. In the event of default of any individual Partner loan, the Group guarantees to repay the full amount of the loan, with the exception of Metro Bank plc, where 50% of the loan is guaranteed. These loans are secured against the future renewal income streams of the Partner. The value of the loans guaranteed is as follows:

	Loans Drawn		Facility	
	31 December 2016 £' Million	31 December 2015 £' Million	31 December 2016 £' Million	31 December 2015 £' Million
Bank of Scotland	54.0	77.2	80.0	90.0
Metro Bank plc	35.6	44.8	95.0	50.0
Santander plc	47.2	19.4	50.0	25.0
Total loans	**136.8**	**141.4**	**225.0**	**165.0**

The fair value of the outstanding borrowings and guarantees is not materially different from amortised cost.

Interest expense on borrowings is recognised within expenses in the statement of comprehensive income.

Financial Commitments

The Group has commitments under non-cancellable operating leases in connection with the rental of office buildings and office equipment with varying lease end dates ranging from 2017 to 2041. The following table represents the future minimum lease payments under non-cancellable operating leases:

	31 December 2016 £' Million	31 December 2015 £' Million
Not later than one year	15.6	14.9
Later than one year and not later than five years	53.8	50.1
Later than five years	65.0	67.4
Total financial commitments	**134.4**	**132.4**

As at 31 December 2016, there was £0.2 million (2015: £0.1 million) of future minimum sublease payments expected to be received under non-cancellable sub-leases.

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 and FCA: Long-term insurance business
St. James's Place International plc	Central Bank of Ireland: Life insurance business
St. James's Place Unit Trust Group Limited	FCA: UCITS Management Company
St. James's Place Investment Administration Limited	FCA: Investment Firm
St. James's Place Wealth Management (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
LP Financial Management Limited	FCA: Personal Investment Firm
St. James's Place (Hong Kong) Limited	Securities and Futures Commission (Hong Kong): A Member of The Hong Kong Confederation of Insurance Brokers
St. James's Place (Singapore) Private Limited	Monetary Authority Singapore: A Member of the Association of Financial Advisers
Rowan Dartington & Co Limited	FCA: Investment Firm

In addition, the St. James's Place Group is regulated as an Insurance Group under Solvency II, with the PRA as the lead regulator.

As an insurance group, St. James's Place is subject to the Solvency II regulations, which were implemented on 1 January 2016. More information about the impact of the implementation of Solvency II is included in the Financial Review on page 30 and in the separate Solvency and Financial Condition Report document. The overall capital position for the Group at 31 December 2016, assessed on the Standard Formula basis, is presented in the following table:

31 December 2016	**Group** £'Million
IFRS total assets	75,022.1
Less Solvency II valuation adjustments and unit linked liabilities	(73,952.1)
Solvency II net assets	1,070.0
Management Solvency Buffer (MSB)	*527.0*
Excess of free assets over MSB	*543.0*
Solvency II VIF	2,707.9
Risk margin	(779.2)
Standard formula SCR (A)	(2,046.5)
Sub-total	(117.8)
Solvency II Free Assets (B)	952.2
Solvency II ratio ((A +B)/A)	147%

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 36.

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 2016	31 December 2015
	£' Million	£' Million
Share capital	79.1	78.7
Share premium	164.5	158.3
Shares in trust reserve	(20.9)	(18.5)
Miscellaneous reserves	2.5	2.3
Retained earnings	851.2	874.6
Shareholders' equity	1,076.4	1,095.4
Non-controlling interests	(0.8)	(0.3)
Total equity	1,075.6	1,095.1

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 4 of the Financial Review on page 23, 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, EARNINGS PER SHARE AND DIVIDENDS

Share Capital

	Number of Ordinary Shares	Share Capital
		£' Million
At 1 January 2015	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**
- Issue of share capital	108,819	-
- Exercise of options	2,708,317	0.4
At 31 December 2016	**527,482,348**	**79.1**

The total authorised number of ordinary shares is 605 million (2015: 605 million), with a par value of 15 pence per share (2015: 15 pence per share). All issued shares are fully paid.

Included in the issued share capital are 3,954,525 (2015: 3,605,740) shares held in the Shares in Trust Reserve with a nominal value of £0.6 million (2015: £0.5 million). The shares are held by the SJPC Employee Share Trust and the St. James's Place 2010 SIP Trust to satisfy certain share based payment schemes. The trustees of the SJPC Employee Share Trust retain the right to dividends on the shares held by the Trust but have chosen to waive their entitlement to the dividends on 1,330,156 shares during 2016 and 1,727,510 shares during 2015. No dividends have been waived on shares held in the St. James's Place 2010 SIP Trust in 2016 or 2015.

Earnings per share

	Year Ended 31 December 2016	Year Ended 31 December 2015
	£' Million	£' Million
Earnings		
Profit after tax attributable to equity shareholders (*for both basic and diluted EPS*)	112.2	202.0
Weighted average number of shares	Million	Million
Weighted average number of ordinary shares in issue *(for basic EPS)*	522.6	519.1
Adjustments for outstanding share options	3.3	5.2
Weighted average number of ordinary shares *(for diluted EPS)*	525.9	524.3
	Pence	Pence
Earnings per share (EPS)		
Basic earnings per share	21.5	38.9
Diluted earnings per share	21.3	38.5

Dividends

The following dividends have been paid by the Group:

	Year Ended 31 December 2016	Year Ended 31 December 2015	Year Ended 31 December 2016	Year Ended 31 December 2015
	Pence per Share	Pence per Share	£' Million	£' Million
Final dividend in respect of previous financial year	17.24	14.37	90.4	74.8
Interim dividend in respect of current financial year	12.33	10.72	64.8	56.0
Total dividends	**29.57**	**25.09**	**155.2**	**130.8**

The Directors have recommended a final dividend of 20.67 pence per share (2015: 17.24 pence). This amounts to £109 million (2015: £90.4 million) and will, subject to shareholder approval at the Annual General Meeting, be paid on 12 May 2017 to those shareholders on the register as at 7 April 2017.

13. BUSINESS COMBINATIONS AND DISPOSALS

Business combinations

During the year the Group acquired the following subsidiaries in line with the Group's strategic objective of broadening the business model, expanding the client proposition and growing the Partnership:

Subsidiary undertaking	Principal activity	% Shareholding	Date of acquisition
Rowan Dartington Group			
Rowan Dartington Holdings Limited	Holding Company	100%	08/03/2016
Rowan Dartington & Co Limited	Stockbroker and Investment Manager	100%	08/03/2016
Stafford House Investments Limited	Independent Financial Adviser	100%	08/03/2016
Ardan International Limited	Investment Platform	92.5%	08/03/2016
Dartington Portfolio Nominees Limited	Non-trading	100%	08/03/2016
Rowan Dartington Trustees Limited	Non-trading	100%	08/03/2016
RD Portfolio Nominees Limited	Non-trading	100%	08/03/2016
Colston Portfolio Nominees Limited	Non-trading	100%	08/03/2016
Cabot Portfolio Nominees Limited	Non-trading	100%	08/03/2016
Ardan Nominees Limited	Non-trading	100%	08/03/2016
Others			
Technical Connection Limited	Tax and Advisory Services	100%	18/04/2016
Now Financial Solutions Limited*	Independent Financial Adviser	100%	29/04/2016

*Post acquisition, Now Financial Solutions Limited changed its name to Hale Financial Solutions Limited.

Acquisition-related costs of £0.2 million have been charged to administration expenses in the consolidated income statement for the year ended 31 December 2016.

Rowan Dartington Group

The Rowan Dartington Group acquisition contributed £9.8 million to revenue and a £3.9 million loss before income tax for the period between the acquisition date and the statement of financial position date. Had the above acquisitions been consolidated from 1 January 2016, they would have contributed £11.4 million to revenue and a £4.3 million loss before income tax to the consolidated statement of comprehensive income for the period.

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

	Book value	Fair value adjustment	Total
	£'Million	£'Million	£'Million
Financial assets	7.8	39.1	46.9
Cash and cash equivalents	1.2	-	1.2
Financial liabilities	(7.6)	(6.6)	(14.2)
Total	1.4	32.5	33.9
Consideration			
Cash consideration			19.9
Deferred consideration			7.2
Contingent consideration			6.8
Total consideration			33.9

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. Of the remaining balance to be settled at acquisition, a further £2.4 million was settled on 6 September 2016 and the Group expects that £2.4 million will be settled by 9 March 2017, £5.7 million by 6 September 2017 and £3.5 million by 8 March 2019.

Other acquisitions

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

	Book value	Fair value adjustment	Total
	£'Million	£'Million	£'Million
Financial assets	0.3	2.2	2.5
Cash and cash equivalents	0.9	-	0.9
Financial liabilities	(0.5)	(0.4)	(0.9)
Total	0.7	1.8	2.5

Consideration	
Cash consideration	3.8
Deferred consideration	0.3
Contingent consideration	2.1
Total consideration	6.2
Goodwill	3.7

Goodwill comprises the value placed on the experience and expertise of the Technical Connection Limited management team within the tax and advisory sector.

Of the £2.1 million contingent consideration, £1.2 million is in relation to the acquisition of Technical Connection Limited. It is expected that the £1.2 million contingent consideration will be paid in full with no changes to the amount initially recognised; however, should the target number of consultancy hours provided to SJP Partners and the level of Techlink subscriptions not be met, the contingent consideration will decrease on a pro-rata basis down to a value of £nil.

The remaining £0.9 million contingent consideration is in relation to the acquisition of Now Financial Solutions Limited (now Hale Financial Solutions Limited) and is payable if certain performance targets are met, being based on the individual Partner performance. It is expected that the £0.9 million contingent consideration will be paid in full with no changes to the amount initially recognised; however, should the performance targets not be met, the contingent consideration will decrease on a pro-rata basis down to a value of £nil.

Of the total remaining balance to be settled, the Group expects that £0.4 million will be settled by 29 April 2017, £0.8 million will be settled by 18 April 2018, £0.4 million will be settled by 29 April 2018 and £0.8 million will be settled by 18 April 2019.

Disposals

During the year the Group sold 100% of its investments in the following subsidiaries in line with the Group's objective to simplify the Group structure and remove non-core operations:

Subsidiary undertaking	**Principal activity**	**Date of disposal**	**Net assets on date of disposal**	**Profit/(loss) on disposal**
			£'Million	£'Million
Ardan International Limited	Investment Platform	30/12/2016	4.0	nil
Ardan Nominees Limited	Non-trading	30/12/2016	-	nil
St. James's Place Trust Company Jersey Limited	Trustee Services	21/06/2016	0.1	(0.1)

In line with IFRS 3 no gain or loss arose on the sale of Ardan International Limited and its subsidiary as it was sold within the 12 month adjustment period following acquisition resulting in a fair value adjustment being processed in the business combination note resulting in the reduction of goodwill.

14. 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 a charge recognised of £0.3 million (2015: £10.1 million income) and the total value of transactions with those non-consolidated unit trusts was £53.0 million (2015: £43.0 million). Net management fees receivable from these unit trusts amounted to £17 million (2015: £22.3 million). The value of the investment into the non-consolidated unit trusts at 31 December 2016 was £198.6 million (2015: £176.5 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:

	Year Ended 31 December 2016	Year Ended 31 December 2015
	£' Million	£' Million
Short-term employee benefits	3.5	3.2
Post-employment benefits	0.4	0.4
Other long term benefits	1.9	1.6
Share-based payment	1.9	1.6
	7.7	**6.8**

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 was £3.4 million (2015: £3.7 million).

The total value of St. James's Place funds under management held by related parties of the Group as at 31 December 2016 was £26.5 million (2015: £20.4 million). The total value of St. James's Place plc dividends paid to related parties of the Group during the year was £1.4 million (2015: £1.3 million).

15. NON STATUTORY ACCOUNTS

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2016 or 2015, but is derived from those accounts. Statutory accounts for 2015 have been delivered to the registrar of companies, and those for 2016 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 2016 is expected to be posted to shareholders by 31 March 2017. 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; 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

27 February 2017

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