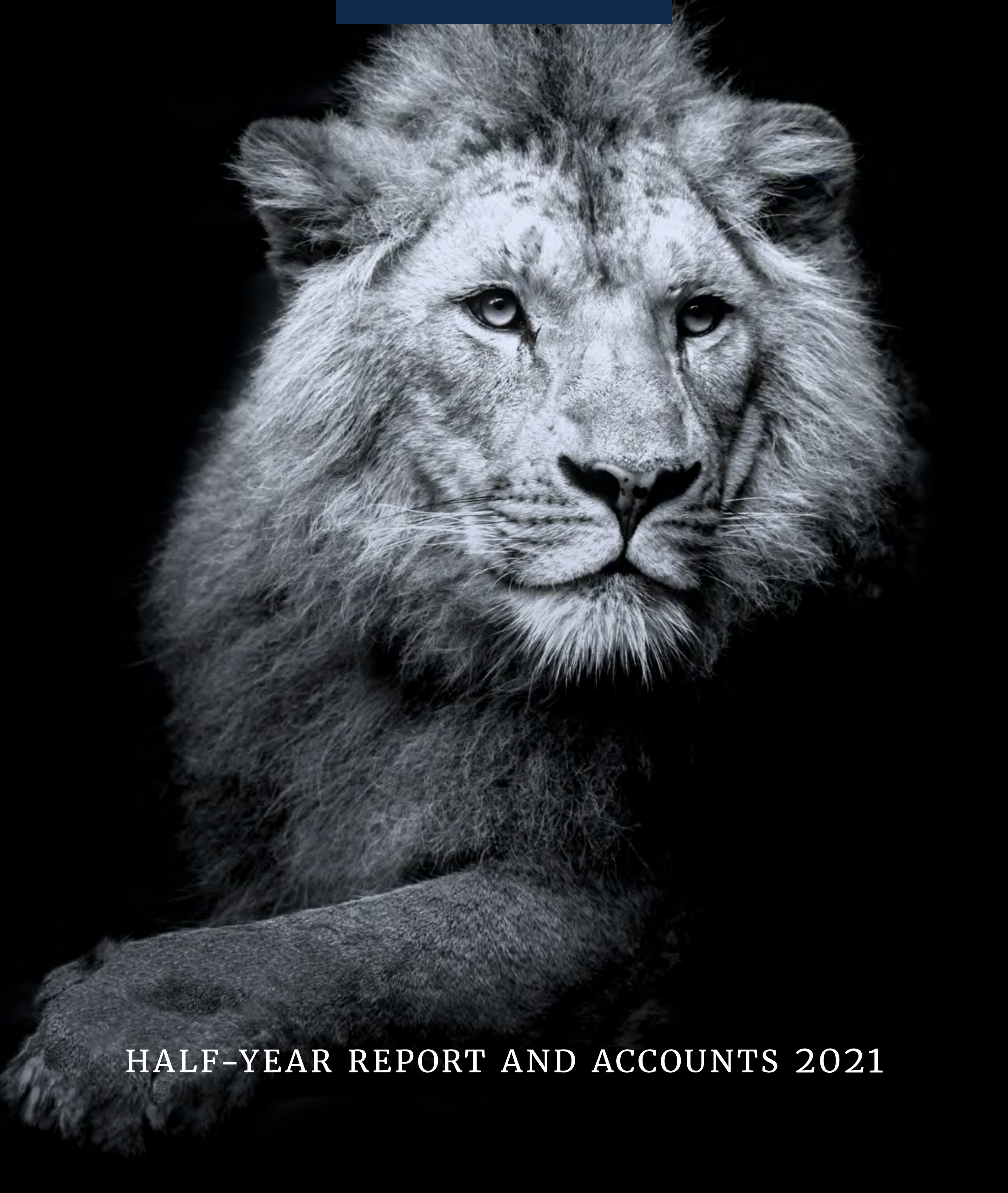
ST. JAMES'S PLACE



HALF-YEAR REPORT AND ACCOUNTS 2021

We are St. James's Place.

'Giving you the confidence to create the future you want.'

Our purpose is to give our clients, advisers, employees, shareholders and wider society the confidence to create the futures they want.

What we do

We plan, grow and protect the financial futures of businesses and individuals across the UK by providing an end-to-end wealth management proposition. We offer clients access to our full range of wealth management products and services through personal, face-to-face advice delivered by the Partnership, our 4,477-strong group of advisers. We tailor clients' investments to their financial goals, supporting the delivery of positive client outcomes.

2021 Half-Year Performance Highlights

St. James's Place reports positive results on all measures in the first half of 2021, including significant growth in gross and net inflows, reflecting the improvement in client confidence and investment of accumulated savings, following the challenging market conditions that arose after the escalation of the COVID-19 pandemic in the UK in 2020.

Gross inflows

£9.2bn

(Up 27% from £7.3 billion in 2020)

IFRS profit after tax

£120.9m

(Down 32% from £178.1 million in 2020)

Net inflows

£5.5bn

(Up 23% from £4.5 billion in 2020)

Underlying cash result

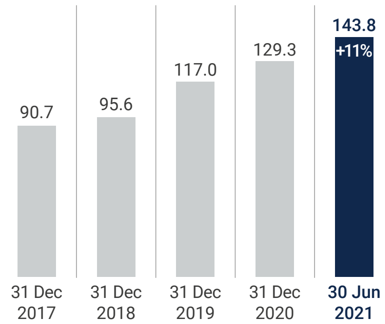
£189.3m

(Up 65% from £114.4 million in 2020)

Funds under management

£143.8bn

(Up 11% from £129.3 billion at 31 December 2020)



Find out more on page 15

European embedded value (EEV) operating profit

£844.8m

(Up 102% from £418.7 million in 2020)

The Underlying cash result and EEV operating profit are alternative performance measures (APMs). The Glossary of Alternative Performance Measures on pages 78 to 80 defines these APMs and explains why they are useful. The Underlying cash result is reconciled to International Financial Reporting Standards (IFRS) on pages 20 and 21.

Gross inflows for the six months to 30 June 2021

	Unaudited three months to 30 June			Unaudited six months to 30 June		
	2021	2020		**2021**	2020	
	£'Billion	£'Billion		**£'Billion**	£'Billion	
Gross inflows						
Investment	**0.66**	0.39		**1.24**	0.93	
Pension	**2.29**	1.88		**4.98**	4.11	
Unit Trust, ISA and DFM	**1.45**	0.95		**2.97**	2.22	
	4.40	3.22	37%	**9.19**	7.26	27%

Contents

Registered number: 03183415

Interim Management Statement

Chief Executive's Report

"I am very pleased to report a strong set of new business and financial results for the first six months of the year, reinforcing our confidence in our ability to deliver on the ambitious strategic goals we have set for our planning horizon through to 2025."

£143.8bn

Funds under management
31 December 2020: £129.3bn

11.55 **pence per share**

Interim dividend
2020: nil

£9.2bn

Gross inflows
2020: £7.3 billion

I am very pleased to report a strong set of new business and financial results for the first six months of the year, reinforcing our confidence in our ability to deliver on the ambitious strategic goals we have set for our planning horizon through to 2025.

We first set out these goals at the time of the full year 2020 results announcement earlier this year, with a focus on three core ambitions:

- First, we aim to grow new business by 10% per annum supported by a growing number of advisers and increasing productivity.
- Second, by maintaining strong retention of client investments we will see net inflows also growing by 10% per annum. These flows, together with modest growth in investment markets, would see funds under management reach more than £200 billion by the end of 2025.
- Third, while we will continue to invest in the business to support our continued growth and maintain our market leading position, the technological foundations that we have put in place over the last few years provide us with greater operating flexibility and efficiency such that our 'controllable' expense growth going forward will be around 5% per annum.

The combination of these planning assumptions, together with the increasing cash emergence from funds in gestation over time, will provide for strong growth in the underlying cash result over the coming years.

New business and funds under management

Although we have faced continued restrictions in our daily lives as a result of the COVID-19 pandemic, the St. James's Place community has continued to learn and adapt to the changing circumstances, exhibiting agility and flexibility in order to maintain our collective focus on delivering great outcomes for clients.

Consequently, the Partnership attracted £9.2 billion of new client investments during the first half of the year, which was 27% higher than the same period in 2020. This reflects a combination of factors including improving client sentiment, a sharp increase in household savings rates and high levels of client engagement. Retention has remained strong through the period, resulting in net inflows of £5.5 billion in the first half, 23% higher than the prior period and equivalent to 8.6% of opening funds under management on an annualised basis.

The strong growth in gross and net inflows compared with the first six months of 2020 should be considered in light of the particularly difficult trading conditions last year. Perhaps a better measure of our progress is growth compared with the first six months of 2019, a period where gross flows were £7.4 billion and net flows were £4.4 billion. On this basis, our gross and net inflows for the first half of 2021 represent compound growth of some 12% per annum over the two-year period.

These net inflows, together with a positive impact from investment markets, have resulted in funds under management closing the half at a record £143.8 billion, up 11% year to-date.

Financial performance and dividend

Growth in new business and funds under management has resulted in strong growth in income whilst 'controllable' expenses for the six months are modestly lower than in the first half of 2020 reflecting the phasing of our planned cost growth towards the second half of the year. The combination of the income and expense outcomes has resulted in a strong financial result.

Importantly, the underlying cash result for the six months was £189.3 million, some 65% higher than the same period last year. The significant growth in the underlying cash result should also be considered in light of the particularly difficult trading conditions we faced last year. Again, a comparison versus the first half of 2019 where the underlying cash result was £125.1 million, is perhaps more indicative, showing compound growth of some 23% per annum over the two-year period.

In line with the guidance we set out in February that future interim dividends would be set at 30% of the prior full year pay-out, the Board has declared an interim dividend for 2021 of 11.55 pence per share.

Supporting clients

We continue to work hard to support clients and give them the confidence to create the futures they seek. Our advisers have been able to utilise technology to maintain service and strengthen client relationships. This shift towards more virtual interaction between advisers and clients is one that we expect to last beyond the end of the pandemic, reflecting the benefits of being able to engage with clients in a way that best suits them, whether that is through physical or virtual meetings.

Strong levels of client engagement have been a feature throughout the first half of the year, with activity accelerating ahead of the tax year-end as clients sought to commit accumulated savings into longer-term investments. With the economic outlook improving as a return to greater normality approaches, engagement has remained high and this has been reflected in our record levels of new business during the period.

Chief Executive's Report continued

"Our advisers continue to do a fantastic job for their clients, providing them with sound advice to keep them on track to achieve their long-term financial objectives."

Supporting the Partnership

Our advisers continue to do a fantastic job for their clients, providing them with sound advice to keep them on track to achieve their long-term financial objectives. While the first half of the year saw further challenges given ongoing COVID-19 restrictions, our advisers have continued to adapt their ways of working in order to support their existing clients and to attract new clients to their businesses.

Earlier this year we set out our ambition to grow the Partnership by 3-5% in 2021. We have made a good start against that objective having attracted a net 139 advisers to the Partnership, growth of 3.2%. This has been achieved through a combination of experienced adviser recruitment and Academy graduation and means we are well positioned to support even more clients with their long-term financial planning goals going forward. Having resumed new intakes at the start of the year, the Academy now has 277 'students' enrolled in the programme.

As a business focused on supporting clients via the Partnership, it is imperative that we continually refine and improve the way we can help our advisers. To that end, we have made further good progress in embedding Salesforce across the Partnership. This key system will, over time, enable advisers to do an even better job in servicing clients as well as manage their businesses more efficiently.

Investment markets and investment management approach

After a year that saw extreme volatility in investment markets worldwide, improving global economic confidence has resulted in equity markets performing strongly in the first half of 2021, with the MSCI World, S&P 500 and STOXX Europe 50 indices all having registered double-digit percentage gains during the period and the FSE100 having risen by some 9%. I am happy to report that on average, over the last 12 months our clients have received a return of over 15%, contributing to a 7% return net of fees per annum over a 5-year period.

We have made further progress in developing our investment proposition in pursuit of supporting great client outcomes, including the merger of several UK focused funds into a single UK fund managed by a combination of both new and existing managers. These changes are consistent with the development priorities we have recognised as part of our investment proposition 2025 strategy, including our aim to provide a dynamic, joined-up, and easy to use fund range which makes money a force for good.

In recent weeks we have published our second Value Assessment Statement which highlights the progress made, showing over 40% of our funds improving in their overall performance rating. This reflects the value offered by our range of unit trust funds to clients, as well as areas where we have more work to do. As we continue to develop our investment proposition, I am sure the value we offer clients will only increase further.

Asia

We are pleased with the strength of new business activity in the period with gross inflows of £185 million being some 20% higher than the prior year, contributing to funds under management at 30 June of £1.4 billion, up 19% since the start of the year.

Net investment in Asia during the first half of the year was lower than the prior year reflecting higher fee income from increasing funds under management together with strong expense discipline. The result is tracking our objective to see our Asian operations become cash positive by 2025.

Looking ahead to the remainder of the year, the business will continue to focus on delivering against its medium-term objective to build 100 great Partner businesses and deliver great outcomes to expatriates and high net worth individuals across our chosen markets.

"As a steward of £143.8 billion of client assets, we recognise our responsibility to ensure a positive impact through our range of funds and portfolios."

Rowan Dartington

Now an integrated part of our end to end investment proposition, Rowan Dartington (RD), our discretionary fund management business, has performed well in the first half of the year attracting £282 million of new client investments, 33% higher than in the same period in 2020. This has contributed to funds under management of £3.2 billion, up 14% since the end of 2020. Net investment in RD during the half was lower than the comparative period.

The business has recently contracted with SS&C, the Group's key outsourcing supplier, to provide system and administrative services for the next 10 years. This is an important step for managing future growth and further underpins the path for the business to become cash positive by 2024.

Responsible Business

We aspire to be a leading Responsible Business, being a force for good socially and environmentally through our advice, investments and business operations.

Our excellent and long-established community programmes have continued to support disadvantaged and marginalised young people through our Charitable Foundation, strategic partnerships and Inclusion and Diversity initiatives, embracing difference and looking to ensure that inclusive practice is at the heart of what we do. To support all these objectives, we have extended our policy and have allowed employees unlimited volunteering time.

As a steward of £143.8 billion of client assets, we recognise our responsibility to ensure a positive impact through our range of funds and portfolios. Our commitment is demonstrated by the publication of our first Task Force on Climate-Related Financial Disclosures (TCFD) report in April and the recent announcement that we have selected Robeco as a sustainability engagement partner as we continue to integrate responsible investment across our investment proposition.

Having become a signatory to the Net Zero Asset Owners Alliance in 2020, we have also recently joined the Race to Zero campaign to make clear our commitment to being a leading responsible business and acknowledge the role we can play in developing a more sustainable economy for everyone.

Our community

In difficult circumstances, the continued hard work and dedication of our Partners, their staff, our management teams and all our employees and administration support teams, has been exemplary. On behalf of the Board and shareholders, I would like to thank the entire St. James's Place community for their enormous contribution to supporting clients and driving the success of our business for the benefit of all stakeholders.

Outlook

At the start of this statement I commented on the clear goals we have set with respect to gross and net flows which, together with modest growth in investment markets, would see funds under management exceed £200 billion by 2025.

We have also set a clear objective for growth in controllable expenses. The combination of these planning assumptions, together with the increasing emergence of cash from funds in gestation, means we expect to deliver strong growth in the underlying cash result over the coming years.

The impact of the pandemic on the timing and value of flows in 2020 and 2021 will naturally result in a variable pattern of year on year growth and normal phasing of business. Taking this into account together with a strong start to July, we anticipate a rate of gross inflow growth for the second half of around 20% despite strengthening comparatives in the latter part of the year.

Although there remains inherent uncertainty in the operating environment as the UK and the world at large continues to navigate the pandemic, the results we have announced today show we have made an encouraging start against our 2025 ambitions.

ANDREW CROFT
Chief Executive

27 July 2021

Chief Financial Officer's Report

IFRS profit after tax

£120.9m

2020: £178.1 million

Underlying cash result

£189.3m

2020: £114.4 million

EEV operating profit

£844.8m

2020: £418.7 million

"The six months to 30 June 2021 have been a very positive period for our business, and we are pleased to be reporting a strong set of financial results."

As reported in the Chief Executive's Report our new business performance has been strong, with the Partnership attracting gross inflows of £9.2 billion (six months to 30 June 2020: £7.3 billion, year to 31 December 2020: £14.3 billion) and net inflows of £5.5 billion (six months to 30 June 2020: £4.5 billion, year to 31 December 2020: £8.2 billion). These results represent a good start to the plans we set out in February, with substantial progress towards our goals of long-term new business growth of 10% per annum, consistent retention above 95%, and our aim of reaching £200bn of funds under management (FUM) by 2025.

All this has been achieved with strong cost control. We continue to guide for 2021 in line with our intention set out at the start of the year as we expect to invest more in the second half into driving future new business and cost efficiencies.

	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
	£'Million	£'Million	£'Million
Establishment expenses	**93.0**	98.6	200.0
Development expenses (Operational and Strategic)	**21.3**	19.7	42.1
Academy	**4.9**	4.8	9.5
Controllable expenses	**119.2**	123.1	251.6

Controllable expenses, which are the categories shown in the table above (stated after tax), will be a key metric for the business over the next few years, and so we will be re-shaping our financial disclosure from this year end to aid shareholders. The changes will be incremental, but we plan to adapt our expense reporting in line with the analysis above. This would require a change to the definition of the Operating cash result, but instead we plan to remove this sub-total from our Cash Result analysis as it will no longer be an important metric for management. Examples of what the new disclosure will look like are available on the shareholders section of our website. We also plan to make full year results available in the old format on the website to provide full transparency.

Our financial results are presented in more detail on pages 14 to 32 of the Financial Review, but we provide below a summary of financial performance on a statutory IFRS basis, as well as our chosen alternative performance measures (APMs). We also summarise key developments from a balance sheet perspective and provide shareholders with an overview of capital, solvency and liquidity.

Financial results

IFRS

As a result of market volatility, our IFRS result have also been volatile over the last few periods as the following table demonstrates:

	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
	£'Million	£'Million	£'Million
IFRS profit/(loss) before tax	**482.6**	(71.9)	426.4
Policyholder tax (charge)/credit	**(336.1)**	293.8	(98.8)
IFRS profit before shareholder tax	**146.5**	221.9	327.6
Shareholder tax charge	**(25.6)**	(43.8)	(65.6)
IFRS profit after tax	**120.9**	178.1	262.0

The key driver of the volatility is distortion caused by policyholder tax impacts associated with market movements on policyholder investments held on the life company balance sheet. Where markets fall (as they did in 2020), we are required to reflect refunds of Fund tax deductions to clients as if they were an expense. This expense then effectively reverses through the policyholder tax line as a credit. Where markets rise (as they have in 2021), the opposite happens and Fund tax deductions come through as our income. These then reverse as a policyholder tax charge. This dynamic has resulted in our IFRS result before tax moving from a loss of £71.9m for 2020 to a profit of £482.6m for 2021. The following table shows how these two items offset:

	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
	£'Million	£'Million	£'Million
Fund tax deductions/(refunds) (see Note 4)	**336.1**	(293.8)	98.8
Policyholder tax (charge)/credit (see Note 6)	**(336.1)**	293.8	(98.8)

Fund tax deductions is a common approach to addressing the policyholder tax requirement for insurance businesses, and the charges are designed to ensure fairness to clients. However, because IAS 12 prohibits discounting of deferred tax balances with HMRC, asymmetry can arise between the theoretical Fund tax deductions and the actual policyholder charges. We describe this as Policyholder tax asymmetry (see Note 4), and whilst this would normally have limited impact, again market volatility has resulted in significant swings. A £98.3 million positive for the six months to 30 June 2020 unwound to a £61.7 million positive by 31 December 2020. This residual positive impact on reserves has further unwound by £29.2 million during 2021 and will continue to do so with future market growth.

The change in relative impact between the periods (£98.3 million positive to £29.2 million negative) more than offsets the positive underlying business experience of strong growth in income from FUM, and is therefore the key reason for the reduction in IFRS post tax result to £120.9 million (six months to 30 June 2020: £178.1 million, year to 31 December 2020: £262.0 million).

"The key driver of the volatility is distortion caused by policyholder tax impacts associated with market movements on policyholder investments held on the life company balance sheet."

Chief Financial Officer's Report continued

We continue to supplement our statutory reporting with the presentation of our financial performance using two APMs: the Cash result and the European Embedded Value (EEV) result. Taking each in turn:

Cash result

The Cash result, and the Underlying cash result contained within it, are based on IFRS but adjusted to exclude certain non-cash items, so therefore represent useful guides to the level of cash profit generated by the business. All items in the Cash result, and in the commentary below, are presented net of tax.

During the period, the **net income from funds under management** was £278.2 million (six months to 30 June 2020: £218.9 million, year to 31 December 2020: £455.9 million). This represented a margin on average 'mature' FUM within our range of guidance for the full year. It is only mature FUM that contributes to this net income figure and this mature stock of FUM at any given time substantially comprises all unit trust and ISA business, as well as life and pensions business written more than six years ago. The development of mature FUM year-on-year is dependent on four principal factors:

1. new unit trust and ISA flows;
2. the amount of life and pensions FUM that moves from 'gestation' into mature FUM;
3. the retention of FUM; and
4. investment returns on FUM.

Growth in gestation FUM (see page 17) has been rapid in recent years, particularly due to the strength of new pensions business. Whilst this constrains growth in net income from funds under management today, it bodes well for the future as gestation FUM matures and begins making a positive contribution. At 30 June 2021, the balance of gestation FUM stood at £47.3 billion (30 June 2020: £39.4 billion, 31 December 2020: £43.4 billion). Once this current stock of gestation FUM has all matured, it may start to (assuming no market movements or withdrawals, and allowing for the tax rate change) contribute nearly £375 million per annum to **net income from funds under management** and hence to the Underlying cash result.

St. James's Place also generates a margin arising from new business where initial product charges levied on gross inflows exceed new business-related expenses. The increase in **margin arising from new business**, from £58.2 million in the six months to 30 June 2020 to £73.8 million in the six months to 30 June 2021, reflects the significant increase in gross flows over the period although the relationship is not entirely linear.

Establishment expenses in the period were £93.0 million (six months to 30 June 2020: £98.6 million, year to 31 December 2020: £200.0 million), down 6.0% from the prior period. Management still expects to deliver expense growth of 5% over the full year, in line with prior guidance.

Operational development costs were £15.9 million (six months to 30 June 2020: £14.1 million, year to 31 December 2020: £30.7 million) reflecting a period of considerable investment in the business, laying the foundations for long-term growth. This included developing our collaboration with Salesforce as previously announced, but also our Next Generation Client Experience. Projects planned for the rest of the year   work on intelligent automation, progressing the decommissioning of ancillary legacy systems, and more on our Salesforce journey; all projects that support a superior Partner and client experience, making SJP easier to do business with.

Our contribution to the **FSCS levy** continued to be high during the period at £28.7 million (£27.8 million for the six months to 30 June 2020 and £29.7 million for the year to 31 December 2020). We're encouraged by the commitment from the FCA, made in their recent business plan, to reduce the cost in the medium to long term.

Reflecting its critical role in providing a source of future organic growth in our adviser population, we continue to invest in our **Academy** programme, and in developing our presence in both **Asia** and **DFM** via Rowan Dartington. Both of these businesses have benefited from a more favourable new business environment with a consequent positive impact on revenues. Our investment for the future also extends to our **strategic development costs**.

The **Underlying cash result**, which is a key metric that provides a good indicator of underlying performance and the impact of our investment programmes, was £189.3 million (six months to 30 June 2020: £114.4 million, year to 31 December 2020: £264.7 million).

Previously recognised below the Underlying cash result, our **back-office infrastructure** activity has been a critical multi-year project. Final decommissioning expenses relating to our legacy systems were recognised last year, and these costs have now ceased (six months to 30 June 2020: £6.5 million, year to 31 December 2020: £10.0 million).

This year we are recognising the one-off cost of £9.0 million for a **restructuring** exercise associated with an employee redundancy programme in the period.

Also recognised below the Underlying cash result is the **variance**. In the Half-Year results this always includes a timing effect from fewer days of AMC in first half of the year, which unwinds by the year-end. Further detail explaining this can be found in the Financial Review on page 24.

The **Cash result** for the period was therefore £175.8 million (six months to 30 June 2020: £124.7 million, year to 31 December 2020: £254.7 million).

EEV

The **EEV operating profit** is sensitive to new business written within the period and the 27% increase in gross flows makes an important contribution to the significant increase. However, the major driver is a small improvement to persistency assumptions, which enhances new business margin, as well as contributing a one-off improvement in the period of £249.4 million through an **operating assumption change**. As a result, EEV operating profit has more than doubled to £844.8 million (six months to 30 June 2020: £418.7 million, year to 31 December 2020: £919.0 million).

The **EEV profit before tax** has also benefited from strong stock market growth during the period with a positive **investment return variance** of £593.6 million comparing to a £329.7 million negative impact for the comparative period.

"Facilitating business loans to Partners is a key way in which we are able to support growing Partner businesses."

Key financial position developments

The shareholder, or Solvency II Net Assets Balance Sheet, is one that is derived from the statutory IFRS Condensed Consolidated Statement of Financial Position and a reconciliation between the two can be found on page 25 of the Financial Review. It reflects the Group risk policy for shareholder assets, which is to minimise risk through investment in high credit quality and liquid bank and money market funds. Notes providing analytical information on the balance sheet items are included in the same place. Two areas that have been of more interest to shareholders in recent years are Borrowings, which provide liquidity to the business in addition to shareholder funds, and the use of shareholder funds to support Business loans to Partners.

Movements in business loans to Partners

Facilitating business loans to Partners is a key way in which we are able to support growing Partner businesses. Such loans are principally used to enable Partners to take on those businesses of retiring or downsizing Partners, and this process creates broad stakeholder benefits. First, clients benefit from enhanced continuity of St. James's Place advice and service over time; second, Partners are able to build and ultimately realise value in the high quality and sustainable businesses they have created; finally, the Group and, in turn, shareholders, benefit from high levels of adviser and client retention.

In addition to recognising a strong business case for facilitating such lending, we recognise too the fundamental strength and credit quality of business loans to Partners. Over more than 10 years, cumulative write-offs have totalled less than 5bps of gross loans advanced, with such low impairment experience attributable to a number of factors that help to mitigate the inherent credit risk in lending. These include taking a cautious approach to Group credit decisions, with lending secured against prudent business valuations. Demonstrating this key loan-to-value (LTV) information is set out in the table below.

	30 June 2021	30 June 2020	31 December 2020
Aggregate LTV across the total Partner lending book	**29%**	35%	31%
Proportion of the book where LTV is over 75%	**8%**	22%	12%
Net exposure to loans where LTV is over 100% (£'Million)	**5.5**	13.7	9.2

If FUM were to decrease by 10%, the net exposure at 30 June 2021 would increase to £7.7 million.

Our credit experience also benefits from the structure of business loan to Partner repayments. The Group collects advice charges from clients. Prior to making the associated payment to Partners, we deduct loan capital and interest payments from the amount due. This means the Group is able to control repayments.

During the period we have continued to facilitate business loans to Partners. As a result, the balance has increased by 5.4% from £476.7 million at 31 December 2020 to £502.6 million at 30 June 2021. The majority of this increase is in securitised business loans to Partners.

	30 June 2021	30 June 2020	31 December 2020
	£'Million	£'Million	£'Million
Total business loans to Partners	**502.6**	498.9	476.7
Split by funding type:			
Business loans to Partners directly funded by the Group	**322.2**	325.0	319.6
Securitised business loans to Partners	**180.4**	173.9	157.1

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Chief Financial Officer's Report continued

Movements in borrowings

St. James's Place continues to pursue a strategy of diversifying and broadening its access to debt finance. We have done this successfully over time, including the creation and execution of the securitisation vehicle in the past two years. For accounting purposes, we are obliged to disclose in our Condensed Consolidated Statement of Financial Position the value of loan notes relating to the securitisation, which has the effect of inflating the reported level of borrowings. However, these are secured only on the securitised portfolio of business loans to Partners, and hence are non-recourse to the Group's other assets.

	30 June 2021	30 June 2020	31 December 2020
	£'Million	£'Million	£'Million
Total borrowing	**478.2**	435.8	341.8
Split by borrowing type:			
Senior unsecured corporate borrowings	**343.3**	306.7	226.5
Senior tranche of non-recourse securitisation loan notes	**134.9**	129.1	115.3

After adjusting for this non-recourse debt, borrowings have increased broadly in line with the scale of the business over time and we remain comfortable not only with our level of borrowings, but also the headroom we have within our range of facilities.

Solvency, capital and liquidity

We continue to manage the balance sheet prudently to ensure the Group's solvency is safely maintained.

Given the simplicity of our business model, our approach to managing solvency remains to hold assets to match client unit-linked liabilities plus a Management Solvency Buffer (MSB). At 30 June 2021 we held surplus assets over the MSB of £607.2 million (30 June 2020: £661.2 million, 31 December 2020: £717.3 million). We also ensure that our approach meets with the requirements of the Solvency II regime where we have an approach, agreed with the Prudential Regulatory Authority (PRA) since 2017, for our largest insurance company, the UK Life company, that targets capital equal to 110% of the standard formula requirement. This is a prudent and sustainable policy given the risk profile of our business which is largely operational.

Market volatility in recent periods has impacted the equity dampener factor in the Solvency II standard formula, and hence the solvency ratio for our Life businesses. Nevertheless, strong business performance and a review of our approach to modelling Market Risk Capital underpins the improvement to 119% (30 June 2020: 124%, 31 December 2020: 112%). See also page 32.

Taking into account entities in the rest of the Group, the Group solvency ratio at 30 June 2021 was 130% (30 June 2020: 140% and 31 December 2020: 132%).

The Group has £1,601.2 million of liquid assets (30 June 2020: £1,108.0 million, 31 December 2020: £1,527.1 million) largely comprising investments in AAA-rated money market funds and investment grade deposits, as demonstrated in the table below. This continues to represent a considerable stock of liquidity and excludes the additional headroom that we have in our borrowing facilities.

	30 June 2021	30 June 2020	31 December 2020
	£'Million	£'Million	£'Million
Fixed interest securities	**7.8**	7.6	7.4
Investment in Collective Investment Schemes (AAA-rated money market funds)	**1,295.3**	810.5	1,264.8
Cash and cash equivalents	**298.1**	289.9	254.9
Total liquid assets	**1,601.2**	1,108.0	1,527.1

Dividend and concluding remarks

As noted above, we are very pleased to be reporting a strong set of results. Whilst concerns remain about the future direction of the pandemic, particularly globally, and the consequences for economies across the world, St. James's Place has demonstrated the resilience of its financial model over recent years and is well-placed for whatever may come.

At the full-year 2020 results, guidance was provided about how dividends would be set in future, with the full-year dividend being based on 70% of Underlying Cash and the Interim dividend being calculated as 30% of the prior full year dividend. The Board is therefore declaring an Interim Dividend of 11.55p equal to 30% of the prior year dividend per share of 38.49p.

CRAIG GENTLE
Chief Financial Officer

27 July 2021

Key financial information

	Page reference	**Six months ended 30 June 2021**	Six months ended 30 June 2020	Year ended 31 December 2020
FUM-based metrics				
Gross inflows (£'Billion)	15	**9.2**	7.3	14.3
Net inflows (£'Billion)	15	**5.5**	4.5	8.2
Total FUM (£'Billion)	15	**143.8**	115.7	129.3
Total FUM in gestation (£'Billion)	17	**47.3**	39.4	43.4
IFRS-based metrics				
IFRS profit after tax (£'Million)	19	**120.9**	178.1	262.0
IFRS profit before shareholder tax (£'Million)	19	**146.5**	221.9	327.6
Underlying profit before shareholder tax (£'Million)	19	**166.0**	236.3	359.9
IFRS basic earnings per share (EPS) (Pence)	63	**22.5**	33.4	49.1
IFRS diluted EPS (Pence)	63	**22.2**	33.0	48.6
IFRS net asset value per share (Pence)		**184.6**	189.9	207.0
Dividend per share (Pence)		**11.55**	–	38.49
Cash result-based metrics				
Operating cash result (£'Million)	21	**204.6**	134.7	302.7
Underlying cash result (£'Million)	21	**189.3**	114.4	264.7
Cash result (£'Million)	21	**175.8**	124.7	254.7
Underlying cash result basic EPS (Pence)		**35.3**	21.4	49.6
Underlying cash result diluted EPS (Pence)		**34.8**	21.2	49.1
EEV-based metrics				
EEV operating profit (£'Million)	28	**844.8**	418.7	919.0
EEV operating profit after tax basic EPS (Pence)		**121.6**	62.9	139.0
EEV operating profit after tax diluted EPS (Pence)		**119.9**	62.3	137.5
EEV net asset value per share (Pence)	31	**1,531.4**	1,277.8	1,448.8
Solvency-based metrics				
Solvency II net assets (£'Million)	32	**1,113.3**	1,135.1	1,218.6
Management solvency buffer (£'Million)	32	**506.1**	473.9	501.3
Solvency II free assets (£'Million)	32	**1,128.5**	1,159.4	1,110.8
Solvency ratio (Percentage)	32	**130%**	140%	132%

The Cash result should not be confused with the IFRS Condensed 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
The Review is split into the following sections:

SECTION 1: FUNDS UNDER MANAGEMENT (FUM)

1.1 FUM analysis

1.2 Gestation

FUM is a key driver of ongoing profitability on all measures, and so information on growth in FUM is provided in Section 1.

Find out more on pages 15 to 17

SECTION 2: PERFORMANCE MEASUREMENT

2.1 International Financial Reporting Standards (IFRS)

2.2 Cash result

2.3 European Embedded Value (EEV)

Section 2 analyses the performance of the business using three different bases: IFRS, the Cash result, and EEV.

Find out more on pages 18 to 31

SECTION 3: SOLVENCY

Section 3 addresses Solvency, which is an important area given the multiple regulated activities carried out within the Group.

Find out more on page 32

Our financial business model

Our financial business model is straightforward. We generate revenue by attracting clients through the value of our proposition, who trust us with their investments and then stay with us. This grows our funds under management (FUM), on which we receive:

- advice charges for the provision of valuable, face-to-face advice; and
- product charges for our manufactured investment, pension and ISA/unit trust products.

Further information on our charges can be found on our website: **www.sjp.co.uk/charges**. A breakdown of our fee and commission income, our primary source of revenue under IFRS, is set out in Note 4 on page 45.

The primary source of the Group's profit is the income we receive from annual product management charges on FUM. As a result, growth in FUM is a strong positive indicator of future growth in profits. However, most of our investment and pension products are structured so that annual product management charges are not levied for the first six years after the business is written, so the ongoing benefit of these gross inflows into FUM for a given year will not be seen until six years later. This means that the Group always has six years' worth of FUM in the 'gestation' period. FUM subject to annual product management charges is known 'mature' FUM. More information about our FUM and the fees we earn on it can be found in Sections 1 and 2 of this Financial Review.

Initial and ongoing advice charges, and initial product charges levied when a client first invests into one of our products, are not major drivers of the Group's profitability, because:

- most advice charges received are offset by corresponding remuneration for Partners, and so an increase in these revenue streams will correspond with an increase in the associated expense, and vice versa.
- under IFRS initial product charges are spread over the expected life of the investment through deferred income (DIR – see pages 19 and 20 for further detail). The contribution to the IFRS result from spreading these historic charges can be seen in Note 4 as amortisation of DIR. Initial product charges contribute immediately to our Cash result through margin arising on new business.

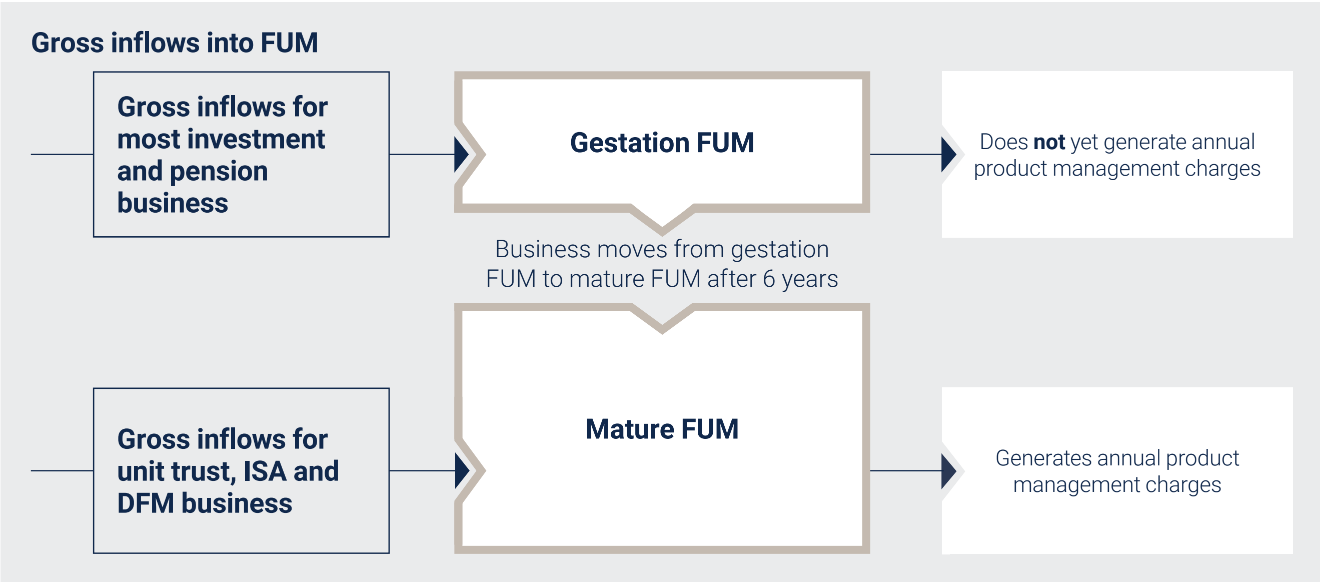
Our income is used to meet overheads, pay the ongoing product expenses and to invest in the business. Overhead expenditure is carefully managed with clear targets set for growth in the core costs of running the Group's infrastructure, which are known as 'establishment expenses'. Other ongoing expenses, including payments to Partners, increase with business levels and are generally aligned with product charges.

The Group invests in order to:

- continue building adviser capacity and attract new funds;
- enhance the Group's future capability to grow over the long term through the Academy, our discretionary fund management proposition and St. James's Place Asia; and
- develop administration systems and processes that will accommodate growth, contribute to future improvements in Partner and client experience, and reduce the cost of business processing.

Related Party Transactions

The related party transactions during the six-month period to 30 June 2021 are set out in Note 16 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 2021 and 30 June 2020, and the year to 31 December 2020. Investment return is presented net of charges.

	Six months ended 30 June 2021					
	Investment	**Pension**	**UT/ISA and DFM**	**Total**	30 June 2020	31 December 2020
	£'Billion	**£'Billion**	**£'Billion**	**£'Billion**	£'Billion	£'Billion
Opening FUM	**32.22**	**61.31**	**35.81**	**129.34**	116.99	116.99
Gross inflows	**1.24**	**4.98**	**2.97**	**9.19**	7.26	14.33
Net investment return	**1.91**	**4.46**	**2.52**	**8.89**	(5.83)	4.10
Regular income withdrawals and maturities	**(0.12)**	**(0.85)**	**–**	**(0.97)**	(0.72)	(1.62)
Surrenders and part surrenders	**(0.79)**	**(0.75)**	**(1.14)**	**(2.68)**	(2.02)	(4.46)
Closing FUM	**34.46**	**69.15**	**40.16**	**143.77**	115.68	129.34
Net inflows	**0.33**	**3.38**	**1.83**	**5.54**	4.52	8.25
Implied surrender rate as a percentage of average FUM	**4.7%**	**2.3%**	**6.0%**	**3.9%**	3.5%	3.6%

Included in the above table is Rowan Dartington Group and SJP Asia FUM of £4.65 billion at 30 June 2021 (30 June 2020: £3.60 billion, 31 December 2020: £4.03 billion), gross inflows of £0.47 billion for the period (six months to 30 June 2020: £0.36 billion, year to 31 December 2020: £0.74 billion) and outflows of £0.12 billion (six months to 30 June 2020: £0.12 billion, year to 31 December 2020: £0.21 billion).

Financial Review continued

1.1 FUM analysis continued

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:

	Opening FUM	Net inflows	Investment return	Other movements[1]	Closing FUM
	£'Billion	£'Billion	£'Billion	£'Billion	£'Billion
30 June 2021	**129.3**	**5.5**	**9.0**	**-**	**143.8**
30 December 2020	117.0	8.2	4.1	-	129.3
31 December 2019	95.6	9.0	12.4	-	117.0
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

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

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

	30 June 2021		30 June 2020		31 December 2020	
	£'Billion	**%**	£'Billion	%	£'Billion	%
North American Equities	**39.0**	**27%**	25.0	22%	31.3	24%
Fixed Income Securities	**23.6**	**16%**	20.6	18%	22.7	18%
Asia and Pacific Equities	**21.2**	**15%**	14.9	13%	19.9	15%
UK Equities	**20.2**	**14%**	17.3	15%	18.7	14%
European Equities	**17.0**	**12%**	13.4	11%	13.9	11%
Alternative Investments	**11.0**	**8%**	9.9	9%	10.3	8%
Cash	**5.9**	**4%**	8.9	8%	7.0	5%
Property	**2.5**	**2%**	2.8	2%	2.5	2%
Other	**3.4**	**2%**	2.9	2%	3.0	3%
Total	**143.8**	**100%**	115.7	100%	129.3	100%

1.2 Gestation

As explained in our financial business model on page 14, 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 margin arising on new business 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 is recognised as it arises, but it is deferred under IFRS.

Once the margin arising on new business has been recognised, the pattern of future emergence of cash from ongoing annual product management charges differs by product. Broadly, annual product management charges from unit trust and ISA business begin contributing positively to the Cash result from day one, 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. Approximately 51% of gross inflows for 2021 to date, after initial charges, move into gestation FUM (six months to 30 June 2020: 54%, year to 31 December 2020: 55%).

The following table shows an analysis of FUM, after initial charges, 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 2021, as well as at the year-end for the past five years. The value of both mature and gestation FUM is impacted by investment return as well as net inflows:

Position as at:	Mature FUM contributing to the Cash result £'Billion	Gestation FUM that will contribute to the Cash result in the future £'Billion	Total FUM £'Billion
30 June 2021	**96.5**	**47.3**	**143.8**
30 December 2020	85.9	43.4	129.3
31 December 2019	76.8	40.2	117.0
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

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 £47.3 billion at 30 June 2021 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. The tax rate change is incorporated from 2023, which results in a slightly lower total of £374.6 million compared to the current full year run rate of £403.2 million. Actual cash emergence will reflect varying business mix of the relevant cohort and business experience.

	Gestation FUM future contribution to the Cash result £'Million
2021	**22.2**
2022	69.8
2023	126.6
2024	198.8
2025	269.6
2026	337.3
2027 onwards	374.6

Financial Review continued

Section 2: Performance measurement

In line with statutory reporting requirements we report profits assessed on an IFRS basis. The presence of a significant life insurance company within the Group means that, although we are a wealth management Group in substance with a simple business model, we apply IFRS accounting requirements for insurance companies. These requirements lead to Financial Statements which are more complex than those of a typical wealth manager and so our IFRS results may not provide the clearest presentation for users who are trying to understand our wealth management business. Key examples of this include the following:

- our IFRS Condensed Consolidated Statement of Comprehensive Income includes policyholder tax balances, which we are required to recognise as part of our corporation tax arrangements. This means that our Group IFRS profit before tax includes amounts charged to clients to meet policyholder tax expenses, which are unrelated to the underlying performance of our business; and
- our policy is to fully match our liabilities to clients, and so policyholder liabilities increase or decrease to match increases or decreases experienced on the assets held to cover them. This means that shareholders are not exposed to any gains or losses on the £141.1 billion of policyholder assets and liabilities recognised in our IFRS Condensed Consolidated Statement of Financial Position, which represented over 97% of our IFRS total assets and liabilities at 30 June 2021.

To address this, we developed APMs with the objective of stripping out the policyholder element to present solely shareholder impacting balances, as well as removing items such as deferred acquisition costs and deferred income to reflect Solvency II recognition requirements and to better match the way in which cash emerges from the business. We therefore present our financial performance and position under three different bases, using a range of 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 into 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 78 to 80, 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 profit after tax was £120.9 million for the period (six months to 30 June 2020: £178.1 million, year to 31 December 2020: £262.0 million), with the result significantly lower period-on-period due to the volatile experience of Policyholder tax asymmetry between the periods. This more than offset strong underlying business performance. Policyholder tax asymmetry is described further in the following paragraphs.

Life insurance tax incorporates a policyholder tax element, and the financial statements of a life insurance group need to reflect the liability to HMRC and the corresponding deductions incorporated into policy charges. In particular, the tax liability to HMRC is assessed using IAS 12 Income Taxes, which does not allow discounting, whereas the policy charges are designed to ensure fair outcomes between clients and so reflect a wide range of possible outcomes. This gives rise to different assessments of the current value of future cash flows and hence an asymmetry in the Condensed Consolidated Statement of Financial Position between the deferred tax position and the offsetting client balance. This net balance reflects a temporary position, and in the absence of market volatility we expect it will unwind as future cash flows become less uncertain and are ultimately realised. Movement in the asymmetry is recognised in the Condensed Consolidated Statement of Comprehensive Income, and analysed in Note 4 Fee and commission income. We refer to it in this Report as the impact of Policyholder tax asymmetry.

Under normal conditions this asymmetry is small, but the market falls in early 2020 resulted in a positive movement of £98.3 million to 30 June 2020. This unwound partially during the rest of 2020 to a positive movement of £61.7 million at 31 December 2020. Strong market growth in the current period has resulted in a further unwind movement of £29.2 million for the six months to 30 June 2021. This movement decreases both IFRS profit after tax and IFRS profit before shareholder tax. Currently a cumulative positive effect, over time this balance will reduce in the Condensed Consolidated Statement of Financial Position as markets increase.

To address the challenge of policyholder tax being included in the IFRS results we focus on the following two APMs, based on IFRS, as our pre-tax metrics:

- Profit before shareholder tax; and
- Underlying profit.

Further information on these IFRS-based measures is set out below, on page 19.

Profit before shareholder tax

This is a profit measure based on IFRS which aims to remove the impact of policyholder tax. The policyholder tax expense or credit is generally matched by an equivalent fund tax deduction or credit from the relevant funds, which is recorded within fee and commission income in the IFRS Condensed Consolidated Statement of Comprehensive Income. Policyholder tax does not therefore normally impact the Group's overall profit after tax. As a result, profit before shareholder tax, but after policyholder tax, is typically a useful metric, although it has been distorted by Policyholder tax asymmetry in 2020 and in the first half of 2021.

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 38.

	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
	£'Million	£'Million	£'Million
IFRS profit/(loss) before tax	**482.6**	(71.9)	426.4
Policyholder tax (charge)/credit	**(336.1)**	293.8	(98.8)
IFRS profit before shareholder tax	**146.5**	221.9	327.6
Shareholder tax charge	**(25.6)**	(43.8)	(65.6)
IFRS profit after tax	**120.9**	178.1	262.0

Profit before shareholder tax has decreased period-on-period. As with the decrease in profit after tax, this reflects the impact of Policyholder tax asymmetry.

Shareholder tax reflects the tax charge attributable to shareholders and is closely related to the performance of the business. However, it can vary period-on-period due to several factors: further detail is set out in Note 6 Income and deferred taxes.

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 Condensed Consolidated Statement of Financial Position as a DAC asset and DIR liability, which are subsequently amortised to the Condensed Consolidated 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 2021	Six months ended 30 June 2020	Year ended 31 December 2020
	£'Million	£'Million	£'Million
IFRS profit before shareholder tax	**146.5**	221.9	327.6
Remove the impact of DAC/DIR/PVIF	**19.5**	14.4	32.3
Underlying profit before shareholder tax	**166.0**	236.3	359.9

Financial Review continued

2.1 International Financial Reporting Standards (IFRS) continued

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 and DIR on new business for the period 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 2021	Six months ended 30 June 2020	Year ended 31 December 2020
	£'Million	£'Million	£'Million
Amortisation of DAC	**(43.0)**	(46.3)	(92.6)
DAC on new business for the period	**19.3**	14.9	27.1
Net impact of DAC	**(23.7)**	(31.4)	(65.5)
Amortisation of DIR	**82.4**	80.3	160.5
DIR on new business for the period	**(76.6)**	(61.7)	(124.1)
Net impact of DIR	**5.8**	18.6	36.4
Amortisation of PVIF	**(1.6)**	(1.6)	(3.2)
Movement in the period	**(19.5)**	(14.4)	(32.3)

Net impact of DAC

The scale of the £23.7 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 five to six years. During this time 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

An increase in new business in the period means income deferred in 2021 is higher than the equivalent period last year. Income released from the deferred income liability has remained largely static. Together, these effects mean that DIR has had a positive £5.8 million impact on the IFRS result in the six months to 30 June 2021 (six months to 30 June 2020: £18.6 million positive, year to 31 December 2020: £36.4 million positive).

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 78 to 80. 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 2021		Six months ended 30 June 2020		Year ended 31 December 2020	
	Before shareholder tax	**After tax**	Before shareholder tax	After tax	Before shareholder tax	After tax
	£'Million	**£'Million**	£'Million	£'Million	£'Million	£'Million
Underlying profit	**166.0**	**139.5**	236.3	193.1	359.9	291.6
Non-cash-settled share-based payments	**9.0**	**9.0**	3.7	3.7	10.6	10.6
Impact of deferred tax	**–**	**(2.4)**	–	23.5	–	8.2
Impact of policyholder tax asymmetry	**29.2**	**29.2**	(98.3)	(98.3)	(61.7)	(61.7)
Other	**1.5**	**0.5**	4.9	2.7	10.0	6.0
Cash result	**205.7**	**175.8**	146.6	124.7	318.8	254.7

The increase in **non-cash-settled share-based payments** reflects the increase in expense from the impact on employee schemes of the Group's performance during the period.

The most significant **impact of deferred tax** in all periods presented 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. More information can be found in Note 6 on pages 47 to 49.

The **impact of policyholder tax asymmetry** is a temporary effect caused by asymmetries between Fund tax deductions and the policyholder tax due to HMRC. Movement in the asymmetry can be significant in volatile markets such as were experienced during the prior period, and which have partially reversed in the current period. For further explanation, refer to page 18.

Other represents a number of other small items, including the difference between the lease expense recognised under IFRS 16 Leases 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 period, but which are expected to create long-term value.
- **Cash result**
  This measure includes other items of a one-off nature, and has previously reflected the short-term costs associated with the back-office infrastructure project – now completed.

Consolidated Cash result (presented post-tax)

		Six months ended 30 June 2021			Six months ended 30 June 2020	Year ended 31 December 2020
		In-force	New business	Total	Total	Total
	Note	£'Million	£'Million	£'Million	£'Million	£'Million
Operational						
Net annual management fee	1	**460.2**	**19.6**	**479.8**	393.4	822.8
Reduction in fees in gestation period	1	**(201.6)**	**–**	**(201.6)**	(174.5)	(366.9)
Net income from FUM	1	**258.6**	**19.6**	**278.2**	218.9	455.9
Margin arising from new business	2	**–**	**73.8**	**73.8**	58.2	116.8
Establishment expenses	3	**(9.3)**	**(83.7)**	**(93.0)**	(98.6)	(200.0)
Operational development expenses	3	**–**	**(15.9)**	**(15.9)**	(14.1)	(30.7)
Regulatory fees and FSCS levy	3	**(3.3)**	**(29.9)**	**(33.2)**	(32.3)	(38.9)
Academy	3	**–**	**(4.9)**	**(4.9)**	(4.8)	(9.5)
Shareholder interest	5	**3.0**	**–**	**3.0**	5.4	8.7
Tax relief from capital losses	6	**4.3**	**–**	**4.3**	10.0	13.7
Miscellaneous	7	**(7.7)**	**–**	**(7.7)**	(8.0)	(13.3)
Operating cash result		**245.6**	**(41.0)**	**204.6**	134.7	302.7
Investment						
Asia	8	**–**	**(5.2)**	**(5.2)**	(9.5)	(17.4)
DFM	8	**–**	**(4.7)**	**(4.7)**	(5.2)	(9.2)
Strategic development costs	3	**–**	**(5.4)**	**(5.4)**	(5.6)	(11.4)
Underlying cash result		**245.6**	**(56.3)**	**189.3**	114.4	264.7
Restructuring	3			**(9.0)**	–	–
Back-office infrastructure development	3			**–**	(6.5)	(10.0)
Variance	9			**(4.5)**	16.8	–
Cash result				**175.8**	124.7	254.7

Financial Review continued

2.2 Cash result continued

Notes to the Cash result

1. Net income from FUM

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 on FUM reflects business mix but also the different tax treatment, particularly Life tax on onshore investment business.

As noted on page 14 however, our investment and pension business product structure means that these products do not generate net Cash result after the margin arising from new business, during the first six years (the gestation period). This is reflected in the **reduction in fees in gestation period** line. Further information is provided on page 21.

Net income from FUM reflects Cash result income from FUM that has reached maturity and this line is the focus of our explanatory analysis. As with net annual management fees, the average rate can vary between time periods with business mix and tax. For the six months to 30 June 2021 it represented a margin on average mature FUM that was within our range of guidance for the full year of 0.63% - 0.65%.

Net income from Asia and DFM FUM is not included in this line. Instead, this is included in the net Cash result presented separately for Asia and DFM.

2. Margin arising from new business

This is the net positive Cash result impact of new business in the period, reflecting initial charges levied on gross inflows and new business-related expenses. The majority of these expenses vary with new business levels, such as the incremental third-party administration costs of setting up a new policy on our back-office systems and payments to Partners for the initial advice provided to secure the clients' investment. As a result, gross inflows are a key driver behind this line.

However, the margin arising from new business also contains some fixed expenses, and elements which do not vary exactly in line with gross inflows. For example, our third-party administration tariff structure includes a fixed fee, and to provide some stability for Partner businesses, elements of our support for them are linked to prior-year new business levels.

Therefore, whilst the margin rising from new business tends to move directionally with the scale of gross inflows generated during the year, the relationship between the two is not entirely linear.

3. Overhead expenses and development expenses

Expenses are treated in two different ways in the Cash result depending on their type:

i. Overhead expenses, such as **establishment expenses**, and **development expenses**, including those related to the Group's core business such as **back-office infrastructure costs**, are presented in separate lines on the face of the Cash result.

ii. Expenses which vary with business volumes, such as payments to Partners and third-party administration expenses, and expenses which relate to investment in specific areas of the business such as DFM are netted from the relevant income lines rather than presented separately.

The table below provides a breakdown of the Group's overhead and development expenses as presented in separate lines in the Cash result. The tax rate for all items presented in all periods is 19.0%.

	Six months ended 30 June 2021		Six months ended 30 June 2020		Year ended 31 December 2020	
	Before tax £'Million	**After tax £'Million**	Before tax £'Million	After tax £'Million	Before tax £'Million	After tax £'Million
Overhead expenses						
Establishment expenses	**114.8**	**93.0**	121.7	98.6	247.0	200.0
Regulatory fees and FSCS levy	**41.0**	**33.2**	39.8	32.3	47.9	38.9
Academy	**6.1**	**4.9**	5.9	4.8	11.8	9.5
Total overhead expenses	**161.9**	**131.1**	167.4	135.7	306.7	248.4
Development expenses						
Operational development costs	**19.6**	**15.9**	17.4	14.1	37.7	30.7
Strategic development costs	**6.7**	**5.4**	6.9	5.6	14.0	11.4
Back–office infrastructure costs	**–**	**–**	8.0	6.5	12.4	10.0
Total development expenses	**26.3**	**21.3**	32.3	26.2	64.1	52.1
Restructuring costs	**11.1**	**9.0**	–	–	–	–
Total expenses presented separately on the face of the Cash result	**199.3**	**161.4**	199.7	161.9	370.8	300.5

Overhead expenses
Overhead expenses represent the costs of running the Group.

Although **establishment costs** have decreased in the period, we are still targeting growth in controllable expenses of 5% over the full year, within which we expect establishment costs will be broadly flat, as per prior guidance.

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 2021	Six months ended 30 June 2020	Year ended 31 December 2020
	£'Million	£'Million	£'Million
FSCS levy	**28.7**	27.8	29.7
Regulatory fees	**4.5**	4.5	9.2
FSCS levy and regulatory fees	**33.2**	32.3	38.9

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. We believe that the cost to the sector remains unsustainably high, and so we're encouraged by the commitment from the FCA, made in their recent business plan, to reduce the cost in the medium to long-term.

Academy expenses represent the cost of running our Academy and Next Generation Academy, which remains an important area of investment.

Development expenses
Operational and strategic development costs have increased in 2021, due to further investment laying the foundations for long-term growth. This included developing our collaboration with Salesforce as previously announced, but also our Next Generation Client Experience. Projects planned for the rest of the year include work on intelligent automation, progressing the decommissioning of ancillary legacy systems, and more on our Salesforce journey; all projects that support a superior Partner and client experience, making SJP easier to do business with.

Costs associated with our Bluedoor **back-office infrastructure** programme in 2020 related to final decommissioning work of the legacy system, following the final smooth migration of our core business in 2019.

The £9.0 million **restructuring** charge relates to the one-off costs associated with an employee redundancy programme that was completed during the first half of the year.

4. Reconciliation to IFRS expenses

In order to reconcile the overhead and development expenses presented on separate lines in the Cash result to the total IFRS expenses set out in the Condensed Consolidated Statement of Comprehensive Income on page 38, the expenses which vary with business volumes and those which relate to investment in specific areas of the business, both of which are included in the Cash result but are netted against the relevant income lines and so cannot be seen explicitly, and certain IFRS expenses which by definition are not included in the Cash result, need to be added in:

	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
	£'Million	£'Million	£'Million
Total expenses presented separately on the face of the Cash result before tax	**199.3**	199.7	370.8
Expenses which vary with business volumes			
Other performance related costs	**71.5**	57.3	107.5
Payments to Partners	**491.0**	390.6	827.0
Investment expenses	**44.8**	44.4	90.1
Third-party administration	**66.1**	61.1	119.7
Other	**19.2**	20.4	37.4
Expenses relating to investment in specific areas of the business			
Asia expenses	**8.8**	10.4	22.1
DFM expenses	**15.0**	14.1	26.7
Total expenses included in the Cash result	**915.7**	798.0	1,601.3
Expenses which are not included in the Cash result			
Amortisation of DAC and PVIF, net of additions	**25.3**	33.0	68.8
Non-cash-settled share-based payments expenses	**9.0**	3.7	10.6
Other	**2.3**	2.9	7.3
Total IFRS Group expenses before tax	**952.3**	837.6	1,688.0

Financial Review continued

2.2 Cash result continued

Expenses which vary with business volumes
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 through charges to clients, and so any variation in them from changes in the volumes of new business or the level of the stock markets does not impact Group profitability significantly.

Each of these items are recognised within the net annual management fee or margin arising from new business lines of the Cash result, depending on the nature of the expense.

Other expenses include interest expense and bank charges, operating costs of acquired independent financial advisers (IFAs) and donations to the St. James's Place Charitable Foundation. They are recognised across various lines in the Cash result, including shareholder interest and miscellaneous.

Expenses relating to investment in specific areas of the business
Asia expenses have been subject to strong cost control, whilst **DFM expenses** have marginally increased during the period only because investment is being made in future proofing the operations, including outsourcing the back-office.

In the Cash result, Asia and DFM expenses are presented net of the income they generate.

Expenses which are not included in the Cash result
DAC amortisation, net of additions, PVIF amortisation and non-cash-settled share-based payment expenses are the primary expenses which are recognised under IFRS but are excluded from the Cash result.

5. Shareholder interest
This 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. It is presented net of funding-related expenses, including interest paid on borrowings and securitisation costs.

6. Tax relief from capital losses
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 is determined on an annual basis based on the market conditions prevailing at 31 December each year. We expect utilisation for the full year to be in the range of £8 - £10 million, with utilisation then moderating over time. However, Half-Year reporting requires an assessment based on market conditions at 30 June 2021 and experience over the six-month period. This leads to a level of utilisation of £4.3 million tax value, much in line with expectation (six months to 30 June 2020: £28.0 million, year to 31 December 2020: £13.7 million). In the prior period to 30 June 2020, there was an exceptional level of utilisation of capital losses resulting from the prevailing market conditions at the time. Accordingly, we presented the 'excess' of £18.0 million over the expected utilisation of c.£10 million tax value within variances rather than tax relief from capital losses.

7. Miscellaneous
This category represents the cash flow of the business not covered in any of the other categories. It includes ongoing administration expenses and associated policy charges, 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.

8. Asia and DFM
These lines represent the net income from Asia and DFM FUM, including the Asia and DFM expenses set out in point 4 above. Both of these businesses have seen strong growth in revenue during the first half of 2021 and are making good progress towards break-even.

9. Variance
At the Half-Year this includes an allowance for fewer days of AMC income in the first half compared to the second half (181 v 184). In the prior period to 30 June 2020, the variance also included the 'excess' utilisation of tax relief from capital losses of £18.0 million. For further information see point 6 above.

Derivation of the Cash result

The Cash result is derived from the IFRS Condensed Consolidated Statement of Financial Position in a two-stage process:

Stage 1: Solvency II Net Assets Balance Sheet

Firstly, the IFRS Condensed 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 2021.

						Solvency II Net Assets Balance Sheet	
		IFRS Balance Sheet	**Adjustment 1**	**Adjustment 2**	**Solvency II Net Assets Balance Sheet**	30 June 2020	31 December 2020
30 June 2021	**Note**	**£'Million**	**£'Million**	**£'Million**	**£'Million**	£'Million	£'Million
Assets							
Goodwill		**32.5**	**–**	**(32.5)**	**–**	–	–
Deferred acquisition costs		**400.8**	**–**	**(400.8)**	**–**	–	–
Purchased value of in-force business		**16.0**	**–**	**(16.0)**	**–**	–	–
Computer software		**28.1**	**–**	**(28.1)**	**–**	–	–
Property and equipment	1	**162.6**	**–**	**–**	**162.6**	172.9	174.4
Deferred tax assets	2	**13.7**	**–**	**(13.7)**	**–**	74.7	0.7
Reinsurance assets		**85.1**	**–**	**(85.1)**	**–**	–	–
Other receivables	3	**2,271.6**	**(576.2)**	**(2.8)**	**1,692.6**	1,563.0	1,546.2
Investment property		**1,495.5**	**(1,495.5)**	**–**	**–**	–	–
Equities		**97,862.3**	**(97,862.3)**	**–**	**–**	–	–
Fixed income securities	4	**29,668.3**	**(29,660.5)**	**–**	**7.8**	7.6	7.4
Investment in Collective Investment Schemes	4	**5,157.1**	**(3,861.8)**	**–**	**1,295.3**	810.5	1,264.8
Derivative financial instruments		**838.0**	**(838.0)**	**–**	**–**	–	–
Cash and cash equivalents	4	**7,089.9**	**(6,791.8)**	**–**	**298.1**	289.9	254.9
Total assets		**145,121.5**	**(141,086.1)**	**(579.0)**	**3,456.4**	2,918.6	3,248.4
Liabilities							
Borrowings	5	**478.2**	**–**	**–**	**478.2**	435.8	341.8
Deferred tax liabilities	2	**529.7**	**–**	**(23.0)**	**506.7**	191.3	378.0
Insurance contract liabilities		**571.8**	**(483.3)**	**(88.5)**	**–**	–	–
Deferred income		**574.4**	**–**	**(574.4)**	**–**	–	–
Other provisions	6	**37.6**	**–**	**–**	**37.6**	38.6	34.3
Other payables	1,3	**2,233.5**	**(986.3)**	**(10.3)**	**1,236.9**	1,097.9	1,242.9
Investment contract benefits		**102,930.3**	**(102,930.3)**	**–**	**–**	–	–
Derivative financial instruments		**1,014.6**	**(1,014.6)**	**–**	**–**	–	–
Net asset value attributable to unit holders		**35,671.6**	**(35,671.6)**	**–**	**–**	–	–
Income tax liabilities	7	**83.6**	**–**	**–**	**83.6**	19.8	32.7
Preference shares		**0.1**	**–**	**–**	**0.1**	0.1	0.1
Total liabilities		**144,125.4**	**(141,086.1)**	**(696.2)**	**2,343.1**	1,783.5	2,029.8
Net assets		**996.1**	**–**	**117.2**	**1,113.3**	1,135.1	1,218.6

Adjustment 1 nets out the policyholder interest in unit-linked assets and liabilities. For further information, refer to Note 8 of the IFRS Financial Statements.

Adjustment 2 removes items such as DAC, DIR, PVIF and their associated deferred tax balances from the IFRS Condensed Consolidated Statement of Financial Position to bring it in line with Solvency II recognition requirements.

Financial Review continued

2.2 Cash result continued

Notes to the Solvency II Net Assets Balance Sheet

1. Property and equipment

£125.2 million (30 June 2020: £133.0 million, 31 December 2020: £133.7 million) of the property and equipment balance represents the right to use leased properties. It has decreased period-on-period as a result of the amortisation charge. Lease liabilities of £126.5 million are recognised within the other payables line (30 June 2020: £130.0 million, 31 December 2020: £132.7 million).

2. Deferred tax assets and liabilities

Analysis of deferred tax assets and liabilities, including how they have moved period-on-period, is set out in Note 6 Income and deferred taxes. The current period and last year end presentation of deferred tax assets and liabilities reflects a reassessment of the requirements of IAS 12 Income Taxes, with reference to the netting of certain deferred tax balances. This has resulted in some reallocation of balances between deferred tax assets and liabilities. The prior period comparatives have not been restated, as the changes are not material. Further information is set out in Note 6 of the IFRS Financial Statements.

3. Other receivables and other payables

Detailed breakdowns of other receivables and other payables can be found in Note 9 Other receivables and Note 10 Other payables of the IFRS Financial Statements.

Other receivables on the Solvency II Net Assets Balance Sheet have increased from £1,546.2 million at 31 December 2020 to £1,692.6 million at 30 June 2021, principally reflecting an increase in outstanding market trade settlements in the life unit-linked funds and the consolidated unit trusts due to increased volumes of business.

One of the items within other receivables is the operational readiness prepayment asset. This arose from the investment we made into our back-office infrastructure project, which was a complex, multi-year programme. In addition to expensing our internal project costs through the IFRS Statement of Comprehensive Income and Cash result as incurred, we have been capitalising Bluedoor development costs as a prepayment asset on the Statement of Financial Position. The asset, which stood at £305.8 million at 30 June 2021 (30 June 2020: £310.8 million, 31 December 2020: £313.9 million) has been amortising through the IFRS Statement of Comprehensive Income and the Cash result since 2017 and will continue to do so over the remaining life of the contract, which at 30 June 2021 is 12.5 years, following a five-year contract extension agreed with our back-office administration provider during 2020.

The movement schedule below demonstrates how the operational readiness prepayment has built up since 1 January 2020.

	£'Million
Cost	
At 1 January 2020	360.1
Additions during the period	29.3
At 30 June 2020	389.4
Additions during the period	17.2
At 31 December 2020	**406.6**
Additions during the period	**4.1**
At 30 June 2021	**410.7**
Accumulated amortisation	
At 1 January 2020	(60.9)
Amortisation during the period	(17.7)
At 30 June 2020	(78.6)
Amortisation during the period	(14.1)
At 31 December 2020	**(92.7)**
Amortisation during the period	**(12.2)**
At 30 June 2021	**(104.9)**
Net book value	
At 30 June 2020	310.8
At 31 December 2020	313.9
At 30 June 2021	**305.8**

The amortisation expense is recognised within third-party administration expenses in the IFRS result, and within the net annual management fee line of the Cash result. It is offset by the lower tariff charges on Bluedoor compared to the previous system. The monthly amortisation charge decreased period on period following the agreement of the five-year extension with our back-office administration provider. Going forwards, the charge will remain constant year-on-year following the final operational readiness spend, however the tariff saving benefits will grow as the business grows, benefiting both the IFRS and Cash results.

4. Liquidity

Cash generated by the business is held in highly rated government securities, AAA-rated money market funds, and investment grade bank accounts. Although these are all highly liquid, only the latter are classified as cash and cash equivalents on the Solvency II Net Assets Balance Sheet. The total liquid assets held are as follows.

	30 June 2021	30 June 2020	31 December 2020
	£'Million	£'Million	£'Million
Fixed interest securities	**7.8**	7.6	7.4
Investment in Collective Investment Schemes *(AAA-rated money market funds)*	**1,295.3**	810.5	1,264.8
Cash and cash equivalents	**298.1**	289.9	254.9
Total liquid assets	**1,601.2**	1,108.0	1,527.1

The Group's primary source of net cash generation is product charges. In line with profit generation, as most of our investment and pension business enters a gestation period, there is no cash generated (apart from initial charges) for the first six years of an investment. This means that the amount of cash generated will increase year-on-year as FUM in the gestation period becomes mature and is subject to annual product management charges. Unit trust and ISA business does not enter the gestation period, and so generates cash immediately from the point of investment.

Cash is used to invest in the business and to pay the Group dividend. Our dividend policy is set such that appropriate cash is retained in the business to support the investment needed to meet our future growth aspirations.

5. Borrowings

The Group has two different types of borrowings: senior unsecured corporate borrowings, which are used to manage working capital and to fund investment in the business; and a senior tranche of non-recourse securitisation loan notes, which is secured on a legally segregated portfolio of the Group's business loans to Partners. Holders of the senior tranche of non-recourse securitisation loan notes have no recourse to the assets held by any other entity within the Group.

	30 June 2021	30 June 2020	31 December 2020
	£'Million	£'Million	£'Million
Corporate borrowings: bank loans	**229.5**	193.0	112.7
Corporate borrowings: loan notes	**113.8**	113.7	113.8
Senior unsecured corporate borrowings	**343.3**	306.7	226.5
Senior tranche of non-recourse securitisation loan notes	**134.9**	129.1	115.3
Total borrowings	**478.2**	435.8	341.8

Further information is provided in Note 12 Borrowings and financial commitments of the IFRS Financial Statements.

6. Other provisions

Further information on other provisions, including how the balance has moved period-on-period, is set out in Note 11 Other provisions and contingent liabilities.

7. Income tax liabilities

The Group has an income tax liability of £83.6 million at 30 June 2021 compared to £32.7 million at 31 December 2020. This is due to a current tax charge of £213.6 million and tax paid of £162.0 million during the period. Further detail on the current tax charge and tax paid is provided in Note 6 Income and deferred taxes.

Financial Review continued

2.2 Cash result continued

Stage 2: Movement in Solvency II Net Assets Balance Sheet

After the Solvency II Net Asset Balance Sheet has been determined, the second stage in the derivation of the Cash result identified a number of movements in that balance sheet which 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 2021	Six months ended 30 June 2020	Year ended 31 December 2020
	£'Million	£'Million	£'Million
Opening Solvency II Net Assets	**1,218.6**	1,056.8	1,056.8
Dividend paid in period	**(267.5)**	(107.1)	(107.1)
Issue of share capital and exercise of options	**21.6**	1.1	3.3
Consideration paid for own shares	**–**	(3.8)	(3.9)
Change in deferred tax	**2.4**	(23.5)	(8.2)
Impact of policyholder tax asymmetry	**(29.2)**	98.3	61.7
Change in goodwill, intangibles and other non-cash movements	**(8.4)**	(11.4)	(38.7)
Cash result	**175.8**	124.7	254.7
Closing Solvency II Net Assets	**1,113.3**	1,135.1	1,218.6

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. Our EEV methods and assumptions are aligned as closely as possible to Solvency II.

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

	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
	£'Million	£'Million	£'Million
Funds management business	**915.6**	506.2	1,077.8
Distribution business	**(34.2)**	(45.6)	(75.7)
Back-office infrastructure development	**–**	(8.0)	(12.4)
Other	**(36.6)**	(33.9)	(70.7)
EEV operating profit	**844.8**	418.7	919.0
Investment return variance	**593.6**	(329.7)	304.4
Economic assumption changes	**22.8**	(44.0)	(47.4)
EEV profit before tax	**1,461.2**	45.0	1,176.0
Tax	**(338.0)**	(13.1)	(226.6)
Corporation tax rate change	**(408.5)**	(126.2)	(126.9)
EEV profit/(loss) after tax	**714.7**	(94.3)	822.5

Notes to the EEV result

1. Funds management business EEV operating profit

The funds management business operating profit has increased to £915.6 million (six months to 30 June 2020: £506.2 million, year to 31 December 2020: £1,077.8 million) and a full analysis of the result is shown below.

	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
	£'Million	£'Million	£'Million
New business contribution	**525.6**	365.3	766.3
Profit from existing business			
– unwind of the discount rate	**138.5**	139.0	279.6
– experience variance	**1.1**	0.1	16.9
– operating assumption change	**249.4**	–	10.5
Investment income	**1.0**	1.8	4.5
Fund management business EEV operating profit	**915.6**	506.2	1,077.8

The **new business contribution** for the period at £525.6 million (six months to 30 June 2020: £365.3 million, year to 31 December 2020: £766.3 million) was 44% higher than the prior period, primarily reflecting the increase in new business but also benefitting from the improvement in persistency assumptions (see operating assumption change below).

The **unwind of the discount rate** for the period remained pretty stable at £138.5 million (six months to 30 June 2020: £139.0 million, year to 31 December 2020: £279.6 million). This reflects a higher opening value of in-force business, but a slightly lower discount rate for the period (3.4% in 2021 versus 4.0% in 2020).

The **experience variance** during the period was £1.1 million (six months to 30 June 2020: £0.1 million, year to 31 December 2020: £16.9 million). This principally reflects positive retention experience offset by development expenses.

The **operating assumption change** during the period was £249.4 million (six months to 30 June 2020: £nil, year to 31 December 2020: £10.5 million). The increase in EEV arises from a small improvement to the persistency assumptions for onshore bond and pension business. This reflects positive experience over recent years.

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 and building the distribution capabilities in Asia. Whilst the FSCS Levy is a significant charge which has increased slightly to £25.9 million in the period (six months to 30 June 2020: £23.8 million, year to 31 December 2020: £25.2 million), the overall reported loss has decreased in the period, principally due to increased new business levels.

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 7.3% after charges, compared to the assumed investment return of 0.9%. This resulted in a positive investment return variance of £593.6 million (six months to 30 June 2020: negative £329.7 million, year to 31 December 2020: positive £304.4 million).

4. Economic assumption changes

The positive variance of £22.8 million arising in the period (six months to 30 June 2020: negative £44.0 million, year to 31 December 2020: negative £47.4 million) reflects the positive effect from the increase in gilt yields, offset by an increase in the expected rate of inflation, reversing some of the effect experienced in the prior year.

Financial Review continued

2.3 European embedded value (EEV) continued

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 2021	Six months ended 30 June 2020	Year ended 31 December 2020
	£'Million	£'Million	£'Million
Life business			
Investment			
New business contribution (£'Million)	**73.1**	49.8	104.1
Gross inflows (£'Billion)	**1.24**	0.93	1.77
Margin (%)	**5.9**	5.4	5.9
Pension			
New business contribution (£'Million)	**277.9**	199.3	439.6
Gross inflows (£'Billion)	**4.98**	4.11	8.44
Margin (%)	**5.6**	4.8	5.2
Unit Trust and DFM business			
New business contribution (£'Million)	**174.6**	116.2	222.6
Gross inflows (£'Billion)	**2.97**	2.22	4.12
Margin (%)	**5.9**	5.2	5.4
Total business			
New business contribution (£'Million)	**525.6**	365.3	766.3
Gross inflows (£'Billion)	**9.19**	7.26	14.33
Margin (%)	**5.7**	5.0	5.3
Post-tax margin (%)	**4.4**	4.1	4.3

The overall margin for the period was higher at 5.7% (six months to 30 June 2020: 5.0%, year to 31 December 2020: 5.3%) reflecting higher new business and the benefit of the persistency assumptions changes. Higher new business also results in a gearing effect with expenses, which is enhanced by the expense control during the period. Much of the improvement is offset in the post-tax margin through recognition of the corporation tax rate change from 19% to 25% in 2023.

Economic assumptions

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

	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
	£'Million	£'Million	£'Million
Risk free rate	**0.9%**	0.3%	0.3%
Inflation rate	**3.6%**	3.2%	3.3%
Risk discount rate (net of tax)	**4.0%**	3.4%	3.4%
Future investment returns:			
– Gilts	**0.9%**	0.3%	0.3%
– Equities	**3.9%**	3.3%	3.3%
– Unit-linked funds	**3.2%**	2.6%	2.6%
Expense inflation	**4.0%**	3.6%	3.7%

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

The inflation rate is derived from the implicit inflation in the valuation of ten-year index-linked gilts. This rate is increased to reflect the potential for 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.

		Change in new business contribution		Change in European Embedded Value
		Pre-tax	Post-tax	Post-tax
	Note	£'Million	£'Million	£'Million
Value at 30 June 2021		**525.6**	**401.0**	**8,263.0**
100bp reduction in risk-free rates, with corresponding change in fixed interest asset values	1	**(18.6)**	**(14.4)**	**(145.3)**
10% increase in withdrawal rates	2	**(36.0)**	**(27.4)**	**(448.6)**
10% reduction in market value of equity assets	3	**–**	**–**	**(834.9)**
10% increase in expenses	4	**(10.4)**	**(8.1)**	**(95.2)**
100bp increase in assumed inflation	5	**(17.9)**	**(13.9)**	**(147.3)**

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	**63.6**	**48.3**	**641.6**

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.

Analysis of the EEV result

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

	30 June 2021	30 June 2020	31 December 2020
	£'Million	£'Million	£'Million
Value of in-force business	**7,149.7**	5,724.3	6,566.6
Solvency II net assets	**1,113.3**	1,135.1	1,218.6
Total embedded value	**8,263.0**	6,859.4	7,785.2

	30 June 2021	30 June 2020	31 December 2020
	Pence	Pence	Pence
Net asset value per share	**1,531.4**	1,277.8	1,448.8

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, written in our separate Retirement Plan and Drawdown Plan products, targeted each of the two phases separately and therefore has slightly shorter terms.

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 £400 million to our embedded value (30 June 2020: approximately £343 million, 31 December 2020: approximately £385 million).

Financial Review continued

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 2020 we reviewed the level of our MSB and increased the MSB for the Life businesses to £345.0 million, reflecting business growth and market conditions. It remains at this level for 30 June 2021.

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

30 June 2021	Life £'Million	Other regulated £'Million	Other £'Million	Total £'Million	30 June 2020 Total £'Million	31 December 2020 Total £'Million
Solvency II net assets	**552.2**	**306.8**	**254.3**	**1,113.3**	1,135.1	1,218.6
Management solvency buffer (MSB)	**345.0**	**161.1**	**–**	**506.1**	473.9	501.3
Management solvency ratio	**160%**	**190%**				

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 period-end is presented in the table below:

30 June 2021	Life £'Million	Other regulated £'Million	Other £'Million	Total £'Million	30 June 2020 Total £'Million	31 December 2020 Total £'Million
Solvency II net assets	**552.2**	**306.8**	**254.3**	**1,113.3**	1,135.1	1,218.6
Value of in-force (VIF)	**5,315.5**	**–**	**–**	**5,315.5**	4,126.1	4,756.3
Risk Margin (RM)	**(1,578.1)**	**–**	**–**	**(1,578.1)**	(1,222.1)	(1,357.5)
Own Funds (A)	**4,289.6**	**306.8**	**254.3**	**4,850.7**	4,039.1	4,617.4
Solvency capital requirement (B)	**(3,619.9)**	**(102.3)**	**–**	**(3,722.2)**	(2,879.7)	(3,506.6)
Solvency II free assets	**669.7**	**204.5**	**254.3**	**1,128.5**	1,159.4	1,110.8
Solvency ratio (A/B)	**119%**	**300%**		**130%**	140%	132%

The solvency ratio after payment of the proposed Group interim dividend is 129% at 30 June 2021 (30 June 2020: 140% (no interim dividend proposed), 31 December 2020: 124% (after payment of the second interim dividend)).

We continue to target a solvency ratio of 110% for SJPUK, our largest insurance subsidiary, as agreed with our regulator, the PRA. As the business grows, the weighting of the balance sheet towards SJPUK will result in a gradual dilution of the Group solvency ratio, but this will not reflect any change in risk appetite, nor risk inherent in the business.

Principal Risks and Uncertainties

Through our approach to the fundamentals of risk management the Group has been able to remain confident in our resilience, from a financial and operational perspective, including against the challenges associated with COVID-19.

The Risk and Risk Management section on pages 73 to 80 of the 2020 Annual Report and Accounts provides a comprehensive review of the principal risks facing the business, and the Group's approach to managing these risks. The section below highlights the key developments in the risk environment since the year-end Annual Report and Accounts.

Risk environment

It is expected that current or emerging mutations of COVID-19 are likely to be prevalent for some time and that it may indeed become a virus to be managed in similar ways to influenza. As society adapts in response, this could lead to further economic disruption and uncertainty for investors. The UK and international financial ramifications of the COVID-19 pandemic will also persist for some time as government financial support is reduced and as efforts to manage national debt begin, including through the taxation system. Depending on how this set of circumstances unfolds over time, this has the potential to impact SJP through market volatility and possible reductions in new business.

Reflecting the stability, resilience and consistency of the Group's business model, COVID-19 has impacted the business in ways which are familiar to our risk framework, for example through market volatility and in 2020 through a reduction in new business which has subsequently reversed in 2021.

We expect and have shown in the stress and scenario testing carried out as part our Own Risk and Solvency Assessment (ORSA) and Group dividend assessment, that the Group continues to remain resilient to macro-economic shocks (including inflation and interest rate shifts) as well as more extreme events.

The Board has been and continues to be actively involved in defining the Group's strategic response to COVID-19. Timely and targeted risk-based information has been provided to the Board to continue to support decision making and help understanding of key issues. The stress and scenario testing work (including capital and liquidity projections, as well as operational risk events) was considered by the Board when deciding to pay the Year-end 2020 final dividend and the retained amount of the Year-end 2019 dividend.

We remain confident in our ability to withstand further challenges that may or may not emerge in relation to COVID-19. We also highlight that our key third party outsourcers have proven to be operationally and financially resilient in the face of COVID-19.

A summary of the principal risks and uncertainties which could impact the Group for the remainder of the current financial year, either as a result of COVID-19 or independently, have been provided in the table below.

Principal Risks and Uncertainties continued

Key strategic areas

- GROW AND DEVELOP THE PARTNERSHIP
- ACHIEVE SUSTAINABLE GROWTH IN PROFITS
- DELIVER POSITIVE OUTCOMES TO CLIENT
- ENHANCE OUR INVESTMENT PROPOSITION
- ATTRACT, RETAIN AND DEVELOP TALENT

	Risk description	Strategy	Key risks	Example controls
Administration service	We fail to deliver good quality administration services to clients and advisers.	Deliver positive outcomes to client	• Clients and advisers receive poor policy administration • Failure of key administration system change projects • Administrative complexity	• Management of administration centres to ensure key service standards are met • Continuous development of technology • Effective planning of large-scale change projects • Ongoing activity to reduce administrative complexity and ensure operational resilience
Client proposition	Our product proposition fails to meet the needs, objectives and expectations of our clients. This includes poor relative investment performance and poor product design.	Deliver positive outcomes to client	• Investments provide poor returns relative to their benchmarks and/or do not deliver expected client outcomes • Range of solutions does not align with the product and service requirements of our current and potential future clients • Failure to meet client expectations of a sustainable business, not least in respect of responsible investing	• Regular monitoring of manufactured products' performance • Monitoring of investment performance and selection of the most appropriate funds from a risk/net return perspective • Continuous development of the range of services offered to clients • Engagement with fund managers around principles of responsible investment
Conduct	We fail to provide quality, suitable advice or service to clients.	Deliver positive outcomes to client	• Advisers deliver poor quality or unsuitable advice • Failure to evidence the provision of quality service and advice	• Licensing programme ensuring appropriate standard of advice and service from advisers • Technical support helplines for advisers • Timely and clear responses to client complaints • Robust oversight process of the advice provided to clients delivered by Business Assurance, Compliance Assurance, Field Risk and Advice Guidance teams
Financial	We fail to effectively manage the business finances	Achieve sustainable growth in profits	• Failure to meet client liabilities • Market risk • Credit risk • Liquidity risk • Insurance risk • Expense risk	• Policyholder liabilities are fully matched • Excess assets generally invested in high-quality, high-liquidity cash and cash equivalents • Lending to the Partnership is secured • Reinsurance of insurance risks • Ongoing monitoring of all risk exposures and experiences • Acceptance of market and persistency risk impact on profit • Setting and monitoring budgets • Implementing new systems to allow for future cost reductions • Monitoring and management of individual entities' solvency to minimise Group interdependency

	Risk description	Strategy	Key risks	Example controls
Outsourcing	Third party outsourcers' activities impact our performance and risk management.		• Operational failures by material outsourcers • Failure of critical service, significant areas include: – Investment administration – Fund management – Custody – Policy administration – Cloud services	• Oversight regime in place to identify prudent steps to reduce risk of operational failures by material third-party providers • Ongoing monitoring, including assessments of operational resilience • Due diligence on key suppliers
Partner proposition	Our proposition solution fails to meet the needs, objectives and expectations of our current and potential future Partners.		• Failure to attract new members to the Partnership • Failure to retain advisers/ Partners • Failure to increase adviser productivity • Available technology falls short of client and Partner expectations and fails to support growth objectives • The Academy does not adequately support adviser growth	• Focus on providing a market-leading adviser proposition • Adequately skilled and resourced population of supporting Field managers • Reliable systems and administration support • Expanding the Academy capacity and supporting recruits through the Academy and beyond • Market-leading support to Partners' businesses
People	We are unable to attract, retain and organise the right people to run the business.		• Loss of key personnel • Poor employee morale • Lack of inclusion and diversity in our business • Our culture of supporting social value is eroded	• Measures to maintain a stable population of employees, including competitive total reward packages • Monitoring of employee engagement and satisfaction • Corporate incentives to encourage social value engagement, including matching of employee charitable giving to the Charitable Foundation • Whistleblowing hotline
Regulatory	We fail to meet current, changing or new regulatory and legislative expectations.		• Failure to comply with changing regulation • Inadequate internal controls • Failure to respond to regulatory-driven changes to the industry in which we operate • Solvency risk	• Compliance functions provide expert guidance and carry out extensive assurance work • Strict controls are maintained in highly regulated areas • Maintenance of appropriate solvency capital buffers, and continuous monitoring of solvency experience • Fostering of positive regulatory relationships
Security and resilience	We fail to adequately secure our physical assets, systems and/or sensitive information, or to deliver critical business services to our clients.		• Internal or external fraud • Core system failure • Corporate, Partnership, or third-party information security and cyber risks • Disruption in key business services to our clients	• Business continuity planning for St. James's Place and its key suppliers • Identification, communication, and response planning for the event of cyber crime • Data leakage detection technology and incident reporting systems • Internal awareness programmes • Identification and assessment of critical business services
Strategy, competition and brand	Challenge from competitors and the impact of reputational damage.		• Increased competitive pressure from traditional and disruptive (non-traditional) competitors • Cost and charges pressure • Negative media coverage	• Clear demonstration of value delivered to clients through advice, service and products • Investment in improving positive brand recognition • Ongoing development of client and Partner propositions • Proactive engagement with external agencies including media, industry groups and regulators

Financial Statements

Condensed Consolidated Statement of Comprehensive Income

	Note	Six months ended 30 June 2021 £'Million	Six months ended 30 June 2020 £'Million	Year ended 31 December 2020 £'Million
Insurance premium income		**17.1**	18.9	40.1
Less premiums ceded to reinsurers		**(11.0)**	(11.9)	(25.1)
Net insurance premium income		**6.1**	7.0	15.0
Fee and commission income	4	**1,424.2**	785.4	2,096.4
Investment return	5	**9,560.5**	(5,051.7)	5,949.6
Net income/(expense)		**10,990.8**	(4,259.3)	8,061.0
Policy claims and benefits				
– Gross amount		**(24.8)**	(22.8)	(54.0)
– Reinsurers' share		**12.6**	8.1	20.4
Net policyholder claims and benefits incurred		**(12.2)**	(14.7)	(33.6)
Change in insurance contract liabilities				
– Gross amount		**(9.2)**	17.9	(5.9)
– Reinsurers' share		**(7.1)**	7.2	3.6
Net change in insurance contract liabilities		**(16.3)**	25.1	(2.3)
Movement in investment contract benefits		**(9,527.4)**	5,014.6	(5,910.7)
Expenses		**(952.3)**	(837.6)	(1,688.0)
Profit/(loss) before tax	3	**482.6**	(71.9)	426.4
Tax attributable to policyholders' returns	6	**(336.1)**	293.8	(98.8)
Profit before tax attributable to shareholders' returns		**146.5**	221.9	327.6
Total tax (expense)/credit		**(361.7)**	250.0	(164.4)
Less: tax attributable to policyholders' returns	6	**336.1**	(293.8)	98.8
Tax attributable to shareholders' returns	6	**(25.6)**	(43.8)	(65.6)
Profit and total comprehensive income for the period	6	**120.9**	178.1	262.0
Profit/(loss) attributable to non-controlling interests		**–**	–	–
Profit attributable to equity shareholders		**120.9**	178.1	262.0
Profit and total comprehensive income for the period	6	**120.9**	178.1	262.0

	Note	Pence	Pence	Pence
Basic earnings per share	14	**22.5**	33.4	49.1
Diluted earnings per share	14	**22.2**	33.0	48.6

The results relate to continuing operations.

The Notes and information below and on pages 42 to 65 form part of these Condensed Consolidated Financial Statements.

Condensed Consolidated Statement of Changes in Equity

		Attributable to equity shareholders							
		Share capital	Share premium	Shares in trust reserve	Misc reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Note	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
At 1 January 2020		80.2	182.4	(16.4)	2.5	699.4	948.1	(0.9)	947.2
Profit and total comprehensive income for the period						178.1	178.1		178.1
Dividends	14					(107.1)	(107.1)		(107.1)
Exercise of options		0.3	0.8				1.1		1.1
Consideration paid for own shares				(3.8)			(3.8)		(3.8)
Shares sold during the period				4.1		(4.1)	–		–
Retained earnings credit in respect of share option charges						3.7	3.7		3.7
At 30 June 2020		80.5	183.2	(16.1)	2.5	770.0	1,020.1	(0.9)	1,019.2
At 1 January 2021		**80.6**	**185.3**	**(14.8)**	**2.5**	**859.4**	**1,113.0**	**(0.9)**	**1,112.1**
Profit and total comprehensive income for the period						**120.9**	**120.9**		**120.9**
Dividends	14					**(267.5)**	**(267.5)**		**(267.5)**
Issue of share capital	14	**0.1**	**10.2**				**10.3**		**10.3**
Exercise of options		**0.2**	**11.1**				**11.3**		**11.3**
Shares sold during the period				**6.4**		**(6.4)**	**–**		**–**
Retained earnings credit in respect of share option charges						**9.0**	**9.0**		**9.0**
At 30 June 2021		**80.9**	**206.6**	**(8.4)**	**2.5**	**715.4**	**997.0**	**(0.9)**	**996.1**

Miscellaneous reserves represent other non-distributable reserves.

Condensed Consolidated Statement of Financial Position

	Note	**30 June 2021 £'Million**	30 June 2020 £'Million	31 December 2020 £'Million
Assets				
Goodwill	7	**32.5**	15.6	31.0
Deferred acquisition costs	7	**400.8**	458.6	424.5
Intangible assets				
– Purchased value of in-force business	7	**16.0**	19.2	17.6
– Computer software	7	**28.1**	15.2	23.5
Property and equipment		**162.6**	172.9	174.4
Deferred tax assets	6	**13.7**	109.2	14.4
Reinsurance assets		**85.1**	95.8	92.3
Other receivables	9	**2,271.6**	2,816.7	2,579.2
Investments				
– Investment property	8	**1,495.5**	1,626.1	1,526.7
– Equities	8	**97,862.3**	70,758.6	83,359.2
– Fixed income securities	8	**29,668.3**	26,372.9	27,701.4
– Investment in Collective Investment Schemes	8	**5,157.1**	5,891.4	5,890.2
– Derivative financial instruments	8	**838.0**	1,228.2	1,386.8
Cash and cash equivalents		**7,089.9**	7,488.2	6,660.1
Total assets	3	**145,121.5**	117,068.6	129,881.3
Liabilities				
Borrowings	12	**478.2**	435.8	341.8
Deferred tax liabilities	6	**529.7**	195.7	378.1
Insurance contract liabilities		**571.8**	538.8	562.6
Deferred income	7	**574.4**	596.8	579.9
Other provisions	11	**37.6**	38.6	34.3
Other payables	10	**2,233.5**	2,160.8	2,038.0
Investment contract benefits		**102,930.3**	82,735.1	93,132.7
Derivative financial instruments	8	**1,014.6**	1,422.0	749.9
Net asset value attributable to unit holders	8	**35,671.6**	27,905.9	30,919.1
Income tax liabilities		**83.6**	19.8	32.7
Preference shares		**0.1**	0.1	0.1
Total liabilities		**144,125.4**	116,049.4	128,769.2
Net assets		**996.1**	1,019.2	1,112.1
Shareholders' equity				
Share capital	14	**80.9**	80.5	80.6
Share premium		**206.6**	183.2	185.3
Shares in trust reserve		**(8.4)**	(16.1)	(14.8)
Miscellaneous reserves		**2.5**	2.5	2.5
Retained earnings		**715.4**	770.0	859.4
Equity attributable to owners of the Parent		**997.0**	1,020.1	1,113.0
Non-controlling interests		**(0.9)**	(0.9)	(0.9)
Total equity		**996.1**	1,019.2	1,112.1

	Pence	Pence	Pence
Net assets per share	**184.6**	189.9	207.0

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June 2021 £'Million	Six months ended 30 June 2020 £'Million	Year ended 31 December 2020 £'Million
Cash flows from operating activities			
Profit/(loss) before tax for the period	**482.6**	(71.9)	426.4
Adjustments for:			
Amortisation of purchased value of in-force business	**1.6**	1.6	3.2
Amortisation of computer software and software developments	**3.7**	1.6	4.2
Depreciation of property and equipment	**11.0**	13.0	24.1
Loss on disposal of property and equipment, including leased assets	**0.4**	–	1.9
Share-based payment charge	**9.0**	3.0	10.6
Interest income	**(8.3)**	(19.9)	(33.1)
Interest expense	**4.6**	6.5	11.6
Increase/(decrease) in provisions	**3.3**	(2.0)	(6.3)
Exchange rate losses/(gains)	**0.2**	(0.5)	–
Changes in operating assets and liabilities			
Decrease in deferred acquisition costs	**23.7**	31.4	65.5
Decrease in investment property	**31.2**	124.8	224.2
(Increase)/decrease in other investments	**(15,188.1)**	1,228.0	(12,858.5)
Decrease/(increase) in reinsurance assets	**7.2**	(7.2)	(3.7)
Decrease/(increase) in other receivables	**324.0**	(680.1)	(443.0)
Increase/(decrease) in insurance contract liabilities	**9.2**	(17.8)	6.0
Increase/(decrease) in financial liabilities (excluding borrowings)	**10,062.3**	(350.2)	9,375.3
Decrease in deferred income	**(5.5)**	(17.9)	(34.8)
Increase in other payables	**203.1**	379.5	239.8
Increase in net assets attributable to unit holders	**4,752.5**	75.9	3,089.1
Cash generated from operations	**727.7**	697.8	102.5
Interest received	**8.3**	19.9	33.1
Interest paid	**(4.6)**	(6.5)	(11.6)
Income taxes paid	**(162.0)**	(121.6)	(248.1)
Net cash inflow/(outflow) from operations	**569.4**	589.6	(124.1)
Cash flows from investing activities			
Payment for acquisition of subsidiaries and other business combinations, net of cash acquired	**(7.5)**	(9.6)	(22.4)
Payment for acquisition of property and equipment	**(0.4)**	(3.9)	(8.0)
Payment for acquisition of computer software and software developments	**(8.3)**	(7.9)	(18.8)
Proceeds from sale of subsidiaries and other business combinations	**4.1**	–	–
Net cash outflow from investing activities	**(12.1)**	(21.4)	(49.2)
Cash flows from financing activities			
Proceeds from the issue of share capital and exercise of options	**11.3**	1.1	3.3
Consideration paid for own shares	**–**	(3.8)	(3.9)
Additional borrowings	**341.6**	230.0	270.0
Repayment of borrowings	**(205.8)**	(210.0)	(332.1)
Principal elements of lease payments	**(6.8)**	(4.3)	(10.0)
Dividends paid	**(267.5)**	(107.1)	(107.1)
Net cash outflow from financing activities	**(127.2)**	(94.1)	(179.8)
Net increase in cash and cash equivalents	**430.1**	474.1	(353.1)
Cash and cash equivalents at beginning of period	**6,660.1**	7,013.6	7,013.6
Exchange (losses)/gains on cash and cash equivalents	**(0.3)**	0.5	(0.4)
Cash and cash equivalents at end of period	**7,089.9**	7,488.2	6,660.1

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 2021, 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 United Kingdom (UK). The Condensed Consolidated Half-Year Financial Statements should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2020, which have been prepared in accordance with the Companies Act 2006 as applicable to companies reporting under IFRS.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, including the ongoing impact of the COVID-19 pandemic, are set out in the Chief Executive's Report and the Chief Financial Officer's Report on pages 4 to 12. The financial performance and financial position of the Group are described in the Financial Review on pages 14 to 32.

The stress and scenario testing carried out as part our Own Risk and Solvency Assessment (ORSA) and Group dividend assessment that the Group continues to remain resilient to macro-economic shocks (including inflation and interest rate shifts) as well as more extreme events.

The Board has been, and continues to be, actively involved in defining the Group's strategic response to COVID-19. Timely and targeted risk-based information has been provided to the Board to continue to support decision making and help understanding of key issues. The stress and scenario testing work (including capital and liquidity projections, as well as operational risk events) was considered by the Board when deciding to pay the Year-end 2020 final dividend and the retained amount of the Year-end 2019 dividend.

The Board remains confident in the Group's ability to withstand further challenges that may or may not emerge in relation to COVID-19. We would note that our key third party outsourcers have also proven to be operationally resilient in the face of COVID-19.

Having assessed the principal risks, the Directors believe it remains 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 UK.

There were no new or amended IFRS standards effective for periods beginning on 1 January 2021 which are relevant to the Group. However, the March 2021 IFRS Interpretation Committee update included an agenda decision on "Configuration and Customisation costs in a Cloud Computing Arrangement" which was ratified by the IASB in April 2021. The Group is currently reviewing the decision and considering any potential impact on the Group's accounting policies, with the review to be completed during the second half of 2021.

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 2020.

(b) New and amended accounting standards not yet effective

As at 30 June 2021, 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 by the UK:

- IFRS 17 Insurance Contracts;
- Amendments to IAS 1 Presentation of Financial Statements – classification of liabilities as current or non-current;
- Amendments to IFRS 3 Business Combinations – Reference to conceptual framework;
- Annual Improvements 2018-2020; and
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or contribution of assets between an investor and its associate or joint venture.

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. The only one expected to have a significant impact on the Group's Financial Statements is IFRS 17 Insurance Contracts. Further information on this standard is given below.

IFRS 17 Insurance Contracts including Amendments to IFRS 17

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 2021, the Group has £88.5 million of non-unit-linked insurance contract liabilities, which are substantially reinsured, and £483.3 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 is currently assessing the impacts of adopting the new standard. The effective date of the standard is currently 1 January 2023, subject to endorsement by the UK Endorsement Board.

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 additional measures of profit are monitored by the Board. These are the post-tax Underlying cash result and pre-tax European Embedded Value (EEV), which are both alternative performance measures.

Underlying cash result

The measure of cash profit monitored on a monthly basis by the Board is the post-tax Underlying cash result. This reflects emergence of cash available for paying a dividend during the year. Underlying cash is based on the 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 non-cash-settled share-based payments is reflected in changes in shareholder equity, they are also not included in the Underlying cash result.

More detail is provided on pages 20 to 24 of the Financial Review.

Notes to the Financial Statements continued

3. Segment reporting continued

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 2021	Six months ended 30 June 2020	Year ended 31 December 2020
	£'Million	£'Million	£'Million
Underlying cash result after tax	**189.3**	114.4	264.7
Non-cash-settled share-based payments	**(9.0)**	(3.7)	(10.6)
Deferred tax impacts	**2.4**	(23.5)	(8.2)
Back-office infrastructure	**–**	(6.5)	(10.0)
Restructuring	**(9.0)**	–	–
Impact in the period of DAC/DIR/PVIF	**(18.5)**	(15.0)	(29.6)
Impact of policyholder tax asymmetry	**(29.2)**	98.3	61.7
Other	**(5.1)**	14.1	(6.0)
IFRS profit after tax	**120.9**	178.1	262.0
Shareholder tax	**25.6**	43.8	65.6
Profit before tax attributable to shareholders' returns	**146.5**	221.9	327.6
Tax attributable to policyholder returns	**336.1**	(293.8)	98.8
IFRS profit/(loss) before tax	**482.6**	(71.9)	426.4

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 the Half-Year Report and Accounts.

	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
	£'Million	£'Million	£'Million
EEV operating profit before tax	**844.8**	418.7	919.0
Investment return variance	**593.6**	(329.7)	304.4
Economic assumption changes	**22.8**	(44.0)	(47.4)
EEV profit before tax	**1,461.2**	45.0	1,176.0
Adjustments to IFRS basis			
Deduct: amortisation of purchased value of in-force business	**(1.6)**	(1.6)	(3.2)
Movement of balance sheet life value of in-force business (net of tax)	**(396.3)**	169.4	(465.7)
Movement of balance sheet unit trust and DFM value of in-force business (net of tax)	**(176.9)**	104.7	(91.9)
Corporation tax rate change	**(408.5)**	(126.2)	(126.9)
Tax on movement in value of in-force business	**(331.4)**	30.6	(160.7)
Profit before tax attributable to shareholders' returns	**146.5**	221.9	327.6
Tax attributable to policyholder returns	**336.1**	(293.8)	98.8
IFRS profit/(loss) before tax	**482.6**	(71.9)	426.4

The movement in life, unit trust and DFM value of in-force is the difference between the opening and closing discounted 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 15 is the measure of segment assets which is monitored by the Board.

	30 June 2021	30 June 2020	31 December 2020
	£'Million	£'Million	£'Million
Investment	**34,460.0**	29,880.0	32,220.0
Pension	**69,150.0**	53,520.0	61,310.0
UT/ISA and DFM	**40,160.0**	32,280.0	35,810.0
Total FUM	**143,770.0**	115,680.0	129,340.0
Exclude client and third-party holdings in non-consolidated unit trusts and DFM	**(4,444.2)**	(4,643.4)	(4,864.4)
Other	**1,760.3**	2,471.3	1,551.9
Gross assets held to cover unit liabilities	**141,086.1**	113,507.9	126,027.5
IFRS intangible assets (see page 25 adjustment 2) including goodwill, DAC, PVIF, reinsurance and deferred tax	**579.0**	642.1	605.4
Shareholder gross assets (see page 25)	**3,456.4**	2,918.6	3,248.4
Total assets	**145,121.5**	117,068.6	129,881.3

4. Fee and commission income

	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
	£'Million	£'Million	£'Million
Advice charges (post-RDR)	**460.6**	376.6	767.4
Third party fee and commission income	**66.9**	54.5	112.2
Wealth management fees	**465.8**	429.1	812.4
Investment management fees	**33.1**	34.3	70.4
Fund tax deductions/(refunds)	**336.1**	(293.8)	98.8
Policyholder tax asymmetry	**(29.2)**	98.3	61.7
Discretionary fund management fees	**10.7**	8.4	17.5
Fee and commission income before DIR amortisation	**1,344.0**	707.4	1,940.4
Amortisation of DIR	**80.2**	78.0	156.0
Total fee and commission income	**1,424.2**	785.4	2,096.4

For all post-Retail Distribution Review (RDR) business, advice charges are received from clients for the provision of initial and ongoing advice in relation to an investment into a St. James's Place product.

Where an investment has been made into a third-party product, third-party fee and commission income is received from the product provider.

Wealth management fees recognise charges levied on manufactured business (Investment, Pensions and UT/ISA) which are not separately identified elsewhere.

Investment management fees are amounts received from clients for the provision of all aspects of investment management. Broadly, investment management fees match investment management expenses.

Notes to the Financial Statements continued

4. Fee and commission income continued

Life insurance (BLAGAB) policies are subject to a corporate tax regime that includes a policyholder tax element. This corporate cost is met by clients through corresponding deductions incorporated into policy charges. We analyse these contributions through two separate items:

- Fund tax deductions/(refunds) represent amounts credited to, or deducted from, the life insurance (BLAGAB) policies to match the policyholder tax charge or credit assessed to.
- IAS 12 Income Taxes requires that amounts are calculated without discounting, but because tax charges or credits may only be due at some future point, policy charges need to reflect the potential for a wide range of possible outcomes in order to ensure fair outcomes between clients. The associated discounting gives rise to timing differences between the tax assessment (Fund tax deductions/(refunds)) and actual charges, and movements in this Policyholder tax asymmetry are analysed separately.

Asymmetry generally moves counter to Fund tax deductions with the magnitude and direction similarly driven by market conditions. However, it is determined on a fund by fund basis and is therefore dependent on individual fund performance. Consequently, the movement in the asymmetry may not move entirely in line with the aggregate Fund tax deductions/(refunds). It can also be impacted by fund changes made under our Investment Management Approach.

Because asymmetry is a timing difference it will be eliminated over time as future cash flows become less uncertain and are ultimately realised, so the current effect is temporary.

Under normal conditions asymmetry is small, but the market conditions arising during the COVID-19 pandemic in 2020 and the partial recovery in 2021 have resulted in significant positive and negative movements, impacting both profit before shareholder tax and profit after tax.

In 2020, we commented that the positive effect of the tax asymmetry seen in that year would be eliminated over time and that we would expect this to reverse as markets increase. The negative effect seen during the period reflects the market increases. For completeness, at year end 2020 we also commented that expected fund mergers planned for 2021 would accelerate and unwind in part the high level of asymmetry experienced in 2020. These fund mergers will take place in the second half of 2021, but the market improvements already experienced have mitigated the impact.

Discretionary fund management fees are received from clients for the provision of DFM services.

Finally, where an investment has been made into a St. James's Place product, the initial product charge and any dealing margin is deferred and recognised as a deferred income liability. This liability is extinguished, and income recognised, over the expected life of the investment. The income is the amortisation of DIR in the table above.

5. Investment return

	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
Investment return on net assets held to cover unit liabilities:			
Rental income	**38.8**	45.1	86.3
Gain/(loss) on revaluation of investment properties	**36.3**	(125.1)	(109.7)
Net investment return on financial instruments classified as fair value through profit and loss	**7,104.3**	(3,532.3)	4,832.4
	7,179.4	(3,612.3)	4,809.0
Attributable to unit-linked insurance contract liabilities	***21.6***	*(35.4)*	*25.4*
Attributable to unit-linked investment contract benefits	***7,157.8***	*(3,576.9)*	*4,783.6*
	7,179.4	(3,612.3)	4,809.0
Income attributable to third party holdings in unit trusts	**2,369.6**	(1,437.8)	1,127.1
	9,549.0	(5,050.1)	5,936.1
Investment return on shareholder assets:			
Net investment return on financial instruments classified as fair value through profit and loss	**2.7**	(10.9)	(4.2)
Interest income on financial instruments classified as amortised cost	**8.8**	9.3	17.7
	11.5	(1.6)	13.5
Total investment return	**9,560.5**	(5,051.7)	5,949.6

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 £437.9 million (six months ended 30 June 2020: £525.0 million, year ended 31 December 2020: £1,017.4 million).

6. Income and deferred taxes

Tax for the period

	Six months ended 30 June 2021 £'Million	Six months ended 30 June 2020 £'Million	Year ended 31 December 2020 £'Million
Current tax			
UK corporation tax			
– Current year charge	**207.0**	19.0	157.9
– Adjustment in respect of prior year	**0.2**	–	(1.0)
Overseas taxes			
– Current year charge	**6.4**	7.0	8.5
	213.6	26.0	165.4
Deferred tax			
Unrealised capital gains/(losses) in unit-linked funds	**151.3**	(297.4)	(4.0)
Unrelieved expenses			
– Additional expenses recognised in the period	**(5.3)**	(4.9)	(10.4)
– Utilisation in the period	**5.8**	5.9	11.8
Capital losses			
– Revaluation in the period	**(1.4)**	–	–
– Utilisation in the period	**4.3**	28.0	13.7
– Adjustment in respect of prior year	**–**	–	0.8
DAC, DIR and PVIF	**(4.3)**	(4.9)	(10.0)
Other items	**(2.0)**	(0.5)	(1.9)
Overseas losses	**(0.1)**	(0.3)	(0.5)
Adjustment for change in tax rate	**(0.2)**	(1.9)	(1.4)
Adjustments in respect of prior periods	**–**	–	0.9
	148.1	(276.0)	(1.0)
Total tax charge/(credit) for the period	**361.7**	(250.0)	164.4
Attributable to:			
– policyholders	**336.1**	(293.8)	98.8
– shareholders	**25.6**	43.8	65.6
	361.7	(250.0)	164.4

The prior year adjustment of £0.2 million in current tax above represents a charge of £0.2 million in respect of policyholder tax (six months to 30 June 2020: £nil, year to 31 December 2020: £1.4 million credit) and £nil in respect of shareholder tax (six months to 30 June 2020: £nil, year to 31 December 2020: £0.4 million charge). The prior year adjustment of £nil in deferred tax above represents £nil in respect of policyholder tax (six months to 30 June 2020: £nil, year to 31 December 2020: £1.3 million charge) and £nil in respect of shareholder tax (six months to 30 June 2020: £nil, year to 31 December 2020: £0.4 million credit).

Included within the deferred tax on 'other items' is a credit of £2.1 million (six months to 30 June 2020: charge of £1.6 million, year to 31 December 2020: £nil) 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.

Notes to the Financial Statements continued

6. Income and deferred taxes continued

Reconciliation of tax charge to expected tax

	Six months ended 30 June 2021 £'Million		Six months ended 30 June 2020 £'Million		Year ended 31 December 2020 £'Million	
Profit/(loss) before tax	**482.6**		(71.9)		426.4	
Tax attributable to policyholders' returns	**(336.1)**		293.8		(98.8)	
Profit before tax attributable to shareholders' returns	**146.5**		221.9		327.6	
Shareholder tax charge at corporate tax rate of 19.0% (2020: 19.0%)	**27.9**	**19.0%**	42.2	19.0%	62.2	19.0%
Adjustments:						
Lower rate of corporation tax in overseas subsidiaries	**(0.6)**	**(0.4%)**	(0.2)	(0.1%)	(1.3)	0.0%
Expected shareholder tax	**27.3**	**18.6%**	42.0	18.9%	60.9	18.6%
Effects of:						
Non-taxable income	**(0.2)**		(0.3)		(0.9)	
Adjustment for change in tax rates	**(0.2)**		(1.9)		(1.4)	
Adjustment in respect of prior year						
– Current tax	**–**		–		0.4	
– Deferred tax	**–**		–		0.4	
Differences in accounting and tax bases in relation to employee share schemes	**(2.5)**		0.7		(0.3)	
Disallowable expenses	**0.3**		1.0		3.8	
Provision for future liabilities	**(0.1)**		–		1.7	
Tax losses not recognised	**0.9**		1.8		0.8	
Other	**0.1**		0.5		0.2	
	(1.7)	**(1.2%)**	1.8	0.8%	4.7	1.4%
Shareholder tax charge	**25.6**	**17.4%**	43.8	19.7%	65.6	20.0%
Policyholder tax charge/(credit)	**336.1**		(293.8)		98.8	
Total tax charge/(credit) for the period	**361.7**		(250.0)		164.4	

Tax calculated on profit/(loss) before tax at 19% (2020: 19%) would amount to £91.7 million (six months to 30 June 2020: £(13.7) million, year to 31 December 2020: £81.0 million). The difference of £270.0 million (six months to 30 June 2020: (£236.3) million, year to 31 December 2020: £83.4 million) between this number and the total tax of £361.7 million (six months to 30 June 2020: credit of £250 million, year to 31 December 2020: charge of £164.4 million) is made up of the reconciling items above which total (£2.3) million (six months to 30 June 2020: £1.6 million, year to 31 December 2020: £3.4 million) and the effect of the apportionment methodology on tax applicable to policyholder returns of £272.3 million (six months to 30 June 2020: (£237.9) million, year to 31 December 2020: £80.0 million).

Tax paid in the year

	Six months ended 30 June 2021 £'Million	Six months ended 30 June 2020 £'Million	Year ended 31 December 2020 £'Million
Current tax charge for the period	**213.6**	26.0	165.4
(Payments to be made)/refunds due to be received in future years in respect of current year	**(80.1)**	33.3	(30.3)
Payments made in current year in respect of prior years	**27.0**	63.0	113.6
Other	**1.5**	(0.7)	(0.6)
Tax paid	**162.0**	121.6	248.1
Tax paid can be analysed as:			
– Taxes paid in UK	**155.0**	114.1	233.1
– Taxes paid in overseas jurisdictions	**1.0**	0.2	2.4
– Withholding taxes suffered on investment income received	**6.0**	7.3	12.6
Total	**162.0**	121.6	248.1

Deferred tax balances

Deferred tax assets

	Deferred acquisition costs (DAC)	Deferred income (DIR)	Renewal income assets	Share-based payments	Fixed asset temporary differences	Other temporary differences	Total
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
At 1 January 2021	(19.4)	33.1	(12.3)	6.8	5.6	0.6	14.4
(Charge)/credit to the Statement of Comprehensive Income excluding the impact of tax rate change							
– Utilised and created in period	0.2	(0.8)	0.7	2.1	0.1	(1.0)	1.3
– Impact of tax rate change	(3.6)	6.2	(2.0)	1.0	0.8	(0.3)	2.1
Total (charge)/credit	(3.4)	5.4	(1.3)	3.1	0.9	(1.3)	3.4
Impact of acquisition	–	–	(4.1)	–	–	–	(4.1)
At 30 June 2021	(22.8)	38.5	(17.7)	9.9	6.5	(0.7)	13.7

Expected utilisation period							
As at 30 June 2020	14 years	14 years	20 years	3 years	6 years		
As at 31 December 2020	14 years	14 years	20 years	3 years	6 years		
As at 30 June 2021	**14 years**	**14 years**	**20 years**	**3 years**	**6 years**		

Deferred tax liabilities

	Unrelieved expenses on life insurance business	Deferred acquisition costs (DAC)	Capital losses (available for future relief)	Unrealised capital gains on life insurance (BLAGAB) assets backing unit liabilities	Purchased value of in-force business (PVIF)	Other temporary differences	Total
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
At 1 January 2021	(39.8)	32.1	(35.5)	417.3	3.3	0.7	378.1
Credit to the Statement of Comprehensive Income excluding the impact of tax rate change							
– Utilised and created in period	0.5	(4.6)	2.9	151.3	(0.3)	(0.2)	149.6
– Impact of tax rate change	–	4.3	(3.0)	–	0.7	(0.1)	1.9
Total charge/(credit)	0.5	(0.3)	(0.1)	151.3	0.4	(0.3)	151.5
Impact of acquisition	–	–	–	–	–	0.1	0.1
At 30 June 2021	(39.3)	31.8	(35.6)	568.6	3.7	0.5	529.7

Expected utilisation period							
As at 30 June 2020	6 years	14 years	6.5 years	6 years	5.5 years		
As at 31 December 2020	6 years	14 years	6 years	6 years	5 years		
As at 30 June 2021	**6 years**	**14 years**	**5.5 years**	**6 years**	**4.5 years**		

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.

As reported at year end 31 December 2020, the presentation of the allocation between deferred tax liabilities and assets reflected a reassessment of the requirements of IAS 12, with reference to the netting off of certain deferred tax balances. This resulted in some reallocation of the prior year balances between deferred tax liabilities and assets. On this basis, we have not provided a comparison to the 30 June 2020 numbers. The changes were not material.

At the reporting date there were unrecognised deferred tax assets of £12.3 million (30 June 2020: £14.0 million, 31 December 2020: £16.3 million) in respect of £71.9 million (30 June 2020: £82.9 million, 31 December 2020: £96.5 million) 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.

In the UK budget of 3 March 2021, it was announced that the main rate of corporation tax will increase from 19% to 25% with effect from 1 April 2023. This change was substantively enacted on 24 May 2021 within the Finance Bill 2021 and as a result the relevant deferred tax balances have been remeasured. The total impact of this remeasurement in the deferred tax shown above is a £0.2 million credit.

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 2020	15.6	73.4	25.0	1,309.8	(1,538.6)
Additions	–	–	7.9	14.9	(60.1)
Disposals	–	–	–	(47.3)	43.6
At 30 June 2020	15.6	73.4	32.9	1,277.4	(1,555.1)
Additions	15.4	–	10.9	12.2	(61.1)
Disposals	–	–	–	(55.7)	47.0
At 31 December 2020	**31.0**	**73.4**	**43.8**	**1,233.9**	**(1,569.2)**
Additions	**1.7**	**–**	**8.3**	**19.3**	**(74.7)**
Disposals	**(0.2)**	**–**	**–**	**(65.7)**	**57.9**
At 30 June 2021	**32.5**	**73.4**	**52.1**	**1,187.5**	**(1,586.0)**
Accumulated amortisation					
At 1 January 2020	–	52.6	16.1	819.8	(923.9)
Charge for the period	–	1.6	1.6	46.3	(78.0)
Eliminated on disposal	–	–		(47.3)	43.6
At 30 June 2020	–	54.2	17.7	818.8	(958.3)
Charge for the period	–	1.6	2.6	46.3	(78.0)
Eliminated on disposal	–	–	–	(55.7)	47.0
At 31 December 2020	**–**	**55.8**	**20.3**	**809.4**	**(989.3)**
Charge for the period	**–**	**1.6**	**3.7**	**43.0**	**(80.2)**
Eliminated on disposal	**–**	**–**	**–**	**(65.7)**	**57.9**
At 30 June 2021	**–**	**57.4**	**24.0**	**786.7**	**(1,011.6)**
Carrying value					
At 30 June 2020	15.6	19.2	15.2	458.6	(596.8)
At 31 December 2020	31.0	17.6	23.5	424.5	(579.9)
At 30 June 2021	**32.5**	**16.0**	**28.1**	**400.8**	**(574.4)**
Outstanding amortisation period					
At 30 June 2020	n/a	5.5 years	1.5-4.5 years	14 years	6-14 years
At 31 December 2020	n/a	5 years	5 years	14 years	6-14 years
At 30 June 2021	**n/a**	**4.5 years**	**5 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.

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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 Condensed Consolidated 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 25.

	30 June 2021	30 June 2020	31 December 2020
	£'Million	£'Million	£'Million
Assets			
Investment property	**1,495.5**	1,626.1	1,526.7
Equities	**97,862.3**	70,758.6	83,359.2
Fixed income securities	**29,660.5**	26,365.3	27,694.0
Investment in Collective Investment Schemes	**3,861.8**	5,080.9	4,625.4
Cash and cash equivalents	**6,791.8**	7,198.3	6,405.2
Other receivables	**576.2**	1,250.5	1,030.2
Derivative financial instruments			
– Currency forwards	***527.7***	*415.2*	*999.9*
– Interest rate swaps	***61.3***	*163.8*	*58.5*
– Index options	***10.2***	*42.0*	*49.7*
– Contract for differences	***8.8***	*337.1*	*11.8*
– Equity swaps	***9.5***	*100.9*	*6.1*
– Foreign currency options	***0.3***	*2.3*	*0.1*
– Total return swaps	***163.2***	*125.0*	*135.5*
– Fixed income options	**–**	*17.2*	*79.5*
– Credit default swaps	***57.0***	*24.7*	*45.7*
Total derivative financial assets	**838.0**	1,228.2	1,386.8
Total assets	**141,086.1**	113,507.9	126,027.5
Liabilities			
Other payables	**986.3**	1,006.8	759.7
Derivative financial instruments			
– Currency forwards	***770.9***	*722.1*	*472.9*
– Interest rate swaps	***100.9***	*145.3*	*79.5*
– Index options	***6.8***	*29.7*	*43.6*
– Contract for differences	***16.5***	*325.2*	*7.2*
– Equity swaps	***15.1***	*80.7*	*11.2*
– Foreign currency options	***0.2***	*0.3*	–
– Total return swaps	***79.3***	*101.9*	*87.3*
– Fixed income options	***0.2***	*0.2*	*33.2*
– Credit default swaps	***24.7***	*16.6*	*15.0*
Total derivative financial liabilities	**1,014.6**	1,422.0	749.9
Total liabilities	**2,000.9**	2,428.8	1,509.6
Net assets held to cover linked liabilities	**139,085.2**	111,079.1	124,517.9
Investment contract benefits	**102,930.3**	82,735.1	93,132.7
Net asset value attributable to unit holders	**35,671.6**	27,905.9	30,919.1
Unit linked insurance contract liabilities	**483.3**	438.1	466.1
Net unit-linked liabilities	**139,085.2**	111,079.1	124,517.9

9. Other receivables

	30 June 2021 £'Million	30 June 2020 £'Million	31 December 2020 £'Million
Receivables in relation to unit liabilities excluding policyholder interests	**540.9**	453.5	479.3
Other receivables in relation to insurance and unit trust business	**93.5**	75.0	64.3
Operational readiness prepayment	**305.8**	310.8	313.9
Advanced payments to Partners	**63.1**	61.2	54.2
Other prepayments	**77.3**	65.7	70.3
Business loans to Partners	**502.6**	498.9	476.7
Renewal income assets	**105.9**	89.7	87.4
Miscellaneous	**3.5**	8.2	0.1
Total other receivables on the Solvency II Net Assets Balance Sheet	**1,692.6**	1,563.0	1,546.2
Policyholder interests in other receivables (see Note 8)	**576.2**	1,250.5	1,030.2
Policyholder other (see adjustment 2 on page 25)	**2.8**	3.2	2.8
Total other receivables	**2,271.6**	2,816.7	2,579.2

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 Bluedoor administration platform 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 platform. It is believed that any reasonably possible change in the assumptions applied within this assessment, notably levels of future business, the anticipated future service tariffs and the discount rate, would have no 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. Typically, they arise through business combinations, where the asset represents the value of non-Group related business at the date of acquisition.

Business loans to Partners

	30 June 2021 £'Million	30 June 2020 £'Million	31 December 2020 £'Million
Business loans to Partners directly funded by the Group	**322.2**	325.0	319.6
Securitised business loans to Partners	**180.4**	173.9	157.1
Total business loans to Partners	**502.6**	498.9	476.7

Business loans to Partners are interest bearing (linked to Bank of England base rate plus a margin), repayable in line with the terms of the loan contract and secured against the future income streams of the Partner.

The Group has securitised £180.4 million (30 June 2020: £173.9 million, 31 December 2020: £157.1 million) of the business loans to Partners portfolio. Legal ownership of the securitised business loans to Partners has been transferred to a structured entity, SJP Partner Loans No.1 Limited, which has issued loan notes secured upon them. Note 12 Borrowings and financial commitments provides information on these loan notes. The securitised business loans to Partners are ring-fenced from the other assets of the Group, which means that the cash flows associated with these business loans to Partners can only be used to purchase new loans into the structure or repay the note holders, plus associated issuance fees and costs. Holders of the loan notes have no recourse to the Group's other assets.

The securitised business loans to Partners remain recognised on the Group Condensed Consolidated Statement of Financial Position as the Group controls SJP Partner Loans No. 1 Limited.

The business loans to Partners balance is shown net of £3.9 million of expected credit losses (30 June 2020: £3.9 million, 31 December 2020: £4.0 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 2021 £'Million	30 June 2020 £'Million	31 December 2020 £'Million
Payables in relation to unit liabilities excluding policyholder interests	**151.2**	175.8	233.6
Other payables in relation to insurance and unit trust business	**513.2**	467.9	488.1
Accruals for ongoing advice fees	**129.0**	109.4	124.0
Other accruals	**97.2**	92.8	66.8
Contract payment	**112.6**	74.0	118.1
Lease liabilities	**126.5**	130.0	132.7
Miscellaneous	**107.2**	48.0	79.6
Total other payables on the Solvency II Net Assets Balance Sheet	**1,236.9**	1,097.9	1,242.9
Policyholder interests in other payables (see Note 8)	**986.3**	1,006.8	759.7
Policyholder other (see adjustment 2 on page 25)	**10.3**	56.1	35.4
Total other payables	**2,233.5**	2,160.8	2,038.0

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.

The contract payment of £112.6 million (30 June 2020: £74.0 million, 31 December 2020: £118.1 million) represents payments made by a third-party service provider to the Group as part of a service agreement, which are non-interest bearing and repayable over the life of the service agreement. It increased during the second half of 2020 by £60 million due to an additional payment being received as part of contract negotiations to extend the life of this agreement by five years. The contract payment received in previous years is repayable on a straight-line basis over the original 12-year term, with repayments commencing on 1 January 2017. The contract premium received in 2020 is repayable on a straight-line basis over 13 years and four months, with repayments commencing on 1 September 2020.

Lease liabilities represent the present value of future cash flows associated with the Group's portfolio of property leases.

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

	Complaints provision £'Million	Lease provision £'Million	Clawback provision £'Million	Total provisions £'Million
At 1 January 2020	25.7	11.2	3.7	40.6
Additional provisions	12.0	0.1	–	12.1
Utilised during the period	(8.7)	–	(0.2)	(8.9)
Release of provision	(5.2)	–	–	(5.2)
At 30 June 2020	23.8	11.3	3.5	38.6
Additional provisions	7.1	0.5	–	7.6
Utilised during the period	(12.6)	(0.1)	–	(12.7)
Release of provision	2.1	(1.3)	–	0.8
At 31 December 2020	**20.4**	**10.4**	**3.5**	**34.3**
Additional provisions	**14.7**	**–**	**0.1**	**14.8**
Utilised during the period	**(6.3)**	**–**	**–**	**(6.3)**
Release of provision	**(5.2)**	**–**	**–**	**(5.2)**
At 30 June 2021	**23.6**	**10.4**	**3.6**	**37.6**

Total provision for the cost of redress for complaints is based on estimates of the total number of complaints 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.

Notes to the Financial Statements continued

11. Other provisions and contingent liabilities continued

As more fully set out in the summary of principal risks and uncertainties on pages 33 to 35, 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 2020: £nil and 31 December 2020: £nil).

12. Borrowings and financial commitments

Borrowings

Borrowings are a liability arising from financing activities. The Group has two different types of borrowings:

- senior unsecured corporate borrowings which are used to manage working capital, bridge intra-Group cash flows and to fund investment in the business; and
- securitisation loan notes which are secured only on a legally segregated pool of the Group's business loans to Partners, and hence are non-recourse to the Group's other assets. Further information about business loans to Partners is provided in Note 9 Other receivables.

Senior unsecured corporate borrowings

	30 June 2021	30 June 2020	31 December 2020
	£'Million	£'Million	£'Million
Corporate borrowings: bank loans	**229.5**	193.0	112.7
Corporate borrowings: loan notes	**113.8**	113.7	113.8
Senior unsecured corporate borrowings	**343.3**	306.7	226.5

The primary senior unsecured corporate borrowings are:

- a £340 million revolving credit facility which is repayable at maturity in 2023 with a variable interest rate. At 30 June 2021 the undrawn credit available under this facility was £110 million (30 June 2020: £150 million, 31 December 2020: £230 million); and
- a US Dollar $160 million private shelf facility, under which the Group has issued two tranches of loan notes: one for £50 million and another for £64 million. The note issues were denominated in Sterling, eliminating any Group currency risk. The notes are repayable over 10 years, ending in 2025 and 2027 respectively, with variable interest rates.

The Group has a number of covenants within the terms of its senior unsecured corporate borrowing facilities. These covenants are monitored on a regular basis and reported to lenders on a bi-annual basis. During the course of the period all covenants were complied with and the Group did not require waivers or alteration of covenant terms as a result of the economic conditions arising from the COVID-19 pandemic.

As at the 30 June 2021, 31 December 2020 and 30 June 2020 the Group had sufficient headroom available under its covenants to fully draw the remaining commitment under its senior unsecured corporate borrowing facilities. As a result of the Group's business model and cash-flow profile, no additional borrowing facilities were required due to the economic conditions arising from the pandemic.

Total borrowings

	30 June 2021	30 June 2020	31 December 2020
	£'Million	£'Million	£'Million
Senior unsecured corporate borrowings	**343.3**	306.7	226.5
Senior tranche of non-recourse securitisation loan notes	**134.9**	129.1	115.3
Total borrowings	**478.2**	435.8	341.8

The senior tranche of securitisation loan notes are AAA-rated and repayable over the expected life of the securitisation (estimated to be five years) with a variable interest rate. They are held by third-party investors and are secured on a legally segregated portfolio of £180.4 million business loans to Partners, and the other net assets of the securitisation entity SJP Partner Loans No.1 Limited. For further information on business loans to Partners, including those that have been securitised, refer to Note 9 Other receivables. Holders of the securitisation loan notes have no recourse to the assets held by any other entity within the Group.

In addition to the senior tranche of securitisation loan notes, a junior tranche has been issued to another entity within the Group. The junior notes are eliminated on consolidation in the preparation of the Group Financial Statements and so do not form part of Group borrowings.

	30 June 2021	30 June 2020	31 December 2020
	£'Million	£'Million	£'Million
Junior tranche of non-recourse securitisation loan notes	**54.0**	51.7	48.1
Senior tranche of non-recourse securitisation loan notes	**134.9**	129.1	115.3
Total non-recourse securitisation loan notes	**188.9**	180.8	163.4
Backed by:			
Securitised business loans to Partners (see Note 9)	**180.4**	173.9	157.1
Other net assets of SJP Partner Loans No.1 Limited	**8.5**	6.9	6.3
Total net assets held by SJP Partner Loans No.1 Limited	**188.9**	180.8	163.4

The fair value of the outstanding borrowings is not materially different from amortised cost. Interest expense on borrowings is recognised within expenses in the Condensed Consolidated Statement of Comprehensive Income.

Financial commitments

Guarantees

The Group guarantees loans provided by third parties to Partners. In the event of default of any individual Partner loan, the Group guarantees to repay the full amount of the loan, with the exception of Metro Bank. For this third party the Group guarantees to cover losses up to 50% of the value to the total loans drawn. These loans are secured against the future income streams of the Partner. The value of the loans guaranteed is as follows:

	Loans drawn			Facility		
	30 June 2021	30 June 2020	31 December 2020	30 June 2021	30 June 2020	31 December 2020
	£'Million	£'Million	£'Million	**£'Million**	£'Million	£'Million
Bank of Scotland	**60.5**	57.9	63.3	**70.0**	70.0	70.0
Clydesdale Bank	**–**	–	–	**–**	–	25.0
Investec	**35.2**	17.6	25.9	**50.0**	25.0	50.0
Metro Bank	**41.0**	42.6	39.8	**61.0**	61.0	61.0
NatWest	**29.7**	23.1	22.1	**50.0**	25.0	50.0
Santander	**49.1**	48.3	49.6	**50.0**	50.0	50.0
Total loans	**215.5**	189.5	200.7	**281.0**	231.0	306.0

The fair value of these guarantees has been assessed as £nil (30 June 2020: £nil, 31 December 2020: £nil).

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 tables present the Group's shareholder assets and liabilities measured at fair value:

Shareholder assets and liabilities

30 June 2021	Level 1 £'Million	Level 2 £'Million	Level 3 £'Million	Total balance £'Million
Financial assets				
Fixed income securities	**7.8**	**–**	**–**	**7.8**
Investment in Collective Investment Schemes1	**1,295.3**	**–**	**–**	**1,295.3**
Renewal income assets	**–**	**–**	**105.9**	**105.9**
Total financial assets	**1,303.1**	**–**	**105.9**	**1,409.0**
Financial liabilities				
Contingent consideration	**–**	**–**	**4.1**	**4.1**
Total financial liabilities	**–**	**–**	**4.1**	**4.1**

30 June 2020	Level 1 £'Million	Level 2 £'Million	Level 3 £'Million	Total balance £'Million
Financial assets				
Fixed income securities	7.6	–	–	7.6
Investment in Collective Investment Schemes1	810.5	–	–	810.5
Renewal income assets	–	–	89.7	89.7
Total financial assets	818.1	–	89.7	907.8

31 December 2020	Level 1 £'Million	Level 2 £'Million	Level 3 £'Million	Total balance £'Million
Financial assets				
Fixed income securities	7.4	–	–	7.4
Investment in Collective Investment Schemes1	1,264.8	–	–	1,264.8
Renewal income assets	–	–	87.4	87.4
Total financial assets	1,272.2	–	87.4	1,359.6

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 £9.2 million (30 June 2020: £8.4 million, 31 December 2020: £7.5 million) and a favourable change in valuation of £10.9 million (30 June 2020: £9.3 million, 31 December 2020: £9.1 million), respectively.

The contingent consideration liability is classified as Level 3 and is valued based on the terms set out in the sale and purchase agreement. Given the nature of the valuation basis the effect of applying reasonably possible alternative assumptions would result in an unfavourable change of £nil and a favourable change of £4.1 million.

There were no transfers between Level 1 and Level 2 during the period, nor into or out of Level 3.

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

Financial assets

	30 June 2021	30 June 2020	31 December 2020
	£'Million	£'Million	£'Million
Renewal income assets			
Opening balance	**87.4**	85.7	85.7
Additions during the period	**31.2**	13.5	16.5
Disposals during the period	**(9.4)**	–	–
Unrealised losses recognised in the Statement of Comprehensive Income	**(3.3)**	(9.5)	(14.8)
Closing balance	**105.9**	89.7	87.4

Unrealised losses on renewal income assets are recognised within investment return in the Condensed Consolidated Statement of Comprehensive Income.

Financial liabilities

	30 June 2021	30 June 2020	31 December 2020
	£'Million	£'Million	£'Million
Contingent consideration			
Opening balance	**–**	–	–
Additions during the period	**4.1**	–	–
Closing balance	**4.1**	–	–

13. Fair value measurement continued

Unit liabilities and associated assets

30 June 2021	Level 1 £'Million	Level 2 £'Million	Level 3 £'Million	Total balance £'Million
Financial assets and investment properties				
Investment property	–	–	1,495.5	1,495.5
Equities	97,285.5	–	576.8	97,862.3
Fixed income securities	7,780.6	21,529.5	350.4	29,660.5
Investment in Collective Investment Schemes	3,860.2	–	1.6	3,861.8
Derivative financial instruments	–	838.0	–	838.0
Cash and cash equivalents	6,791.8	–	–	6,791.8
Total financial assets and investment properties	115,718.1	22,367.5	2,424.3	140,509.9
Financial liabilities				
Investment contract benefits	–	102,930.3	–	102,930.3
Derivative financial instruments	–	1,014.6	–	1,014.6
Net asset value attributable to unit holders	35,671.6	–	–	35,671.6
Total financial liabilities	35,671.6	103,944.9	–	139,616.5

30 June 2020	Level 1 £'Million	Level 2 £'Million	Level 3 £'Million	Total balance £'Million
Financial assets and investment properties				
Investment property	–	–	1,626.1	1,626.1
Equities	70,517.0	–	241.6	70,758.6
Fixed income securities	6,619.5	19,608.1	137.7	26,365.3
Investment in Collective Investment Schemes	5,079.4	–	1.5	5,080.9
Derivative financial instruments	–	1,228.2	–	1,228.2
Cash and cash equivalents	7,198.3	–	–	7,198.3
Total financial assets and investment properties	89,414.2	20,836.3	2,006.9	112,257.4
Financial liabilities				
Investment contract benefits	–	82,735.1	–	82,735.1
Derivative financial instruments	–	1,422.0	–	1,422.0
Net asset value attributable to unit holders	27,905.9	–	–	27,905.9
Total financial liabilities	27,905.9	84,157.1	–	112,063.0

31 December 2020	Level 1 £'Million	Level 2 £'Million	Level 3 £'Million	Total balance £'Million
Financial assets and investment properties				
Investment property	–	–	1,526.7	1,526.7
Equities	82,893.4	–	465.8	83,359.2
Fixed income securities	7,348.7	20,035.9	309.4	27,694.0
Investment in Collective Investment Schemes	4,623.6	–	1.8	4,625.4
Derivative financial instruments	–	1,386.8	–	1,386.8
Cash and cash equivalents	6,405.2	–	–	6,405.2
Total financial assets and investment properties	101,270.9	21,422.7	2,303.7	124,997.3
Financial liabilities				
Investment contract benefits	–	93,132.7	–	93,132.7
Derivative financial instruments	–	749.9	–	749.9
Net asset value attributable to unit holders	30,919.1	–	–	30,919.1
Total financial liabilities	30,919.1	93,882.6	–	124,801.7

In respect of the derivative financial liabilities, £296.0 million of collateral has been posted at 30 June 2021, comprising cash and treasury bills (30 June 2020: £253.9 million, 31 December 2020: £123.6 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 Collective Investment Schemes (CIS) and investment properties as detailed below.

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

- The use of observable prices for identical current arm's length transactions, 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 period.

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 2021	Investment property £'Million	Fixed income securities £'Million	Equities £'Million	Investment in CIS £'Million
Opening balance	1,526.7	309.4	465.8	1.8
Transfer into Level 3	–	–	–	0.1
Transfer out of Level 3	–	–	(46.7)	–
Additions during the period	11.1	79.9	123.6	–
Disposals during the period	(78.6)	(34.9)	(8.2)	(0.2)
Gains/(losses) recognised in the Statement of Comprehensive Income	36.3	(4.0)	42.3	(0.1)
Closing balance	1,495.5	350.4	576.8	1.6
Realised gains	11.1	0.8	0.2	–
Unrealised gains/(losses)	25.2	(4.8)	42.1	(0.1)
Gains/(losses) recognised in the Statement of Comprehensive Income	36.3	(4.0)	42.3	(0.1)

Six months ended 30 June 2020	Investment property £'Million	Fixed income securities £'Million	Equities £'Million	Investment in CIS £'Million
Opening balance	1,750.9	81.7	169.4	1.5
Transfer into Level 3	–	–	–	0.1
Additions during the period	12.8	55.5	52.8	–
Disposals during the period	(12.5)	(3.7)	–	(0.1)
(Losses)/gains recognised in the Statement of Comprehensive Income	(125.1)	4.2	19.4	–
Closing balance	1,626.1	137.7	241.6	1.5
Realised gains	0.6	–	–	–
Unrealised (losses)/gains	(125.7)	4.2	19.4	–
(Losses)/gains recognised in the Statement of Comprehensive Income	(125.1)	4.2	19.4	–

Year ended 31 December 2020	Investment property £'Million	Fixed income securities £'Million	Equities £'Million	Investment in CIS £'Million
Opening balance	1,750.9	81.7	169.4	1.5
Transfer into Level 3	–	–	–	0.4
Additions during the year	27.5	225.9	363.4	–
Disposals during the year	(142.0)	(5.2)	(123.8)	(0.1)
(Losses)/gains recognised in the Statement of Comprehensive Income	(109.7)	7.0	56.8	–
Closing balance	1,526.7	309.4	465.8	1.8
Unrealised gains	42.8	7.6	41.7	–
Realised (losses)/gains	(152.5)	(0.6)	15.1	–
(Losses)/gains recognised in the Statement of Comprehensive Income	(109.7)	7.0	56.8	–

Unrealised gains and realised (losses)/gains for all Level 3 assets are recognised within investment return in the Condensed Consolidated Statement of Comprehensive Income.

Level 3 valuations

Investment property

At 30 June 2021 the Group held £1,495.5 million (30 June 2020: £1,626.1 million, 31 December 2020: £1,526.7 million) of investment property, all of which is classified as Level 3 in the fair value hierarchy. It is initially measured at cost including related acquisition costs and subsequently valued monthly by professional external valuers at the properties' 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 potential to remain as an attractive technical configuration to existing and prospective tenants in a changing market and a judgement on the attractiveness of a building, its location and the surrounding environment.

	Investment property classification			
	Office	Industrial	Retail and leisure	All
30 June 2021				
Gross ERV (per sq ft)[1]				
Range	**£15.00 – £96.04**	**£4.50 – £17.50**	**£2.50 – £99.98**	**£2.50 – £99.98**
Weighted average	**£42.73**	**£9.67**	**£13.03**	**£15.59**
True equivalent yield				
Range	**4.2% – 10.3%**	**3.7% – 5.5%**	**5.0% – 15.9%**	**3.7% – 15.9%**
Weighted average	**5.4%**	**4.3%**	**7.5%**	**5.6%**
30 June 2020				
Gross ERV (per sq ft)[1]				
Range	£14.75 – £97.55	£4.13 – £17.50	£2.50 – £99.98	£2.50 – £99.98
Weighted average	£36.10	£8.73	£14.59	£15.24
True equivalent yield				
Range	4.2% – 8.7%	4.3% – 6.0%	4.7% – 14.1%	4.2% – 14.1%
Weighted average	5.5%	4.7%	7.2%	5.7%
31 December 2020				
Gross ERV (per sq ft)[1]				
Range	£15.00 – £96.04	£4.13 – £17.50	£2.50 – £105.01	£2.50 – £105.01
Weighted average	£42.19	£9.16	£13.56	£15.20
True equivalent yield				
Range	4.2% – 9.4%	3.8% – 5.7%	4.0% – 15.1%	3.8% – 15.1%
Weighted average	5.4%	4.5%	7.1%	5.6%

1. Equivalent rental value (per square foot).

Fixed income securities and equities

At 30 June 2021 the Group held £350.4 million (30 June 2020: £137.7 million, 31 December 2020: £309.3 million) in private credit investments, and £576.8 million (30 June 2020: £241.6 million, 31 December 2020: £465.8 million) in private market investments through the St. James's Place Diversified Assets (FAIF) Unit Trust.

The private credit and private market investments are recognised within fixed income securities and equities, respectively, in the Condensed Consolidated Statement of Financial Position. They are initially measured at cost and are subsequently remeasured to fair value following a monthly valuation process which includes verification by suitably qualified professional external valuers, who are members of various industry bodies including the British Private Equity and Venture Capital Association (BVCA).

The fair values of the private credit investments are principally determined using two valuation methods:

1. the shadow rating method, which assigns a shadow credit rating to the debt issuing entity and determines an expected yield with reference to observable yields for comparable companies with public credit rating in the loan market; and
2. the weighted average cost of capital (WACC) method, which determines the debt issuing entity's WACC with reference to observable market comparatives.

13. Fair value measurement continued

The expected yield and WACC are used as the discount rates to calculate the present value of the expected future cash flows under the shadow rating and WACC methods respectively, which is taken to be the fair value.

The fair values of the private equity investments are principally determined using two valuation methods:

1. a market approach with reference to suitable market comparatives; and
2. an income approach using discounted cash flow analysis which assesses the fair value of each asset based on its expected future cash flows.

The output of each method for both the private credit and private equity investments is a range of values, from which the mid-point is selected to be the fair value in the majority of cases. The mid-point would not be selected if further information is known about an investment which cannot be factored into the valuation method used. A weighting is assigned to the values determined following each method to determine the final valuation.

The valuations are inherently subjective as they require a number of assumptions to be made, such as determining which entities provide suitable market comparatives and their relevant performance metrics (for example earnings before interest, tax, depreciation and amortisation), determining appropriate discount rates and cash flow forecasts to use in models, the weighting to apply to each valuation methodologies and the point in the range of valuations to select as the fair value.

Sensitivity of Level 3 valuations

Investment in Collective Investment Schemes

The valuation of certain 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

As set out above, 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 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.

		Effect of reasonable possible alternative assumptions		
		Carrying value	Favourable changes	Unfavourable changes
	Investment property significant unobservable inputs	£'Million	£'Million	£'Million
30 June 2021	**Expected rental value / Relative yield**	**1,495.5**	**1,644.8**	**1,363.3**
30 June 2020	Expected rental value / Relative yield	1,626.1	1,778.4	1,491.5
31 December 2020	Expected rental value / Relative yield	1,526.7	1,839.5	1,277.4

Fixed income securities and equities

As set out above, the fair values of the Level 3 fixed income securities and equities are selected from the valuation range determined through the monthly valuation process. The following table sets out the effect of valuing each of the assets at the high and low point of the range. As for investment property, any change in the value of these fixed income securities or equities is matched by an associated movement in the policyholder liability, and therefore would not impact on the shareholder net assets.

		Effect of reasonable possible alternative assumptions		
		Carrying value	Favourable changes	Unfavourable changes
		£'Million	£'Million	£'Million
30 June 2021	**Fixed income securities**	**350.4**	**358.9**	**342.4**
	Equities	**576.8**	**691.3**	**488.2**
30 June 2020	Fixed income securities	137.7	139.3	136.1
	Equities	241.6	278.0	216.0
31 December 2020	Fixed income securities	309.3	314.9	304.8
	Equities	465.8	559.2	408.4

14. Share capital, earnings per share and dividends

Share capital

	Number of ordinary shares	Called up share capital £'Million
At 1 January 2020	534,800,626	80.2
– Exercise of options	2,016,092	0.3
At 30 June 2020	536,816,718	80.5
– Exercise of options	526,748	0.1
At 31 December 2020	**537,343,466**	**80.6**
– Issue of share capital	**850,985**	**0.1**
– Exercise of options	**1,385,243**	**0.2**
At 30 June 2021	**539,579,694**	**80.9**

Ordinary shares have a par value of 15 pence per share (30 June 2020: 15 pence per share, 31 December 2020: 15 pence per share) and are fully paid.

Included in the issued share capital are 1,819,047 (30 June 2020: 3,352,963, 31 December 2020: 2,913,822) shares held in the shares in trust reserve with a nominal value of £0.3 million (30 June 2020: £0.5 million, 31 December 2020: £0.4 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 373,691 shares at 30 June 2021 (30 June 2020: 941,722 shares, 31 December 2020: 663,769 shares). No dividends have been waived on shares held in the St. James's Place 2010 SIP Trust in 2021 or 2020.

Earnings per share

	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
	£'Million	£'Million	£'Million
Earnings			
Profit after tax attributable to equity shareholders *(for both basic and diluted EPS)*	**120.9**	178.1	262.0
	Million	Million	Million
Weighted average number of shares			
Weighted average number of ordinary shares in issue *(for basic EPS)*	**536.7**	533.8	533.5
Adjustments for outstanding share options	**7.6**	5.1	5.8
Weighted average number of ordinary shares *(for diluted EPS)*	**544.3**	538.9	539.3
	Pence	Pence	Pence
Earnings per share (EPS)			
Basic earnings per share	**22.5**	33.4	49.1
Diluted earnings per share	**22.2**	33.0	48.6

Notes to the Financial Statements continued

14. Share capital, earnings per share and dividends continued

Dividends

The following dividends have been paid by the Group:

	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
	£'Million	£'Million	£'Million
Second interim dividend in respect of 2019 – 20.00 pence per ordinary share	**–**	107.1	107.1
Withheld 2019 dividend – 11.22 pence per ordinary share	**60.3**	–	–
Final dividend in respect of 2020 – 31.22 pence per ordinary share	**207.2**	–	–
Total dividends paid	**267.5**	107.1	107.1

The Directors have resolved to pay an interim dividend of 11.55 pence per share (30 June 2020: nil). This amounts to £62.3 million (30 June 2020: £nil) and will be paid on 24 September 2021 to shareholders on the register at 27 August 2021.

15. Business combinations

During the year the Group acquired the following subsidiary in line with the Group's strategic objective of growing and supporting the Partnership:

Business acquired	**Principal activity**	**% Shareholding**	**Date of acquisition**
Jamie Lewington & Co Limited	Provision of financial services	100%	4 January 2021

Acquisition-related costs of £0.1 million have been charged to administration expenses in the Consolidated Statement of Comprehensive Income for the period ended 30 June 2021.

Jamie Lewington & Co Limited

The acquisition contributed £nil million to fee and commission income and a £1.6 million profit before income tax for the period between the acquisition date and 30 June 2021. Had the acquisitions been consolidated from 1 January 2021, there would be no change to the contribution.

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

	Book value	**Fair value adjustment**	**Total**
	£'Million	**£'Million**	**£'Million**
Financial assets	1.1	21.1	22.2
Cash and cash equivalents	3.2	–	3.2
Financial liabilities	(2.3)	(4.0)	(6.3)
Total	**2.0**	**17.1**	**19.1**
Consideration			
Cash consideration on completion			8.4
Shares issued on completion*			8.3
Deferred contingent consideration			4.1
Total consideration			**20.8**
Goodwill			**1.7**

* Shares issued refer to St. James's Place plc ordinary shares.

Goodwill comprises the future value generated from new business opportunities.

It is expected that the deferred contingent consideration will be paid in full with no changes to the amount initially recognised. Of the remaining balance to be settled the Group expects that £4.1 million will be settled by 18 July 2022.

16. Related party transactions

For the Half-Year to 30 June 2021 the nature of the related party transactions is similar to those for the year ended 31 December 2020.

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 were losses recognised of £11.0 million (30 June 2020: losses of £30.8 million and 31 December 2020: losses of £18.2 million) and the total value of transactions with those non-consolidated unit trusts was £14.1 million (30 June 2020: £16.7 million and 31 December 2020: £35.1 million). Net management fees receivable from these unit trusts amounted to £1.8 million (30 June 2020: £4.2 million and 31 December 2020: £8.0 million). The value of the investment into the non-consolidated unit trusts at 30 June 2021 was £nil (30 June 2020: £98.3 million and 31 December 2020: £101.1 million).

17. Statutory accounts

The financial information shown in this publication is unaudited and does not constitute statutory accounts. The comparative figures for the financial year ended 31 December 2020 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.

18. Approval of half-year report

These Condensed Consolidated Half-Year Financial Statements were approved by the Board of Directors on 27 July 2021.

19. 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: https://data.fca.org.uk/#/nsm/nationalstoragemechanism.

Independent Review Report to St. James's Place plc

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed St. James's Place plc's condensed consolidated interim financial statements (the "interim financial statements") in the Half-Year Report & Accounts of St. James's Place plc for the 6 month period ended 30 June 2021 (the "period").

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 UK adopted International Accounting Standard 34, 'Interim Financial Reporting' 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 2021;
- 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 & Accounts of St. James's Place plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Half-Year Report & Accounts, 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 & Accounts 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 & Accounts 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 & Accounts and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PRICEWATERHOUSECOOPERS LLP
Chartered Accountants
London

27 July 2021

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 UK 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 2020. 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

27 July 2021

CRAIG GENTLE
Chief Financial Officer

27 July 2021

Supplementary Information: Consolidated Financial Statements on a Cash Result Basis (unaudited)

Consolidated Statement of Comprehensive Income on a Cash Result Basis (unaudited)

	Note	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
		£'Million	£'Million	£'Million
Fee and commission income		**1,446.1**	657.6	2,011.3
Investment return	5	**11.5**	(1.6)	13.5
Net income		**1,457.6**	656.0	2,024.8
Expenses		**(915.8)**	(798.0)	(1,601.3)
Profit/(loss) before tax		**541.8**	(142.0)	423.5
Tax attributable to policyholders' returns		**(336.1)**	293.8	(98.8)
Tax attributable to shareholders' returns		**(29.9)**	(27.1)	(70.0)
Total cash result profit for the period		**175.8**	124.7	254.7

		Pence	Pence	Pence
Cash result basic earnings per share	III	**32.8**	23.4	47.7
Cash result diluted earnings per share	III	**32.3**	23.1	47.2

The Note references above cross refer to the Notes to the Condensed Consolidated Financial Statements under IFRS as adopted by the UK on pages 42 to 65, except where denoted in Roman numerals.

Consolidated Statement of Changes in Equity on a Cash Result Basis (unaudited)

		Equity attributable owners of the Parent							
		Share Capital	Share premium	Shares in trust reserve	Misc reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Note	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
At 1 January 2020		80.2	182.4	(16.4)	2.5	809.0	1,057.7	(0.9)	1,056.8
Cash result for the period						124.7	124.7		124.7
Dividends	14					(107.1)	(107.1)		(107.1)
Exercise of options		0.3	0.8				1.1		1.1
Consideration paid for own shares				(3.8)			(3.8)		(3.8)
Shares sold during the period				4.1		(4.1)	-		-
Change in deferred tax						(23.5)	(23.5)		(23.5)
Impact of policyholder tax asymmetry						98.3	98.3		98.3
Change in goodwill, intangibles and other non-cash movements						(11.4)	(11.4)		(11.4)
At 30 June 2020		80.5	183.2	(16.1)	2.5	885.9	1,136.0	(0.9)	1,135.1
At 1 January 2021		**80.6**	**185.3**	**(14.8)**	**2.5**	**965.9**	**1,219.5**	**(0.9)**	**1,218.6**
Cash result for the period						**175.8**	**175.8**		**175.8**
Dividends	14					**(267.5)**	**(267.5)**		**(267.5)**
Issue of share capital		**0.1**	**10.2**				**10.3**		**10.3**
Exercise of options		**0.2**	**11.1**				**11.3**		**11.3**
Consideration paid for own shares							**–**		**–**
Shares sold during the period				**6.4**		**(6.4)**	**–**		**–**
Change in deferred tax						**2.4**	**2.4**		**2.4**
Impact of policyholder tax asymmetry						**(29.2)**	**(29.2)**		**(29.2)**
Change in goodwill, intangibles and other non-cash movements						**(8.4)**	**(8.4)**		**(8.4)**
At 30 June 2021		**80.9**	**206.6**	**(8.4)**	**2.5**	**832.6**	**1,114.2**	**(0.9)**	**1,113.3**

Consolidated Statement of Financial Position on a Cash Result Basis (unaudited)

	Note	30 June 2021 £'Million	30 June 2020 £'Million	31 December 2020 £'Million
Assets				
Property and equipment		**162.6**	172.9	174.4
Deferred tax assets		**–**	74.7	0.7
Other receivables		**1,692.6**	1,563.0	1,546.2
Fixed income securities	13	**7.8**	7.6	7.4
Investment in Collective Investment Schemes	13	**1,295.3**	810.5	1,264.8
Cash and cash equivalents		**298.1**	289.9	254.9
Total assets		**3,456.4**	2,918.6	3,248.4
Liabilities				
Borrowings	12	**478.2**	435.8	341.8
Deferred tax liabilities		**506.7**	191.3	378.0
Other provisions	11	**37.6**	38.6	34.3
Other payables		**1,236.9**	1,097.9	1,242.9
Income tax liabilities		**83.6**	19.8	32.7
Preference shares		**0.1**	0.1	0.1
Total liabilities		**2,343.1**	1,783.5	2,029.8
Net assets		**1,113.3**	1,135.1	1,218.6
Shareholders' equity				
Share capital	14	**80.9**	80.5	80.6
Share premium		**206.6**	183.2	185.3
Shares in trust reserve		**(8.4)**	(16.1)	(14.8)
Miscellaneous reserves		**2.5**	2.5	2.5
Retained earnings		**832.6**	885.9	965.9
Shareholders' equity		**1,114.2**	1,136.0	1,219.5
Non-controlling interests		**(0.9)**	(0.9)	(0.9)
Total shareholders' equity on a cash result basis		**1,113.3**	1,135.1	1,218.6
		Pence	Pence	Pence
Net assets per share		**206.3**	211.5	226.8

The Note references above cross refer to the Notes to the Condensed Consolidated Financial Statements under IFRS as adopted by the UK on pages 42 to 65, 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 adopted by the UK 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.

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 40), 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 reconciliation between the IFRS and Solvency II Net Assets Balance Sheet as at 30 June 2021 is set out on page 25. The reconciliations as at 30 June 2020 and 31 December 2020 are provided on the following pages.

30 June 2020	IFRS Balance Sheet £'Million	Adjustment 1 £'Million	Adjustment 2 £'Million	Solvency II Net Assets Balance Sheet £'Million
Assets				
Goodwill	15.6	–	(15.6)	–
Deferred acquisition costs	458.6	–	(458.6)	–
Purchased value of in-force business	19.2	–	(19.2)	–
Computer software	15.2	–	(15.2)	–
Property and equipment	172.9	–	–	172.9
Deferred tax assets	109.2	–	(34.5)	74.7
Reinsurance assets	95.8	–	(95.8)	–
Other receivables	2,816.7	(1,250.5)	(3.2)	1,563.0
Investment property	1,626.1	(1,626.1)	–	–
Equities	70,758.6	(70,758.6)	–	–
Fixed income securities	26,372.9	(26,365.3)	–	7.6
Investment in Collective Investment Schemes	5,891.4	(5,080.9)	–	810.5
Derivative financial instruments	1,228.2	(1,228.2)	–	–
Cash and cash equivalents	7,488.2	(7,198.3)	–	289.9
Total assets	117,068.6	(113,507.9)	(642.1)	2,918.6
Liabilities				
Borrowings	435.8	–	–	435.8
Deferred tax liabilities	195.7	–	(4.4)	191.3
Insurance contract liabilities	538.8	(438.1)	(100.7)	–
Deferred income	596.8	–	(596.8)	–
Other provisions	38.6	–	–	38.6
Other payables	2,160.8	(1,006.8)	(56.1)	1,097.9
Investment contract benefits	82,735.1	(82,735.1)	–	–
Derivative financial instruments	1,422.0	(1,422.0)	–	–
Net asset value attributable to unit holders	27,905.9	(27,905.9)	–	–
Income tax liabilities	19.8	–	–	19.8
Preference shares	0.1	–	–	0.1
Total liabilities	116,049.4	(113,507.9)	(758.0)	1,783.5
Net assets	1,019.2	–	115.9	1,135.1

Notes to the Consolidated Financial Statements on a Cash Result Basis (unaudited) continued

31 December 2020	IFRS Balance Sheet £'Million	Adjustment 1 £'Million	Adjustment 2 £'Million	Solvency II Net Assets Balance Sheet £'Million
Assets				
Goodwill	31.0	–	(31.0)	–
Deferred acquisition costs	424.5	–	(424.5)	–
Purchased value of in-force business	17.6	–	(17.6)	–
Computer software	23.5	–	(23.5)	–
Property and equipment	174.4	–	–	174.4
Deferred tax assets	14.4	–	(13.7)	0.7
Reinsurance assets	92.3	–	(92.3)	–
Other receivables	2,579.2	(1,030.2)	(2.8)	1,546.2
Investment property	1,526.7	(1,526.7)	–	–
Equities	83,359.2	(83,359.2)	–	–
Fixed income securities	27,701.4	(27,694.0)	–	7.4
Investment in Collective Investment Schemes	5,890.2	(4,625.4)	–	1,264.8
Derivative financial instruments	1,386.8	(1,386.8)	–	–
Cash and cash equivalents	6,660.1	(6,405.2)	–	254.9
Total assets	129,881.3	(126,027.5)	(605.4)	3,248.4
Liabilities				
Borrowings	341.8	–	–	341.8
Deferred tax liabilities	378.1	–	(0.1)	378.0
Insurance contract liabilities	562.6	(466.1)	(96.5)	–
Deferred income	579.9	–	(579.9)	–
Other provisions	34.3	–	–	34.3
Other payables	2,038.0	(759.7)	(35.4)	1,242.9
Investment contract benefits	93,132.7	(93,132.7)	–	–
Derivative financial instruments	749.9	(749.9)	–	–
Net asset value attributable to unit holders	30,919.1	(30,919.1)	–	–
Income tax liabilities	32.7	–	–	32.7
Preference shares	0.1	–	–	0.1
Total liabilities	128,769.2	(126,027.5)	(711.9)	2,029.8
Net assets	1,112.1	–	106.5	1,218.6

Adjustment 1 nets out the policyholder interest in unit-linked assets and liabilities.

Adjustment 2 comprises adjustment to the IFRS Condensed Consolidated 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 2021	Six months ended 30 June 2020	Year ended 31 December 2020
	£'Million	£'Million	£'Million
Earnings			
Cash result after tax attributable to equity shareholders *(for both basic and diluted EPS)*	**175.8**	124.7	254.7
	Million	Million	Million
Weighted average number of shares			
Weighted average number of ordinary shares in issue *(for basic EPS)*	**536.7**	533.8	533.5
Adjustments for outstanding share options	**7.6**	5.1	5.8
Weighted average number of ordinary shares *(for diluted EPS)*	**544.3**	538.9	539.3
	Pence	**Pence**	**Pence**
Earnings per share (EPS)			
Basic earnings per share	**32.8**	23.4	47.7
Diluted earnings per share	**32.3**	23.1	47.2

The Directors have resolved to pay an interim dividend of 11.55 pence per share (30 June 2020: nil). This amounts to £62.3 million (30 June 2020: £nil) and will be paid on 24 September 2021 to shareholders on the register at 27 August 2021.

Other Information

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 as adopted by the UK (adopted IFRSs). 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:

Financial position related APMs

APM	Definition	Why is this measure used?	Reconciliation to the Financial Statements
Solvency II net assets	Based on IFRS Net Assets, but with the following adjustments: 1. Reflection of the recognition requirements of the Solvency II regulations for assets and liabilities. In particular this removes 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 client assets and the liabilities as these do not represent shareholder assets. 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.	Our ability to satisfy our liabilities to clients, and consequently our solvency, is central to our business. By removing the liabilities which are fully matched by assets, this presentation allows the reader to focus on the business operation. It also provides a simpler comparison with other wealth management companies.	Refer to pages 25.
Total embedded value	A discounted cashflow valuation methodology, assessing the long-term economic value of the business. Our embedded value is determined in line with the EEV principles, originally set out by the Chief Financial Officers (CFO) Forum in 2004, and amended for subsequent changes to the principles, including those published in April 2016, following the implementation of Solvency II.	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 supplement 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 net asset value (NAV) per share	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.
IFRS NAV per share	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.

Financial performance related APMs

APM	Definition	Why is this measure used?	Reconciliation to the Financial Statements
Operating cash result, Underlying cash result and Cash result	The Cash result is defined as the movement between the opening and closing Solvency II net assets adjusted for the following items: 1. The movement in deferred tax is removed to reflect just the cash realisation from the deferred tax position; 2. The movements in goodwill and other intangibles are included; and 3. Other changes in equity, such as dividends paid in the year and non-cash-settled share option costs, are excluded. The Operating cash result reflects the regular emergence of cash from the business operations. The Underlying cash results additionally reflects the cash impact of the strategic investments we are making. Finally, the Cash result reflects all other cash items, including those whose emergence is volatile, varying over time and often influenced by markets, together with the short-term costs associated with the back-office infrastructure project. Neither the Cash result nor the underlying cash result should be confused with the IFRS Condensed Consolidated Statement of Cash Flows which is prepared in accordance with IAS 7.	IFRS income statement methodology recognises non-cash items such as deferred tax and non-cash-settled share options. By contrast, dividends can only be paid to shareholders from appropriately fungible assets. The Board therefore uses the Cash results to monitor the level of cash generated by the business. While the Cash result gives an absolute measure of the cash generated in the year, the Underlying and Operating cash results are particularly useful for monitoring the expected long-term rate of cash emergence, which supports dividends and sustainable dividend growth.	Refer to pages 20, 21 and also see Note 3 – Segment Profit to the Condensed Consolidated Financial Statements
Underlying cash basic and diluted earnings per share (EPS)	These EPS measures are calculated as Underlying cash divided by the number of shares used in the calculation of IFRS basic and diluted EPS.	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.	Not applicable.
EEV profit	Derived as the movement in the total EEV during the year.	Both the IFRS and Cash results reflect only the cashflows in the year. However our business is long-term, and activity in the year can generate business with a long-term value. We therefore believe it is helpful to understand the full economic impact of activity in the year, which is the aim of the EEV methodology.	See Note 3 – Segment Profit to the Condensed Consolidated Financial Statements
EEV operating profit	A discounted cashflow valuation methodology, assessing the long-term economic value of the business. Our embedded value is determined in line with the EEV principles, originally set out by the Chief Financial Officers (CFO) Forum in 2004, and amended for subsequent changes to the principles, including those published in April 2016, following the implementation of Solvency II. The EEV operating profit reflects the total EEV result with an adjustment to strip out the impact of stock market and other economic effects during the year. Within EEV operating profit is new business contribution, which is the change in embedded value arising from writing new business 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. Within the EEV, many of the future cash flows derive from fund charges, which change with movements in stock markets. Since the impact of these changes is typically unrelated to the performance of the business, we believe that the EEV operating profit (reflecting the EEV profit, adjusted to reflect only the expected investment performance and no change in economic basis) provides the most useful measure of embedded value performance in the year.	See Note 3 – Segment Profit to the Condensed Consolidated Financial Statements
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.

Glossary of Alternative Performance Measures continued

Financial performance related APMs continued

APM	Definition	Why is this measure used?	Reconciliation to the Financial Statements
Policyholder and shareholder tax	Shareholder tax is estimated by making an assessment of the effective rate of tax that is applicable to the shareholders on the profits attributable to the 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 the tax on shareholders' profits.	The UK tax regime facilitates the collection of tax from life insurance policyholders by making an equivalent charge within the corporate tax of the Company. The total tax charge for the insurance companies therefore comprises both this element and an element more closely related to normal corporation tax. Life insurance business impacted by this tax typically includes policy charges which align with the tax liability, to mitigate the impact on the corporate. As a result, when policyholder tax increases, the charges also increase. Given these offsetting items can be large, and typically do not perform in line with the business, it is beneficial to be able to identify the two elements separately. We therefore refer to that part of the overall tax charge, which is deemed attributable to policyholders, as policyholder tax, and the rest as shareholder tax.	Disclosed as separate line items in the Condensed Consolidated Statement of Comprehensive Income on page 38.
Profit before shareholder tax	A profit measure which reflects the IFRS result adjusted for policyholder tax, but before deduction of shareholder tax. Within the Condensed 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 38.
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 19.
Controllable expenses	The total of expenses which reflects Establishment, Development (both Operational and Strategic), and Academy.	We are focused on managing long-term growth in controllable expenses to 5% p.a.	Full detail of the breakdown of expenses is provided on page 22.

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ST. JAMES'S PLACE PLC

St. James's Place House
1 Tetbury Road
Cirencester
Gloucestershire GL7 1FP
T: 01285 640302

www.sjp.co.uk