

REVISED CASH PRESENTATION FROM FULL-YEAR 2021

We will be re-shaping our financial disclosure from FY 2021 to aid shareholders. We plan to adapt our reporting in line with our guidance on expense growth, combining Operational and Strategic development costs and removing the Operating cash subtotal from our Cash result analysis. The tables below indicate how our Cash result presentation will change, using FY 2020 as an example.

Current presentation - FY '20		Indicative revised presentation – FY'20	
	£'m		£'m
Net annual management fee	822.8	Net annual management fee	822.8
Reduction in fees in gestation period	(366.9)	Reduction in fees in gestation period	(366.9)
Net income from funds under management	455.9	Net income from funds under management	455.9
Margin arising from new business	116.8	Margin arising from new business	116.8
Establishment expenses	(200.0)	Establishment expenses	(200.0)
Operational development costs	(30.7)	Development expenses (Operational and Strategic)	(42.1)
Regulatory fees and FSCS levy	(38.9)	Academy	(9.5)
Academy	(9.5)	Asia – net investment	(17.4)
Shareholder interest	8.7	DFM – net investment	(9.2)
Tax relief from capital losses	13.7	Regulatory fees and FSCS levy	(38.9)
Miscellaneous	(13.3)	Shareholder interest	8.7
Operating cash	302.7	Tax relief from capital losses	13.7
Asia	(17.4)	Miscellaneous	(13.3)
DFM	(9.2)	Underlying cash	264.7
Strategic development costs	(11.4)	Back-office infrastructure development costs	(10.0)
Underlying cash	264.7	Variance	-
Back-office infrastructure development costs	(10.0)	Cash result	254.7
Variance	-		
Cash result	254.7		

CORPORATION TAX (CT) RATE: A MODELLING GUIDE

The main rate of CT will increase from 19% to 25% on 1 April 2023. A blended rate of 23.5% will apply in FY 2023, increasing to 25% from FY 2024 onwards. The tables below highlight the key impacts to our current and future financial results:

Immediate impact

- IFRS: The relevant IFRS deferred tax balances have been remeasured, resulting in a net £0.2m positive deferred tax impact at H1 2021.
- EEV: We have recognised the capitalised impact on future cashflows within embedded value and this has resulted in a decrease of £408.5m to EEV profit after tax at H1 2021.
- EEV: The EEV in the current period has been adjusted to reflect increased CT rates that will be in force as the value created in 2021 emerges. This amounts to approximately £50 million of additional tax charge in the first half of 2021 and reflects a rate of tax of c.23% (2020: c.19%).

Future impact

- Cash result: For simple modelling purposes, we recommend adjusting all line by line forecasts within the cash result by grossing up for tax at current CT rates and then netting down by the new CT rates that will apply (23.5% in FY 2023; 25% thereafter).
- IFRS: CT rate attributable to shareholders' returns will be 23.5% in 2023 and 25% thereafter.
- EEV: For the purposes of calculating EEV profit after tax, the CT rate will converge from c.23% in 2021 towards 25% by 2023/24.