



ST. JAMES'S PLACE PLC

ST. JAMES'S PLACE

HALF YEAR REPORT 2019

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We are a leading wealth manager focused on delivering value for all stakeholders. The success of St. James's Place is built on establishing and maintaining long lasting, highly personal relationships with, and between, our Partners and clients. We seek to achieve the best possible outcome for our clients through sound financial planning advice provided by our highly skilled advisers, together with our distinctive investment management approach.

ANDREW CROFT, Chief Executive
andrew.croft@sjp.co.uk

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INTERIM MANAGEMENT STATEMENT



Overview

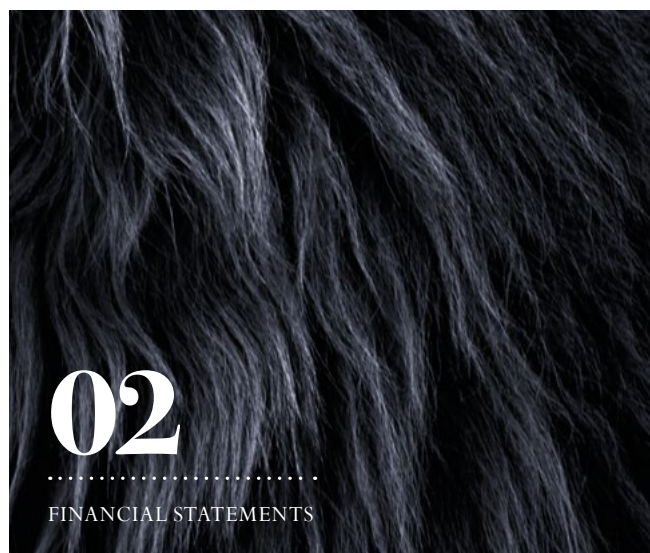
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WE ARE ST. JAMES'S PLACE

St. James's Place plc is a FTSE 100 financial services group that provides high-quality wealth management services to businesses and individuals across the UK. St. James's Place is well established as one of the UK's leading wealth managers.

The strength of the Group's adviser-led approach to wealth management, twinned with a proven investment management proposition, leaves St. James's Place uniquely positioned to benefit from favourable long-term demographic and market opportunities in wealth management.

OVER

700,000

CLIENTS

96%

CLIENT RETENTION RATE

4,096

TOTAL NUMBER OF
ST. JAMES'S PLACE ADVISERS

93%

CLIENT ADVOCACY SCORE

GROSS INFLOWS

	Unaudited three months to 30 June		Unaudited six months to 30 June		
	2019	2018	2019	2018	
	£'Billion	£'Billion	£'Billion	£'Billion	
Gross inflows					
Investment	0.57	0.61	1.07	1.21	
Pension	2.12	2.19	4.14	4.36	
Unit Trust, ISA and DFM	1.08	1.21	2.17	2.35	
	3.77	4.01	7.38	7.92	-7%

2019 HALF YEAR PERFORMANCE HIGHLIGHTS

Given the uncertain macro-economic and political environment that continues to prevail in the UK, St. James's Place has delivered a solid set of results for the first six months of 2019, once again demonstrating the resilience of the St. James's Place business.

£7.4bn

GROSS INFLOWS

Six months to 30 June 2018: £7.9 billion

£4.4bn

NET INFLOWS

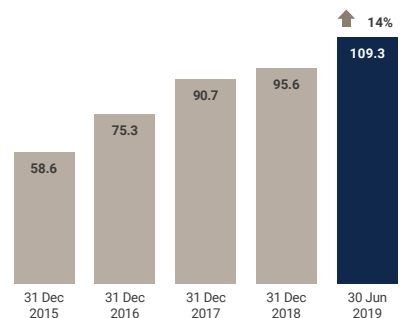
Six months to 30 June 2018: £5.2 billion

£109.3bn

FUNDS UNDER MANAGEMENT

31 December 2018: £95.6 billion

▶ Find out more on page 13



£125.1m

UNDERLYING CASH

Six months to 30 June 2018: £147.1 million

£57.3m

IFRS PROFIT BEFORE SHAREHOLDER TAX

Six months to 30 June 2018: £82.5 million

18.49p

INTERIM DIVIDEND PER SHARE

Six months to 30 June 2018: 18.49 pence

▶ Find out more on page 6

£465.7m

EUROPEAN EMBEDDED VALUE (EEV) OPERATING PROFIT

Six months to 30 June 2018: £489.6 million

01

INTERIM MANAGEMENT STATEMENT

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CHIEF EXECUTIVE'S REPORT



ANDREW CROFT, Chief Executive
andrew.croft@sjp.co.uk

“Given the uncertain macro-economic and political environment that continues to prevail in the UK, I am pleased to report a solid set of results for the first six months of 2019, once again demonstrating the resilience of the St. James’s Place business.”

£109.3bn

FUNDS UNDER MANAGEMENT

(31 December 2018: £95.6bn)

£7.4bn

GROSS INFLOWS

(Six months to 30 June 2018: £7.9bn)

£4.4bn

NET INFLOWS

(Six months to 30 June 2018: £5.2bn)

Whilst our new business continues to perform well compared to others in the wealth management sector, we are not immune to the challenging external factors that prevailed during the first half of the year. Consequently, gross new inflows for the period, at £7.4 billion, were some 7% lower than the first half of 2018, and we are encouraged that gross flows improved in the second quarter versus the first quarter.

Importantly, the continued strong retention of existing client funds meant that we attracted £4.4 billion of net inflows for the period, equating to 4.6% of opening funds under management, 9.2% on an annualised basis. These positive net flows, together with the recovery in investment markets, increased funds under management over the period by 14% to a record £109.3 billion.

Financial performance and interim dividend

In the medium to long term, increasing funds under management will generate increased cash returns, however in the short term our profit has been impacted by the more modest gross flows relative to the planned higher cost of our investment in expanding our Partnership network, the Academy and our Asian and Rowan Dartington operations. The Underlying cash result for the six months at £125.1 million (2018: £147.1 million) was therefore lower than the same period last year.

The fundamentals underlying the business continue to be strong, meaning the Board has great confidence in the outlook: demand for high quality financial advice is strong, we continue to be successful in growing the Partnership both through recruitment and the Academy, and the financial results are underpinned by the future income that will be released in the next few years from the gestation funds under management. However, recognising the challenges in the shorter-term operating environment, the Board has maintained the interim dividend at 18.49 pence per share. This will consume £98.2 million.

The interim dividend will be paid on 27 September 2019 to shareholders on the register at the close of business on 30 August 2019. A Dividend Reinvestment Plan continues to be available for shareholders.

Clients

I am pleased to report we now have more than 700,000 clients, an increase of some 26,000 during the six months, and I would like to take this opportunity to thank all these individuals for entrusting us with their long-term investments.

The success of St. James’s Place is built on establishing and maintaining long lasting, highly personal relationships with our clients through the St. James’s Place Partnership. Our advisers help their clients to fulfil their ambitions and aspirations through sound financial planning advice, together with our distinctive investment management approach, backed by a FTSE 100 company.

As noted in my statement accompanying the 2018 full year results, we conducted our biennial Wealth Account Survey earlier this year. We received nearly 39,000 responses to the survey with 89% of those respondents telling us that they were either satisfied or very satisfied with their overall relationship with St. James's Place. Encouragingly, more than 93% said they would recommend St. James's Place to others with 54% suggesting that they had already done so. Furthermore, when asked to describe our proposition in terms of value for money, 96% of the clients who responded, said "reasonable", "good" or "excellent".

We are naturally very pleased with these responses, but we are not complacent and have already responded to the feedback with further improvements to our service and proposition. In the first half for example, we broadened access to the Flagstone cash management service which provides a simple and secure solution for clients wishing to hold cash savings. We also added new propositions related to lifetime care plans to help clients ensure care fees can be met if a need were to arise in the future.

Awards

I am pleased to report that St. James's Place has once again received numerous awards. A particular highlight was being voted the City of London Awards 2019 Wealth Management Company of the Year. We have now received this award in seven of the last eight years and I would like to thank our clients who voted for us.

I am also delighted that Ian Gascoigne received an individual award as Wealth Advisor's Personality of the Year – congratulations Ian and well deserved.

Investment Markets and investment management approach

The first six months of 2019 have seen a strong performance across major investment markets with a reversal of the falls experienced in the final quarter of 2018; the FTSE 100 was up some 10%, the S&P 500 up 17% and the MSCI World up 16%. Against this backdrop our clients have benefited from very good returns with all our portfolios delivering strong growth.

In early June we took the decision to move the investment management of our segregated mandate from Woodford Investment Management (WIM) to a combination of RWC and Columbia Threadneedle. This was possible as the core tenet of our Investment Management Approach is to appoint managers to manage our own funds through a sub-advisory mandate, rather than by investing into third party funds. Our segregated mandate with WIM limited the investments to liquid stocks and did not allow investments in unquoted stocks, and consequently our clients continued to have full access to their investments.

We also continue to make good progress on our Responsible Investing approach and build on our integration of Environmental, Social and Governance (ESG) factors into our fund managers' investment decision making. It is therefore pleasing that we have recently been awarded an A+ rating in the latest United Nations Principles for Responsible Investment annual assessment.

Partnership

Recruitment activity has remained strong during the first half of 2019, with the total number of advisers now standing at 4,096, growth of 3.6%.

We continue to attract experienced high-quality advisers to the Partnership whilst at the same time we have increased the investment in our Academy and Next Generation Academy. This sustained growth in the Partnership provides us with confidence in our ability to both service existing clients well and attract new clients to St. James's Place.

Increasing the Partnership requires us to continue to invest in the supporting infrastructure. Consequently, we recently opened a new office in Cardiff and will shortly be consolidating the Academy, our existing City office, and a number of corporate functions into a new office in Lombard Street in the City. Both offices have very good environmental credentials.

We also continue to invest in the professional development of our advisers and take pride in the fact that last year one in four of all new qualified Chartered Financial Planners were St. James's Place advisers. We now have over 800 Chartered Financial Planners across the Partnership.

4,096

ADVISERS

Growth of 3.6% since 31 December 2018

CHIEF EXECUTIVE'S REPORT CONTINUED

446

INDIVIDUALS CURRENTLY IN TRAINING
ACROSS THE ACADEMY PROGRAMMES

68% male

32% female

GENDER SPLIT ACROSS
THE ACADEMY PROGRAMMES

34

AVERAGE AGE OF INDIVIDUALS
IN THE ACADEMY PROGRAMMES**Investment for the future**

Given the size of the long-term market opportunity ahead for focused, scale operators in wealth management, both in the UK and overseas, we remain committed to investing both tactically and strategically to build a position from which all our stakeholders will benefit in the years ahead. In addition to focusing such investment on the recruitment and core infrastructure costs associated with growing the Partnership, we are investing in a number of other areas that will realise returns over the longer-term.

THE ACADEMY AND NEXT GENERATION ACADEMY

As planned, we have increased our investment in the two academies and during the first half of the year there have been 5 intakes for the Academy and 2 intakes of the Next Generation Academy attracting a combined 125 individuals, whilst 59 from previous intakes graduated during the six months. We have a further 7 intakes planned for the second half of the year and expect to attract a further 120-130 individuals to the programme.

There are currently 446 individuals in training across the Academy programmes, with a gender split of 68% male to 32% female and an average age of 34, providing a strong pipeline for growth in the Partnership in the years ahead.

ASIA

Investment in Asia in the first half of the year was marginally higher than the prior year.

Gross inflows in the region were £122 million for the six months, slightly lower than the corresponding period in 2018 having been impacted by lingering client concerns over heightened market volatility and unhelpful US/China trade rhetoric. However, boosted by the recovery in stock markets, Asia St. James's Place funds under management increased to £800 million.

It has been a good six months for growth in the SJP Asia Partnership with a net increase of 17 Partners and advisers taking the total to 150, a 13% increase since the start of the year. In addition, there is a strong pipeline of individuals who have applied to join our Asia business, boding well for future recruitment.

Work has continued broadening the client proposition across the region with the introduction of Discretionary Fund Management into Shanghai and regulatory approval received for a licence to offer the same services in Singapore. Furthermore, the range of external providers of products and services has been widened in support of a more comprehensive client offering.

ROWAN DARTINGTON (RD)

Investment in RD in the first half of the year was a similar level to the prior year.

Gross new business for the half year was 11% higher at £303 million, taking the total investments introduced from the Partnership to £1 billion. Total funds under management were up 17% for the six months to £2.71 billion.

After a period of investment, the number of Investment Executives remained stable during the period and is expected to remain so in the short term as we focus on increasing the quantum of funds managed by each executive.

BACK OFFICE INFRASTRUCTURE

The elevated investment for the first half of the year reflects an intense period of activity as we come to the end of successfully and smoothly migrating all our UK business to the new Bluedoor platform.

In May we completed the migration of our older pension plans and over the weekend of 20/21 July we successfully migrated a £22.2 billion tranche of Investment Bond business to the platform. I am pleased to report that all our UK business is now processed on a modern, 21st century IT platform which provides us with the scalability to accommodate our growing business needs and greater operational resilience, as well as enabling us to offer an improved service to clients going forwards.

We need to complete a number of internal system changes in the second half of the year before we can decommission the legacy system, at which point we will have completed the project. Dual running and project costs will then fall away.

This will be a significant milestone for the business and the whole project team, both internal and external have done a terrific job completing what has been a complex multi-year project with little disruption.

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. And the contribution goes beyond the business financials, making a difference for our clients, but also our shareholders, suppliers and the wider community. So we are also proud that fund-raising for the Charitable Foundation has again increased, as has our Financial Education programme, our engagement with Responsible Investment initiatives, and our whole programme of social value initiatives. Being able to give back is important to our community, and an important part of our culture.

On behalf of the Board and shareholders I would like to thank the entire St. James's Place community for their continued hard work, dedication and commitment to all aspects of our business.

Outlook

Experience tells us that whilst inflows may be impacted from time to time by external factors that are beyond our control, our clients' financial planning requirements remain unchanged and if anything, the need for advice is more pronounced in times of uncertainty. Therefore, in the short term as the current external environment remains uncertain, confidence towards investing may remain tempered. However, it is at times like this that relationships between client and adviser are strengthened.

Looking further ahead, the fundamental financial planning requirements of individuals remain considerable whilst, at the same time, the availability of high quality professional financial advice continues to be limited. We are therefore confident that the strength, depth and quality of the growing Partnership, together with the investments we are making in the business and our distinctive investment management approach, mean that we remain well placed to continue to grow our business.

ANDREW CROFT

Chief Executive

30 July 2019

CHIEF FINANCIAL OFFICER'S REPORT



CRAIG GENTLE, Chief Financial Officer
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£125.1m

UNDERLYING CASH RESULT

(Six months ended 30 June 2018: £147.1m)

£465.7m

EEV OPERATING PROFIT

(Six months ended 30 June 2018: £489.6m)

18.49 pence per share

INTERIM DIVIDEND

(Six months ended 30 June 2018:
18.49 pence per share)

As already stated in the Chief Executive's Report, gross inflows in the period were lower by 7% but at the end of the period funds under management, which drive income, had seen growth of 14% from 31 December 2018, and totalled £109.3 billion.

Our financial business model remains straightforward and unchanged. We attract and then retain funds under management on which we receive an annual management fee. The continued strong growth in funds under management is therefore a significant positive indicator, particularly in combination with surrender rates under 5%.

During the period, as in previous years, we have also continued to invest in the future of the business. This investment is reflected in our results and is expected to enable continued medium and long-term growth together with more efficient administration systems and processes.

Financial Results

Whilst our financial business model remains straightforward, the impact of having a significant life insurance company at the heart of the Group results in accounting complexity under IFRS. For this reason we continue, in our Financial Review on pages 12 to 27, to supplement IFRS information with EEV information as well as further detail on the way in which cash emerges within the business. The Financial Review provides the usual full analysis, but there are a number of factors that merit emphasis:

1. Our contribution to the Financial Services Compensation Scheme (FSCS) for the six months to 30 June 2019 pre-tax was £19.9 million (six months to 30 June 2018: £15.4 million, year to 31 December 2018: £15.7 million). This expense impacted post-tax results for the Group by £16.1 million in the period (six months to 30 June 2018: £12.4 million, year to 31 December 2018: £12.8 million). The increased charge reflects a full year of FSCS cost, where the charge in 2018 reflected only nine months due to the FSCS transitioning to align the compensation levy period with their financial year. The underlying cost of the FSCS levy remains at prior year levels.

2. We continue to invest in growing the Partnership and the number of advisers within it. In particular, we invested £5.0 million post-tax in our Academy and Next Generation Academy (six months to 30 June 2018: £4.2 million, year to 31 December 2018: £8.4 million) and saw 59 qualified advisers graduate during the period.

3. Our Asia and DFM operations are medium to long-term investments and are developing well. During the period, investment in these areas of future growth amounted to £11.7 million post-tax (six months to 30 June 2018: £10.5 million, year to 31 December 2018: £26.8 million).

4. Our back-office infrastructure initiative has been a multi-year project, with the final migration successfully completed in July 2019. As a result of intense preparation expenses have increased in the period to £22.0 million post-tax (six months to 30 June 2018: £15.2 million, year to 31 December 2018: £35.8 million), but as dual running costs fall away in the second half of the year we expect the 2019 full year back-office infrastructure costs to be similar to 2018. Following the final migration the focus of the remaining project will be to fully bed-in Bluedoor operations.

In addition, responding to feedback from some analysts and shareholders, we have refined our analysis of the Cash result and gestation disclosures to focus on the net income from mature FUM together with the future contributions expected from the gestation balance (see pages 15 and 19).

Dividend

The fundamentals underlying the business continue to be strong, meaning the Board has great confidence in the outlook: demand for quality financial advice is high, we are continuing to be successful in growing the Partnership both through recruitment and the Academy, and the financial results are underpinned by the future income that will be released in the next few years from the gestation FUM. However, recognising the challenges in the shorter-term operating environment, the Board has recommended maintaining the interim dividend at 18.49 pence per share. This will consume £98.2 million.

For further dividend information, refer to Note 14 on page 54.

Capital and Solvency

We continue to manage the balance sheet prudently to ensure the Group's solvency is maintained safely. 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 (MSB). During the year ended 31 December 2018 we reviewed the level of our MSB, and concluded that it was appropriate to maintain the MSB for the Life businesses at £355.0 million. There has been no change in the MSB for the Life businesses in the period to 30 June 2019. This gives a total Group MSB of £505.9 million when combined with the MSB held for our other regulated entities. Solvency II net assets were £1,039.9 million at 30 June 2019 (30 June 2018: £1,057.0 million, 31 December 2018: £1,108.0 million), well in excess of the Group MSB.

We provide information on our Solvency II position on page 27. Our solvency ratio at 30 June 2019, prior to the payment of the proposed interim dividend, is 132% (30 June 2018: 137%, 31 December 2018: 143%) which demonstrates the financial strength of our low-risk business. The reduction from 31 December 2018 principally reflects the unwind of the equity dampener element in the Solvency II regulation, which despite our matching approach to client liabilities, acts to bolster the regulatory capital position when markets are low and penalises it when markets are higher.

Concluding Remarks

Whilst the short-term financials will be impacted by the current uncertain environment, the prospects for the business are very good. Enormous demand for advice in the UK market, a proven ability to grow our adviser base, and a significant flow of future cash income from the gestation all underpin our confidence, and our anticipation of a return to growth in the medium and longer-term.

CRAIG GENTLE
Chief Financial Officer
30 July 2019

Key financial information

	Page reference	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
FUM-based metrics				
Gross inflows (£'Billion)	13	7.4	7.9	15.7
Net inflows (£'Billion)	13	4.4	5.2	10.3
Total FUM (£'Billion)	13	109.3	96.6	95.6
Total FUM in gestation (£'Billion)	14	38.1	33.1	33.5
IFRS-based metrics				
IFRS profit before shareholder tax (£'Million)	15	57.3	82.5	211.9
IFRS profit after tax (£'Million)	16	45.8	69.0	173.5
Underlying profit before shareholder tax (£'Million)	16	81.5	115.4	278.6
IFRS basic earnings per share (EPS) (Pence)		8.7	13.1	33.0
IFRS diluted EPS (Pence)		8.5	12.9	32.4
IFRS net asset value per share (Pence)		175.0	188.4	192.5
Dividend per share (Pence)		18.49	18.49	48.22
Cash result-based metrics				
Operating cash result (£'Million)	18	140.1	160.1	342.8
Underlying cash result (£'Million)	18	125.1	147.1	309.0
Cash result (£'Million)	18	99.6	128.7	268.7
Underlying cash result basic EPS (Pence)		23.7	28.0	58.7
Underlying cash result diluted EPS (Pence)		23.2	27.6	57.8
EEV-based metrics				
EEV operating profit (£'Million)	23	465.7	489.6	1,002.0
EEV operating profit after tax basic EPS (Pence)		73.2	77.2	158.0
EEV operating profit after tax diluted EPS (Pence)		71.6	76.1	155.4
EEV net asset value per share (Pence)		1,245.1	1,115.0	1,109.0
Solvency-based metrics				
Solvency II net assets (£'Million)	27	1,039.9	1,057.0	1,108.0
Management solvency buffer (£'Million)	27	505.9	490.4	491.0
Solvency II free assets (£'Million)	27	941.0	941.4	1,060.1
Solvency ratio (Percentage)	27	132	137	143

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

FINANCIAL REVIEW

THIS FINANCIAL REVIEW PROVIDES ANALYSIS OF THE GROUP'S FINANCIAL POSITION AND PERFORMANCE.

Funds under management (FUM) is a key driver of ongoing profitability on all measures, and so information on growth in FUM is provided in Section 1. Section 2 analyses the performance of the business using three different bases: International Financial Reporting Standards (IFRS), the Cash result, and European Embedded Value (EEV). Section 3 addresses Solvency, which is an important area given the multiple regulated activities carried out within the Group.

The Review is therefore split into the following sections:

Section 1: Funds under management (FUM)

- 1.1 FUM analysis
- 1.2 Gestation

▶ Find out more on pages 13 to 15

Section 2: Performance measurement

- 2.1 International Financial Reporting Standards (IFRS)
- 2.2 Cash result
- 2.3 European Embedded Value (EEV)

▶ Find out more on pages 15 to 26

Section 3: Solvency

▶ Find out more on pages 26 and 27

The financial model

The Group's strategy is to attract and retain retail FUM on which we receive an annual management fee for as long as 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 Group also generates income through an initial margin on new business.

The level of net annual management fee income depends on the level of client funds and the level of asset values. In addition, around half of our business does not generate net Cash result in the first six years, which we describe as funds in 'gestation'. This deferral of cash generation means that the level of Group income will increase as a result of new business six years ago maturing from gestation to become cash generative.

Group expenditure is carefully managed with clear targets set for growth in establishment and operational development expenses during the year. Many other expenses increase with business levels and are met from margins in the products, thereby having no net impact on the cash result. The Group is also investing to support long-term growth through St. James's Place Asia, Rowan Dartington, our back-office infrastructure programme, and other strategic initiatives.

RELATED PARTY TRANSACTIONS

The related party transactions during the six-month period to 30 June 2019 are set out in Note 15 to the condensed consolidated half year financial statements.

Section 1: Funds Under Management

1.1 FUM analysis

Our financial business model is to attract and retain FUM on which we receive an annual management fee. As a result, the level of income we receive is ultimately dependent on the value of our FUM, and so its growth is a clear driver of future growth in profits. The key drivers for FUM are:

- Our ability to attract new funds in the form of Gross Inflows;
- Our ability to retain FUM by keeping unplanned withdrawals at a low level; and
- Net investment returns.

The following table shows how FUM evolved during the six months to 30 June 2019 and 30 June 2018, and the year to 31 December 2018. Gross and net inflows have decreased period on period as a result of the continued macro-economic and political uncertainty, however new business continues to perform well compared to others in the wealth management sector:

	Six months ended 30 June 2019				30 June 2018 £'Billion	31 December 2018 £'Billion
	Investment	Pension	UT/ISA and DFM ¹	Total		
	£'Billion	£'Billion	£'Billion	£'Billion		
Opening FUM	27.62	40.72	27.21	95.55	90.75	90.75
Gross inflows	1.07	4.14	2.17	7.38	7.92	15.70
Net investment return	2.20	4.48	2.65	9.33	0.65	(5.48)
Regular income withdrawals and maturities	(0.27)	(0.61)	(0.02)	(0.90)	(0.84)	(1.63)
Surrenders and part surrenders	(0.54)	(0.57)	(0.93)	(2.04)	(1.87)	(3.79)
Closing FUM	30.08	48.16	31.08	109.32	96.61	95.55
Net inflows	0.26	2.96	1.22	4.44	5.21	10.28
Implied surrender rate as a percentage of average FUM	3.8%	2.6%	6.4%	4.0%	4.0%	4.1%

¹ Rowan Dartington Group FUM is included within 'UT/ISA and DFM' in both the current and prior periods. It had closing FUM of £2.71 billion at 30 June 2019 (30 June 2018: £2.31 billion, 31 December 2018: £2.31 billion), gross inflows of £0.30 billion for the six months ended 30 June 2019 (six months ended 30 June 2018: £0.27 billion, year ended 31 December 2018: £0.54 billion) and outflows of £0.08 billion (six months ended 30 June 2018: £0.05 billion, year ended 31 December 2018: £0.10 billion).

The following table shows the robust growth in Net Inflows over the past six years, which combined with strong retention has resulted in consistent growth in FUM. FUM has more than doubled over the last five years:

Year	Opening FUM	Net inflows	Investment return	Other movements ¹	Closing FUM
	£'Billion	£'Billion	£'Billion	£'Billion	£'Billion
30 June 2019	95.6	4.4	9.3	–	109.3
31 December 2018	90.7	10.3	(5.4)	–	95.6
31 December 2017	75.3	9.5	6.2	(0.3)	90.7
31 December 2016	58.6	6.8	8.7	1.2	75.3
31 December 2015	52.0	5.8	0.8	–	58.6
31 December 2014	44.3	5.1	2.6	–	52.0

¹ Other movements in 2017 related to the matching strategy disinvestment, and in 2016 related to the acquisition of the Rowan Dartington Group.

FINANCIAL REVIEW CONTINUED

1.1 FUM analysis continued

The table below provides a geographical and investment type analysis of FUM at the end of each period:

	30 June 2019		30 June 2018 ¹		31 December 2018 ¹	
	£'Billion	%	£'Billion	%	£'Billion	%
North American Equities	23.3	21%	20.2	21%	19.9	21%
Fixed Income Securities	19.6	18%	16.3	17%	16.9	18%
UK Equities	19.0	17%	20.3	21%	17.6	18%
Asia and Pacific Equities	12.6	12%	8.7	9%	10.1	11%
European Equities	12.6	12%	10.9	11%	10.0	10%
Alternative Investments	8.7	8%	6.7	7%	7.5	8%
Cash	7.0	6%	7.0	7%	6.7	7%
Property	3.0	3%	3.0	3%	3.0	3%
Other	3.5	3%	3.5	4%	3.9	4%
Total	109.3	100%	96.6	100%	95.6	100%

¹ The geographical and investment type analysis of FUM for 30 June 2018 and 31 December 2018 have been restated to better reflect the nature of the underlying investment holdings.

1.2 Gestation

Due to our product structure, at any given time there is a significant amount of FUM that has not yet started to contribute to the Cash result.

When we attract new FUM there is a new business margin that emerges at the point of investment, which is a surplus of income over and above the initial costs incurred at the outset. Within our Cash result presentation, this margin arising from new business is recognised immediately, but it is deferred under IFRS.

Once the new business margin has been recognised the pattern of future emergence of cash from ongoing annual management fees differs by product. Broadly, annual management fees from unit trust and ISA business begin contributing positively to the Cash result from day 1, whilst investment and pensions business enter a six-year gestation period during which no net income from FUM is included in the Cash result. Once this business has reached its six-year maturity point, it starts contributing positively to the Cash result, and will continue to do so in each year that it remains with the Group.

The following table shows an analysis of FUM, split between mature FUM that is contributing net income to the Cash result and FUM in gestation which is not yet contributing, as at 30 June 2019 as well as at the year-end for the last five years:

	Mature FUM contributing to the Cash result	Gestation FUM that will contribute to the Cash result in the future	Total FUM
	£'Billion	£'Billion	£'Billion
30 June 2019	71.2	38.1	109.3
31 December 2018	62.1	33.5	95.6
31 December 2017	60.1	30.6	90.7
31 December 2016	50.2	25.1	75.3
31 December 2015	39.4	19.2	58.6
31 December 2014	35.9	16.1	52.0

The proportion of new business that moves into gestation has increased over the last five years:

	Proportion of Gross inflows into gestation
	%
30 June 2019	59.4
31 December 2018	59.4
31 December 2017	56.5
31 December 2016	53.8
31 December 2015	53.5
31 December 2014	51.5

The increasing proportion of gross inflows moving into gestation FUM is attributable to the strength of pensions inflows in recent years, in part reflecting the positive impact to our business from pensions freedom. The long-term nature of this type of investment results in a long post-gestation period of Cash result emergence.

The following table gives an indication, for illustrative purposes, of the way in which the reduction in fees in the gestation period element of the Cash result could unwind, and so how the gestation balance of £38.1 billion at 30 June 2019 may start to contribute to the Cash result over the next six years and beyond. For simplicity it assumes that FUM values remain unchanged, that there are no surrenders, and that business is written at the start of the year. Actual cash emergence will reflect varying business mix of the relevant cohort and business experience.

	Gestation FUM future contribution to the Cash result
	£ Million
2019 Year-end	17.4
2020 Year-end	55.0
2021 Year-end	101.0
2022 Year-end	155.0
2023 Year-end	222.0
2024 Year-end	300.9
2025 Year-end onwards	336.8

Section 2: Performance measurement

In line with statutory reporting requirements we report profits assessed on an IFRS basis. However, given the long-term nature of the business, the significant difference between IFRS profit and the way cash emerges from the business, and the complications of including policyholder tax, we believe the IFRS result does not provide an easy guide to performance. We therefore present our financial performance and position under three different bases, using a range of alternative performance measures (APMs) to supplement our IFRS reporting. The three different bases, which are consistent with those presented last year, are:

- International Financial Reporting Standards (IFRS);
- Cash result; and
- European Embedded Value (EEV).

APMs are not defined by the relevant financial reporting framework (which for the Group is IFRS), but we use them to provide greater insight to the financial performance, financial position and cash flows of the Group and the way it is managed. A complete Glossary of Alternative Performance Measures is set out on pages 70 to 72, in which we define each APM used in our Financial Review, explain why it is used and, if applicable, explain how the measure can be reconciled to the IFRS financial statements.

2.1 International Financial Reporting Standards (IFRS)

IFRS reporting is a statutory requirement, and so although the level of non-cash accounting adjustments is such that IFRS does not reflect the pattern of cash emergence in the Group, there are two measures used that are based upon it. These are:

- Profit before shareholder tax; and
- Underlying profit.

Further information on these IFRS-based measures is set out below, on pages 15 to 17.

PROFIT BEFORE SHAREHOLDER TAX

This is a profit measure based on IFRS which removes the impact of policyholder tax.

As a Group with a UK life insurance company at its heart, we are required to account for policyholder tax as part of our corporation tax arrangements, despite it being unrelated to the performance of the business. The policyholder tax expense or credit is matched by an equivalent deduction or credit from the relevant funds, which is recorded within fee and commission income in the IFRS statement of comprehensive income. Policyholder tax does not therefore impact the Group's overall profit after tax. As a result, profit before shareholder tax, but after policyholder tax, is a useful metric.

FINANCIAL REVIEW CONTINUED

2.1 International Financial Reporting Standards (IFRS) continued

The following table demonstrates the way in which profit before shareholder tax is presented in the IFRS condensed consolidated statement of comprehensive income on page 32:

	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
	£'Million	£'Million	£'Million
IFRS profit/(loss) before tax	456.6	93.4	(84.6)
Policyholder tax	(399.3)	(10.9)	296.5
IFRS profit before shareholder tax	57.3	82.5	211.9
Shareholder tax	(11.5)	(13.5)	(38.4)
IFRS profit after tax	45.8	69.0	173.5

Profit before shareholder tax has decreased by £25.2 million period on period, primarily due to lower new business and an increase in expenses. Shareholder tax reflects the tax charge attributable to shareholders and is closely related to the performance of the business.

UNDERLYING PROFIT

This is profit before shareholder tax (as calculated above) adjusted to remove the impact of accounting for deferred acquisition costs (DAC), deferred income (DIR) and the purchased value of in-force business (PVIF).

IFRS requires certain up-front expenses incurred and income received to be deferred. The deferred amounts are initially recognised on the statement of financial position as a DAC asset and DIR liability, which are subsequently amortised to the statement of comprehensive income over a future period. Substantially all of the Group's deferred expenses are amortised over a 14-year period, and substantially all deferred income is amortised over a six-year period.

The impact of accounting for DAC, DIR and PVIF in the IFRS result is that there is a significant accounting timing difference between the emergence of accounting profits and actual cash flows. For this reason, underlying profit is considered to be a helpful metric. The following table demonstrates the way in which IFRS profit reconciles to Underlying profit:

	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
	£'Million	£'Million	£'Million
IFRS profit before shareholder tax	57.3	82.5	211.9
Remove the impact of DAC/DIR/PVIF	24.2	32.9	66.7
Underlying profit before shareholder tax	81.5	115.4	278.6

The impact of movements in DAC, DIR and PVIF on IFRS profit before shareholder tax is further analysed as follows. Due to policyholder tax on DIR, the amortisation of DIR during the year and DIR on new business for the year set out below cannot be agreed to those provided in Note 7, which is presented before both policyholder and shareholder tax:

	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
	£'Million	£'Million	£'Million
Amortisation of DAC	(47.6)	(48.3)	(98.2)
DAC on new business for the year	14.1	19.2	33.7
Net impact of DAC	(33.5)	(29.1)	(64.5)
Amortisation of DIR	78.9	73.5	149.9
DIR on new business for the year	(68.0)	(75.7)	(148.9)
Net impact of DIR	10.9	(2.2)	1.0
Amortisation of PVIF	(1.6)	(1.6)	(3.2)
Movement in the period	(24.2)	(32.9)	(66.7)

Net impact of DAC

The scale of the £33.5 million negative overall impact of DAC on the IFRS result is largely due to changes arising from the 2013 Retail Distribution Review (RDR). After this change, the level of expenses that qualified for deferral reduced significantly, but the large balance accrued previously is still being amortised. As deferred expenses are amortised over a 14-year period there is a significant transition period, which could last for another six to seven years, over which the amortisation of pre-RDR expenses previously deferred will significantly outweigh new post-RDR expenses deferred despite significant business growth, resulting in a net negative impact on IFRS profits.

Net impact of DIR

Similarly to DAC, in 2013 the RDR reduced the amount of income that qualified for deferral. This meant that the amortisation of pre-RDR income exceeded the post-RDR income deferred in each year since 2013 despite significant business growth. Most of the pre-RDR deferred income is amortised over a six-year period and so there is minimal impact on the DIR amortisation in the current period. However, given the decrease in new business in the current period, the point at which income deferred exceeds DIR amortisation has been postponed: DIR amortisation has exceeded DIR on new business by £10.9 million in the six months to 30 June 2019.

2.2 Cash result

The Cash result is used by the Board to assess and monitor the level of cash profit (net of tax) generated by the business. It is based on IFRS with adjustments made to exclude certain non-cash items, such as DAC, DIR, deferred tax and non-cash-settled share option costs. Further details, including the full definition of the Cash result, can be found in the Glossary of Alternative Performance Measures on pages 70 to 72. Although the Cash result should not be confused with the IAS 7 consolidated statement of cash flows, it provides a helpful supplementary view of the way in which cash is generated and emerges within the Group.

The Cash result reconciles to Underlying profit, as presented in Section 2.1, as follows:

	Six months ended 30 June 2019		Six months ended 30 June 2018		Year ended 31 December 2018	
	Before shareholder tax	After tax	Before shareholder tax	After tax	Before shareholder tax	After tax
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
Underlying profit	81.5	65.7	115.4	95.8	278.6	227.9
Non-cash-settled share-based payments	14.6	14.6	19.4	19.4	33.4	33.4
Deferred tax impacts	–	8.1	–	12.1	–	31.8
Other	12.5	11.2	0.7	1.4	(24.8)	(24.4)
Cash result	108.6	99.6	135.5	128.7	287.2	268.7

The most significant **deferred tax impact** in 2019 and 2018 is recognition in the Cash result of the benefit from realising tax relief. This has already been recognised under IFRS, and hence Underlying profit, through the establishment of deferred tax assets.

Other predominantly represents the change in tax charge discounting. This represents a timing difference between the tax liability due to HMRC and tax deductions charged to clients. The size of the difference will increase as markets grow, and decrease as markets fall. This timing difference is adjusted out of the Cash result, which therefore does not reflect the negative effect arising in the IFRS result as a consequence of rises in markets during the period. Other also includes the difference between IFRS 16 lease expenses and lease payments made.

The following table shows an analysis of the Cash result using three different measures:

- **Operating cash result**
This measure represents the regular emergence of cash from day to day business operations.
- **Underlying cash result**
This measure includes the cost of a number of strategic investments which are being incurred and expensed in the year, but which are expected to create long-term value.
- **Cash result**
This measure includes the short-term costs associated with the back-office infrastructure project together with other items of a one-off nature.

FINANCIAL REVIEW CONTINUED

2.2 Cash result continued

CONSOLIDATED CASH RESULT (PRESENTED POST TAX)

	Note	Six months ended 30 June 2019			Six months ended 30 June 2018	Year ended 31 December 2018
		In-Force £'Million	New Business £'Million	Total £'Million	Total £'Million	Total £'Million
Operational						
Net annual management fee	1	353.1	15.1	368.2	332.5	694.6
Reduction in fees in gestation period	2	(168.4)	–	(168.4)	(144.4)	(306.5)
Net income from FUM	3	184.7	15.1	199.8	188.1	388.1
Margin arising from new business	4	–	61.8	61.8	70.0	140.8
Establishment expenses	5	(9.1)	(81.8)	(90.9)	(82.1)	(170.6)
Operational development expenses	5	–	(8.9)	(8.9)	(8.5)	(20.1)
Regulatory fees and FSCS levy	5	(2.0)	(18.4)	(20.4)	(15.8)	(20.9)
Academy ¹	5	–	(5.0)	(5.0)	(4.2)	(8.4)
Shareholder interest ²	6	6.4	–	6.4	3.6	7.4
Tax relief from capital losses	7	7.2	–	7.2	12.7	29.7
Miscellaneous ²	8	(9.9)	–	(9.9)	(3.7)	(3.2)
Operating cash result		177.3	(37.2)	140.1	160.1	342.8
Investment						
Asia	9	–	(7.1)	(7.1)	(6.0)	(16.7)
DFM	9	–	(4.6)	(4.6)	(4.5)	(10.1)
Strategic development costs	9	–	(3.3)	(3.3)	(2.5)	(7.0)
Underlying cash result		177.3	(52.2)	125.1	147.1	309.0
Back-office infrastructure development	9			(22.0)	(15.2)	(35.8)
Variance	10			(3.5)	(3.2)	(4.5)
Cash result				99.6	128.7	268.7

1 For the year ended 31 December 2018 and going forwards, Academy costs were reclassified into the Operating cash result. Previously they were included as part of Investments, which are outside of the Operating cash result. This reflects the fact that the Academy is now a core part of the Group's adviser recruitment model and its graduates are contributing strongly to FUM growth. To enable like-for-like comparison, the 30 June 2018 numbers have been restated accordingly.

2 Funding-related expenses, including interest on borrowing and securitisation costs, have been reclassified from Miscellaneous to Shareholder interest in 2019. To provide a like-for-like comparison, expenses of £3.1 million in the six months to 30 June 2018, and £6.7 million in the year to 31 December 2018, have been reclassified from Miscellaneous to Shareholder interest.

Notes to the Cash result

1. The **net annual management fee** is the net manufacturing margin that the Group retains from FUM after payment of the associated costs (for example, investment advisory fees and Partner remuneration). Each product has standard fees, but they vary between products. Overall post-tax margin reflects business mix but also the different tax treatment, particularly Life tax on onshore investment business.
2. As noted on page 14 however, our investment and pension business product structure means that these products do not generate net Cash result from annual management charges during the six-year gestation period. This is reflected in the **reduction in fees in gestation period** line.
3. **Net income from FUM** reflects Cash result income from FUM that has reached maturity, and this will be the focus of our explanatory analysis in future. As with net annual management fees, the average rate can vary between time periods with business mix and tax. In 2019 we are expecting the income will be in the range of 0.63% - 0.65% (post-tax) of FUM (2018: 0.65%). Because of the tax rate change on UK business, this margin will be higher in 2020 by c.0.01%.
4. **Margin arising from new business** is the net positive Cash result impact of new business in the year, reflecting gross inflows and production related expenses. The main driver for this income line is gross inflows and the result is expected to move broadly in line with the pattern of gross inflows attracted.
5. **Establishment expenses, operational development expenses, regulatory fees and FSCS levy** represent the expenses of running the Group. **Academy** expenses represent the cost of running our Academy and Next Generation Academy. More detail is provided in Section 2.2.2.
6. **Shareholder interest** is the income accruing on the investments and cash held for regulatory purposes together with the interest received on the surplus capital held by the Group.
7. In recent years, a deferred tax asset has been established in IFRS for historic capital losses which are regarded as being capable of utilisation over the medium-term. The tax asset is ignored for Cash result purposes as it is not fungible, but instead the cash benefit realised when losses are utilised is shown in the **tax relief from capital losses** line. Utilisation during the period of £7.2 million tax value (six months to 30 June 2018: £12.7 million, year to 31 December 2018: £29.7 million) was ahead of our expected rate of c. £10-12 million benefit per year, largely because investment market conditions have meant that accelerated relief has been available.
8. **Miscellaneous** represents the cash flow of the business not covered in any of the other categories. It includes utilisation of the deferred tax asset in respect of prior years' unrelieved expenses (due to structural timing differences in the life company tax computation) and movements in the fair value of renewal income assets.
9. **Asia, DFM, strategic development costs** and **back-office infrastructure costs** reflect significant investments in developing our business for the future. Each of these investments are expected to result in either additional funds (Asia and DFM) or operational improvements (back-office infrastructure) in the future. Advice margin and fund management fees generated in Asia, and all fees generated by DFM, are also reflected in these lines.
10. **Variance** reflects a number of small non-recurring items incurred during the year.

FINANCIAL REVIEW CONTINUED

2.2 Cash result continued**2.2.1 DERIVATION OF THE CASH RESULT**

The Cash result is derived from the IFRS consolidated statement of financial position in a two-stage process:

Stage 1: Solvency II Net Assets Balance Sheet

Firstly, the IFRS consolidated statement of financial position is adjusted for a number of material balances that reflect policyholder interests in unit-linked liabilities together with the underlying assets that are held to match them. Secondly, it is adjusted for a number of non-cash 'accounting' balances such as DIR, DAC and associated deferred tax. The result of these adjustments is the Solvency II Net Assets Balance Sheet and the following table shows the way in which it has been calculated at 30 June 2019:

30 June 2019	IFRS Balance Sheet £'Million	Adjustment 1 £'Million	Adjustment 2 £'Million	Solvency II Net Assets Balance Sheet £'Million	Solvency II Net Assets Balance Sheet	
					30 June 2018 £'Million	31 December 2018 £'Million
Assets						
Goodwill	15.6	–	(15.6)	–	–	–
Deferred acquisition costs	525.0	–	(525.0)	–	–	–
Purchased value of in-force business	22.4	–	(22.4)	–	–	–
Computer software	1.2	–	(1.2)	–	–	–
Property and equipment	156.4	–	–	156.4	26.4	28.5
Deferred tax assets	135.7	–	(34.4)	101.3	131.8	111.6
Reinsurance assets	88.4	–	(88.4)	–	–	–
Other receivables	3,370.8	(1,954.3)	(2.3)	1,414.2	1,115.9	890.1
Income tax assets	–	–	–	–	–	9.7
Investment property	1,780.1	(1,780.1)	–	–	–	–
Equities	66,683.3	(66,683.3)	–	–	–	–
Fixed income securities	24,601.3	(24,596.0)	–	5.3	46.3	5.4
Investment in Collective Investment Schemes	5,627.2	(4,454.8)	–	1,172.4	1,035.5	1,297.0
Derivative financial instruments	459.7	(459.7)	–	–	–	–
Cash and cash equivalents	7,147.6	(6,871.1)	–	276.5	299.3	248.5
Total assets	110,614.7	(106,799.3)	(689.3)	3,126.1	2,655.2	2,590.8
Liabilities						
Borrowings	451.2	–	–	451.2	168.5	348.6
Deferred tax liabilities	404.3	–	(33.3)	371.0	350.9	154.5
Insurance contract liabilities	543.4	(450.4)	(93.0)	–	–	–
Deferred income	638.6	–	(638.6)	–	–	–
Other provisions	35.1	–	–	35.1	21.6	22.7
Other payables	2,770.6	(1,671.5)	(34.9)	1,064.2	933.6	956.9
Investment contract benefits	77,656.0	(77,656.0)	–	–	–	–
Derivative financial instruments	676.2	(676.2)	–	–	–	–
Net asset value attributable to unit holders	26,345.2	(26,345.2)	–	–	–	–
Income tax liabilities	164.6	–	–	164.6	123.5	–
Preference shares	0.1	–	–	0.1	0.1	0.1
Total liabilities	109,685.3	(106,799.3)	(799.8)	2,086.2	1,598.2	1,482.8
Net assets	929.4	–	110.5	1,039.9	1,057.0	1,108.0

Adjustment 1 nets out the policyholder interest in unit-linked assets and liabilities. **Adjustment 2** comprises adjustment to the IFRS statement of financial position in line with Solvency II requirements, including removal of DAC, DIR, PVIF and their associated deferred tax balances, goodwill and other intangibles.

Stage 2: Movement in Solvency II Net Assets Balance Sheet

Secondly, there are a number of movements in Solvency II net assets that do not represent cash flows for inclusion within the Cash result. The following table explains how the overall Cash result reconciles into the total movement:

	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
	£'Million	£'Million	£'Million
Opening Solvency II Net Assets	1,108.0	1,095.1	1,095.1
Dividend paid in period	(157.6)	(145.0)	(242.7)
Issue of share capital and exercise of options	7.4	1.8	2.8
Consideration paid for own shares	(0.1)	(6.0)	(6.0)
Proceeds from exercise of shares held in trust	0.2	–	–
Change in deferred tax	(8.1)	(12.1)	(31.8)
Change in tax discounting	(7.7)	(5.2)	23.4
Change in goodwill, intangibles and other non-cash movements	(1.8)	(0.3)	(1.5)
Cash result	99.6	128.7	268.7
Closing Solvency II Net Assets	1,039.9	1,057.0	1,108.0

2.2.2 EXPENSES

The table below provides a breakdown of the Group's expenses as presented directly in the Cash result:

	Six months ended 30 June 2019			Six months ended 30 June 2018			Year ended 31 December 2018		
	Before tax	Tax rate	After tax	Before tax	Tax rate	After tax	Before tax	Tax rate	After tax
	£'Million	%	£'Million	£'Million	%	£'Million	£'Million	%	£'Million
Establishment expenses ¹	112.2	19.0	90.9	101.5	19.0	82.1	210.6	19.0	170.6
Operational development costs	11.0	19.0	8.9	10.5	19.0	8.5	24.8	19.0	20.1
Regulatory fees and FSCS levy	25.2	19.0	20.4	19.5	19.0	15.8	25.7	19.0	20.9
Academy	6.2	19.0	5.0	5.2	19.0	4.2	10.4	19.0	8.4
Strategic development costs	4.0	19.0	3.3	3.0	19.0	2.5	8.8	19.0	7.0
Back-office infrastructure costs	27.2	19.0	22.0	18.8	19.0	15.2	44.1	19.0	35.8
Total Cash result expenses	185.8		150.5	158.5		128.3	324.4		262.8

¹ Certain expenses for the six-months to 30 June 2018 have been reclassified to better reflect the nature of the expense. This has resulted in a decrease of £1.7 million in Establishment expenses and an increase of £1.7 million in Asia expenses.

Establishment costs have increased year on year as additional expenses are incurred to support the growth in the Partnership.

Operational development costs reflect core investment, not least in our technology infrastructure and cyber security.

The costs of operating in a regulated sector include **regulatory fees** and the **Financial Services Compensation Scheme (FSCS) levy**.

On a post-tax basis, these are as follows:

	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
	£'Million	£'Million	£'Million
FSCS levy	16.1	12.4	12.8
Regulatory fees	4.3	3.4	8.1
FSCS levy and regulatory fees	20.4	15.8	20.9

Our position as a market-leading provider of advice means we make a very substantial contribution to supporting the FSCS, thereby providing protection for clients of other businesses in the sector that fail. Over the last few years, the levy has been at an elevated level but we remain hopeful that it will return to a more normalised level in future.

FINANCIAL REVIEW CONTINUED

2.2 Cash result continued

The FSCS levy period has increased from nine months for the 2018/19 funding year back up to the usual 12 months for the 2019/20 funding year, with the cost increasing accordingly. The FSCS levy expense is recognised in full in the first half of each year.

Academy costs have increased in 2019 as a result of expansion in the number of individuals recruited into the programme.

Strategic development costs continue to increase as a result of investment in the business, particularly Partner support.

Costs associated with our Bluedoor back-office infrastructure programme have increased in 2019 due to increased levels of activity in preparation of the final migration. In the second half of the year a few internal system changes need to be completed before we can decommission the legacy system, at which point dual running costs will fall away. Costs for the 2019 full year are still expected to be similar to 2018.

Reconciliation to IFRS expenses

There are a number of other expenses which are included within the Cash result but not directly referenced. This is because expense items that vary with business volumes are matched against the relevant income source. For example, payments to Partners and other performance related costs are matched against net annual management fees and new business margin.

In addition there are other IFRS expenses that are not included in the Cash result by definition, such as non-cash-settled share-based payment expenses and DAC amortisation.

The following table reconciles the expenses presented explicitly in the Cash result to the IFRS expenses as set out in the statement of comprehensive income on page 32:

	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
	£'Million	£'Million	£'Million
Total Cash result expenses before tax	185.8	158.5	324.4
Asia expenses ¹	9.5	9.7	21.3
DFM expenses	13.0	11.3	24.5
Other performance related costs	61.8	69.3	137.2
Payments to Partners	385.0	374.9	781.9
Investment expenses	41.1	54.4	106.1
Third-party administration	53.4	50.7	100.4
Amortisation of DAC and PVIF, net of additions	35.0	30.8	67.7
Share-based payments expenses	14.8	19.7	34.1
Other	24.8	18.0	43.9
Total IFRS Group expenses before tax	824.2	797.3	1,641.5

¹ Certain expenses for the six-months to 30 June 2018 have been reclassified to better reflect the nature of the expense. This has resulted in a decrease of £1.7 million in Establishment expenses and an increase of £1.7 million in Asia expenses.

We continue to invest in both Asia and DFM as these businesses grow.

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

Payments to Partners, investment expenses and third-party administration costs are met by corresponding charges to clients, and so any variation in them from changes in the volumes of new business or the level of the stock markets has limited impact on the profitability of the Group.

Other expenses include interest expense and bank charges, the operating costs of acquired independent financial advisers (IFAs) and our securitisation entity, and donations to the St. James's Place Charitable Foundation.

2.3 European Embedded Value (EEV)

Wealth management differs from most other businesses, in that the expected shareholder income from client investment activity emerges over a long period in the future. We therefore supplement the IFRS and Cash results by providing additional disclosure on an EEV basis, which brings into account the net present value of the expected future cash flows. We believe that a measure of total economic value of the Group's operating performance is useful to investors.

As in previous reporting, our EEV continues to be calculated on a basis determined in accordance with the EEV principles originally issued in May 2004 by the Chief Financial Officers Forum (CFO Forum) and supplemented in both October 2005 and, following the introduction of Solvency II, in April 2016.

Many of the principles and practices underlying EEV are similar to the requirements of Solvency II. In the prior year, we had made a number of small changes to our EEV methods and assumptions to align them as closely as possible to Solvency II. These changes were reflected in the Economic assumption changes line.

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

	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
	£'Million	£'Million	£'Million
Funds management business	558.4	563.1	1,151.6
Distribution business	(34.1)	(20.5)	(38.9)
Back-office infrastructure development	(27.2)	(18.8)	(44.1)
Other	(31.4)	(34.2)	(66.6)
EEV operating profit	465.7	489.6	1,002.0
Investment return variance	612.9	(32.5)	(460.9)
Economic assumption changes	(24.1)	6.0	(15.1)
EEV profit before tax	1,054.5	463.1	526.0
Tax	(179.4)	(79.0)	(89.7)
EEV profit after tax	875.1	384.1	436.3

Notes to the EEV result

1. Funds management business EEV operating profit

The funds management business operating profit has decreased marginally to £558.4 million (six months to 30 June 2018: £563.1 million, year to 31 December 2018: £1,151.6 million) and a full analysis of the result is shown below:

	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
	£'Million	£'Million	£'Million
New business contribution	386.3	437.0	852.7
Profit from existing business			
– unwind of the discount rate	125.5	124.0	242.3
– experience variance	43.0	(0.4)	24.5
– operating assumption change	–	–	25.9
Investment income	3.6	2.5	6.2
Fund management business EEV operating profit	558.4	563.1	1,151.6

The **new business contribution** for the period at £386.3 million (six months to 30 June 2018: £437.0 million, year to 31 December 2018: £852.7 million) was 12% lower than the prior period, primarily reflecting the decrease in new business.

The **unwind of the discount rate** for the period increased marginally to £125.5 million (six months to 30 June 2018: £124.0 million, year to 31 December 2018: £242.3 million), reflecting the higher opening value of in-force business. The opening value of in-force business was impacted by the low stock markets at the end of 2018.

The **experience variance** during the period was £43.0 million (six months to 30 June 2018: £(0.4) million, year to 31 December 2018: £24.5 million), reflecting positive retention experience.

FINANCIAL REVIEW CONTINUED

2.3 European Embedded Value (EEV) continued

2. Distribution business

The distribution loss includes the positive gross margin arising from advice income less payments to advisers offset by the costs of investment in growing the Partnership, building the distribution capabilities in Asia, administrative expenses and a charge of £13.6 million for the FSCS levy (six months to 30 June 2018: £12.4 million, year to 31 December 2018: £12.6 million).

3. Investment return variance

The investment return variance reflects the capitalised impact on the future annual management fees resulting from the difference between the actual and assumed investment returns. Given the size of our FUM, a small difference can result in a large positive or negative variance.

The typical investment return on our funds during the period was 11% after charges, compared to the assumed investment return of 1.6%. This resulted in a positive investment return variance of £612.9 million (six months to 30 June 2018: negative £32.5 million, year to 31 December 2018: negative £460.9 million).

4. Economic assumption changes

The negative variance of £24.1 million arising in the year (six months to 30 June 2018: positive £6.0 million, year to 31 December 2018: negative £15.1 million) reflects the negative effect from the decrease in gilt yields.

NEW BUSINESS MARGIN

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

The table below presents the margin before tax from our manufactured business:

	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
Life business			
Investment			
New business contribution (£'Million)	54.7	65.9	129.0
Gross inflows (£'Billion)	1.07	1.21	2.41
Margin (%)	5.1	5.5	5.4
Pension			
New business contribution (£'Million)	205.7	225.3	454.2
Gross inflows (£'Billion)	4.14	4.36	8.76
Margin (%)	5.0	5.2	5.2
Unit Trust and DFM business			
New business contribution (£'Million)	125.9	145.8	269.5
Gross inflows (£'Billion)	2.17	2.35	4.53
Margin (%)	5.8	6.2	6.0
Total business			
New business contribution (£'Million)	386.3	437.0	852.7
Gross inflows (£'Billion)	7.38	7.92	15.70
Margin (%)	5.2	5.5	5.4
Post-tax margin (%)	4.3	4.6	4.5

The overall margin for the period was lower at 5.2% (six months to 30 June 2018: 5.5%, year to 31 December 2018: 5.4%) reflecting lower new business and continuing growth in expenses to support the business.

ECONOMIC ASSUMPTIONS

The principal economic assumptions used within the cash flows are set out below:

	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
	%	%	%
Risk free rate	1.0	1.5	1.4
Inflation rate	3.4	3.2	3.4
Risk discount rate (net of tax)	4.1	4.6	4.5
Future investment returns:			
– Gilts	1.0	1.5	1.4
– Equities	4.0	4.5	4.4
– Unit-linked funds	3.3	3.8	3.7
Expense inflation	3.8	3.6	3.8

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

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

EEV SENSITIVITIES

The table below shows the estimated impact on the reported value of new business and EEV to changes in various EEV calculated assumptions. The sensitivities are specified by the EEV principles and reflect reasonably possible levels of change. In each case, only the indicated item is varied relative to the restated values.

	Note	Change in new business contribution		Change in European Embedded Value
		Pre-tax	Post-tax	Post-tax
		£'Million	£'Million	£'Million
Value at 30 June 2019		386.3	320.6	6,611.1
100bp reduction in risk-free rates, with corresponding change in fixed interest asset values	1	(12.9)	(10.8)	(109.1)
10% increase in withdrawal rates	2	(27.6)	(22.9)	(346.3)
10% reduction in market value of equity assets	3	–	–	(671.5)
10% increase in expenses	4	(8.2)	(6.8)	(78.6)
100bp increase in assumed inflation	5	(14.5)	(12.1)	(129.7)

Notes to the EEV sensitivities

1. This is the key economic basis change sensitivity. The business model is relatively insensitive to change in economic basis. Note that the sensitivity assumes a corresponding change in all investment returns but no change in inflation.
2. The 10% increase is applied to the withdrawal rate. For instance, if the withdrawal rate is 8% then a 10% increase would reflect a change to 8.8%.
3. For the purposes of this sensitivity all unit-linked funds are assumed to be invested in equities. The actual mix of assets varies and in recent years the proportion invested directly in UK and overseas equities has exceeded 70%.
4. For the purposes of this sensitivity only non-fixed elements of the expenses are increased by 10%.
5. This reflects a 100bp increase in the assumed RPI underlying the expense inflation calculation.

	Change in new business contribution		Change in European Embedded Value
	Pre-tax	Post-tax	Post-tax
	£'Million	£'Million	£'Million
100bp reduction in risk discount rate	46.3	38.4	506.4

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

FINANCIAL REVIEW CONTINUED

2.3 European Embedded Value (EEV) continued

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:

	30 June 2019	30 June 2018	31 December 2018
	£'Million	£'Million	£'Million
Value of in-force business	5,571.2	4,845.0	4,763.5
Solvency II net assets	1,039.9	1,057.0	1,108.0
Total embedded value	6,611.1	5,902.0	5,871.5
	30 June 2019	30 June 2018	31 December 2018
	Pence	Pence	Pence
Net asset value per share	1,245.1	1,115.0	1,109.0

The EEV result above reflects the specific terms and conditions of our products. Our pension business is split between two portfolios. Our current product, the Retirement Account, was launched in 2016 and incorporates both pre-retirement and post-retirement phases of this investment in the same product. Earlier business was written in our separate Retirement Plan and Drawdown Plan products, targeted at the each of the two phases separately, and therefore has a slightly shorter term and lower new business margin.

Our experience is that much of our Retirement Plan business converts into Drawdown business at retirement, but, in line with the EEV guidelines, we are required to defer recognition of the additional value from the Drawdown Plan until it is crystallised. If instead we were to assess the future value of Retirement Plan business (beyond the immediate contract boundary) in a more holistic fashion, in line with Retirement Account business, this would result in an increase of approximately £390 million to our embedded value (30 June 2018: approximately £400 million, 31 December 2018: approximately £350 million).

Section 3: Solvency

St. James's Place has a business model and risk appetite that results in underlying assets being held that fully match with our obligations to clients. Our clients can access their investments 'on – demand' and because the encashment value is matched, movements in equity markets, currency markets, interest rates, mortality, morbidity and longevity have very little impact on our ability to meet liabilities. We also have a prudent approach to investing shareholder funds and surplus assets in cash, AAA-rated money market funds and highly rated government securities. The overall effect of the business model and risk appetite is a resilient solvency position capable of enabling liabilities to be met even through adverse market conditions.

Our Life businesses are subject to the Solvency II capital regime which applied for the first time in 2016. Given the relative simplicity of our business compared to many, if not most, other organisations that fall within the scope of Solvency II, we have continued to manage the solvency of the business on the basis of holding assets to match client unit-linked liabilities plus a Management Solvency Buffer (MSB). This has ensured that, not only can we meet client liabilities on a standardised basis at all times (beyond the Solvency II requirement of a '1 in 200 years' event), but we also have a prudent level of protection against other risks to the business. At the same time, we have ensured that the resulting capital held meets with the requirements of the Solvency II regime, to which we are ultimately accountable.

For the year ended 31 December 2018 we reviewed the level of our MSB, and concluded that it was appropriate to maintain the MSB for the Life businesses at £355.0 million. This continues to apply at 30 June 2019.

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

	30 June 2019				30 June 2018 Total £'Million	31 December 2018 Total £'Million
	Life	Other regulated	Other	Total		
	£'Million	£'Million	£'Million	£'Million		
Solvency II net assets	442.5	223.8	373.6	1,039.9	1,057.0	1,108.0
Management Solvency Buffer (MSB)	355.0	150.9	–	505.9	490.4	491.0
Management solvency ratio	125%	148%				

Solvency II net assets reflect the assets of the Group in excess of those matching clients' unit linked liabilities. It includes a £101.3 million (30 June 2018: £131.8 million, 31 December 2018: £111.6 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 cash flows (VIF) and a risk margin (RM) reflecting the potential cost to secure the transfer of the business to a third party. The Solvency II net assets, VIF and RM comprise the 'own funds', which 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 the SCR.

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

	30 June 2019				30 June 2018 Total £'Million	31 December 2018 Total £'Million
	Life	Other regulated	Other	Total		
	£'Million	£'Million	£'Million	£'Million		
Solvency II net assets	442.5	223.8	373.6	1,039.9	1,057.0	1,108.0
Value of in-force (VIF)	3,971.3			3,971.3	3,449.6	3,388.8
Risk Margin (RM)	(1,137.7)			(1,137.7)	(1,000.1)	(989.4)
Own Funds (A)	3,276.1	223.8	373.6	3,873.5	3,506.5	3,507.4
Solvency capital requirement (B)	(2,844.9)	(87.6)		(2,932.5)	(2,565.1)	(2,447.3)
Solvency II free assets	431.2	136.2	373.6	941.0	941.4	1,060.1
Solvency ratio (A/B)	115%	255%		132%	137%	143%

The solvency ratio after payment of the proposed Group interim dividend is 129% at the 30 June 2019 (30 June 2018: 129%, 31 December 2018: 137%).

PRINCIPAL RISKS AND UNCERTAINTIES

We remain focused on understanding the degree to which the various outcomes might impact the business.

The Risk and Risk Management section on pages 51 to 54 of the 2018 Annual Report and Accounts provides a comprehensive review of the principal risks and uncertainties facing the business, and the Group's approach to managing these risks and uncertainties. We are comfortable that there has been no change in the nature of the principal risks and uncertainties facing the Group since the 2018 Annual Report and Accounts. Macroeconomic factors, such as the political environment, including Brexit, continues to be an area of uncertainty and therefore a principal risk to our business

through investor sentiment and the wider economy. We continue to believe the direct impact on our operations will be limited due to our business model. However, we remain focused on understanding the degree to which the various outcomes might impact the business to seek to understand how they might be mitigated. Further details are provided on page 51 of the 2018 Annual Report and Accounts.

A summary of those principal risks and uncertainties which could impact the Group for the remainder of the current financial year have been provided in the table below.

Financial risks

Risk	Description
Insurance risk	A reduction in funds under management owing to poor retention would reduce future annual management charge 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.
Interest rate and credit risks	Changes in interest rates or the failure of a counterparty may reduce the value of shareholder assets. Key counterparties include reinsurers, banks, money market funds, issuers of fixed interest Securities, Partners to whom loans have been granted and other debtors.
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.
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.
Expense risk	Increased expenses, in particular higher than expected administration costs, would reduce future profits.

Non-financial risks

Risk	Description
Systemic advice failure	Clients rely on their SJP advisers 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.
Outsourcing failure	The Group's business model involves the outsourcing of administration and custodial services to third parties. Poor service from, or failure of, one of these third parties could lead to disruption of services to clients, reputational damage and profit impacts.
Cyber risk and Information Security	Cyber risk, which could include loss of data, system control or system availability, continues to be one of the top risks facing individuals and organisations. A successful cyber-attack could result in disruption or distress for clients, advisers, and employees, as well as resulting in reputational damage and regulatory censure.
Investment performance fails to meet client expectations	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.
Adviser proposition, recruitment and retention	Group products are distributed, and ongoing advice is provided, exclusively through the SJP Partnership. Inadequacies in the adviser proposition, range of products, technology or services offered to the Partnership may result in inefficiencies and frustration, with consequent loss of advisers and client impact, or inability to recruit sufficient, high-quality new advisers or field management.
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. Transformative regulatory, or indeed political changes, could impact adversely on our current business model. The Group could face a fine or regulatory censure from failure to comply with current and/or future regulations, with increased supervisory intrusion, disruption to business and potential for changes to the business model.
Competition and charge pressure	The competitive environment in which we operate continues to evolve with the need for dependable wealth management advice increasing whilst regulation and technology are changing the nature and accessibility of available information. Competitor activity in the adviser-based wealth management market may result in a reduction in new business volumes, reduced retention of existing business with the resulting impact on ongoing advice fees, pressure on margins for both new and existing business, and the potential loss of advisers and key employees.
Funding availability	Pressure on funding availability may limit the Group's ability to provide business loans to Partners to make strategic investments.
People and culture	People and the distinctive culture of the Group play an important part in its success. Poorly managed recruitment, expansion, succession, culture and resourcing may lead to loss of valued individuals, lack of diversity, increased risk of errors, and failure to deliver on the business plan.

02

FINANCIAL STATEMENTS

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
	Note	£'Million	£'Million	£'Million
Insurance premium income		20.3	22.1	46.5
Less premiums ceded to reinsurers		(13.1)	(13.6)	(29.6)
Net insurance premium income		7.2	8.5	16.9
Fee and commission income	4	1,251.8	876.0	1,523.7
Investment return	5	10,178.9	1,149.0	(4,235.0)
Net income/(expense)		11,437.9	2,033.5	(2,694.4)
Policy claims and benefits				
– Gross amount		(29.0)	(24.0)	(54.0)
– Reinsurers' share		12.0	8.3	19.6
Net policyholder claims and benefits incurred		(17.0)	(15.7)	(34.4)
Change in insurance contract liabilities				
– Gross amount		(35.6)	4.6	36.5
– Reinsurers' share		5.7	(2.1)	–
Net change in insurance contract liabilities		(29.9)	2.5	36.5
Movement in investment contract benefits		(10,110.2)	(1,129.6)	4,249.2
Expenses		(824.2)	(797.3)	(1,641.5)
Profit/(loss) before tax	3	456.6	93.4	(84.6)
Tax attributable to policyholders' returns	6	(399.3)	(10.9)	296.5
Profit before tax attributable to shareholders' returns		57.3	82.5	211.9
Total tax (expense)/credit		(410.8)	(24.4)	258.1
Less: tax attributable to policyholders' returns	6	399.3	10.9	(296.5)
Tax attributable to shareholders' returns	6	(11.5)	(13.5)	(38.4)
Profit and total comprehensive income for the period	3	45.8	69.0	173.5
Profit/(loss) attributable to non-controlling interests		–	–	–
Profit attributable to equity shareholders		45.8	69.0	173.5
Profit and total comprehensive income for the period	3	45.8	69.0	173.5
		Pence	Pence	Pence
Basic earnings per share	14	8.7	13.1	33.0
Diluted earnings per share	14	8.5	12.9	32.4

The results relate to continuing operations.

The Notes and information below and on pages 36 to 55 form part of these consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to equity shareholders					Total	Non-controlling interests	Total equity
		Share capital	Share premium	Shares in trust reserve	Retained earnings	Misc reserves			
		£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	
At 1 January 2018		79.4	171.7	(26.7)	832.1	2.5	1,059.0	(0.9)	1,058.1
Profit and total comprehensive income for the period					69.0		69.0		69.0
Dividends	14				(145.0)		(145.0)		(145.0)
Exercise of options			1.8				1.8		1.8
Consideration paid for own shares				(6.0)			(6.0)		(6.0)
Shares sold during the period				8.4	(8.4)		-		-
Retained earnings credit in respect of share option charges					19.4		19.4		19.4
At 30 June 2018		79.4	173.5	(24.3)	767.1	2.5	998.2	(0.9)	997.3
At 1 January 2019		79.4	174.5	(23.7)	787.3	2.5	1,020.0	(0.9)	1,019.1
Profit and total comprehensive income for the period					45.8		45.8		45.8
Dividends	14				(157.6)		(157.6)		(157.6)
Issue of share capital		0.1	3.9				4.0		4.0
Exercise of options		0.1	3.3				3.4		3.4
Consideration paid for own shares				(0.1)			(0.1)		(0.1)
Shares sold during the period				7.6	(7.6)		-		-
Proceeds from exercise of shares held in trust					0.2		0.2		0.2
Retained earnings credit in respect of share option charges					14.6		14.6		14.6
At 30 June 2019		79.6	181.7	(16.2)	682.7	2.5	930.3	(0.9)	929.4

Miscellaneous reserves represent other non-distributable reserves.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2019 £'Million	30 June 2018 £'Million	31 December 2018 £'Million
Assets				
Goodwill	7	15.6	15.6	15.6
Deferred acquisition costs	7	525.0	593.8	558.5
Intangible assets				
– Purchased value of in-force business	7	22.4	25.6	24.0
– Computer software	7	1.2	1.9	1.4
Property and equipment		156.4	26.4	28.5
Deferred tax assets	6	135.7	169.0	147.1
Reinsurance assets		88.4	80.7	82.8
Other receivables	9	3,370.8	1,798.6	1,952.3
Income tax assets		–	–	9.7
Investments				
– Investment property	8	1,780.1	1,757.2	1,820.7
– Equities	8	66,683.3	58,802.9	56,077.9
– Fixed income securities	8	24,601.3	19,295.2	21,966.0
– Investment in Collective Investment Schemes	8	5,627.2	5,235.8	4,756.1
– Derivative financial instruments	8	459.7	245.6	508.8
Cash and cash equivalents		7,147.6	7,937.1	6,877.6
Total assets	3	110,614.7	95,985.4	94,827.0
Liabilities				
Borrowings	12	451.2	168.5	348.6
Deferred tax liabilities	6	404.3	432.7	172.9
Insurance contract liabilities		543.4	540.0	508.1
Deferred income	7	638.6	650.3	648.3
Other provisions	11	35.1	21.6	22.7
Other payables	10	2,770.6	1,503.1	1,290.8
Investment contract benefits		77,656.0	68,150.1	67,796.1
Derivative financial instruments	8	676.2	476.2	517.4
Net asset value attributable to unit holders	8	26,345.2	22,922.0	22,502.9
Income tax liabilities		164.6	123.5	–
Preference shares		0.1	0.1	0.1
Total liabilities		109,685.3	94,988.1	93,807.9
Net assets		929.4	997.3	1,019.1
Shareholders' equity				
Share capital	14	79.6	79.4	79.4
Share premium		181.7	173.5	174.5
Shares in trust reserve		(16.2)	(24.3)	(23.7)
Miscellaneous reserves		2.5	2.5	2.5
Retained earnings		682.7	767.1	787.3
Equity attributable to owners of the Parent		930.3	998.2	1,020.0
Non-controlling interests		(0.9)	(0.9)	(0.9)
Total equity		929.4	997.3	1,019.1
Net assets per share		Pence 175.0	Pence 188.4	Pence 192.5

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
	£'Million	£'Million	£'Million
Cash flows from operating activities			
Profit/(loss) before tax for the period	456.6	93.4	(84.6)
Adjustments for:			
Amortisation of purchased value of in-force business	1.6	1.6	3.2
Amortisation of computer software	0.3	0.6	1.1
Depreciation	9.2	3.1	6.5
Share-based payment charge	14.8	19.7	34.1
Interest income	(22.9)	(15.0)	(35.1)
Interest expense	5.3	2.7	6.1
Increase in provisions	2.2	1.6	2.7
Exchange rate (gains)/losses	(0.1)	(0.1)	(0.3)
Changes in operating assets and liabilities			
Decrease in deferred acquisition costs	33.5	29.2	64.5
Decrease/(increase) in investment property	40.6	(126.3)	(189.8)
Increase in other investments	(14,062.7)	(5,065.1)	(4,794.4)
(Increase)/decrease in reinsurance assets	(5.6)	2.1	-
Increase in other receivables	(1,417.1)	(178.6)	(330.3)
Increase/(decrease) in insurance contract liabilities	35.3	(4.6)	(36.5)
Increase in financial liabilities (excluding borrowings)	10,018.4	4,421.7	4,108.9
(Decrease)/increase in deferred income	(9.7)	4.0	2.0
Increase in other payables	1,364.2	269.4	57.2
Increase in net assets attributable to unit holders	3,842.3	1,572.9	1,153.8
Cash generated from operating activities	306.2	1,032.3	(30.9)
Interest received	22.9	15.0	35.1
Interest paid	(5.3)	(2.7)	(6.1)
Income taxes received/(paid)	5.5	(124.2)	(213.2)
Net cash generated from operating activities	329.3	920.4	(215.1)
Cash flows from investing activities			
Acquisition of property and equipment	(8.4)	(3.1)	(8.6)
Acquisition of intangible assets	-	(0.1)	(0.1)
Acquisition of subsidiaries and other business combinations, net of cash acquired	(0.5)	-	(4.1)
Net cash used in investing activities	(8.9)	(3.2)	(12.8)
Cash flows from financing activities			
Proceeds from the issue of share capital and exercise of options	7.4	1.8	2.8
Consideration paid for own shares	(0.1)	(6.0)	(6.0)
Proceeds from exercise of shares held in trust	0.2	-	-
Additional borrowings	265.3	-	232.5
Repayment of borrowings	(162.7)	(111.4)	(162.2)
Lease payments	(3.3)	-	-
Dividends paid	(157.6)	(145.0)	(242.7)
Net cash used in financing activities	(50.8)	(260.6)	(175.6)
Net increase/(decrease) in cash and cash equivalents	269.6	656.6	(403.5)
Cash and cash equivalents at beginning of period	6,877.6	7,280.6	7,280.6
Exchange losses on cash and cash equivalents	0.4	(0.1)	0.5
Cash and cash equivalents at end of period	7,147.6	7,937.1	6,877.6

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

This condensed set of consolidated half year financial statements for the six months ended 30 June 2019, which comprise the half year financial statements of St. James's Place plc (the Company) and its subsidiaries (together referred to as the Group), has been prepared in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the Financial Conduct Authority and with IAS 34 'Interim Financial Reporting', an International Financial Reporting Standard (IFRS) as adopted by the European Union. The condensed consolidated half year financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with IFRSs as adopted by the European Union.

GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive's Report and the Chief Financial Officer's Report on pages 6 to 11. The financial performance and financial position of the Group are described in the Financial Review on pages 12 to 27.

As shown on page 27 of the Financial Review, the Group's capital position is strong and well in excess of regulatory requirements. The long-term nature of the business results in considerable positive cash flows, arising from existing business. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully.

Having assessed the principal risks, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

2. Significant accounting policies

(A) STATEMENT OF COMPLIANCE

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

The new and amended IFRS standards effective for periods beginning on 1 January 2019, which are relevant to the Group, are as follows. Each has been adopted in the six months ended 30 June 2019. The adopted standards have had no material impact on the condensed consolidated financial statements except for the adoption of IFRS 16 Leases, the impact of which is described in section (b)(i) on the following page.

- IFRS 16 Leases
- Annual Improvements 2015-2017 Cycle
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments – prepayment features with negative compensation
- Amendments to IAS 28 Investments in Associates – long-term interests in associates and joint ventures

In preparing these condensed consolidated half year financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2018.

(B) ADOPTION OF NEW ACCOUNTING STANDARDS

As required by the Disclosure Guidance and Transparency Rules sourcebook of the Financial Conduct Authority, this condensed set of consolidated financial statements has been prepared applying the accounting policies and standards that were applied in the preparation of the Group's published consolidated financial statements for the year ended 31 December 2018, except for the policies which were amended following the adoption of IFRS 16 on 1 January 2019. The impact of IFRS 16 on the condensed consolidated financial statements, and the associated changes to accounting policies, are as follows:

(i) Impact of IFRS 16 Leases

For lessees, IFRS 16 removes the distinction between operating and finance leases and requires almost all leases to be recognised on the statement of financial position. The right to use the leased item is recognised as an asset, and the present value of future lease payments is recognised as a financial liability (the 'lease liability'). The only exceptions are for short-term or low-value leases. The standard has changed the way that the Group accounts for leases previously classified as operating leases.

On adoption of IFRS 16 on 1 January 2019, the Group's lease portfolio transitioned to IFRS 16, following the modified retrospective approach. As a result, prior period comparatives have not been restated. The Group took advantage of the exemptions offered by the standard for short-term and low-value leases. Upon transition, the Group recognised a right-of-use asset of £91.8 million and a lease liability of £83.2 million, along with a dilapidations provision recognised under IAS 37 Provisions, Contingent Liabilities and Contingent Assets of £8.6 million. The value of the right-of-use asset equalled the value of the lease liability plus the dilapidations provision, and so no adjustment was made to opening reserves.

In the six months to 30 June 2019, £6.4 million lease expense on the transitioned portfolio was recognised under IFRS 16, compared to £4.6 million that would have been recognised under the previous lease standard, IAS 17. The lease expense comprises depreciation of the right-of-use asset, which is recognised on a straight-line basis over the remaining term of the lease, and interest expense on the lease liability, which is recognised using the effective interest method. This means that the interest expense reduces each year over the course of the lease term. As the Group has a number of significant leases which are in the early stages of their lease term, the lease expense under IFRS 16 is higher than it would have been under IAS 17. The lease expense also includes VAT on rent payments.

In addition to the leases which transitioned to IFRS 16 on 1 January 2019, the Group entered into two new leases in the six months ended 30 June 2019. The right-of-use assets and lease liabilities recognised on the commencement date of these leases were £37.1 million and £34.8 million respectively, along with £1.6 million of dilapidations provision recognised under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The Group is lessor for a number of investment properties. The accounting for these properties has not changed, but additional disclosures will be required in the financial statements for the year ended 31 December 2019.

(ii) Accounting policies amended on adoption of IFRS 16

The new or amended accounting standards which apply to the period commencing 1 January 2019 following the transition to IFRS 16 are set out below. As the Group has adopted the modified retrospective approach on transition, these new or amended policies do not apply to the comparative period commencing 1 January 2018.

Lease expenses (replaces the Operating lease payments policy from 1 January 2019)

Lease expenses under IFRS 16 comprise depreciation of the right-of-use asset and interest expense on the lease liability. Further information on depreciation of the right-of-use asset is set out in the accounting policy for Property and equipment, including leased assets, which can be found below.

Interest expense on the lease liability is calculated using the effective interest method. It is charged to expenses within the statement of comprehensive income.

Property and equipment, including leased assets (replaces the Property and equipment policy from 1 January 2019)

Property and equipment comprises those assets which are owned and those which are leased.

(i) Initial and subsequent measurement of owned assets

Owned items of property and equipment are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is charged to expenses within the statement of comprehensive income on a straight-line basis over the estimated useful lives of the property and equipment, which are as follows:

Fixtures, fittings and office equipment:	5–10 years
Computer equipment:	3 years

(ii) Initial and subsequent measurement of leased assets

A right-of-use asset is recognised within property and equipment for leased items which are not subject to the short-term or low-value lease exemptions set out in IFRS 16. The right-of-use asset recognised on the commencement date of the lease is the value of the lease liability (refer to the Other payables accounting policy below), plus expected dilapidations costs, initial direct costs (that is, incremental costs that would not have been incurred if the lease had not been obtained, such as legal fees) and lease payments made before or at the commencement date of the lease. Following initial recognition, depreciation is charged to expenses within the statement of comprehensive income on a straight-line basis over the lease term.

(iii) Impairment of owned and leased assets

The carrying value of owned and leased assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Any assets that may have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Other payables

Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Note that the following new paragraph applies from 1 January 2019 only:

Other payables include lease liabilities calculated in accordance with IFRS 16. On the commencement date of the lease the lease liability is measured as the present value of the future lease payments. For the Group, future lease payments include those which are fixed and those which vary depending on an index or rate. The future lease payments are discounted at the Group's incremental borrowing rate at the commencement date of the lease, which varies depending on the lease term.

The incremental borrowing rate is management's judgement as to the rate of interest that the Group would have to pay to borrow, over a similar term and with similar security, the funds necessary to obtain an asset of a similar value to the cost of the right-of-use asset. This

has been determined with reference to the rate of interest of existing borrowings held by the Group and market rates, adjusted to take into account the security and term associated with the lease.

The Group has applied the practical expedient on transition to IFRS 16 of applying a single discount rate to a portfolio of leases with reasonably similar characteristics by grouping leases by asset type and remaining lease term on the date of transition.

(C) NEW AND AMENDED ACCOUNTING STANDARDS NOT YET EFFECTIVE

As at 30 June 2019, the following new and amended standards, which are relevant to the Group but have not been applied in the financial statements, were in issue but are not yet effective. None of these standards or amendments have yet been endorsed:

- Amendments to IFRS 3 Business Combinations – definition of a business;
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – definition of material;
- Amendments to References to the Conceptual Framework in IFRS Standards following the Amendments to the Conceptual Framework; and
- IFRS 17 Insurance Contracts.

The Group is currently assessing the impact that the adoption of the above standards, amendments and clarifications will have on the Group's results reported within the financial statements. Further detail regarding the standards that are expected to have the most significant impact on the financial statements is given below.

IFRS 17 Insurance Contracts

IFRS 17 incorporates revised principles for the recognition, measurement, presentation and disclosure of insurance contracts.

The Group closed to new insurance business, as defined under accounting standards, in 2011. At 30 June 2019, the Group has £93.0 million of non-unit-linked insurance contract liabilities, which are substantially reinsured, and £450.4 million of unit-linked insurance contract liabilities. As a result, the Group's net exposure on this business is not material.

The vast majority of the business written by the Life companies within the Group is defined as investment, rather than insurance, business under accounting standards. Investment business is outside the scope of IFRS 17.

Management are currently assessing the impacts of adopting the new standard, which is expected to be mandatory for financial years commencing on or after 1 January 2022 following EU endorsement.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. Segment reporting

IFRS 8 Operating Segments requires operating segments to be identified, on the basis of internal reports about components of the Group that are regularly reviewed by the Board, in order to allocate resources to each segment and assess its performance.

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

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

SEGMENT REVENUE

Revenue received from fee and commission income is set out in Note 4 which sets out the different types of revenue received from our wealth management business.

SEGMENT PROFIT

Two separate measures of profit are monitored 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 by the Board is the post-tax Underlying cash result. This reflects emergence of cash available for paying a dividend during the year. Underlying cash is based on the cash flows within the IFRS results, but with no allowance for intangibles, principally DAC, DIR, PVIF, goodwill and deferred tax, or short-term costs associated with the back-office infrastructure project. As the cost associated with share options is reflected in changes in shareholder equity, they are also not included in the Underlying cash result.

More detail is provided on pages 17 to 19 of the Financial Review.

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

	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
	£'Million	£'Million	£'Million
Underlying cash result after tax	125.1	147.1	309.0
Non-cash-settled share-based payments	(14.6)	(19.4)	(33.4)
Deferred tax impacts	(8.1)	(12.1)	(31.8)
Back-office infrastructure	(22.0)	(15.2)	(35.8)
Impact in the period of DAC/DIR/PVIF	(19.8)	(26.8)	(54.4)
Other	(14.8)	(4.6)	19.9
IFRS profit after tax	45.8	69.0	173.5
Shareholder tax	11.5	13.5	38.4
Profit before tax attributable to shareholders' returns	57.3	82.5	211.9
Tax attributable to policyholder returns	399.3	10.9	(296.5)
IFRS profit before tax	456.6	93.4	(84.6)

EEV operating profit

EEV operating profit is monitored by the Board. The components of the EEV operating profit are included in more detail in the Financial Review section of this announcement.

	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
	£'Million	£'Million	£'Million
EEV operating profit before tax	465.7	489.6	1,002.0
Investment return variance	612.9	(32.5)	(460.9)
Economic assumption changes	(24.1)	6.0	(15.1)
EEV profit before tax	1,054.5	463.1	526.0
Adjustments to IFRS basis			
Deduct: amortisation of purchased value of in-force	(1.6)	(1.6)	(3.2)
Movement of balance sheet life value of in-force (net of tax)	(594.6)	(217.5)	(243.7)
Movement of balance sheet unit trust and DFM value of in-force (net of tax)	(233.4)	(96.2)	(16.5)
Tax of movement in value of in-force	(167.6)	(65.3)	(50.7)
Profit before tax attributable to shareholders' returns	57.3	82.5	211.9
Tax attributable to policyholder returns	399.3	10.9	(296.5)
IFRS profit before tax	456.6	93.4	(84.6)

The movement in life, unit trust and DFM value of in-force is the difference between the opening and closing undiscounted value of the profits that will emerge from the in-force book over time, adjusting for DAC and DIR impacts which are already included under IFRS.

SEGMENT ASSETS

Funds under management (FUM)

FUM, as reported in Section 1 of the Financial Review on page 13 is the measure of segment assets which is monitored by the Board.

	30 June 2019	30 June 2018	31 December 2018
	£'Million	£'Million	£'Million
Investment	30,080.0	28,890.0	27,620.0
Pension	48,160.0	39,840.0	40,720.0
UT/ISA and DFM	31,080.0	27,880.0	27,210.0
Total FUM	109,320.0	96,610.0	95,550.0
Exclude client and third party holdings in non-consolidated unit trusts and DFM	(5,069.6)	(5,011.1)	(4,701.6)
Other	2,548.9	975.3	666.9
Gross assets held to cover unit liabilities	106,799.3	92,574.2	91,515.3
IFRS intangible assets (see page 20 adjustment 2) including goodwill, DAC, PVIF, reinsurance and deferred tax	689.3	756.0	720.9
Shareholder gross assets (see page 20)	3,126.1	2,655.2	2,590.8
Total assets	110,614.7	95,985.4	94,827.0

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4. Fee and commission income

	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
	£'Million	£'Million	£'Million
Advice charges (post-RDR)	355.2	359.4	743.2
Third party fee and commission income	54.8	51.8	113.0
Wealth management fees ¹	331.5	333.0	729.5
Investment management fees ¹	27.8	44.7	78.1
Fund tax deductions	399.3	10.9	(296.5)
Discretionary fund management fees	7.6	6.5	13.8
Fee and commission income before DIR amortisation	1,176.2	806.3	1,381.1
Amortisation of DIR	75.6	69.7	142.6
Total fee and commission income	1,251.8	876.0	1,523.7

1 Fees of £3.4 million in the six months to 30 June 2018 and £7.6 million in the year to 31 December 2018 have been reclassified from investment management fees to wealth management fees, to better reflect the nature of the income.

5. Investment return

	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
	£'Million	£'Million	£' Million
Investment return on net assets held to cover unit liabilities:			
Rental income	47.9	44.1	90.9
(Loss)/gain on revaluation of investment properties	(38.4)	11.1	(22.8)
Net investment return on financial instruments classified as fair value through profit and loss	7,623.8	935.2	(3,046.0)
	7,633.3	990.4	(2,977.9)
<i>Attributable to unit-linked insurance contract liabilities</i>	48.8	8.9	6.6
<i>Attributable to unit-linked investment contract benefits</i>	7,584.5	981.5	(2,984.5)
	7,633.3	990.4	(2,977.9)
Income attributable to third party holdings in unit trusts	2,525.7	148.2	(1,264.7)
	10,159.0	1,138.6	(4,242.6)
Investment return on shareholder assets:			
Net investment return on financial instruments classified as fair value through profit and loss	11.1	5.4	(4.5)
Interest income on financial instruments classified as amortised cost	8.8	5.0	12.1
	19.9	10.4	7.6
Total investment return	10,178.9	1,149.0	(4,235.0)

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 £545.8 million (six months ended 30 June 2018: £409.1 million, year ended 31 December 2018: £987.7 million).

The majority of the business written by the Group is unit-linked investment business, and so investment contract benefits are measured by reference to the underlying net asset value of the Group's unitised investment funds. As a result, investment return on the unitised investment funds and the movement in investment contract benefits are linked. The significant gains in global markets in the period have increased the net asset value of the Group's unitised investment funds and hence investment return, with a corresponding increase in the value of, and the movement in, investment contract benefits.

6. Income and deferred taxes

TAX FOR THE PERIOD

	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
	£'Million	£'Million	£'Million
Current tax			
UK corporation tax			
– Current year charge	165.1	122.4	79.1
– Adjustment in respect of prior year	–	(0.8)	(2.7)
Overseas taxes			
– Current year charge	3.4	3.2	4.9
– Adjustment in respect of prior year	0.2	–	0.1
	168.7	124.8	81.4
Deferred tax			
Unrealised capital gains/(losses) in unit-linked funds	238.9	(106.8)	(359.2)
<i>Unrelieved expenses</i>			
– Additional expenses recognised in the period	(6.0)	(5.7)	(11.1)
– Utilisation in the period	6.5	7.5	15.0
<i>Capital losses</i>			
– Revaluation in the period	–	–	(1.8)
– Utilisation in the period	7.2	12.7	29.7
– Adjustment in respect of prior year	–	–	2.4
DAC, DIR and PVIF	(5.6)	(5.7)	(11.5)
Other items	2.2	(0.8)	(3.4)
Overseas taxes on losses	(0.4)	(0.5)	(0.5)
Adjustments in respect of prior periods	(0.7)	(1.1)	0.9
	242.1	(100.4)	(339.5)
Total tax charge for the period	410.8	24.4	(258.1)
Attributable to:			
– policyholders	399.3	10.9	(296.5)
– shareholders	11.5	13.5	38.4
	410.8	24.4	(258.1)

The prior period adjustment in current tax above includes nil in respect of policyholder tax (six months to 30 June 2018: nil, year to 31 December 2018: charge of £0.9 million) and a £0.2 million charge in respect of shareholder tax (six months to 30 June 2018: credit of £0.8 million, year to 31 December 2018: credit of £3.5 million).

Included within the deferred tax on other items is a charge of £3.0 million (six months to 30 June 2018: credit of £3.2 million, year to 31 December 2018: credit of £0.8 million) 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

	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
	£'Million	£'Million	£'Million
Current tax charge for the period	168.7	124.8	81.4
(Payments to be made)/refunds due to be received in future years in respect of current year	(166.3)	(122.5)	9.7
(Payments made)/refunds received in current year in respect of prior years	(7.7)	124.7	124.7
Other	(0.2)	(0.4)	0.7
Tax (recovered)/paid	(5.5)	126.6	216.5
Tax (recovered)/paid can be analysed as:			
– Taxes (recovered)/paid in UK	(7.8)	124.2	211.5
– Taxes (recovered)/paid in overseas jurisdictions	(0.2)	(0.1)	1.5
– Withholding taxes suffered on investment income received	2.5	2.5	3.5
Tax (recovered)/paid	(5.5)	126.6	216.5

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

6. Income and deferred taxes continued**MOVEMENT IN NET DEFERRED TAX BALANCE**

	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
	£'Million	£'Million	£'Million
Deferred tax asset	147.1	182.7	182.7
Deferred tax liability	(172.9)	(546.8)	(546.8)
Net deferred tax balance at period open	(25.8)	(364.1)	(364.1)
(Charge)/Credit through the consolidated statement of comprehensive income	(242.1)	100.4	339.5
Arising on acquisitions during the period	(0.7)	–	(1.2)
Deferred tax asset	135.7	169.0	147.1
Deferred tax liability	(404.3)	(432.7)	(172.9)
Net deferred tax balance at period close	(268.6)	(263.7)	(25.8)

RECONCILIATION OF TAX CHARGE TO EXPECTED TAX

	Six months ended 30 June 2019		Six months ended 30 June 2018		Year ended 31 December 2018	
	£'Million		£'Million		£'Million	
Profit/(Loss) before tax	456.6		93.4		(84.6)	
Tax attributable to policyholders' returns ¹	(399.3)		(10.9)		296.5	
Profit before tax attributable to shareholders' returns	57.3		82.5		211.9	
Shareholder tax charge at corporate tax rate of 19.0% (2018: 19.0%)	10.9	19.0%	15.7	19.0%	40.3	19.0%
Adjustments:						
Tax regime differences						
Lower rate of corporation tax in overseas subsidiaries	(0.2)	(0.3%)	(0.2)	(0.2%)	(0.3)	(0.1%)
Expected shareholder tax	10.7	18.7%	15.5	18.8%	40.0	18.9%
Other						
Non-taxable income	(0.8)		(0.2)		(0.2)	
Revaluation of historic capital losses in the Group	–		–		(1.8)	
Adjustment in respect of prior year						
– Current tax	–		–		(3.5)	
– Deferred tax	(0.7)		–		0.9	
Differences in accounting and tax bases in relation to employee share schemes	0.8		(2.6)		(1.1)	
Disallowable expenses	1.5		–		2.0	
Tax losses not recognised or past losses now recognised	0.3		0.8		2.1	
Other	(0.3)		–		–	
	0.8	1.4%	(2.0)	(2.4%)	(1.6)	(0.8%)
Shareholder tax charge	11.5	20.1%	13.5	16.4%	38.4	18.1%
Policyholder tax charge	399.3		10.9		(296.5)	
Total tax charge for the period	410.8		24.4		(258.1)	

¹ 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 19% (2018: 19.00%) would amount to £86.8 million (six months to 30 June 2018: £17.7 million, year to 31 December 2018: £(16.1) million). The difference of £324.0 million (six months to 30 June 2018: £6.7 million, year to 31 December 2018: £(242.0) million) between this number and the total tax of £410.8 million (six months to 30 June 2018: £24.4 million, year to 31 December 2018: £(258.1) million) is made up of the reconciling items above which total £0.6 million (six months to 30 June 2018: £(2.2) million, year to 31 December 2018: £(1.9) million) and the effect of the apportionment methodology on tax applicable to policyholder returns of £323.4 million (six months to 30 June 2018: £8.9 million, year to 31 December 2018: £(240.1) million).

DEFERRED TAX ASSETS

	Expected utilisation Years	30 June 2019 £'Million	30 June 2018 £'Million	31 December 2018 £'Million
Unrelieved expenses (life insurance business)	6	42.0	44.7	42.5
Deferred income (DIR)	14	34.3	36.7	35.6
Capital losses (available for future relief)	6	48.5	73.8	55.7
Employee share scheme costs	3	5.0	8.5	8.0
Future capital allowances	6	4.9	4.4	4.0
Other		1.0	0.9	1.3
Total deferred tax assets		135.7	169.0	147.1

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 £7.5 million (30 June 2018: £6.3 million, 31 December 2018: £7.5 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	30 June 2019 £'Million	30 June 2018 £'Million	31 December 2018 £'Million
Unrealised capital gains on life insurance (BLAGAB) assets				
backing unit liabilities	6	325.2	339.2	86.3
Deferred acquisition costs (DAC)	14	64.1	77.4	70.9
Purchased value of in-force business (PVIF)	10	3.9	4.4	4.1
Renewal income assets	20	9.8	9.8	10.4
Other		1.3	1.9	1.2
Total deferred tax liabilities		404.3	432.7	172.9

FUTURE TAX CHANGES

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7. Goodwill, intangible assets, deferred acquisition costs and deferred income

	Goodwill	Purchased value of in-force business	Computer software and other specific software developments	DAC	DIR
	£'Million	£'Million	£'Million	£'Million	£'Million
Cost					
At 1 January 2018	15.6	73.4	16.0	1,686.7	(1,669.4)
Additions	–	–	0.1	19.1	(73.7)
At 30 June 2018	15.6	73.4	16.1	1,705.8	(1,743.1)
Additions	–	–	–	14.6	(70.9)
At 31 December 2018	15.6	73.4	16.1	1,720.4	(1,814.0)
Additions	–	–	0.1	14.1	(65.9)
At 30 June 2019	15.6	73.4	16.2	1,734.5	(1,879.9)
Accumulated amortisation					
At 1 January 2018	–	46.2	13.6	1,063.7	(1,023.1)
Charge for the period	–	1.6	0.6	48.3	(69.7)
At 30 June 2018	–	47.8	14.2	1,112.0	(1,092.8)
Charge for the period	–	1.6	0.5	49.9	(72.9)
At 31 December 2018	–	49.4	14.7	1,161.9	(1,165.7)
Charge for the period	–	1.6	0.3	47.6	(75.6)
At 30 June 2019	–	51.0	15.0	1,209.5	(1,241.3)
Carrying value					
At 30 June 2018	15.6	25.6	1.9	593.8	(650.3)
At 31 December 2018	15.6	24.0	1.4	558.5	(648.3)
At 30 June 2019	15.6	22.4	1.2	525.0	(638.6)
Outstanding amortisation period					
At 30 June 2018	n/a	7.5 years	4 years	14 years	6-14 years
At 31 December 2018	n/a	7 years	3 years	14 years	6-14 years
At 30 June 2019	n/a	6.5 years	3 years	14 years	6-14 years

PURCHASED VALUE OF IN-FORCE BUSINESS/DAC/COMPUTER SOFTWARE

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

DIR

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

8. Investments

NET ASSETS HELD TO COVER UNIT LIABILITIES

Included within the statement of financial position are the following assets and liabilities comprising the net assets held to cover unit liabilities. The net assets held to cover unit liabilities are set out in adjustment 1 of the IFRS to Solvency II Net Assets Balance Sheet reconciliation on page 20.

	30 June 2019	30 June 2018	31 December 2018
	£'Million	£'Million	£'Million
Assets			
Investment property	1,780.1	1,757.2	1,820.7
Equities	66,683.3	58,802.9	56,077.9
Fixed income securities	24,596.0	19,248.9	21,960.6
Investment in Collective Investment Schemes	4,454.8	4,200.3	3,459.1
Cash and cash equivalents	6,871.1	7,637.8	6,629.1
Other receivables	1,954.3	681.5	1,059.1
Derivative financial instruments			
– Currency forwards	104.9	58.0	153.7
– Interest rate swaps	88.5	82.3	70.0
– Index options	50.4	63.0	45.6
– Contract for differences	9.4	12.3	8.4
– Equity swaps	1.8	3.6	3.5
– Foreign currency options	0.5	12.1	21.4
– Total return swaps	87.9	4.0	139.0
– Fixed income options	47.6	6.1	55.9
– Credit default swaps	68.7	4.2	11.3
Total derivative financial assets	459.7	245.6	508.8
Total assets	106,799.3	92,574.2	91,515.3
Liabilities			
Other payables	1,671.5	569.5	277.7
Derivative financial instruments			
– Currency forwards	289.6	313.0	199.4
– Interest rate swaps	126.3	39.1	52.2
– Index options	84.6	55.8	26.5
– Contract for differences	9.5	11.6	10.1
– Equity swaps	26.7	9.0	5.8
– Foreign currency options	–	1.3	0.7
– Total return swaps	85.1	24.9	194.5
– Fixed income options	10.6	4.3	7.6
– Credit default swaps	43.8	17.2	20.6
Total derivative financial liabilities	676.2	476.2	517.4
Total liabilities	2,347.7	1,045.7	795.1
Net assets held to cover linked liabilities	104,451.6	91,528.5	90,720.2
Investment contract benefits	77,656.0	68,150.1	67,796.1
Net asset value attributable to unit holders	26,345.2	22,922.0	22,502.9
Unit linked insurance contract liabilities	450.4	456.4	421.2
Net unit-linked liabilities	104,451.6	91,528.5	90,720.2

Net assets held to cover linked liabilities, and third-party holdings in unit trusts, are considered to have a maturity of up to one year since the corresponding unit liabilities are repayable and transferable on demand.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

9. Other receivables

	30 June 2019	30 June 2018	31 December 2018
	£'Million	£'Million	£'Million
Receivables in relation to unit liabilities	2,344.9	1,030.1	1,060.1
Other receivables in relation to insurance and unit trust business	87.2	118.6	68.6
Operational readiness prepayment	273.2	201.2	236.4
Advanced payments to Partners	53.3	42.3	44.9
Other prepayments	61.1	55.9	70.1
Business loans to Partners	464.5	276.1	394.5
Renewal income assets	76.4	69.5	72.1
Miscellaneous	10.2	4.9	5.6
Total other receivables	3,370.8	1,798.6	1,952.3

All items within other receivables meet the definition of financial assets with the exception of prepayments and advanced payments to Partners. The fair value of financial assets held at amortised cost within other receivables is not materially different from amortised cost.

Receivables in relation to unit liabilities primarily relate to outstanding market trade settlements (sales) in the life unit-linked funds and the consolidated unit trusts. Other receivables in relation to insurance and unit trust business primarily relate to outstanding policy-related settlement timings. Both of these categories of receivables are short-term, typically settled within three days.

The operational readiness prepayment relates to the new administration platform being developed by our key outsourced back-office administration provider. Management has assessed the recoverability of this prepayment against the expected cost saving benefit of lower future tariff costs arising from the new platform. It is believed that any reasonably possible change in the assumptions applied within this assessment, such as levels of future business, the anticipated future service tariffs and the discount rate, is highly unlikely to have a material impact on the carrying value of the asset.

Renewal income assets represent the present value of future cash flows associated with books of business acquired by the Group.

BUSINESS LOANS TO PARTNERS

Business loans to Partners are interest bearing (linked to Bank of England base rate plus a margin), repayable on demand and secured against the future income streams of the Partner.

Business loans to Partners include £136.1 million of loans that have been securitised. Legal ownership of the securitised assets has been transferred to a structured entity, SJP Partner Loans No.1 Limited, which has issued £97.8 million of loan notes backed by these assets to third-party investors and £44.0 million to another entity within the Group. The securitised assets are ring fenced from the other assets of the Group, which means that the cash flows associated with the assets can only be used to purchase new loans into the structure in the revolving period, or repay the note holders in the amortisation period, plus associated issuance fees and costs. Holders of the loan notes have no recourse to the Group's other assets.

Despite being securitised, the business loans to Partners remain recognised in the Group statement of financial position. For further information on the loan notes issued by the structured entity to third-party investors, see Note 12 Borrowings.

The business loans to Partners balance is shown net of £3.2 million of expected credit losses (30 June 2018: £2.7 million, 31 December 2018: £3.1 million). Expected credit losses have been calculated using an expected loss impairment model, which is based on the levels of loss experienced in the portfolio with due consideration given to forward-looking information.

10. Other payables

	30 June 2019	30 June 2018	31 December 2018
	£'Million	£'Million	£'Million
Payables in relation to unit liabilities	1,861.3	710.7	560.3
Other payables in relation to insurance and unit trust business	408.9	424.4	336.9
Accruals	142.9	149.0	151.2
Accruals to Partners	116.1	87.1	107.3
Lease liabilities	112.4	–	–
Miscellaneous	129.0	131.9	135.1
Total other payables	2,770.6	1,503.1	1,290.8

Payables in relation to unit liabilities primarily relate to outstanding market trade settlements (purchases) in the life unit-linked funds and the consolidated unit trusts. Other payables in relation to insurance and unit trust business primarily relate to outstanding policy-related settlement timings. Both of these categories of payables are short-term, typically settled within three days.

Lease liabilities represent the present value of future cash flows associated with the Group's portfolio of assets that it leases. Lease liabilities were initially recognised on 1 January 2019 as a result of adopting IFRS 16 Leases.

Included within miscellaneous is a Contract Payment of £81.6 million (30 June 2018: £88.9 million, 31 December 2018: £85.3 million) which is non-interest bearing and repayable on a straight-line basis over the life of a 12-year service agreement. The repayment period commenced on 1 January 2017.

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

11. Other provisions and contingent liabilities

	Total provisions £'Million
At 1 January 2018	20.0
Additional provisions	10.5
Utilised during the period	(7.8)
Release of provision	(1.1)
At 30 June 2018	21.6
Additional provisions	8.4
Utilised during the period	(8.3)
Release of provision	1.0
At 31 December 2018	22.7
Additional provisions	21.8
Utilised during the period	(7.4)
Release of provision	(2.0)
At 30 June 2019	35.1

Total provisions relate to the cost of redress for complaints, the cost to restore properties to their original state at the end of their lease term (known as the lease provision) and clawback of indemnity commission. The provision for the cost of redress for complaints is based on estimates of the total number of complaints expected to be upheld, the estimated cost of redress and the expected timing of settlement. The lease provision is based on the square footage of leased properties and typical costs per square foot of restoring similar buildings to their original state. The clawback provision is based on estimates of the indemnity commission that may be repaid.

Of the £21.8 million additional provisions recognised during the period (six months to 30 June 2018: £10.5 million, six months to 31 December 2018: £8.4 million), £10.2 million relates to the lease provision (six months to 30 June 2018: nil, six months to 31 December 2018: nil).

As more fully set out in the summary of principal risks and uncertainties on pages 28 and 29, the Group could in the course of its business be subject to legal proceedings and/or regulatory activity. Should such an event arise, the Board would consider their best estimate of the amount required to settle the obligation and, where appropriate and material, establish a provision. While there can be no assurances that circumstances will not change, based upon information currently available to them, the Directors do not believe there is any possible activity or event that could have a material adverse effect on the Group's financial position.

During the normal course of business, the Group may from time to time provide guarantees to Partners, clients or other third parties. However, based upon the information currently available to them, the Directors do not believe there are any guarantees which would have a material adverse effect on the Group's financial position, and so the fair value of any guarantees has been assessed as nil (30 June 2018 and 31 December 2018: nil).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

12. Borrowings

	30 June 2019	30 June 2018	31 December 2018
	£'Million	£'Million	£'Million
Bank borrowings	239.6	54.5	164.8
Loan notes	211.6	114.0	183.8
Total borrowings	451.2	168.5	348.6

Borrowings are a liability arising from financing activities. The primary borrowings in the Group are:

- A £340 million revolving credit facility, which includes a £90 million extension agreed in July 2017 to the original £250 million facility entered into with a group of UK banks in 2015. The facility is repayable over five years to 2022 with a variable interest rate. At 30 June 2019 the undrawn credit available under this facility was £104 million (30 June 2018: £290 million, 31 December 2018: £179 million);
- A US Dollar \$160 million private shelf facility also entered into in 2015. The Group authorised the issue of £50 million of loan notes during 2015, and a further issue of £64 million of loans notes during 2017 in relation to this facility. Both note issues were denominated in Sterling, eliminating any Group currency risk. The notes are repayable over ten years, ending in 2025 and 2027 respectively, with variable interest rates; and
- £97.8 million of AAA-rated securitised loan notes issued since 30 June 2018, which are backed by a portfolio of business loans to Partners. Holders of these notes have no recourse to the Group's other assets. The notes are repayable over the expected life of the securitisation, which is estimated to be five years. This includes a two-year revolving period where cash flows arising from the securitised portfolio are used to purchase new loans into the portfolio, rather than repay the notes. The notes have variable interest rates.

The Group also guarantees business 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 income streams of the Partner. The value of the loans guaranteed, and the guaranteed amount of the total facility, are as follows:

	Loans drawn			Facility		
	30 June 2019	30 June 2018	31 December 2018	30 June 2019	30 June 2018	31 December 2018
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
Bank of Scotland	57.9	73.2	61.7	70.0	80.0	80.0
Metro Bank plc	49.5	57.4	52.5	61.0	61.0	61.0
Santander plc	42.3	64.7	49.5	50.0	75.0	50.0
Total loans	149.7	195.3	163.7	181.0	216.0	191.0

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 consolidated statement of comprehensive income.

13. Fair value measurement

FAIR VALUE ESTIMATION

Financial assets and liabilities, which are held at fair value in the financial statements, are required to have disclosed their fair value measurements by level from the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's shareholder assets measured at fair value. There are no shareholder liabilities measured at fair value:

SHAREHOLDER ASSETS

	Level 1	Level 2	Level 3	Total balance
	£'Million	£'Million	£'Million	£'Million
30 June 2019				
Financial assets				
Fixed income securities	5.3			5.3
Investment in Collective Investment Schemes ¹	1,172.4			1,172.4
Renewal income assets			76.4	76.4
Total financial assets	1,177.7	–	76.4	1,254.1

	Level 1	Level 2	Level 3	Total balance
	£'Million	£'Million	£'Million	£'Million
30 June 2018				
Financial assets				
Fixed income securities	46.3			46.3
Investment in Collective Investment Schemes ¹	1,035.5			1,035.5
Renewal income assets			69.5	69.5
Total financial assets	1,081.8	–	69.5	1,151.3

	Level 1	Level 2	Level 3	Total balance
	£'Million	£'Million	£'Million	£'Million
31 December 2018				
Financial assets				
Fixed income securities	5.4			5.4
Investment in Collective Investment Schemes ¹	1,297.0			1,297.0
Renewal income assets			72.1	72.1
Total financial assets	1,302.4	–	72.1	1,374.5

¹ All assets included as shareholder investment in collective investment schemes are holdings of high quality, highly liquid unitised money market funds, containing assets which are cash and cash equivalents.

The fair value of financial instruments traded in active markets is based on quoted bid prices at the reporting date. These instruments are included in Level 1.

Level 2 financial assets are valued using observable prices for identical current arm's length transactions.

The Renewal income assets are classified as Level 3 and are valued using a discounted cash flow technique. The effect of applying reasonably possible alternative assumptions of a movement of 100bps on the discount rate and a 10% movement in the lapse rate would result in an unfavourable change in valuation of £7.0 million (30 June 2018: £7.1 million, 31 December 2018: £7.4 million) and a favourable change in valuation of £8.0 million (30 June 2018: £6.5 million, 31 December 2018: £5.0 million), respectively.

There were no transfers between Level 1 and Level 2 during the year, other than in respect of the representation of government bonds noted above, nor into or out of Level 3.

MOVEMENT IN LEVEL 3 PORTFOLIOS

	30 June 2019	30 June 2018	31 December 2018
	£'Million	£'Million	£'Million
Renewal income assets			
Opening balance	72.1	71.6	71.6
Additions during the period	5.7	1.0	9.7
Disposals during the period	(0.2)	(0.7)	(0.2)
Unrealised losses recognised in the statement of comprehensive income	(1.2)	(2.4)	(9.0)
Closing balance	76.4	69.5	72.1

Losses on renewal income assets are recognised within investment return in the condensed consolidated statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

13. Fair value measurement continued**UNIT LIABILITIES AND ASSOCIATED ASSETS**

30 June 2019	Level 1 £'Million	Level 2 £'Million	Level 3 £'Million	Total balance £'Million
Financial assets and investment properties				
Investment property			1,780.1	1,780.1
Equities	66,658.3		25.0	66,683.3
Fixed income securities	6,954.5	17,630.6	10.9	24,596.0
Investment in Collective Investment Schemes	4,453.1		1.7	4,454.8
Derivative financial instruments		459.7		459.7
Cash and cash equivalents	6,871.1			6,871.1
Total financial assets and investment properties	84,937.0	18,090.3	1,817.7	104,845.0

Financial liabilities

Investment contract benefits		77,656.0		77,656.0
Derivative financial instruments		676.2		676.2
Net asset value attributable to unit holders	26,345.2			26,345.2
Total financial liabilities	26,345.2	78,332.2	-	104,677.4

30 June 2018	Level 1 £'Million	Level 2 £'Million	Level 3 £'Million	Total balance £'Million
Financial assets and investment properties				
Investment property			1,757.2	1,757.2
Equities	58,802.9			58,802.9
Fixed income securities	4,782.7	14,466.2		19,248.9
Investment in Collective Investment Schemes	4,198.8		1.5	4,200.3
Derivative financial instruments		245.6		245.6
Cash and cash equivalents	7,637.8			7,637.8
Total financial assets and investment properties	75,422.2	14,711.8	1,758.7	91,892.7

Financial liabilities

Investment contract benefits		68,150.1		68,150.1
Derivative financial instruments		476.2		476.2
Net asset value attributable to unit holders	22,922.0			22,922.0
Total financial liabilities	22,922.0	68,626.3	-	91,548.3

31 December 2018	Level 1 £'Million	Level 2 £'Million	Level 3 £'Million	Total balance £'Million
Financial assets and investment properties				
Investment property			1,820.7	1,820.7
Equities	56,077.9			56,077.9
Fixed income securities	6,322.3	15,638.3		21,960.6
Investment in Collective Investment Schemes	3,457.3		1.8	3,459.1
Derivative financial instruments		508.8		508.8
Cash and cash equivalents	6,629.1			6,629.1
Total financial assets and investment properties	72,486.6	16,147.1	1,822.5	90,456.2

Financial liabilities

Investment contract benefits		67,796.1		67,796.1
Derivative financial instruments		517.4		517.4
Net asset value attributable to unit holders	22,502.9			22,502.9
Total financial liabilities	22,502.9	68,313.5	-	90,816.4

In respect of the derivative financial liabilities, £693.6 million of collateral has been posted at 30 June 2019, comprising cash and treasury bills (30 June 2018: £340.2 million, 31 December 2018: £387.5 million), in accordance with the terms and conditions of the derivative contracts.

The fair value of financial instruments traded in active markets is based on quoted bid prices at the reporting date. These instruments are included in Level 1.

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

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

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

Specific valuation techniques used to value Level 2 financial assets and liabilities include:

- The use of observable prices for identical current arm's length transactions, specifically:
 - 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.
 - The Group's derivative financial instruments are valued using valuation techniques commonly used by market participants. These consist of discounted cash flow and options pricing models, which typically incorporate observable market data, principally interest rates, basis spreads, foreign exchange rates, equity prices and counterparty credit.

Specific valuation techniques used to value Level 3 financial assets and liabilities include:

- The use of unobservable inputs, such as expected rental values and equivalent yields;
- Other techniques, such as discounted cash flow and historic lapse rates, are used to determine fair value for the remaining financial instruments.

There were no transfers between Level 1 and Level 2 during the year.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

13. Fair value measurement continued**TRANSFERS INTO AND OUT OF LEVEL 3 PORTFOLIOS**

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

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

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

Six months ended 30 June 2019	Investment property	CIS
	£'Million	£'Million
Opening balance	1,820.7	1.8
Transfer out of Level 3	–	–
Additions during the period	5.9	–
Disposals during the period	(8.1)	(0.1)
Losses recognised in the income statement	(38.4)	–
Closing balance	1,780.1	1.7
Realised gains	2.4	–
Unrealised losses	(40.8)	–
Losses recognised in the income statement	(38.4)	–

Six months ended 30 June 2018	Investment property	CIS
	£'Million	£'Million
Opening balance	1,630.9	2.9
Transfer into Level 3	–	(0.2)
Additions during the year	129.1	–
Disposals during the year	(13.9)	(1.1)
Gains/(losses) recognised in the income statement	11.1	(0.1)
Closing balance	1,757.2	1.5
Realised gains	0.9	–
Unrealised gains/(losses)	10.2	(0.1)
Gains/(losses) recognised in the income statement	11.1	(0.1)

Year ended 31 December 2018	Investment property	CIS
	£'Million	£'Million
Opening balance	1,630.9	2.9
Transfer into Level 3	–	0.5
Additions during the year	277.3	–
Disposals during the year	(64.7)	(1.6)
Losses recognised in the income statement	(22.8)	–
Closing balance	1,820.7	1.8
Realised losses	(36.3)	–
Unrealised gains	13.5	–
Losses recognised in the income statement	(22.8)	–

Gains/(losses) on investment property and investments in collective investment schemes are recognised within investment return in the condensed consolidated statement of comprehensive income.

LEVEL 3 VALUATIONS

The principal assets classified as Level 3 are investment properties amounting to £1,780.1 million (30 June 2018: £1,757.2 million, 31 December 2018: £1,820.7 million). Investment property is initially measured at cost including related acquisition costs and subsequently valued monthly by professional external valuers at their respective fair values at each reporting date. The fair values derived are based on anticipated market values for the properties in accordance with the guidance issued by The Royal Institution of Chartered Surveyors, being the estimated amount that would be received from a sale of the assets in an orderly transaction between market participants. The valuation of investment property is inherently subjective as it requires among other factors, assumptions to be made regarding the ability of existing tenants to meet their rental obligations over the entire life of their leases, the estimation of the expected rental income into the future, an assessment of a property's ability to remain as an attractive technical configuration to existing and prospective tenants in a changing market and a judgement to be reached on the attractiveness of a building, its location and the surrounding environment.

30 June 2019	Investment property classification			
	Office	Industrial	Retail and leisure	All
Gross ERV (per sq ft)¹				
Range	£14.66 - £97.55	£4.13 - £17.50	£4.50 - £159.96	£4.13 - £159.96
Weighted average	£34.72	£8.37	£15.69	£14.97
True equivalent yield				
Range	4.1% - 8.3%	4.1% - 6.7%	4.7% - 13.9%	4.1% - 13.9%
Weighted average	5.2%	4.9%	6.4%	5.5%
30 June 2018				
Gross ERV (per sq ft)¹				
Range	£14.66 - £99.97	£3.50 - £15.75	£4.50 - £427.84	£3.50 - £427.84
Weighted average	£31.97	£7.71	£15.93	£14.39
True equivalent yield				
Range	3.9% - 8.6%	4.1% - 6.8%	4.6% - 13.5%	3.9% - 13.5%
Weighted average	5.3%	5.0%	5.9%	5.4%
31 December 2018				
Gross ERV (per sq ft)¹				
Range	£14.66 - £99.97	£4.00 - £29.39	£4.50 - £159.96	£4.00 - £159.96
Weighted average	£34.03	£8.17	£15.92	£14.89
True equivalent yield				
Range	4.1% - 8.6%	4.1% - 6.7%	4.6% - 13.7%	4.1% - 13.7%
Weighted average	5.2%	4.9%	6.2%	5.5%

¹ Equivalent rental value (per square foot).

SENSITIVITY OF LEVEL 3 VALUATIONS

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

Investment property is initially measured at cost including related acquisition costs and subsequently valued monthly by professional external valuers at their respective fair values at each reporting date. The fair values derived are based on anticipated market values for the properties in accordance with the guidance issued by The Royal Institution of Chartered Surveyors, being the estimated amount that would be received from a sale of the assets in an orderly transaction between market participants. The following table sets out the effect of applying reasonably possible alternative assumptions, being a 5% movement in estimated rental value and a 25 bps movement in the relative yield, to the valuation of the investment properties. Any change in the value of investment property is matched by the associated movement in the policyholder liability, and therefore would not impact on the shareholder net assets.

	Investment property significant unobservable inputs	Effect of reasonable possible alternative assumptions		
		Carrying value	Favourable changes	Unfavourable changes
		£'Million	£'Million	£'Million
30 June 2019	Expected rental value / Relative yield	1,780.1	1,950.1	1,628.2
30 June 2018	Expected rental value / Relative yield	1,757.2	1,924.8	1,608.2
31 December 2018	Expected rental value / Relative yield	1,820.7	1,994.9	1,665.2

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

14. Share capital, earnings per share and dividends

SHARE CAPITAL

	Number of ordinary shares	Called up share capital £'Million
At 1 January 2018	529,077,896	79.4
– Exercise of options	232,439	–
At 30 June 2018	529,310,335	79.4
– Exercise of options	143,062	–
At 31 December 2018	529,453,397	79.4
– Issue of share capital	388,783	0.1
– Exercise of options	1,128,862	0.1
At 30 June 2019	530,971,042	79.6

The total authorised number of ordinary shares is 605 million (30 June 2018 and 31 December 2018: 605 million), with a par value of 15 pence per share (30 June 2018 and 31 December 2018: 15 pence per share). All issued shares are fully paid.

Included in the issued share capital are 3,007,664 (30 June 2018: 3,631,313, 31 December 2018: 3,505,217) shares held in the Shares in Trust Reserve with a nominal value of £0.5 million (30 June 2018: £0.5 million, 31 December 2018: £0.5 million). The shares are held by the SJP Employee Share Trust and the St. James's Place 2010 SIP Trust to satisfy certain share-based payment schemes. The trustees of the SJP Employee Share Trust retain the right to dividends on the shares held by the Trust but have chosen to waive their entitlement to the dividends on 555,711 shares at 30 June 2019 (30 June 2018: 899,853 shares, 31 December 2018: 845,897 shares). No dividends have been waived on shares held in the St. James's Place 2010 SIP Trust in 2019 or 2018.

EARNINGS PER SHARE

	Six months ended 30 June 2019 £'Million	Six months ended 30 June 2018 £'Million	Year ended 31 December 2018 £'Million
Earnings			
Profit after tax attributable to equity shareholders (<i>for both basic and diluted EPS</i>)	45.8	69.0	173.5
	Million	Million	Million
Weighted average number of shares			
Weighted average number of ordinary shares in issue (<i>for basic EPS</i>)	527.8	525.8	526.0
Adjustments for outstanding share options	12.2	7.6	8.7
Weighted average number of ordinary shares (<i>for diluted EPS</i>)	540.0	533.4	534.7
	Pence	Pence	Pence
Earnings per share (EPS)			
Basic earnings per share	8.7	13.1	33.0
Diluted earnings per share	8.5	12.9	32.4

DIVIDENDS

The following dividends have been paid by the Group:

	Six months ended 30 June 2019 £'Million	Six months ended 30 June 2018 £'Million	Year ended 31 December 2018 £'Million
2017 final dividend – 27.45 pence per ordinary share	–	145.0	145.0
2018 interim dividend – 18.49 pence per ordinary share	–	–	97.7
2018 final dividend – 29.73 pence per ordinary share	157.6	–	–
Total dividends paid	157.6	145.0	242.7

The Directors have resolved to pay an interim dividend of 18.49 pence per share (30 June 2018: 18.49 pence). This amounts to £98.2 million (30 June 2018: £97.7 million) and will be paid on 27 September 2019 to shareholders on the register at 30 August 2019.

15. Related party transactions

Following his appointment to the Executive Board in May 2019, Robert Gardner became a member of the Group's key management personnel and hence a related party. As a result Redington Limited, a company under his joint control which provides the Group with investment consultancy services, also became a related party. During 2019, £3.1 million was expensed for these services, none of which remains outstanding as a payable at 30 June 2019.

The nature of all other related party transactions in the six-months to 30 June 2019 is similar to those for the year ended 31 December 2018.

TRANSACTIONS WITH ST. JAMES'S PLACE UNIT TRUSTS

In respect of the non-consolidated St. James's Place managed unit trusts that are held as investments in the St. James's Place life and pension funds, there was income recognised of £6.3 million (30 June 2018: income of £4.9 million and 31 December 2018: losses of £36.2 million) and the total value of transactions with those non-consolidated unit trusts was £15.7 million (30 June 2018: £16.6 million and 31 December 2018: £26.1 million). Net management fees receivable from these unit trusts amounted to £3.2 million (30 June 2018: £6.3 million and 31 December 2018: £10.3 million). The value of the investment into the non-consolidated unit trusts at 30 June 2019 was £140.4 million (30 June 2018: £178.9 million and 31 December 2018: £143.2 million).

16. Statutory accounts

The financial information shown in this publication is unaudited and does not constitute statutory accounts. The comparative figures for the financial year ended 31 December 2018 are not the Company's statutory accounts for the financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies.

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

17. Approval of half year report

These condensed consolidated half year financial statements were approved by the Board of Directors on 30 July 2019.

18. National storage mechanism

A copy of the Half Year Report will be submitted shortly to the National Storage Mechanism (NSM) and will be available for inspection at the NSM, which is situated at: www.morningstar.co.uk/uk/NSM.

INDEPENDENT REVIEW REPORT TO ST. JAMES'S PLACE PLC

Report on the condensed consolidated half year financial statements

OUR CONCLUSION

We have reviewed St. James's Place plc's condensed consolidated half year financial statements (the "interim financial statements") in the half year report of St. James's Place plc for the 6 month period ended 30 June 2019. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

WHAT WE HAVE REVIEWED

The interim financial statements comprise:

- the condensed consolidated statement of financial position as at 30 June 2019;
- the condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

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

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

OUR RESPONSIBILITIES AND THOSE OF THE DIRECTORS

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

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

WHAT A REVIEW OF INTERIM FINANCIAL STATEMENTS INVOLVES

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

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

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

PricewaterhouseCoopers LLP
Chartered Accountants

London
30 July 2019

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE HALF YEAR FINANCIAL REPORT

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

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

The Directors of St. James's Place plc are listed in the St. James's Place plc Annual Report for 31 December 2018. A list of current Directors is maintained on the St. James's Place plc website: www.sjp.co.uk

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

By order of the Board:

ANDREW CROFT
Chief Executive
30 July 2019

CRAIG GENTLE
Chief Financial Officer
30 July 2019

03

SUPPLEMENTARY INFORMATION: CONSOLIDATED FINANCIAL STATEMENTS ON A CASH RESULT BASIS (UNAUDITED)

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME ON A CASH RESULT BASIS (UNAUDITED)

	Note	Six months ended 30 June 2019 £'Million	Six months ended 30 June 2018 £'Million	Year ended 31 December 2018 £'Million
Fee and commission income		1,259.5	883.2	1,523.6
Investment return	5	19.9	10.4	7.6
Net income		1,279.4	893.6	1,531.2
Expenses		(771.5)	(747.2)	(1,540.5)
Profit before tax		507.9	146.4	(9.3)
Tax attributable to policyholders' returns		(399.3)	(10.9)	296.5
Tax attributable to shareholders' returns		(9.0)	(6.8)	(18.5)
Total cash result profit for the period		99.6	128.7	268.7
		Pence	Pence	Pence
Cash result basic earnings per share	III	18.9	24.5	51.1
Cash result diluted earnings per share	III	18.4	24.1	50.2

The Note references above cross refer to the Notes to the condensed consolidated financial statements under IFRS on pages 36 to 55, except where denoted in Roman numerals.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY ON A CASH RESULT BASIS (UNAUDITED)

	Note	Equity attributable owners of the Parent					Total	Non-controlling interests	Total equity
		Share capital	Share premium	Shares in trust reserve	Retained earnings	Misc reserves			
		£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	
At 1 January 2018		79.4	171.7	(26.7)	869.1	2.5	1,096.0	(0.9)	1,095.1
Cash result for the period					128.7		128.7		128.7
Dividends	14				(145.0)		(145.0)		(145.0)
Exercise of options			1.8				1.8		1.8
Consideration paid for own shares				(6.0)			(6.0)		(6.0)
Shares sold during the period				8.4	(8.4)		-		-
Change in deferred tax					(12.1)		(12.1)		(12.1)
Change in tax discounting					(5.2)		(5.2)		(5.2)
Change in goodwill and intangibles					0.5		0.5		0.5
Other non-cash movements					(0.8)		(0.8)		(0.8)
At 30 June 2018		79.4	173.5	(24.3)	826.8	2.5	1,057.9	(0.9)	1,057.0
At 1 January 2019		79.4	174.5	(23.7)	876.2	2.5	1,108.9	(0.9)	1,108.0
Cash result for the period					99.6		99.6		99.6
Dividends	14				(157.6)		(157.6)		(157.6)
Issue of share capital		0.1	3.9				4.0		4.0
Exercise of options		0.1	3.3				3.4		3.4
Consideration paid for own shares				(0.1)			(0.1)		(0.1)
Shares sold during the period				7.6	(7.6)		-		-
Proceeds from exercise of shares held in trust					0.2		0.2		0.2
Change in deferred tax					(8.1)		(8.1)		(8.1)
Change in tax discounting					(7.7)		(7.7)		(7.7)
Change in goodwill and intangibles					(1.8)		(1.8)		(1.8)
At 30 June 2019		79.6	181.7	(16.2)	793.2	2.5	1,040.8	(0.9)	1,039.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION ON A CASH RESULT BASIS (UNAUDITED)

	Note	30 June 2019 £'Million	30 June 2018 £'Million	31 December 2018 £'Million
Assets				
Property and equipment		156.4	26.4	28.5
Fixed income securities	13	5.3	46.3	5.4
Investment in Collective Investment Schemes		1,172.4	1,035.5	1,297.0
Cash and cash equivalents	13	276.5	299.3	248.5
Other receivables		1,414.2	1,115.9	890.1
Income tax assets		–	–	9.7
Deferred tax assets		101.3	131.8	111.6
Total assets		3,126.1	2,655.2	2,590.8
Liabilities				
Borrowings	12	451.2	168.5	348.6
Other provisions	11	35.1	21.6	22.7
Other payables		1,064.2	933.6	956.9
Income tax liabilities		164.6	123.5	–
Deferred tax liabilities		371.0	350.9	154.5
Preference shares		0.1	0.1	0.1
Total liabilities		2,086.2	1,598.2	1,482.8
Net assets		1,039.9	1,057.0	1,108.0
Shareholders' equity				
Share capital	14	79.6	79.4	79.4
Share premium		181.7	173.5	174.5
Shares in trust reserve		(16.2)	(24.3)	(23.7)
Miscellaneous reserves		2.5	2.5	2.5
Retained earnings		793.2	826.8	876.2
Shareholders' equity		1,040.8	1,057.9	1,108.9
Non-controlling interests		(0.9)	(0.9)	(0.9)
Total shareholders' equity on a cash result basis		1,039.9	1,057.0	1,108.0
		Pence	Pence	Pence
Net assets per share		195.8	199.7	209.3

The Note references above cross refer to the Notes to the condensed consolidated financial statements under IFRS on pages 36 to 55, except where denoted in Roman numerals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ON A CASH RESULT BASIS (UNAUDITED)

I. Basis of preparation

The consolidated financial statements on a cash result basis have been prepared by adjusting the financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU (adopted IFRSs) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) for items which do not reflect the cash emerging from the business. The adjustments are as follows:

1. Unit liabilities and net assets held to cover unit liabilities, as set out in Note 8, are policyholder balances which are removed in the statement of financial position on a cash result basis. No adjustment for payments in or out is required in the statement of comprehensive income as this business is subject to deposit accounting, which means that policyholder deposits and withdrawals are recognised in the statement of financial position under IFRS, with only marginal cash flows attributable to shareholders recognised in the statement of comprehensive income. However, adjustment is required for the investment return and the movement in investment contract liabilities, which are offsetting and are both zero-ised.
2. Deferred acquisition costs, the purchased value of in-force business and deferred income assets and liabilities are removed from the statement of financial position on a cash result basis, and the amortisation of these balances is removed in the statement of comprehensive income on a cash result basis. The assets, liabilities and amortisation are set out in Note 7.
3. Share-based payment expense is removed from the statement of comprehensive income on a cash result basis, and the equity and liability balances for equity-settled and cash-settled share-based payment schemes respectively are removed from the statement of financial position on a cash result basis.
4. Non-unit-linked insurance contract liabilities and reinsurance assets are removed in the statement of financial position on a cash result basis. The movement in these balances is removed from the statement of comprehensive income on a cash result basis.
5. Goodwill, computer software intangible assets and some other assets and liabilities which are inadmissible under the Solvency II regime are removed from the statement of financial position on a cash result basis, however the movement in these figures are included in the statement of comprehensive income on a cash result basis.
6. Deferred tax assets and liabilities are adjusted in the statement of financial position on a cash result basis to reflect the adjustments noted above and other discounting differences between tax charges and IFRS accounting. However, the impact of movements in deferred tax assets and liabilities are not included in the statement of comprehensive income on a cash result basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ON A CASH RESULT BASIS (UNAUDITED) CONTINUED

II. Reconciliation of the IFRS balance sheet to the cash balance sheet

The Solvency II (or Cash) balance sheet is based on the IFRS condensed consolidated statement of financial position (on page 34), with adjustments made to accounting assets and liabilities to reflect the Solvency II regulations and the provision for insurance liabilities set equal to the associated unit liabilities. The following table sets out the full reconciliation.

30 June 2019	IFRS Balance Sheet £'Million	Adjustment 1 £'Million	Adjustment 2 £'Million	Solvency II Net Assets Balance Sheet £'Million	Solvency II Net Assets Balance Sheet	
					30 June 2018 £'Million	31 December 2018 £'Million
Assets						
Goodwill	15.6	–	(15.6)	–	–	–
Deferred acquisition costs	525.0	–	(525.0)	–	–	–
Purchased value of in-force business	22.4	–	(22.4)	–	–	–
Computer software	1.2	–	(1.2)	–	–	–
Property and equipment	156.4	–	–	156.4	26.4	28.5
Deferred tax assets	135.7	–	(34.4)	101.3	131.8	111.6
Reinsurance assets	88.4	–	(88.4)	–	–	–
Other receivables	3,370.8	(1,954.3)	(2.3)	1,414.2	1,115.9	890.1
Income tax assets	–	–	–	–	–	9.7
Investment property	1,780.1	(1,780.1)	–	–	–	–
Equities	66,683.3	(66,683.3)	–	–	–	–
Fixed income securities	24,601.3	(24,596.0)	–	5.3	46.3	5.4
Investment in Collective Investment Schemes	5,627.2	(4,454.8)	–	1,172.4	1,035.5	1,297.0
Derivative financial instruments	459.7	(459.7)	–	–	–	–
Cash and cash equivalents	7,147.6	(6,871.1)	–	276.5	299.3	248.5
Total assets	110,614.7	(106,799.3)	(689.3)	3,126.1	2,655.2	2,590.8
Liabilities						
Borrowings	451.2	–	–	451.2	168.5	348.6
Deferred tax liabilities	404.3	–	(33.3)	371.0	350.9	154.5
Insurance contract liabilities	543.4	(450.4)	(93.0)	–	–	–
Deferred income	638.6	–	(638.6)	–	–	–
Other provisions	35.1	–	–	35.1	21.6	22.7
Other payables	2,770.6	(1,671.5)	(34.9)	1,064.2	933.6	956.9
Investment contract benefits	77,656.0	(77,656.0)	–	–	–	–
Derivative financial instruments	676.2	(676.2)	–	–	–	–
Net asset value attributable to unit holders	26,345.2	(26,345.2)	–	–	–	–
Income tax liabilities	164.6	–	–	164.6	123.5	–
Preference shares	0.1	–	–	0.1	0.1	0.1
Total liabilities	109,685.3	(106,799.3)	(799.8)	2,086.2	1,598.2	1,482.8
Net assets	929.4	–	110.5	1,039.9	1,057.0	1,108.0

Adjustment 1 nets out the policyholder interest in unit-linked assets and liabilities. **Adjustment 2** comprises adjustment to the IFRS statement of financial position in line with Solvency II requirements, including removal of DAC, DIR, PVIF and their associated deferred tax balances, goodwill and other intangibles.

III. Earnings per share

	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
	£'Million	£'Million	£'Million
Earnings			
Cash result after tax attributable to equity shareholders <i>(for both basic and diluted EPS)</i>	99.6	128.7	268.7
	Million	Million	Million
Weighted average number of shares			
Weighted average number of ordinary shares in issue <i>(for basic EPS)</i>	527.8	525.8	526.0
Adjustments for outstanding share options	12.2	7.6	8.7
Weighted average number of ordinary shares <i>(for diluted EPS)</i>	540.0	533.4	534.7
	Pence	Pence	Pence
Earnings per share (EPS)			
Basic earnings per share	18.9	24.5	51.1
Diluted earnings per share	18.4	24.1	50.2

The Directors have resolved to pay an interim dividend of 18.49 pence per share (30 June 2018: 18.49 pence). This amounts to £98.2 million (30 June 2018: £97.7 million) and will be paid on 27 September 2019 to shareholders on the register at 30 August 2019.

04

OTHER INFORMATION

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SHAREHOLDER INFORMATION

Financial calendar

Ex-dividend date for interim dividend	Thursday 29 August 2019
Record date for interim dividend	Friday 30 August 2019
Payment date for interim dividend	Friday 27 September 2019
Announcement of third quarter new business	Tuesday 22 October 2019
Announcement of fourth quarter new business	Thursday 30 January 2020

The above dates are subject to change and further information on the financial calendar can be found on the Company's website, www.sjp.co.uk.

HOW TO CONTACT US AND ADVISERS

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GLOSSARY OF ALTERNATIVE PERFORMANCE MEASURES

Within the Half Year Report and Accounts various alternative performance measures (APMs) are disclosed.

An APM is a measure of financial performance, financial position or cash flows which is not defined by the relevant financial reporting framework, which for the Group is International Financial Reporting Standards (IFRS) as adopted by the European Union. APMs are used to provide greater insight into the performance of the Group and the way it is managed by the Directors. The table below defines each APM, explains why it is used and, if applicable, where the APM has been reconciled to IFRS:

APM	Definition	Why is this measure used?	Reconciliation to the financial statements
Solvency II net assets	<p>Based on IFRS Net Assets, but with the following adjustments:</p> <ol style="list-style-type: none"> 1. Reflection of the recognition requirements of the Solvency II regulations for assets and liabilities. In particular this removes deferred acquisition costs (DAC), deferred income (DIR), purchased value of in-force (PVIF) and their associated deferred tax balances, other intangibles and some other small items which are treated as inadmissible from a regulatory perspective; and 2. Adjustment to remove the matching policyholder assets and the liabilities as these do not represent shareholder assets. <p>No adjustment is made to deferred tax, except for that arising on DAC, DIR and PVIF, as this is treated as an allowable asset in the Solvency II regulation.</p>	<p>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.</p>	Refer to page 20.
Cash result, Operating cash result and Underlying cash result	<p>The Cash result is defined as the movement between the opening and closing Solvency II net assets adjusted for the following items:</p> <ol style="list-style-type: none"> 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; 3. Interest expense on lease liabilities and depreciation on right-of-use assets are removed, and replaced with the lease payments made; and 4. Other changes in equity, such as dividends paid in the year and share option costs, are excluded. <p>The Operating cash result reflects the regular emergence of cash from the business operations.</p> <p>The Underlying cash results additionally reflects the cash impact of the strategic investments we are making.</p> <p>Finally, the Cash result reflects all other cash items, including those whose emergence is volatile, varying over time and often influenced by markets, together with the short-term costs associated with the back-office infrastructure project.</p> <p>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.</p>	<p>IFRS income statement 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.</p> <p>While the Cash result gives an absolute measure of the cash generated in the year, the Underlying and Operating cash results are particularly useful for monitoring the expected long-term rate of cash emergence, which supports dividends and sustainable dividend growth.</p>	Refer to page 17 and also see Note 3 – Segment Profit.
Underlying cash basic and diluted earnings per share (EPS)	<p>These EPS measures are calculated as Underlying cash divided by the number of shares used in the calculation of IFRS basic and diluted EPS.</p>	<p>As Underlying cash is the best reflection of the cash generated by the business, Underlying cash EPS measures allow analysis of the shareholder cash generated by the business by share.</p>	Not applicable.

APM	Definition	Why is this measure used?	Reconciliation to the financial statements
Total embedded value	<p>A discounted cash flow valuation methodology, assessing the long-term economic value of the business.</p> <p>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.</p>	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 Embedded Value basis, which brings into account the net present value of expected future cash flows, as we believe that a measure of total economic value of the Group is useful to investors.	Not applicable.
EEV profit	Derived as the movement in the Total EEV during the year.	Both the IFRS and Cash results reflect only the cash flows in the year. However, our business is long-term, and activity in the year can generate business with a long-term value. We therefore believe it is helpful to understand the full economic impact of activity in the year, which is the aim of the EEV methodology.	See Note 3 – Segment Profit.
EEV operating profit	<p>A discounted cash flow valuation methodology, assessing the long-term economic value of the business.</p> <p>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.</p> <p>The EEV operating profit reflects the total EEV result with an adjustment to strip out the impact of stock market and other economic effects during the year.</p>	<p>Both the IFRS and cash results reflect only the cash flows in the year. However, our business is long-term, and activity in the year can generate business with a long-term value. We therefore believe it is helpful to understand the full economic impact of activity in the year, which is the aim of the EEV methodology.</p> <p>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.</p>	See Note 3 – Segment Profit.
EEV operating profit basic and diluted earnings per share (EPS)	These EPS measures are calculated as EEV operating profit after tax divided by the number of shares used in the calculation of IFRS basic and diluted EPS.	As EEV operating profit is the best reflection of the EEV generated by the business, EEV operating profit EPS measures allow analysis of the long-term value generated by the business by share.	Not applicable.
Net asset value per share (EEV)	EEV net asset value per share is calculated as the EEV net assets divided by the year end number of ordinary shares.	Total embedded value provides a measure of total economic value of the Group and assessing the NAV per share allows analysis of the overall value of the Group by share.	Not applicable.

GLOSSARY OF ALTERNATIVE PERFORMANCE MEASURES CONTINUED

APM	Definition	Why is this measure used?	Reconciliation to the financial statements
Policyholder and Shareholder tax	<p>Shareholder tax is estimated by making an assessment of the effective rate of tax that is applicable to the shareholders on the profits attributable to the shareholders. This is calculated by applying the appropriate effective corporate tax rates to the shareholder profits.</p> <p>The remainder of the tax charge represents tax on policyholder's investment returns.</p> <p>This calculation method is consistent with the legislation relating to the calculation of the tax on shareholder's profits.</p>	<p>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.</p> <p>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.</p>	Disclosed as separate line items in the condensed consolidated statement of comprehensive income on page 32.
Profit before shareholder tax	A profit measure which reflects the IFRS result adjusted for policyholder tax, but before deduction of shareholder tax. Within the consolidated statement of comprehensive income, the full title of this measure is 'Profit before tax attributable to shareholders' returns'.	The IFRS methodology requires that the tax recognised in the financial statements should include the tax incurred on behalf of policyholders in our UK life assurance company. Since the policyholder tax charge is unrelated to the performance of the business, we believe it is also useful to separately identify the profit before shareholder tax, which reflects the IFRS profit before tax, adjusted only for tax paid on behalf of policyholders.	Disclosed as a separate line item in the condensed consolidated statement of comprehensive income on page 32.
Underlying profit	A profit measure which reflects the IFRS result adjusted to remove the DAC, DIR and PVIF adjustments.	The IFRS methodology promotes recognition of profits in line with the provision of services and so, for long-term business, some of the initial cash flows are spread over the life of the contract through the use of intangible assets and liabilities (DAC and DIR). Due to the retail distribution review (RDR) regulation change in 2013, there was a step change in the progression of these items in our accounts, which resulted in significant accounting presentation changes despite the fundamentals of our vertically integrated business remaining unchanged. We therefore believe it is useful to consider the IFRS result having removed the impact of movements in these intangibles as it better reflects the underlying performance of the business.	Refer to page 16.
Net asset value per share (IFRS)	IFRS net asset value per share is calculated as the IFRS net assets divided by the year end number of ordinary shares.	Total IFRS net assets provides a measure of value of the Group and assessing the NAV per share allows analysis of the overall value of the Group by share.	Not applicable.

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