

PARENT ACCOUNTS IN  
RESPECT OF THE  
FOLLOWING SUBSIDIARY:  
St. James's Place Investment  
Trust Ltd  
(See Page 170/171)

Company No. 209445

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## ST. JAMES'S PLACE

ST. JAMES'S PLACE PLC  
ANNUAL REPORT & ACCOUNTS 2015



## ST. JAMES'S PLACE

### WEALTH MANAGEMENT

*St. James's Place plc is the FTSE 100 listed Parent Company of the St. James's Place Wealth Management Group. The Group provides high quality wealth management advice, investment management and related services to businesses and individuals across the UK, through its representatives – The St. James's Place Partnership.*

*St. James's Place Wealth Management Group manages £58.6 billion of client funds.*

*At the heart of the sustained growth in our business is the importance we place on maintaining long lasting relationships with our Partners and clients and serving them well. Our approach was once again publicly endorsed during the last twelve months, when we won several industry awards that were voted for by clients, members of the public and fellow industry peers.*

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# SUMMARY OF THE YEAR

## NUMBER OF CLIENTS

525,800 ▲ 9%

2014: 484,000

## PARTNERSHIP NUMBERS

2,264 ▲ 6%

2014: 2,132

## FUNDS UNDER MANAGEMENT

£58.6bn ▲ 13%

2014: £52.0bn

## DIVIDEND

(PENCE PER SHARE)

27.96p ▲ 20%

2014: 23 30p per share

## GROSS INFLOW OF FUNDS UNDER MANAGEMENT

£9.24bn ▲ 17%

2014: £7.88bn

## PROFIT BEFORE SHAREHOLDER TAX

£151.3m ▼ 17%

2014: £182 9m

## NET INFLOW OF FUNDS UNDER MANAGEMENT

£5.78bn ▲ 14%

2014: £5.09bn

## EEV OPERATING PROFIT

£660.2m ▲ 11%

2014: £596.4m

## CLIENTS

*Growth in client numbers contributed to the increase in investment of new funds. The quality of the client outcome, as reflected in client retention and feedback, continued to be strong.*

## PARTNERS

*Our proposition continued to be attractive to advisers in the year and we saw improvements in quality, both in terms of business credentials and qualifications.*

## FUNDS

*In another successful year, new business from clients combined with positive growth in underlying investments, resulting in an increase in funds under management.*

## FINANCIAL

*Growth in clients and Partners combined with positive investment performance to underpin the financial results and continued growth of the business.*

## Visit us online

*Our website and iPad app contain a full investor relations section with news, reports, webcasts, financial calendar and share price information.*

[www.sjp.co.uk](http://www.sjp.co.uk)  
click on Shareholder Relations

# CHIEF EXECUTIVE'S REPORT

David Bellamy  
Chief Executive

*'Despite the continued uncertainty in world stock markets, St. James's Place has once again achieved strong growth across all of the key aspects of the business.'*

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

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

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

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

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

### Financial Performance

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

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

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

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

A more detailed commentary on the financial results is included in the CFO's Report on pages 18 and 19 and the Financial Review on pages 20 to 39.

### Dividend

At the half year we increased the interim dividend by 20% and said it was our intention to increase the final dividend at a similar rate. Consequently, and supported by the continued strong performance of the business, the Board has proposed a final dividend of 17.24 pence per share, up 20%, which brings the full year dividend to 27.96 pence per share, also up 20%.

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

### Clients

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

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

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

### Investment Management

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

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

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

# CHIEF EXECUTIVE'S REPORT

## CONTINUED

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

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

The second new fund is the Strategic Income fund which aims to generate a higher level of income than traditional fixed-interest and equity funds. This fund blends four independent investment strategies managed by MidOcean Credit Fund Management, Schroders, BlueBay Asset Management and TwentyFour Asset Management and predominantly invests in high-yielding fixed-interest assets whilst having some exposure to global equity markets

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

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

### The St. James's Place Partnership

Increasing the number of Partners and providing them with the tools and support to deliver high quality outcomes for clients is one of the key drivers to achieving our long term growth objectives

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

The sustained growth in our Partner and adviser community bears testimony to the reputation that we have built for both the quality of our client proposition and the level of support and development our Partners and advisers receive

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

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

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

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

### 'Back-office' Administration

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

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

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

### The St. James's Place Foundation and Community Engagement

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

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

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

Further details of our CSR activities are set out on pages 48 to 54 and an update on the Foundation is provided on pages 56 to 59.

### Partners and Employees

The strength and continued growth of the business is due in no small part to the hard work and dedication of our Partners, their staff and all of our employees and administration support teams.

On behalf of the Board and shareholders I thank everyone connected with St James's Place for their contribution to these results and for their continued enthusiasm, dedication and commitment.

### Outlook

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

*David Bellamy*  
Chief Executive  
22 March 2016

## MARKET OVERVIEW

### The UK Wealth Market

St James's Place's prime target market is UK individuals with between £50,000 and £5 million in investable assets. There were estimated to be 9.6 million such individuals at the end of 2015 and, over the next five years, the number is projected to grow by 4% per annum to 11.9 million. Their investable assets are projected to grow from £1.6 trillion to £1.9 trillion in this time.

### Advice-led Sector

In November 2015 the FCA reported 30,600 UK financial advisers in our core target recruitment groups of bank and financial advisers focussing on wealth management, the total having declined by 19% from over 38,000 at the end of 2011. With 3,113 advisers at the end of 2015, St James's Place now represents over 10% of the UK's financial adviser population.

Based on 2014 funds under management of £52 billion, we ranked first in the 2015 Private Asset and Wealth Managers (PAM) Directory by Assets under Management, having grown by £7.7 billion in the previous 12 months (+17%). This growth rate was the largest in volume and the second largest in percentage of any in the top 10 and represented 41% of the total growth of the top 40 wealth managers in that year. We were also identified as the largest ISA manager by the Investment Association in August 2015 with £10.9 billion ISA funds under management.

### Wealth Solutions

The pensions market is in a state of flux. The steady decline in the number of open Defined Benefit schemes in the UK means that relying on a company pension will soon be a thing of the past. Alongside this, due to the increase in life expectancy, the old age dependency ratio (number of elderly people expressed as a proportion of the working age population) is expected to increase from 34% to 50% by the middle of the century with successive governments taking steps to put back the State Pension Age in order to curb the pressure on state pensions. The expectation is that the timetable of change will be brought forward and the upper retirement age could be increased to 69.

The government is also trying to encourage individuals to provide for their own future, complementing the new Auto-Enrolment regime with changes to make pensions savings more appealing. The Spring budgets of both 2014 and 2015 introduced radical changes to increase flexibility in the use of Defined Contribution pension savings: removal of the obligation to take an annuity at age 75, access from age 55 by pension investors to their pension funds with the freedom to choose between taking an income, a lump sum or combinations of the two including the whole amount (subject to income tax), the 55% pension 'death tax' has been abolished. There are many other changes which both liberate the savers and complicate the decision making process. Whilst the government has offered access to free guidance provided by the Citizens Advice Bureau and the Pensions Advisory Service, the UK savings ratio is at its lowest for years, and the need for encouragement to save and for holistic financial advice has never been greater.

The March 2015 increase in annual allowance for ISAs to £15,240 p.a. and the introduction of the ability to switch both ways between cash and stocks & shares means ISAs are becoming a significant way to accumulate wealth in a tax efficient way.

Pensions represented 40% of our new business in 2015, with a further 34% from Unit Trusts and ISAs. All of these changes will have significance for our business over the next few years.

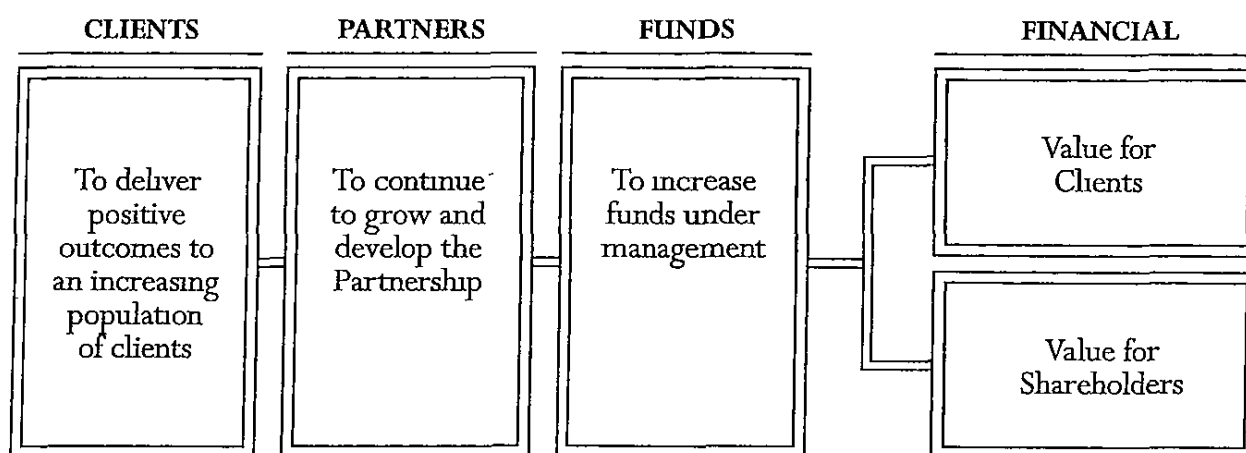
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**NUMBER OF UK INDIVIDUALS (000s)**  
with between £50k and £5m of liquid assets



# OUR BUSINESS MODEL

*St James's Place plc is a FTSE 100 Listed Company. The business is centred on the UK and seeks to attract clients from the mass affluent and high net worth markets*



SJP is a wealth management business, the Group's advisers, the St James's Place Partnership, provide clients with a financial planning service and face-to-face advice, and clients' wealth is managed through the Group's distinctive Investment Management Approach (IMA). Almost uniquely within the UK wealth management market, this vertically integrated model means that the Group is directly responsible for the whole offering, including advice, management of investments and any related services.

The Partnership is critical to the success of the business. Partners are able to attract clients and, through building trust, develop long term relationships, supporting clients with their financial needs over time. This relationship-based approach is greatly valued by the Group's clients, no more so than in periods of financial uncertainty. The Group's experience is that there is an increasing demand for trusted advice from experienced advisers, backed by a strong brand and an organisation which takes responsibility for all aspects of the service.

As a result, the Group is able to attract and retain retail funds under management from which it receives an annual management fee. This is the principal source of income for the Group, and it grows with additional new business and also as a result of growth in markets and the success of our approach to investment management.

Attracting new funds under management is core to the success of the Group, and growth in new business arises as a result of both increasing Partner numbers and also encouraging further development by existing Partners. By providing an attractive proposition, the Group is able to recruit new members to the Partnership, and the provision of high quality support enables Partners to grow both their own businesses and ours.

Group expenditure is carefully managed with clear objectives set and with a particular focus on managing fixed costs. Many activities are outsourced so we can benefit from industry specialists and expenses that vary with business levels. Such expenses include the costs of client administration and investment administration, the costs of which can then be met from margins in our products. Overall, a small proportion of expenditure is required to maintain existing funds, but the majority is invested in supporting and growing the Partnership and acquiring new funds.

Profits emerge from the business principally as a result of the annual management income from funds under management exceeding expenses.

# BUSINESS MODEL IN ACTION

## CLIENTS

Putting clients at the heart of everything we do is core to our culture and enables us to work together to run a genuinely client-focussed business. It is important for clients to have a clear understanding of the level of service they can expect from their Partner, so they can be confident that this will meet their needs.

The level of ongoing service is agreed between the Partner and the client and, most importantly, is tailored appropriately to the level of care and attention they require. Clear and robust systems and controls are in place to enable us to deliver the agreed level of service and support the delivery of positive client outcomes.

Delivering a positive client experience is integral to any successful and productive business. It requires an effective business plan, robust infrastructure and processes that work. The result is satisfied clients who understand the ongoing service that they receive and whose expectations are met, or exceeded.

We achieve this primarily through the activity of the St. James's Place Partnership (see page 9). Our Partners recognise that no one client's objectives or circumstances are the same as another's, and so tailor the advice and service to suit them. Clients often continue the working relationship with their Partner over many years, appreciating a source of trusted advice as their financial needs evolve over the years.

In order to ensure that our business continues to be client-focused, senior management monitors all areas of the business which can affect the client experience. Monitoring covers all stages of the client life-cycle, including the suitability of advice, administration, investment experience, client feedback and, rarely, client complaints.

Our annual Wealth Account survey, which we have now been running for five years, continues to be an invaluable opportunity to get feedback from clients, with over 47,000 responses to the 2015 questionnaire received in the end. Response to a survey has again been sought from clients in Q1 2016 and highlights include:

- 92% receive the right amount of face-to-face communication from their Partner, and 95% know that they can request a meeting at any time
- 79% rated the proposition as either good or excellent value for money, with a further 19% describing it as reasonable
- 95% of clients would recommend St. James's Place to others, with an increased proportion of around 60% already having done so (2014: 46%)
- 78% of those still saving for retirement feel either very or fairly confident that their current pension, savings and investment plans will be sufficient to cover their living expenses and desired lifestyle in retirement, compared with 94% of retired clients

Our survey confirmed that the majority of our clients are aware of the various changes in pension freedom rules in recent years but, as in previous years, most believe they will be unaffected and do not expect to change their retirement plans. However, another area of concern for many of them was the 'inter-generational' challenge, and in particular their desire to support younger members of their family.

Despite receiving much positive feedback from clients, we never become complacent and in 2016 we will continue to seek improvements to the service and all round experience for clients.

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### CLIENT GEOGRAPHIC DISTRIBUTION

As of 30 June 2015

Overseas Clients 2%

# BUSINESS MODEL IN ACTION

## PARTNERS

Members of the St James's Place Partnership play the leading role in delivering our wealth management service

Our Partners, so called because of the way they work in partnership with both their clients and their colleagues, are some of the most experienced and able professionals working in wealth management today. St James's Place has chosen to promote our services exclusively through the Partnership, reflecting the confidence we have in Partners' ability to build and maintain long-term working relationships with their clients, and so to be able to provide sound financial advice. The exclusive arrangement also provides clients with clarity of responsibility in relation to their financial dealings. St James's Place works hard to support these client-Partner relationships, placing them at the heart of all we do.

Establishing long-term relationships is key. Clients need to be able to place a high degree of reliance on financial advice and so being able to call upon the services of long-term advisers who understand their individual personal circumstances is important. But it is also important that clients are dealt with in the 'way they would choose' and not simply in a single prescribed way. Our Partners are located throughout the UK, enabling face-to-face advice to be delivered wherever they may be. Long term relationships clearly work for clients but are also good for business, with 90% of our new business estimated to come from existing clients and their referrals.

New Partners are provided with a document entitled 'What it means to be a member'. This sets out a philosophy and some principles. We believe the shared commitment to living up to these principles is what gives the Partnership its competitive edge and makes it a group of professionals that other advisers aspire to join. Our principles emphasise integrity, trust, openness, partnership and teamwork and are designed to guide individual and corporate actions, decisions and standards across our community.

Given the importance of our Partners, we are committed to providing ongoing professional development to ensure they remain appropriately qualified, technically able and equipped to deliver a first class service. We also encourage and provide support for Partners who choose to pursue further qualifications, with many Partners having plans to progress to Chartered Status. As a result of the professionalism of our Partners, we are happy to guarantee the suitability of the advice that they give when recommending any of the wealth management products and services provided by companies in the Group.

Growth in the Partnership is a crucial long-term objective. In addition to our existing successful recruitment proposition we continued to develop the St James's Place Academy. This provides an opportunity for suitable second-careerists to receive training and assistance to build a Partner business with us. We now have three regional centres in London, Manchester and Solihull, and are opening one in Edinburgh in February. During 2015 we enrolled over 100 new students and expect to increase this to around 120 in 2016. Also in 2015, we graduated 49 Academy Partners following the two year programme and expect this to rise in 2016 in line with our regional expansion. Around half of our new students are from non-financial backgrounds and the average age, at 38, is ten years younger than the average Partner.

In addition, our Next Generation Academy (initially aimed at bringing sons and daughters of existing Partners into their businesses) also supports growth and builds succession for our existing successful businesses. So far we have enrolled over 140 new students onto this programme – now widened to include non-family, with an average age of 27. To date, 61 of these students have progressed to become fully qualified and authorised members of the Partnership.

The Henley Group, a successful IFA business based in Hong Kong, Shanghai and Singapore, which we purchased in 2014, has now been rebranded St James's Place Wealth Management and has already grown to 83 advisers working across the three offices with nearly 5,000 clients and £460 million assets under advice. It extends our geographical scope and provides a new region for recruitment.

# BUSINESS MODEL IN ACTION

## FUNDS

*At the heart of the proposition to our clients is  
our Investment Management Approach*

Investment success is critical to future financial well-being, but it is a field which presents a unique problem: future performance is unpredictable. As a result, when clients choose investment managers, no matter how successful historically, they can never be sure that they have made the right choice, and even if they have, it may not continue to be the right choice over the years to come.

We believe that our Investment Management Approach (IMA) addresses these perennial challenges. We do not place clients' investments in the hands of an 'in-house' team of fund managers; indeed, we employ no fund managers of our own and so avoid that conflict. Instead, we choose fund managers from the many fund management firms that exist throughout the world.

The responsibility of selecting the range of funds and fund managers that are made available to the clients of St James's Place at any one time falls upon the Investment Committee. The Committee is made up of a small group of executives and four 'independent' investment experts, and is advised by respected independent investment research consultancies, including Stamford Associates, Redington and AON Consulting.

The Investment Committee meets regularly to monitor performance and considers detailed reports from our consultants and each fund manager. If a change in the marketplace calls for the addition of another manager, the Committee will select one.

Equally, if the Committee's monitoring activity leads to a loss of confidence in the ability of an existing manager to perform in the future, then it will replace them. With nearly £60 billion of client assets invested in St James's Place funds and products, the Committee is also mindful of its stewardship responsibilities, and actively monitors and promotes engagement by all of our fund managers.

Successful long term investment also depends on judicious diversification. The Investment Committee provides illustrations as to how to do this through the provision of Portfolios, which combine various managers' funds in proportions depending on the broad investment objective. Ultimately, however, the right solution for each client can only be achieved through the face-to-face advice process, which is the responsibility of their individual Partner.

Alongside our IMA, during 2015 we entered into an agreement to acquire Rowan Dartington, which specialises in Discretionary Fund Management (DFM) including direct equity, trust and charity portfolio management. Subsequent to the year-end we received regulatory approval for the acquisition which is now unconditional. The firm employs around 100 people across 10 regional offices with funds under management of over £1.1 billion. This will both broaden the range of investment options we can offer existing clients and enable us to participate more fully in the substantial DFM sector of the UK wealth market.

35  
funds

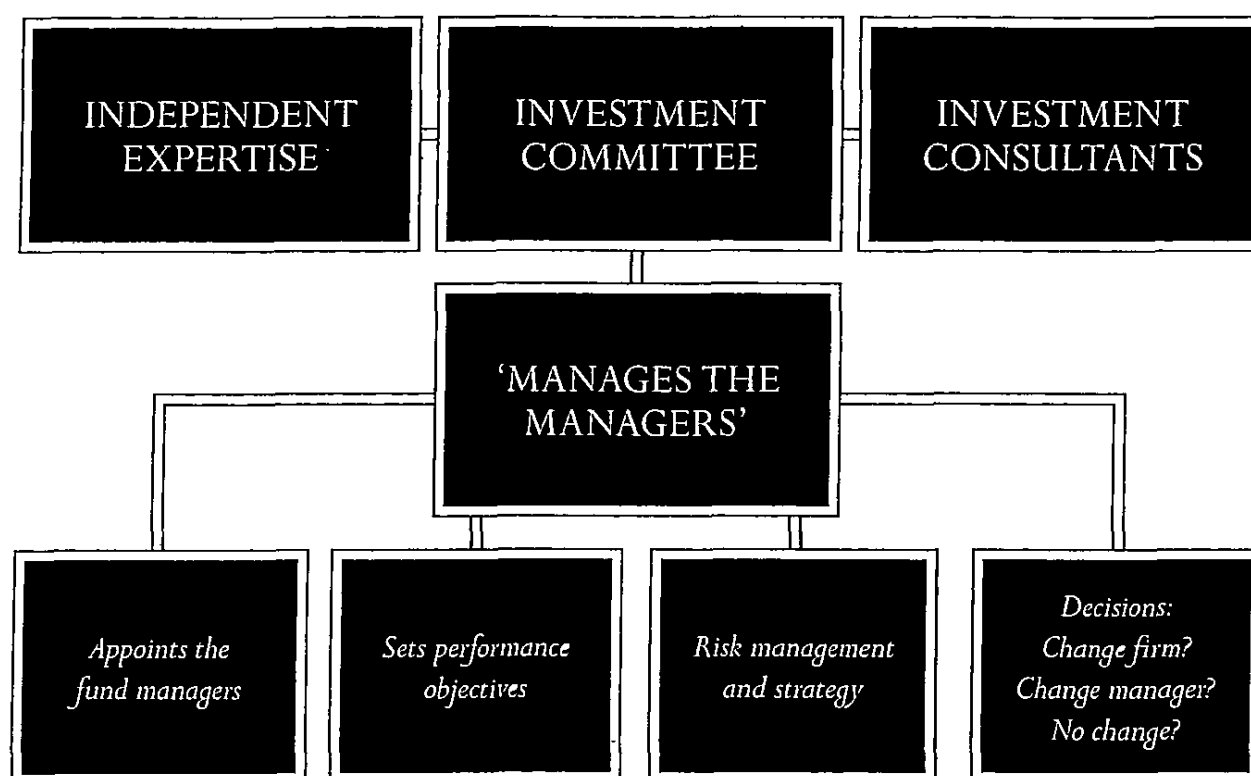
34  
fund houses

14  
exclusive to  
UK retail  
investors

65  
lead fund  
managers

8  
asset classes /  
strategies

14  
cities



# BUSINESS MODEL IN ACTION

## OUR PEOPLE

*'We are a relationship business where people are our most important asset.'*

This statement is a core cultural belief and a fundamental element of the success of St James's Place. Members of our community tend to share core values that are highly compatible with the values that are central to the business and established at the outset – expertise, integrity and discretion. They are passionate about our business and believe in hard work and dedication. Age, race, colour, creed, sexuality, disability and gender are irrelevant; merit and experience are of greatest importance. They treat each other with mutual respect, openness and fairness and are driven by a desire to 'do the right thing' by all our stakeholders.

This is our culture, which is central to our success. We are therefore proactive in building and reinforcing it. For this most important of business differentiators it is the Board that provides both 'tone at the top' and oversight. The Board is committed to being consistent and clear-sighted in its leadership and support of the culture, and in particular the principle that 'St James's Place will seek to do the right thing for its clients and for all its stakeholders'. In a world where the reputation of the financial services industry is constantly under pressure, we aspire to create an authentic alternative which clients and suppliers can trust, and which the communities we are part of can appreciate and respect. However, we recognise that we won't always get everything right, and so we also believe in acknowledging mistakes made, rectifying them and learning from them.

Our people are a sustainable competitive advantage, so we aim to attract the best and help them fulfil their potential. We secure their commitment by providing them with an interesting and challenging career within a first class working environment. We reward them competitively, as well as encouraging equity ownership, including in the Partnership. We are a Living Wage employer and have committed to meeting the living wage for all our employees and suppliers.

We recognise that as our business grows we will have to take care with our culture. Our employee numbers now exceed 1,300 in the UK (1,400 worldwide) and the number of Partners exceeds 2,000 (over 3,000 advisers) with over 4,000 support staff, and these numbers will continue to grow in future years.

To ensure continuity of our culture, we ensure that all employees and Partners joining the business are selected for their fit with our corporate values, as well as their competency, and that they are given a full induction as the first step in their career with our business. This includes receiving a booklet entitled 'Our Approach', which gives guidance on the culture and values of St James's Place, and the employee handbook includes a statement about our Code of Ethics. We believe it is important that our community knows and understands our objectives, including the ethos behind the St James's Place brand and how its integrity and values should be maintained. We also encourage shared commitment to the St James's Place Foundation.

Maintaining freshness of commitment to our culture is promoted through a variety of activities including an Annual Company Meeting, employee and Partner Surveys, regular Partner meetings, feedback opportunities for employees with Directors and a Leadership Conference for senior management. They all provide opportunities to renew our joint understanding and encourage commitment to our shared culture, as well as ensuring a common awareness of the financial and economic factors affecting the Company's performance.

Our regular employee survey, which we conduct every other year, provides important insights, crucially on employee engagement. The most recent survey was in 2014 and we received a strong survey response rate of 87% (compared to 86% in 2012). Our overall engagement score was 87%, which was significantly higher than the financial services benchmark of 72%. We plan to continue with the bi-annual process, which means our next survey will be in 2016. As a result of the strong engagement we also have low levels of staff turnover, being 10% in 2015 (2014 9%) for the UK business, and the proportion of UK employees that are temporary staff is just over 4% (2014 7%) (in 2016 we will reflect experience of our Asian business as well).

Information about the breakdown of employees by gender is shown below.

#### BOARD DIRECTORS

**2 Female**  
**7 Male**

No change

#### TOTAL EMPLOYEES

**665 Female**  
**697 Male**

% women consistent at 49%

#### MANAGERS & DECISION MAKERS

**71 Female**  
**303 Male**

% women increased from  
16% to 19%

# OUR BUSINESS STRATEGY EXPLAINED

*Our key business objective is growth in funds under management (FUM)  
through offering a high quality service to clients. Growth in FUM (and Net Inflows)  
requires growth in Gross Inflows and retention of FUM*

Our growth strategy for delivering increasing Gross Inflows involves

- Growing the size of the Partnership, and
- Improving Partner productivity

Our support strategy for delivering sustained retention of FUM involves

- Delivering high quality service to Partners and clients, and
- Driving consistent good investment performance

As a result of pursuing these strategies for over 20 years, we have built strong relationships with our Partners and clients, and we benefit from strong client and Partner loyalty and advocacy. This provides a strategic advantage over our competitors, and as a result we have experienced Gross Inflows growth of 15-20% p.a. over the longer term, with FUM doubling every five years. We are confident that, with this strategy, we can continue to deliver similar growth in FUM in the medium-term (up to five years).

## 1

### DELIVER POSITIVE OUTCOMES TO CLIENTS

#### What this means:

Through our face-to-face based advice service, we aim to help clients in a way which reflects their personal circumstances.

Our approach is based on development of long-term relationships, founded on trust. By continually seeking to enhance our processes and make improvements to the client experience we achieve client satisfaction, leading to strong retention and high levels of client advocacy. As a result, we are able to attract new clients through both referrals and introductions.

#### Our focus for 2016:

- Ensuring the underlying administration of our client offering meets all expectations
- Introduce a new retirement account proposition
- Integrate the Rowan Dartington DFM offering as part of our holistic client offering
- Extend our relationship with Metro Bank and the services they provide for our clients
- Develop our offering for supporting clients wanting to make 'inter-generational' financial arrangements

## 2

### GROW PARTNERSHIP AND DEVELOP EXISTING PARTNERS

#### What this means:

Through providing an attractive proposition we are able to recruit new members to the Partnership, and by providing high quality support we can help them to grow.

Our Partners play the leading role in delivering our wealth management service. Expanding their number is central to our growth aspirations. Our support for them includes ongoing professional development as well as support systems and infrastructure, to ensure they are equipped to deliver a first class service to their clients.

#### Our focus for 2016:

- Continue to attract high quality advisers to join the Partnership
- Support existing Partners in gaining further qualifications, including Chartered Status
- Expand our existing regional academies initiative to include Edinburgh and enhance our next generation (succession) academy
- Secure our presence in Asia
- Integrate Rowan Dartington into our Partner proposition



## 3

INCREASE FUNDS  
UNDER MANAGEMENT**What this means:**

Management of client funds is at the heart of our business. They are managed through our distinctive Investment Management Approach (IMA).

Overall FUM growth is driven by successful Partners supporting satisfied clients, underpinned by consistent delivery of the IMA.

Focus on delivering for clients has resulted in doubling of FUM over the past five years, as well as in the five years preceding that. Funds under management has historically increased organically through 15 to 20% growth (over the longer term) through gross inflows, market leading retention experience and superior investment returns.

**Our focus for 2016:**

- Continuing focus on the IMA proposition, and 'select, monitor, change'
- Broadening of the investment proposition
- Review our 'stewardship' focus
- Integration of the DFM option into our overall approach to investment management

## 4

ACHIEVE SUSTAINABLE  
GROWTH IN PROFITS**What this means:**

The principal source of income for the Group is annual management income from funds under management. As a result, it grows with new business and with growth in investments.

Profits, and ultimately dividends, reflect expense management as well.

Sustainable growth in profits involves effective management of expenditure, both ongoing and development, in order to achieve increasing FUM. Current year events will inevitably impact the result in any one year, but focus on building the underlying fundamentals will lead to growth in profits.

**Our focus for 2016:**

- Manage expense growth to around 10% p.a.
- Expenditure focused on safely delivering our strategy, including achieving 15-20% growth in gross inflows
- Investment in the business to support long-term growth
- Embedding the new Solvency II regulatory regime

# OUR OBJECTIVES AND RELATED KEY PERFORMANCE INDICATORS

## CLIENTS

TO DELIVER POSITIVE OUTCOMES TO AN INCREASING POPULATION OF CLIENTS

### Progress During 2015

2015 was another successful year as the business continued to grow. Client numbers grew by 9% contributing to the increase in investment of new funds. The quality of the client outcome, as reflected in client retention and feedback, continued to be as strong as ever.

#### CLIENT NUMBERS

Our business model is based on managing client wealth and so the number of clients is a key measure of the health of the business. As well as reflecting past performance, it also indicates future opportunity, as our experience suggests that over 90% of new business comes from existing clients or their referrals. In 2015, we were pleased that client numbers increased from 484,000 to 525,800.

#### CLIENT RETENTION

Our business is long-term and client retention feeds directly into the financial result. However, it is also an indication of minimum standards having been met. We are therefore delighted that retention was again above 95%, continuing the trend in recent years.

#### CLIENT ADVOCACY

Our reputation is vitally important to our business model and this is best expressed through the experience of our clients. Our annual Wealth Account survey typically receives over 40,000 responses and provides an excellent snap-shot of client experience. In recent years we have monitored the trend of responses to the question 'Would you recommend St James's Place to anyone else?'

## PARTNERS

TO CONTINUE TO GROW AND DEVELOP THE PARTNERSHIP

### Progress During 2015

Our proposition continued to be attractive to advisers in the year which, alongside development of the existing community, led to improvements in quality both in terms of business credentials and qualifications. The Partnership also welcomed graduates from the Academy initiative and new recruits in Asia.

#### NUMBER OF PARTNERS

Without our Partners, we would have no clients. We were therefore pleased to deliver growth ahead of our long-term aspirations, supported by Academy Partners and recruitment in Asia. Partner numbers grew from 2,132 in 2014 to 2,264 this year.

#### PARTNER RETENTION

Partner retention reflects Partners' continuing satisfaction with our proposition but also the maintenance of their quality against the standards we require. We are therefore pleased to note that retention has remained at the high level of 96% when compared with the prior year.

#### GROSS INFLOWS PER PARTNER

Productivity of Partners is a measure of their success as business people, but also feeds into success for the Company. We are pleased that in 2015 individual adviser productivity continued to increase, leading to an overall increase in gross inflows<sup>1</sup> (updated this year from single premiums to reflect our funds based metrics) per Partner from £3.9 million to £4.2 million.

## FUNDS

### TO INCREASE FUNDS UNDER MANAGEMENT (FUM)

#### Progress During 2015

In another successful year, new business from clients combined with positive growth in underlying investments resulted in an increase in total FUM to £58.6 billion, growth of 13% over the year. This growth feeds through directly to the financial performance in the year.

#### FUNDS UNDER MANAGEMENT

The profitability measures of the Group are ultimately driven by the income we earn from FUM. The FUM have exhibited compound annual growth of 17% over the last ten years.

#### GROSS INFLOWS

Gross inflows is the gross new investment and pensions business (principally single premium) received during the year. We aim to grow Gross Inflows by 15-20% per annum over the long term, which we again achieved in 2015.

#### NET INFLOWS

Retention of funds is a result of satisfied clients and is essential if the FUM is to continue to grow. Growth of 14% in the year was higher than we had expected and reflected lower levels of withdrawal, particularly due to pension clients extending retirement and investment clients remaining invested through volatile markets.

## FINANCIAL

### TO ACHIEVE SUSTAINABLE GROWTH IN REPORTED PROFIT ON ALL MEASURES

#### Progress During 2015

Our business model is simple and is aligned with the needs of both our clients and our Partners. Strong performance in those areas combined with positive investment performance to underpin the financial results. We are pleased to report a continuation of the trend of recent years.

#### EEV OPERATING PROFIT BEFORE TAX

The EEV reporting basis assesses the full value of the emergence of shareholder cash returns over the long term. New business (Gross Inflows) is the most significant underlying driver of EEV Operating Profit, but positive experience variances and operating assumption changes also contributed to the growth of 11% year on year.

#### PROFIT BEFORE SHAREHOLDER TAX

Whilst steady growth in the fundamentals of the business underpinned the 2015 result of £151.3 million, there were a number of larger non-operational type costs that impacted the result. These included an increase in the FSCS levy, an increase in the investment in our back office infrastructure and the negative contribution from movements in DAC/DIR/PVIF intangibles.

#### DIVIDEND

Growth in profit measures, particularly cash, means the Company is able to increase the level of dividend. We are pleased to confirm an increase of 20% in dividend in the year, bringing the total increase over the last 5 years to 366%.

# CHIEF FINANCIAL OFFICER'S REPORT

Andrew Croft  
Chief Financial Officer

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

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

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

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

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

## Financial Results

We continue to report our results on both IFRS and EEV bases, as well as providing further detail on the cash result, reflecting cash emergence from the business. Detailed explanation and analysis of these measures is provided on pages 20 and 21

## IFRS Result

We present both the Profit before shareholder tax, which removes the impact of policyholder tax, and Underlying profit before shareholder tax, which adjusts the Profit before shareholder tax for movements in intangible assets and liabilities (DAC/DIR/PVIF see page 27)

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

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

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

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

#### Cash Result

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

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

#### EEV Result

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

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

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

#### Dividend

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

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

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

#### Capital and Solvency II

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

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

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

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

#### Concluding Remarks

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

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

Andrew Croft  
Chief Financial Officer  
22 March 2016

## FINANCIAL REVIEW

### The Financial Model

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

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

Group expenditure is carefully managed with clear targets set for growth in establishment expenses in the year. Many other expenses increase with business levels and are met from margins in the products. However, the Group also invests in new client services, computer systems and other corporate initiatives, all of which are reported as development expenditure (Analysis of the Expenses is presented in Section 2).

A small proportion of Group expenditure is required to support management of existing funds, but the majority of expenditure is investment in growing the Partnership and acquiring new funds. The resulting new business is expected to generate income for an average of 14 years, and provide a good return on the investment (see page 23).

As the business matures, the proportion of the cash emergence from the existing business required to support the acquisition of new business is reducing. This has resulted in strong growth in underlying cash emergence in recent years which has ultimately fed through to growth in the dividend.

### Profit Measurement

In line with statutory reporting requirements we report profits assessed on an IFRS basis. However, given the long-term nature of the business and the high level of investment in new business generation each year, management believes the IFRS result does not provide an easy guide to the cash likely to emerge in future years, nor does it reflect the total economic value of the business. We therefore complement our statutory IFRS reporting with additional analysis.

Firstly, we provide additional analysis in relation to the tax reported under IFRS. The IFRS methodology requires that the tax recognised in the financial statements should include the tax incurred on behalf of policyholders in our UK life assurance company. Since the policyholder tax charge is unrelated to the performance of the business and is paid on to HMRC, management believes it is useful to separately identify the profit before shareholder tax. This measure reflects the IFRS profit before tax, adjusted for tax paid on behalf of policyholders.

Secondly, the IFRS standards promote recognition of profits in line with the provision of services and so, for long-term business, some of the initial cash flows are spread over the life of the contract through the use of intangible assets and liabilities (known as DAC – Deferred Acquisition Costs and DIR – Deferred Income). Due to regulation change in 2013 there was a step change in the progression of these items, which resulted in significant accounting presentation changes despite the fundamentals of our vertically-integrated business remaining unchanged. We therefore present an additional 'non-GAAP' underlying profit measure which is derived from the IFRS result by adjusting for these intangibles. Management believes this adjusted IFRS result provides the most useful measure of operating performance.

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

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

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

These two measures are presented with a breakdown explaining the sources of profit based on the key drivers of the business, with the aim of assisting investors to understand the development of profits. The Board also believes it is useful to understand the contribution to profits from just the in-force business as this reflects the value being generated by the existing business, and so the breakdown identifies the new business impact and makes clear the ongoing contribution from the established business.

Neither the cash result nor the underlying cash result should be confused with the IFRS cash flow statement which is prepared in accordance with IAS 7 and disclosed on page 118.

Finally, we also present an embedded value result. Management believes this approach is particularly useful for investors seeking to assess the full value of the long-term emergence of shareholder cash returns, since it includes an asset in the valuation reflecting the net present value of the expected future cash flows from the business. This type of presentation is also commonly referred to as a 'discounted cash flow' valuation.

Our embedded value is based on the EEV principles, which were set out as an industry standard by the Chief Financial Officers (CFO) Forum in 2004.

Many of the future cash flows derive from fund charges, which change with movements in stock markets. Since the impact of these changes is unrelated to the performance of the business, management believes that the EEV operating profit (reflecting the EEV profit before tax, adjusted to reflect only the expected investment performance and no change in economic basis) provides the most useful measure of performance in the year.

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

# FINANCIAL REVIEW

## CONTINUED

### SECTION 1: FUNDS UNDER MANAGEMENT

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

#### Movement in Funds Under Management

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

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

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

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

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

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

#### Notes

- Regular income withdrawals are those amounts selected by clients which are paid out by way of periodic income. The withdrawals have been assumed in the calculation of the embedded value new business profit. Maturities are those sums paid out where the plan has reached the selected maturity date (e.g. retirement date). The expected maturities have been assumed in the calculation of the embedded value new business profit.
- Surrenders and part surrenders are those amounts where clients have chosen to withdraw money from their plan. Surrenders are assumed to occur in the calculation of the embedded value new business profit based on actual experience, updated on an annual basis, by plan duration and the age of the client. The implied surrender rate shown in the table above is very much a simple average and reflects only recent experience. Whilst it could be compared with the long term assumptions underlying the calculation of the embedded value, it should not be assumed that small movements in this rate will result in a change to the long term embedded value assumptions.

#### Fees on Funds Under Management

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



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

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

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

As a result this business does not make a meaningful contribution to the cash result until year seven. The table below provides an estimated current value of the funds under management where the early withdrawal charge applies.

Year	Total £Billion
2010	2.0
2011	2.4
2012	2.7
2013	3.7
2014	3.9
2015	4.5
<b>Total</b>	<b>19.2</b>

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

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

As detailed later in this review on page 29, a net cost of £84.2 million (2014: £62.7 million) has been incurred to attract the £9.24 billion of gross new funds (2014: £7.88 billion). The increase in this net cost has been impacted by a significant increase in the FSCS levy.

We regard this as an investment in new business which we expect to generate income in the future significantly exceeding this cost and therefore provide positive returns for shareholders. The table below provides details of the new business added during the reporting periods and different measures of valuing the investment.

	Year Ended 31 December 2015	Year Ended 31 December 2014
Gross inflows (£Billion)	9.24	7.88
Post-tax investment in new business (£Million)	(84.2)	(62.7)
Post-tax present value of expected profit from investment (£Million)	358.9	298.4
Cost of new business (% of new money invested)*	0.9%	0.8%
New business margin (% of new money invested)	4.8%	4.7%
Cash payback period (years)	5	4
Internal rate of return (net of tax)	22.1%	26.1%

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

# FINANCIAL REVIEW

## CONTINUED

### Geographical and Segmental Analysis

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

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

### SECTION 2: EXPENSES

#### Management Expenses

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

	Note	Year Ended 31 December 2015 £Million	Year Ended 31 December 2014 £Million
<i>Paid from policy margins and advice charges</i>			
Partner remuneration	1	518.5	455.4
Investment expenses	1	121.9	124.6
Third party administration	1	56.6	44.3
		<b>697.0</b>	<b>624.3</b>
<i>Direct expenses</i>			
Other performance related costs	2	94.3	86.8
Establishment costs	3	139.4	125.1
Academy costs	4	5.5	4.1
Other development costs	5	21.1	15.6
Back office infrastructure costs	6	18.1	11.9
Regulatory fees	7	7.5	6.1
FSCS levy	8	20.1	5.9
Contribution from third party product sales	9	(25.4)	(22.4)
		<b>280.6</b>	<b>233.1</b>
<b>Total</b>		<b>977.6</b>	<b>857.4</b>

#### Notes

- These costs are met from corresponding policy margins and any variation in them from changes in the volumes of new business or the level of the stock markets does not directly impact the profitability of the Group
- Other performance related costs, for both Partners and employees, vary with the level of new business and operating profit performance of the business
- Establishment costs are the running costs of the Group's infrastructure and are relatively fixed in nature in the short term, although they are subject to inflationary increases. These costs will increase as the infrastructure expands to manage the higher number of clients, the growing number of advisers and increasing business volumes. The growth in establishment expenses during the year was higher than our original expectations as a consequence of an increase in expenditure associated with the high level of adviser recruitment in the year together with the costs relating to the higher business volumes. During 2016 we will be expanding our presence in London with a new office opening in Canary Wharf as well as taking additional space in our existing London locations. Reflecting this additional expenditure, we expect establishment expenses in 2016 to increase by c 11% (8.5% before these additional property costs)

- 4 The Academy continues to be an important strategic investment for the future. The additional expenditure during 2015 reflected both the increased number of Academy participants, together with the expansion of the programme to Manchester and Solihull. 2016 spend will increase further to an expected £7.5 million, reflecting continued Academy intakes in London, additional intakes in Manchester and Solihull, plus our first Academy intake in Edinburgh.
- 5 Other development costs represent the expenditure associated with the on-going development in our investment proposition, corporate initiatives, technology improvements and other system developments. These costs amounted to £21.1 million for the year (2014: £15.6 million). Included within these costs is £1.6 million in relation to due diligence and transaction costs of our acquisition of Rowan Dartington.
- We will continue to invest in the business and anticipate development spend in 2016 to be in line with the previous year.
- 6 The costs of the back office investment programme and related costs were £18.1 million (2014: £11.9 million).
- The change programme has continued to progress well during 2015, albeit the project is running behind and costing more than our original plan. During the final quarter of last year we undertook full migration of the unit trust and ISA business onto the new system. This was a significant milestone for the project and we will start to see the benefits accrue in 2016 (within the EEV result an assumption change has been made to reflect the lower charges which now apply to the existing business).
- Having successfully completed this phase of the project, during 2016 we will launch a new retirement account and plan the migration of the existing pension and drawdown business, once the pensions landscape is clear. As we continue to develop the system and migrate the existing business we will incur further investment expenditure and anticipate costs for 2016 of a similar amount to 2015.
- 7 The regulatory costs represent the fees payable to the regulatory bodies of £7.5 million (2014: £6.1 million), we expect 2016 costs to increase to some £8.5 million.
- 8 This represents our required contribution to the Financial Services Compensation Scheme of £20.1 million (2014: £5.9 million).
- The key driver of this increase relates to our share of compensation claims made by the FSCS in relation to external failures within the life and pension intermediary regulatory category. Whilst we are anticipating a further elevated levy in 2016 (our current estimate is for a levy of c.£16.0 million), we expect a more normalised level in future years.
- 9 Contribution from third party product new business reflects the net income received from wealth management business of £10.0 million (2014: £9.0 million), from group pension business of £0.9 million (2014: £0.8 million) and from protection business of £14.5 million (2014: £12.6 million).

The table below provides a reconciliation from these management expenses to the total group expenses included in the Consolidated Statement of Comprehensive Income on page 114.

	Year Ended 31 December 2015	Year Ended 31 December 2014
	£'Million	£'Million
Expenses per table above	977.6	857.4
Reversal of contribution from third party product sales	25.4	22.4
<i>Other expenses</i>		
DAC movement	68.0	75.8
Amortisation of PVIF	3.2	3.2
Investment transaction costs	19.0	20.6
Share option costs	15.7	11.4
Share option NI	3.4	2.7
Acquired IFA operating costs	6.7	6.0
SJP Asia operating costs	7.5	3.6
Interest expense	4.4	3.8
Charitable donations	3.5	3.6
Other	15.7	12.4
	147.1	143.1
<b>Total expenses</b>	<b>1,150.1</b>	<b>1,022.9</b>

### SECTION 3: INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

The following table starts with the Underlying cash result (detailed in Section 4 on page 29) and provides a reconciliation to the Underlying profit result and the IFRS result.

The results are reported 'after tax' and also 'before shareholder tax'. In arriving at the profit before shareholder tax (which is effectively 'after policyholder tax'), it is necessary to estimate the analysis of the total tax charge between that payable in respect of policyholders and that payable by shareholders. Shareholder tax is assessed based on the effective rate of tax that is applicable to the shareholders, with the balance being treated as tax in respect of policyholders. Further detail is provided on page 28 of this review and in Note 8 on page 135.

# FINANCIAL REVIEW

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### SECTION 3: INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) continued

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

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

#### Underlying Profit before Shareholder Tax

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

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

#### Funds Management

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

#### Distribution Business

St James's Place is a vertically integrated firm, allowing it to benefit from the synergies of combining management of funds with distribution. Therefore, as well as the income generated on the funds under management, there is a profit or loss from the distribution activity. In any one year, this result will depend upon the level of new business and expenses.

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

#### Back Office Development

As noted on page 25, the costs incurred during the year on the back office development project (known as Bluedoor) were £18.1 million (2014: £11.9 million).

#### Other

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

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

#### Total

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

#### DAC/DIR/PVIF

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

	Year Ended 31 December 2015		Year Ended 31 December 2014	
	Before Shareholder Tax	After Tax	Before Shareholder Tax	After Tax
	£'Million	£'Million	£'Million	£'Million
Amortisation credit	12.4	15.8	28.3	22.1
Arising on new business	(24.8)	(20.6)	(19.0)	(15.1)
<b>Movement in year</b>	<b>(12.4)</b>	<b>(4.8)</b>	<b>9.3</b>	<b>7.0</b>

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

The smaller reduction in the amortisation credit after tax includes a £5.9 million credit which is the impact of the changes in future corporation tax rates which is explained in more detail in the section on shareholder tax on page 28. The impact is a credit because the deferred tax liability associated with the DAC and PVIF balances exceeds the deferred tax liability associated with the DIR balances.

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

It is important to note the intangible and deferred nature of these items, meaning that they don't reflect the operating performance of the business. This is why management regards the Underlying profit measure as the most appropriate measure, based upon IFRS, for assessing operating performance.

#### Profit before Shareholder Tax

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

# FINANCIAL REVIEW

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### Shareholder Tax

The tax reported under IFRS each year is impacted by a variety of effects, both current and future, particularly one-off events such as the change in corporation tax rate. Therefore, to assist shareholders, the table below provides a high level analysis of shareholder tax and the implied tax rate. A more detailed analysis is included in Note 8 to the financial statements.

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

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

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

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

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

### IFRS Profit

The total IFRS result is presented in the table below, grossed up for the inclusion of tax incurred on behalf of policyholders.

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

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

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

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

### Analysis of IFRS Assets and Net Assets per Share

The table below provides a summarised breakdown of the IFRS position at the reporting dates.

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

\* net of deferred tax

	Year Ended 31 December 2015	Year Ended 31 December 2014
	Pence	Pence
<b>Net asset value per share</b>	<b>208.7</b>	<b>194.5</b>

## SECTION 4: CASH RESULT

The Cash and Underlying cash results should not be confused with the IFRS cash flow statement which is prepared in accordance with IAS 7 and disclosed on page 118

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

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

The Cash result and Underlying cash result, which are presented after tax, are a combination of the cash emerging from the business in force at the start of the year less the investment made to acquire new business during the year. The tables and commentary below provide an indicative analysis of the cash result into these two elements.

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

# FINANCIAL REVIEW

## CONTINUED

### SECTION 4: CASH RESULT continued

Year Ended 31 December 2014	Note	In-Force £'Million	New Business £'Million	Total £'Million
Net annual management fee	1	344.1	29.3	373.4
Unwind of early withdrawal charge	2	(121.0)	(16.1)	(137.1)
Net income from funds under management		223.1	13.2	236.3
Margin arising from new business	3	—	36.6	36.6
Establishment expenses	4	(9.9)	(88.5)	(98.4)
Development expenses	5	—	(15.6)	(15.6)
Regulatory fees	6	(0.5)	(4.2)	(4.7)
FSCS levy	7	(0.5)	(4.2)	(4.7)
Shareholder interest	8	7.7	—	7.7
Tax relief from capital losses	9	16.7	—	16.7
Miscellaneous	10	(0.1)	—	(0.1)
Underlying cash result		236.5	(62.7)	173.8
Back office infrastructure development	11			(9.3)
Variance	12			0.6
Cash result				165.1

#### Notes

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

- The net annual management fee. This is the manufacturing margin the Group retains from funds under management after payment of the associated costs (e.g. investment advisory fees and Partner remuneration). Broadly speaking the Group retains an average rate of 0.77% (post tax) of funds under management (2014: 0.77% post tax). The level of net annual management fee was some 18% higher than last year, reflecting the higher average funds under management in 2015. Further analysis of the FUM generating the net annual management fee, and the outlook, is presented in Section 1 on page 22.
- Unwind of early withdrawal charge: This relates to the reserving methodology applied to the early withdrawal charge within the structure of single premium life and pension business. At the outset of the product we establish a liability net of the outstanding withdrawal charge which would apply if the policy were to be encashed. As the withdrawal charge reduces by 1% per annum to zero over the first six years (the 'gestation' period), the liability to the policyholder increases. This cost is known as the 'unwind of early withdrawal charge'. In practice it offsets the annual management fee above. Like the net annual management fee, the unwind of the withdrawal charge has increased due to growth in funds under management. However, the movement is also impacted by the fact that the funds under management added six years ago have completed the withdrawal charge period. Further commentary on the unwind of the withdrawal charge, together with information on the FUM still in the gestation period, is presented in Section 1 on page 23.
- Margin arising from new business. This is the cash impact of new business in the year, reflecting growth in new business and production related expenses.
- Establishment expenses. These are the expenses of running the Group's infrastructure. Further analysis is presented in Section 2 on page 24.
- Development expenses. These represent the expenditure on Group developments. Further analysis is presented in Section 2 on page 25.
- Regulatory fees. This reflects the fees payable to the Regulatory bodies. Further analysis is presented in Section 2 on page 25.
- FSCS levy. This reflects the full year levy. Further analysis is presented in Section 2 on page 25.
- Shareholder interest. This is the assumed income accruing on the investments and cash held for regulatory purposes together with the interest received on the surplus capital held by the Group.
- Tax relief of capital losses. In recent years, a deferred tax asset has been established for historic capital losses which are now regarded as being capable of utilisation over the medium term. During the year £12.1 million tax value of these losses has been utilised (2014: £16.7 million) benefiting the cash result by the same amount. In both years the actual tax losses utilised exceeded the expected £8-10 million benefit in a year. Since the tax losses have been recognised immediately through a deferred tax asset in the IFRS result, utilisation of tax losses in the cash result is offset in the IFRS results because of the reduction in the deferred tax asset.
- Miscellaneous. This represents the cash flow of the business not covered in any of the other categories, including tax relief arising from deferred recognition of insurance business acquisition expenses (due to structural timing differences in the life company tax computation).
- Back office infrastructure. These costs relate to a major project which has combined our back offices under one management team and put in place one unified, client centric administration system, enabling them to deliver improved service and improved efficiency for the business. Further analysis is presented in Section 2 on page 25.
- Variance. This reflects variances in the cash result in a year due to the impact of actual experience (including economic assumptions changes and investment performance) on insurance reserves, as well as variances in the settlement of tax related liabilities between the policyholders (unit-linked funds), the shareholder and HMRC. In both years the variances arise mainly from policyholder-tax charge effects.

#### Cash Balance Sheet

In addition to presenting an IFRS balance sheet (on page 117) and an EEV balance sheet (on page 188), we believe it is beneficial to provide a balance sheet using the approach underlying our cash result. This is because the cash result is adjusted for non-cash items such as DAC, DIR and deferred tax as well as removing the policyholder interest in the unit-linked funds.

The following table analyses the differences between the IFRS balance sheet and the Cash result balance sheet. These adjustments include netting out assets and liabilities of the policyholder interest in unit-linked funds (Adjustment 1), and removal of a number of significant 'non-cash' items (Adjustment 2) — in particular DAC, DIR and deferred tax.



31 December 2015	IFRS Balance Sheet	Adjustment 1	Adjustment 2	Cash Result Balance Sheet	2014
	£'Million	£'Million	£'Million	£'Million	£'Million
<b>Assets</b>					
Goodwill	10 1	—	—	10 1	10 1
Deferred acquisition costs	745 0	—	(745 0)	—	—
Acquired value of in force business	33 6	—	(33 6)	—	—
Developments	4 3	—	—	4 3	7 7
Property & equipment	8 0	—	—	8 0	7 9
Deferred tax assets	225 9	—	(225 9)	—	—
Investment property	1,344 9	(1,344 9)	—	—	—
Equities	37,960 8	(37,960 8)	—	—	—
Fixed income securities	8,934 0	(8,850 9)	—	83.1	83 3
Investment in Collective Investment Schemes	3,269 6	(2,738 6)	—	531 0	517 3
Derivative financial instruments	364 1	(364 1)	—	—	—
Reinsurance assets	85 0	—	—	85 0	85 5
Insurance and investment contract receivables	76 2	—	—	76 2	63.5
Other receivables	891 0	(472 6)	(5 8)	412 6	292 6
Cash & cash equivalents	5,325 1	(5,091 6)	—	233 5	274 3
<b>Total assets</b>	<b>59,277 6</b>	<b>(56,823 5)</b>	<b>(1,010.3)</b>	<b>1,443.8</b>	<b>1,342 2</b>
<b>Liabilities</b>					
Insurance contract liabilities	463 5	(376 5)	(2 6)	84 4	89 2
Other provisions	15 4	—	—	15 4	11 4
Investment contracts	43,159 8	(43,115 5)	—	44 3	18 7
Borrowings	181 8	—	—	181 8	84 3
Derivative financial instruments	221 1	(221 1)	—	—	—
Deferred tax liabilities	434 6	(93 7)	(140 5)	200 4	263 6
Insurance and investment contract payables	45 9	—	—	45 9	50 4
Deferred income	413 5	—	(413 5)	—	—
Income tax liabilities	29 6	—	—	29.6	32 8
Other payables	660 8	(460 3)	(1 1)	199 4	188 6
NAV attributable to unit holders	12,556 4	(12,556 4)	—	—	—
Preference shares	0 1	—	—	0 1	0 1
<b>Total liabilities</b>	<b>58,182.5</b>	<b>(56,823.5)</b>	<b>(557 7)</b>	<b>801 3</b>	<b>739 1</b>
<b>Net assets</b>	<b>1,095 1</b>	<b>—</b>	<b>(452 6)</b>	<b>642 5</b>	<b>603 1</b>

#### Adjustments

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

The movement in the Cash result net assets is equal to the Cash result adjusted for dividends paid in the year and other changes in equity excluding the cost of share options (see page 116 – Consolidated Statement of Changes in Equity)

Going forward, the Solvency I regulations no longer apply and therefore we will change the Cash result and the Cash result balance sheet that we present to reflect the equivalent movement in net assets under the new Solvency II regulations – see also page 35

# FINANCIAL REVIEW

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### SECTION 5: EUROPEAN EMBEDDED VALUE (EEV)

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

The table below and accompanying notes summarise the profit before tax of the combined business. The detailed result is shown on pages 186 to 196.

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

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

### EEV Operating Profit

#### Funds Management Business

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

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

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

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

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

There was a very strong positive experience variance during the year of £78.1 million, which follows a similarly strong positive variance of £78.5 million in the prior year. As covered on page 28, further capital losses were identified within historic Group companies, and the net present value of the future benefit is recognised in the EEV as a positive £63.1 million experience variance.

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

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

1. Pension retention assumption – For a number of years, retention of pension funds under management has been better than the EEV operating assumption. Following the 2015 annual actuarial investigation, the assumption has been amended to better reflect experience. The maximum term has also been extended, reflecting the potential for continuation of the business beyond the client age of 75.
2. Maintenance expense assumption – During 2015 the contract with our third party back office administrator was updated to reflect administration charges for business administered on the new Bluedoor administration platform. This resulted in a change in the maintenance expense operating assumption. However, it will take some time for the remaining business to be migrated to the new system, and so the valuation also reflects the expected costs of both the future systems development and migration of the remaining existing business.

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

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

#### *Distribution Business, Back Office Development and Other*

These items have already been commented on in the IFRS section on page 27.

#### **Investment Return Variance**

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

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

#### **Economic Assumption Changes**

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

#### **EEV Profit before Tax**

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

#### **Tax**

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

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

#### **EEV Profit after Tax**

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

# FINANCIAL REVIEW

## 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 ('Margin'). This is calculated as the new business contribution divided by the new money invested, and is expressed as a percentage.

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

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

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

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

### Analysis of the EEV Result and Net Assets per Share

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

	Year Ended 31 December 2015	Year Ended 31 December 2014
	£'Million	£'Million
Value of in-force		
– Life	2,471.6	2,234.0
– Unit Trust	787.6	611.2
Solvency I net assets	609.0	572.0
<b>Total embedded value</b>	<b>3,868.2</b>	<b>3,417.2</b>

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

## SECTION 6: SOLVENCY, CAPITAL MANAGEMENT AND LIQUIDITY

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

### Solvency I

We have already presented the Cash result net assets of £642.5 million (2014: £603.1 million) in the table on page 31. The Solvency I net assets at £609.0 million (2014: £572.0 million) is some £33.5 million lower, principally due to an amount of additional prudential reserves (over that required by the UK regulator) arising from the Irish solvency regulations.

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

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

Comparison with previous valuations will show that the Group solvency position remains resilient, reflecting the Group's low appetite for market, credit and liquidity risk in relation to solvency.

The Insurance Groups Directive (IGD) assessment is calculated by considering the level of net assets in the Group (outside of the insurance companies) that could be available to support the solvency of the insurance company (and other regulated companies). It therefore represents additional solvency cover over the £198.5 million Life company solvency assets identified in the table above. At 31 December 2015 the IGD resources were estimated at £250 million (2014: £266 million).

### Solvency II

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

St. James's Place is a simple Wealth Management Group (in contrast with the many complex insurance groups that are also impacted by Solvency II), offering mainly investment products. Our strategy is to attract and administer retail funds under management, from which we receive an annual management fee (we are a fee-based business). Our clients can access their investments on demand but, because we match the surrender value, movements in equity markets, interest rates, mortality, morbidity, longevity and currency rates have little impact on our ability to meet liabilities (although they can affect emergence of profit). We also have a prudent capital management approach and invest surplus assets in cash, AAA rated money-market funds and UK government securities. The overall effect has been a resilient solvency position and ability to meet liabilities, even through adverse market conditions.

# FINANCIAL REVIEW

## CONTINUED

### Solvency II continued

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

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

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

### Solvency II Opening Balance Sheet

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

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

### Notes

- 1 Shareholder net assets are the tangible assets the Group holds in excess of those assets held to meet the client liabilities. To aid comparison with the Solvency I shareholder assets (shown in this Section on page 35) and the Cash result net assets (shown in Section 4 on page 31) a reconciliation is provided in the table below.

	Life £'Million	Other Regulated £'Million	Other £'Million	Total £'Million
Solvency I net assets (Section 6 page 35)	338.5	98.1	172.4	609.0
Release of Solvency I prudence reserves and other adjustments	37.0	1.3	(4.8)	33.5
<b>Cash result net assets (Section 4 page 31)</b>	<b>375.5</b>	<b>99.4</b>	<b>167.6</b>	<b>642.5</b>
IFRS deferred tax asset	170.3		5.3	175.6
Goodwill and intangibles			(14.4)	(14.4)
Release of Solvency I reserves	9.9			9.9
Other	(2.2)	(2.7)	4.2	(0.7)
<b>Solvency II net assets</b>	<b>553.5</b>	<b>96.7</b>	<b>162.7</b>	<b>812.9</b>

- 2 The value of in-force represents the expected future emergence of profit, calculated as prescribed by the Solvency II regulations. Specific requirements in the Solvency II regulation give rise to differences with the VIF presented in the EEV result on pages 32 to 35 and therefore, to aid understanding, the table below provides a reconciliation between the two numbers. Note, Solvency II only applies to the life business and so the unit trust business VIF is not reflected in the Solvency II own funds assessment.

	Life	Other Regulated	Other	Total
	£/Million	£/Million	£/Million	£/Million
EEV VIF (Section 5 page 34)	2,471.6	787.6	—	3,259.2
Remove UT/ISA VIF		(787.6)		(787.6)
Change in contract boundaries	(111.8)			(111.8)
Discounted deferred tax asset	(123.8)			(123.8)
Add back EEV risk margin	147.8			147.8
Economic basis differences	(31.1)			(31.1)
Adjustment for Solvency I reserves and other items	(46.1)			(46.1)
<b>Solvency II VIF</b>	<b>2,306.6</b>	<b>—</b>	<b>—</b>	<b>2,306.6</b>

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

- The Solvency II approach has not been extended to our Unit Trust and ISA business meaning the significant additional VIF on this business is not reflected.
- The Solvency II methodology requires a very prudent assumption about the 'contract boundary' for regular premium business, resulting in the potential value from all future investment premiums being discounted.
- Under EEV a discounted deferred tax asset is assessed in the VIF. Under the Solvency II approach the undiscounted deferred tax asset (calculated in line with the IFRS 12) is assessed in the net assets.
- Under our EEV approach we make allowance for non-hedgeable risk through including an explicit margin in the risk discount rate of 0.73% (see page 190). The equivalent requirement in Solvency II is achieved through ensuring assumptions are 'best estimate of outcomes'. The explicit addition therefore falls away in Solvency II.

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

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

### Solvency Ratios and Sensitivities

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

# FINANCIAL REVIEW

## CONTINUED

### Solvency Ratios and Sensitivities continued

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

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

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

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

### Introducing the Management Solvency Buffer (MSB)

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

	Life	Other Regulated	Other	Total
	£Million	£Million	£Million	£Million
Solvency II net assets	553.5	96.7	162.7	812.9
Intra-group proposed dividends	(140.0)	—	140.0	—
Proposed final 2015 dividend			(90.5)	(90.5)
<b>Solvency II net assets (post dividend)</b>	<b>413.5</b>	<b>96.7</b>	<b>212.2</b>	<b>722.4</b>
Management Solvency Buffer	150.0	52.3		
Management solvency ratio	276%	185%		

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



## Liquidity

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

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

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

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

Finally, as noted at the half-year, the Group has refinanced and extended our borrowing arrangements, providing funding for the acquisition of Rowan Dartington and committed facilities for the future should they be required. See Note 23 on page 147.

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

# RISK AND RISK MANAGEMENT

## Overview and Culture

The St James's Place Group is exposed to a wide variety of risks as a result of its business activities and the industry in which it operates, as well as a number of external factors and threats. Under the leadership, direction and oversight of our Board, these risks are carefully managed, contributing to our competitive advantage and helping us to achieve our business and client objectives as set out on pages 16 and 17.

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

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

## Risk Appetite

The Board chooses carefully the risks it accepts and those it seeks to limit or avoid. These choices are set out in our Risk Appetite

Statement, which is owned by the Board and reviewed at least annually. In particular it articulates:

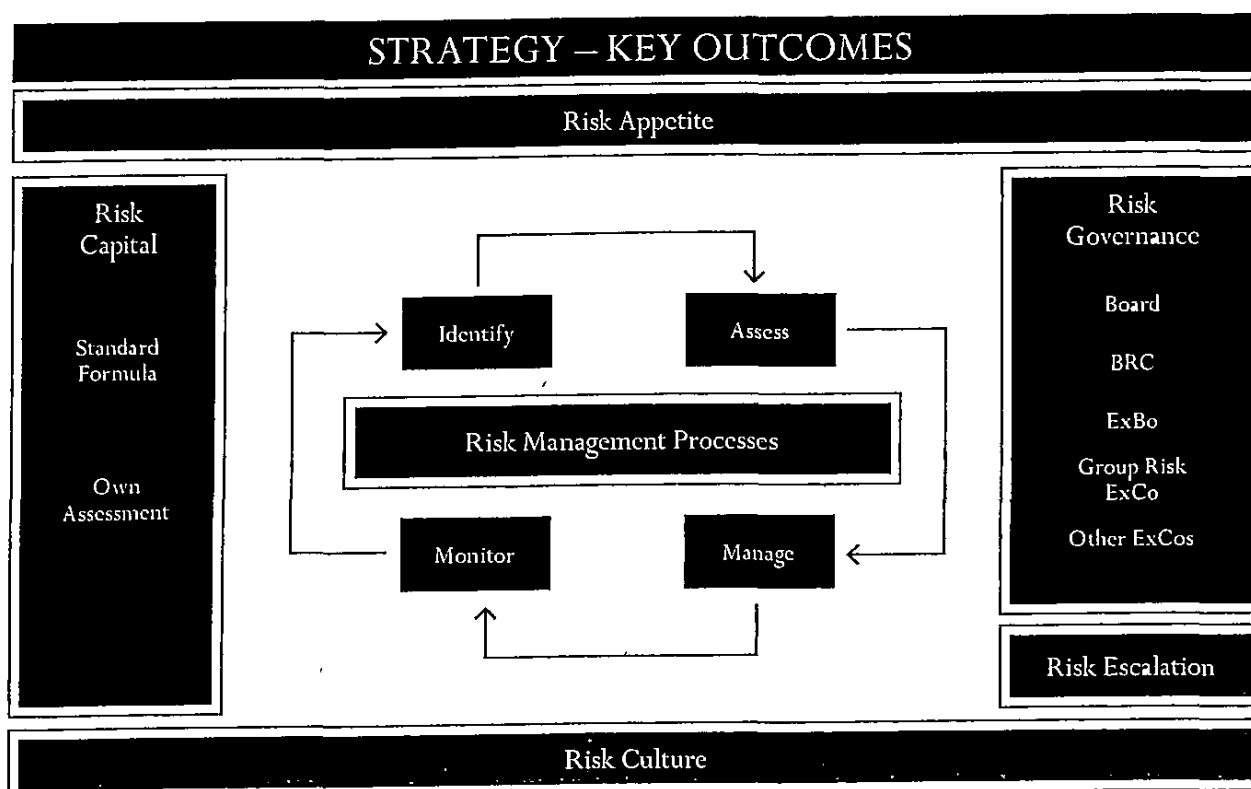
- Risks that are actively sought in pursuit of return
- Risks that are consciously avoided
- Risks that are reduced through transfer to other parties
- Risks that are minimised through controls

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

## Risk Management Framework

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

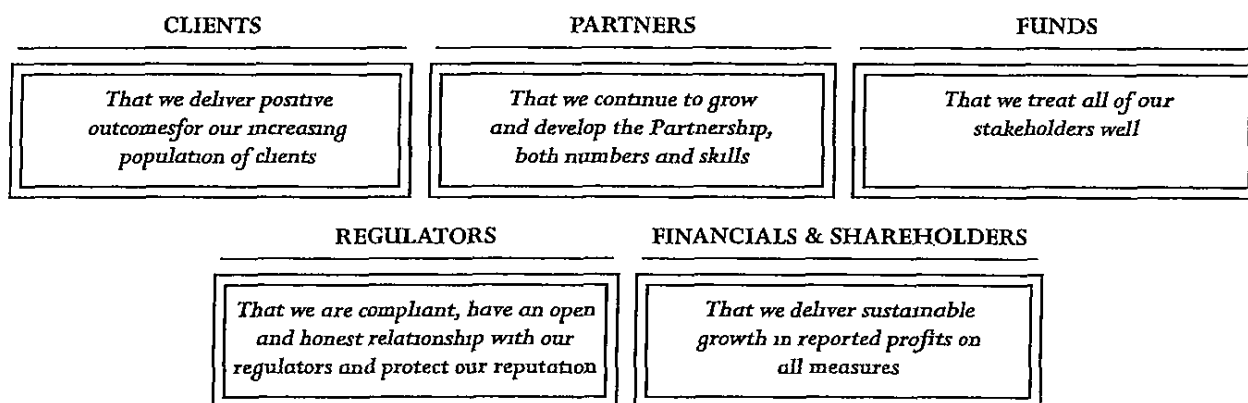
The Group's ORSA is a central part of this framework, the main elements of which are shown in the following diagram.



The Board Risk Committee (BRC) comprises Independent Non-executive Board members, and is responsible for ensuring that a culture of effective risk identification and management is fostered across the Group. A report of its activity during the year can be found on pages 77 to 79.

The BRC is supported by the Executive Board (ExBo), but also by the Group Risk Executive and by Risk Management teams at Group and local levels, which take the lead in ensuring an appropriate framework is in place and that there is on-going development and co-ordination of risk management within the Group. The other executive sub-committees of ExBo (the Executive Committees) also provide support for the management of risks in their areas of responsibility.

The Risk Management Framework is grounded in the outcomes which are key to our organisation. These are:



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

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

To ensure a comprehensive risk universe, there is also a bottom-up element to our framework. Each Division of the Group is responsible for the identification, management and quarterly reporting of its own risks, and is supported in this by the Risk Management function. Each risk is assessed by considering its potential impact and the likelihood of its occurrence, with impact assessments being made against financial and non-financial metrics. Establishment of appropriate controls is a core part of the risk management process.

#### *Own Risk and Solvency Assessment (ORSA)*

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

results in additional risk management activities, including, but not limited to, stress and scenario testing, loss event recording, resolution planning and risk capital management activity.

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

The ORSA is directed by the Board and is intended to be a comprehensive risk assessment, bringing together an understanding of the risks that the Group faces, in the context of the strategic plan, and how these risks may change over our planning period. It also requires quantitative analysis of the capital required, and how it might develop over our planning period (5 years).

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

# RISK AND RISK MANAGEMENT

## CONTINUED

### *Viability Statement*

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

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

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

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

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

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

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

### *Internal Control*

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

Management has delegated responsibility to implement and maintain effective controls, such that the Group operates within the risk appetite agreed by the Board. The Audit Committee, on behalf of the Board, monitors the effectiveness of internal controls across all business areas primarily through the outcomes of independent assurance assignments undertaken by Internal Audit

### *Control Self-Assessment*

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

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

### *Financial Reporting Processes*

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

- Extensive documentation, operation and assessment of controls in key risk areas
- Monthly review and sign-off of all financial accounting data submitted by outsource providers and the results of all subsidiaries within the Group
- Formal review of financial statements by senior management, for both individual companies and the consolidated Group

## PRINCIPAL RISKS AND UNCERTAINTIES

The following tables summarise the principal risks and uncertainties that are inherent within both the Group's business model and the market in which we operate. These principal risks and uncertainties, the business outcomes on which they impact, and the high level controls and processes through which we aim to mitigate them, are as follows:

### NON-FINANCIAL RISKS

RISK	DESCRIPTION	OUTCOME	MANAGEMENT AND CONTROLS
Client proposition	Clients invariably rely on members of the St. James's Place Partnership for the provision of initial and ongoing advice. Failures in the quality of service provided, and in particular any advice failings, could lead to redress costs, reputational damage and regulatory intervention.	Clients, financials and shareholders	There are many processes in place to mitigate this risk, including detailed advice guidance, Partner training and accreditation, appropriate incentive structures, quality checking, client engagement conducted by the Client Outcomes team and extensive monitoring of the internal funds and portfolios. The Group guarantees the advice given by Partners and also has appropriate professional indemnity insurance in place.
Competition	Competitor activity in the adviser-based wealth management market may result in a reduction in new business volumes, reduced retention of existing business, pressure on margins for both new and existing business, and the potential loss of Partners and key employees.	Financials and shareholders	This risk is mitigated through ensuring our business is run efficiently, being responsive to the needs of our clients and Partners and seeking continual improvements to processes. Charges are benchmarked against competitors and competitor activity monitored. Regular reports are provided to the Executive Board, allowing action to be taken in a timely manner in the event of a threat to our business model. The Group offers a diversified product range, including both onshore and offshore investments, and third party relationships are in place to provide access to products which are not manufactured within the Group. We have a proven track record in Partner acquisition and retention, which we believe would make it difficult for a new entrant to challenge our position. In addition, our more established Partners often have significant equity stakes in their practices and their ability to access these is structured to aid retention.
Regulatory, legislative and tax environment	The nature of the Group is such that it falls under the influence of regulators and legislators in multiple jurisdictions, a growing number given the Group's expansion into Asia. The risks are two-fold: <ul style="list-style-type: none"> <li>- New regulatory, legislative or tax requirements may result in implementation costs and disruption to business.</li> <li>- Failure to comply with existing or new applicable regulations could result in a fine or regulatory censure.</li> </ul>	Regulators, Partners, clients, financials and shareholders	Regulatory and legislative change is largely a risk which cannot be mitigated, although the Group seeks to engage with regulators and policy makers in an open and constructive manner, with the aim that key issues impacting the Group are taken into consideration in the drafting of changes. Our governance structures, management committees and compliance monitoring activities seek to ensure we remain compliant with regulation.

# RISK AND RISK MANAGEMENT

## CONTINUED

### PRINCIPAL RISKS AND UNCERTAINTIES continued

#### NON-FINANCIAL RISKS CONTINUED

RISK	DESCRIPTION	OUTCOME	MANAGEMENT AND CONTROLS
People and culture	People and the distinctive culture of the Group play an important part in its success. Over-stretch, the loss of key personnel or unwanted changes to culture may therefore impact on this success.	People	This risk is mitigated through effective leadership, the implementation of executive and management development initiatives, forward succession planning and regular surveys and consultation groups. The latter enable us to monitor the sentiment of our staff and Partners and identify any potential adverse impacts upon, or trends within, our culture, and respond appropriately.
Partner proposition, recruitment and retention	Group products are distributed, and ongoing advice is provided, exclusively through the SJP Partnership. Inadequacies in the range of products, technology or services offered by the Partnership may result in inefficiencies and frustration, with consequent loss of Partners and client impact, or inability to recruit new Partners.	Partners	The Partner proposition is an area of continual focus, with outputs from regular Partner surveys and other Partner feedback being reflected on an ongoing basis. We employ a number of specialist managers specifically to manage the recruitment and retention of high quality Partners, and a dedicated senior management team oversees the SJP Academy, which broadens our recruitment streams. Formal retention strategies are in place to ensure that, wherever possible, we retain good quality and experienced Partners. All recruitment and retention activity is closely monitored.
Investment Management Approach	Our approach to investment management may fail to deliver expected returns to clients of the Group.	Clients	We actively manage and monitor the performance of our investment managers through the Investment Committee which also makes use of firms of professional advisers, including respected independent investment research consultancies, Stamford Associates, Redington and AON Consulting, to help them with this key task. We offer a broad range of funds, which allows client diversification and mitigates our new business, persistency and market risks.

RISK	DESCRIPTION	OUTCOME	MANAGEMENT AND CONTROLS
Operations and IT	The Group's business model involves the outsourcing of administration to third parties. Poor service from, or failure of, one of these third parties, the failure of an IT system, or a significant cyber-attack or fraud, could lead to disruption of services to clients, reputational damage and profit impacts. There is also a risk that clients or Partners may experience disruption of service during the implementation of our new third party administration platform.	Clients, financials and shareholders	These risks are mitigated by service level agreements, monitoring of administration providers and an effective information security control framework, including regular penetration testing exercises. We remain vigilant to the increasing threat from cyber risks and have also recently strengthened fraud prevention controls. We maintain close working relationships with our outsourcing partners, who are central to our business model. This enables us to work effectively and efficiently together to deliver the best result. In the extreme event, all our relationships are governed by formal agreements with notice periods and full exit management plans and, if required, strong alternative providers exist in the market. The business continuity arrangements of each outsourcer are also continually tested and improved and scenario analysis is carried out. The risk of service disruption on implementation of the new administration platform is being mitigated through diligent quality checking and phased implementations.
Political	Changes in the political landscape could lead to substantial changes in policy, resulting in significant development costs and disruption to the Group's business. Failure to deliver changes in the required timescales may lead to reputational damage and loss of new business.  A specific current example of this risk is the potential of 'Brexit' following a referendum.	Financials and shareholders	In many cases political risk cannot be mitigated, although the Group seeks engagement with major political parties and also engages the services of relevant public relations and communications consultants, with the aim that key issues impacting the Group are taken into consideration in the development of changes.
Investor relations	Failure to communicate effectively with new and existing shareholders may lead to falls in the share price and reputational damage.	Financials and shareholders	This risk is mitigated through the work of the investor relations team, whose remit is to ensure the maintenance of positive relationships with shareholders.

# RISK AND RISK MANAGEMENT

## CONTINUED

### PRINCIPAL RISKS AND UNCERTAINTIES continued

#### FINANCIAL RISKS

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



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

# CORPORATE SOCIAL RESPONSIBILITY REPORT

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*'St. James's Place is committed to growing our business in a way that considers the economic, social and environmental impacts of what we do.'*

We understand that responsible management is important to all our stakeholders – shareholders, clients, Partners, employees, suppliers and the communities in which we operate

Our commitment to responsible management was established in the founding principles of the Company and is expressed in both the 'Our Approach' document, which is shared with all members of our community, and the 'What it means to be a member' brochure, which sets out the expectations for our Partners. We believe responsible management continues to be embedded in our culture, and reminders and encouragement to live by this philosophy are provided regularly through team meetings, and employee and Partner newsletters

By living up to the expectations established within our culture, we believe we will be able to demonstrate trustworthiness, reliability and a commitment to the common good. In a world where the reputation of the financial services industry is constantly under pressure, we aspire to create an authentic alternative which all our stakeholders can trust, and which the communities we are part of can appreciate and respect

*Our approach to  
Corporate Social Responsibility*



We are constantly seeking to improve our delivery, but recent public endorsements include.

- We have received various awards relating to our client offering over the years. Most recently, these have included the Wealth Adviser Award for 'Best Private Client Investment Manager' (third year running), the Personal Finance Awards 'Best Financial Adviser' (sixth year running), FDs' Excellence Awards 'Best Pension Provider', City of London Wealth Management Company of the Year Award and two Financial Times/Investors Chronicle Awards for 'Best Wealth Manager for Inheritance Tax and Succession Planning' and 'Best Wealth Manager for Trusts',
- Our business model has been recognised through winning the 2015/16 Britain's Most Admired Companies Award in our sector, which is run in association with Management Today, and
- Our continued inclusion in the FTSE4Good Index, which comprises companies that meet globally recognised corporate social responsibility criteria, recognised our positive culture and ongoing commitment to responsible management

# CORPORATE SOCIAL RESPONSIBILITY REPORT

## CONTINUED

### CSR Governance

Responsible management is central to our culture, and the task of maintaining this culture (including our CSR ambitions) is a key focus of the Executive Committee of the Board, with oversight by the full Board

The Executive Committee of the Board is supported in this objective (as in all of their work) by a number of sub-committees, which are chaired by Directors or senior management

	MANAGING COMMITTEE	REMIT
Our Culture	Executive Committee of the Board	To ensure the strength and maintenance of the unique culture throughout our community
CSR overview, Local Community, Volunteering, Suppliers and the Environment	CSR Group	To co-ordinate the Group's approach to CSR and CSR Department with particular focus on promoting local community engagement and environmental matters
Investment Management Approach	Investment Committee	To manage our Investment Management Approach and oversee our fund managers
The St James's Place Foundation	Foundation Trustees	To manage the St James's Place Foundation, including overseeing grant-making and compliance with the charity's objectives

### Community Support

#### *The St. James's Place Foundation*

We have always recognised our social responsibility to our local communities and, from the founding of the Group, have encouraged our staff and Partners to use their expertise to help local charities and other voluntary organisations. The desire to provide support to the less fortunate in society resulted in the establishment of the independent St James's Place Foundation which continues to receive support from all parts of the St James's Place community – employees, Partners, clients, suppliers and shareholders. This has been another record year for fundraising by members of our community and as a result the matching grant from the Company was £4.3 million (including gift aid). Since 1992, the St James's Place community has raised over £46.6 million for the Foundation to distribute to good causes. Additional information from the St James's Place Foundation about its activities is provided on pages 56 to 59 or available from its website at [www.sjpfoundation.co.uk](http://www.sjpfoundation.co.uk)

#### *Community Volunteering and Support*

St James's Place has a strong tradition of volunteer support for the work of the Foundation, but more recently we have sought to recognise the other community volunteering in which our employees engage. In 2015 we were pleased to support 86 employees (offering over 13,500 hours of community support) with grants of up to £1,000 to support their volunteering efforts. We are aiming to expand this initiative further in 2016, reaching out to all our UK offices.

We have also started two new volunteering initiatives. Firstly, we have started offering 'community support team challenges'. These provide an opportunity for groups of colleagues to undertake community and charity projects together, which can also be beneficial in strengthening teamwork and motivation. Over 600 hours of community work have been undertaken this year, working with causes local to our offices including local charities, conservation projects, and an NHS trust. Secondly, we have been seeking out opportunities to link the professional skills of our employees to the professional needs of local charities, particularly through support for the Involve Gloucestershire initiative. We plan to build on both of these initiatives during 2016.

We also continue to support community organisations and charities local to our offices through grants. For example, support for core costs has been given to The Churn Project which works to improve the quality of life and well-being of isolated and disadvantaged people within Cirencester. We are also delighted that over 30 of our employees volunteer for The Churn Project, allowing them to make a direct contribution to the community around their place of work.

### *Employability Skills for Young People*

St James's Place is an entrepreneurial organisation and we have always been keen that the next generation should be able to contribute successfully through employment

#### *Cirencester College*

St James's Place has now been providing support to Cirencester College, a further education college local to our head-office, for over 11 years. During that time, we have been able to offer 69 internships to students from Cirencester College, with 26 of them turning into full time employment opportunities, often in our Apprenticeship scheme (see below). However, our main involvement has been providing support for the four 'Academy Programmes', each designed for students who aspire to work in a particular market sector. These programmes are operated in conjunction with the national charity 'Career Ready' and our support includes providing students with paid summer internships as well as providing 14 mentors to provide support and business coaching to many students.

#### *Apprenticeships*

Working in conjunction with Cirencester College, which provides the training, our apprenticeship programme is now well established. Our 2015 September intake of 12 has included a pilot Financial Services apprenticeship alongside our existing apprenticeships in Business Administration, Marketing, IT and Accountancy. A further intake of 12 apprentices is planned for September 2016. The value of these opportunities for both the young people and the local community has been recognised through a variety of awards ranging from a special award by our local Cirencester Chamber of Commerce, to a commendation as a finalist in the National Apprentice Scheme awards for Newcomer Large Employer of the Year.

#### *Other Employability Skills Training*

We have continued our work with the charity Young Gloucestershire to provide employability skills training for young people in the area, many of whom are less academically able or from a disadvantaged background. A range of volunteers from the Company have fulfilled roles as trustees and mentors and financial support has also been provided. The support helps the young people to present themselves in the best possible way to potential new employers through CV skills, personal presentation tips and interview techniques.

We have also built upon our 2014 pilot with the charity Active Communities Network (ACN), working with inner city young people, often from disadvantaged backgrounds. Supporting their 'Urban Stars' programme in Tower Hamlets, Poplar, Bermondsey and the Aylesbury Estate, 58 volunteers from our Field Management Team and the Partnership worked with over 110 young people, helping them with business planning, CV writing, interview skills and financial education.

This year we have also looked to support organisations like Young Enterprise and EmployabilityUK to help young people bridge the gap between education and work.

#### *Financial Education*

As one of the leading providers of financial advice to individuals and business owners in the UK, we recognise the importance and value of financial education and this continued to be a core focus in the year. During 2015 we ran several of our Year 9 and 6th form Financial Education courses with schools delivering a flexible modular programme to fit the PSHE (Personal, Social and Health Education) and Maths curriculum. Our material has been delivered by teachers through normal lessons with content tailored to meet the students' needs and curriculum requirements. But we have also used internal training sessions to build up a team of experienced employees who can volunteer to support the delivery of the courses. This support has allowed other schools to deliver the course on an inset day for a class or full year group, and provides pupils with experience beyond their teachers.

We have also developed our advanced education material for year 12 and 13 students for use in out-of-school settings. Working with OPENhouse in Stroud and Young Gloucestershire we have tailored materials and delivered sessions to vulnerable children and young adults who have additional educational needs and to some who are currently NEET.

The Financial Education programme will be a key focus in 2016, when we will seek external accreditation for our programme and expand delivery to more schools and alternative youth work locations across the UK through all our offices. This roll out will be led by volunteer employees and Partners, linking our offices with local educational provision.

#### *Loughborough University Swimming*

In the build up to Rio 2016, we are pleased to continue our sponsorship of the Loughborough University Swimming programme. This enables the squad to receive additional coaching, and, since our relationship started in 2007, the team have medalled in all major UK and International events including European, Commonwealth, World Championships and the Olympic Games.

# CORPORATE SOCIAL RESPONSIBILITY REPORT

## CONTINUED

During the year, the squad had a strong presence in the *FINA World Championships in Kazan, Russia* and the *IPC World Championships in Glasgow*. Fran Halsall anchored the Great Britain 4 x 100m mixed medley relay team home to claim the gold medal and a world record at the *FINA World Championships in Kazan, Russia*. Fran said 'I think we all stepped up and did a great swim. To swim a world record and be world champion is incredible – it's a nice way to start my week.' Loughborough's Rachael Kelly swam the butterfly leg in the qualifying round and was also awarded a Gold medal.

Loughborough's Paralympic swimmer Ellie Simmonds OBE won Gold with a new world record in the 200m individual medley at the *IPC Swimming World Championships in Glasgow*. Ellie also won a Silver medal and two Bronze medals. James Hollis also achieved new British records in the 50m and 100m butterfly.

### Suppliers and Supply Chain

St James's Place believes in treating all our stakeholders fairly. We also believe in the benefits to be gained from building long-term relationships based on mutual trust. As a result, many of our key suppliers have been associated with the Group for a number of years and we have been able to cultivate very strong and mutually beneficial relationships, such as our providers of outsourced administration services: IFDS, Capita and State Street.

More generally, we expect all our suppliers to act in accordance with the standards embedded in our culture, and will undertake due diligence on new service providers to ensure we are comfortable with their approach to socially responsible management. An important development for us in 2014 was accreditation with the Living Wage Foundation, which involved us working closely with our supply chain. We are particularly pleased that many of our suppliers share our desire to make a positive and lasting difference to the lives of those less fortunate than ourselves, and we are very grateful to all those who have provided support to the St James's Place Foundation, both through donations and through active participation in many of the events.

St James's Place has always placed great reliance on the support of third party suppliers and the continued success of our business reflects, amongst other things, our success in cultivating and managing successful relationships with suppliers. We are pleased to have signed up to the Prompt Payment Code which is encouraged by the Department of Business Innovation and Skills (BIS) and demonstrates a commitment to good practice between organisations and their suppliers. Signatories to the Code commit to paying their suppliers within agreed and clearly defined terms, and commit also to ensuring that there is a proper process for dealing with any issues that may arise.

### The Environment

St James's Place is committed to managing our environmental impact through effective management of energy systems, travel, water usage and waste recycling. We recognise the effect our business can have on climate change and we take a positive approach to managing our business activities, whilst at the same time encouraging all Partners and staff to consider their own personal impact on the environment.

Oversight of our environmental strategy is through a Corporate Social Responsibility Group (CSR Group) with ultimate responsibility resting with David Bellamy (CEO). The group meets on a monthly basis and reviews environmental performance.

We measure our environmental data from October to September and the following tables summarise targets and progress, expressed in terms of both absolute and normalised CO<sub>2</sub>e emissions for our core business activities in recent years. Core business activities are defined as those within 'Operational Control'. In previous years, we have explicitly excluded our investment property portfolios (held on behalf of clients), but in 2015 we are extending our reporting to include them, and also to include Well to Tank (WTT) emissions for all scopes within the progress table. The assessment uses the CarbonNeutral Company Protocol together with the 2015 conversion rates as provided by Defra for all our emission categories. The data was verified and reporting information calculated by Carbon Clear.

In previous years St James's Place has purchased carbon credits in order to offset our carbon footprint and achieve 'carbon neutral company' status. However, following a review of our environmental strategy in 2015, we are now focusing our efforts on managing our carbon footprint directly, and on stewardship of our funds under management including the environmental implications of those companies in which we invest.

## 1) Targets

### Absolute Emissions Targets

ID	Scope	Description	% of Emissions in Scope	% increase p.a. from Base Year	Base Year	Base Year Emissions (tonnes CO <sub>2</sub> e)	Target Year
Abs1	1	Gas and owned vehicles	100%	5%	2013	851	2016
Abs2	2	Electricity	100%	5%	2013	2,218	2016
Abs3	3	Business travel, waste, hotel stays, electricity T&D	100%	5%	2013	3,704	2016

### Normalised Emissions Targets

ID	Scope	Description	% of Emissions in Scope	% increase p.a. from Base Year	Base Year	Base Year Normalised Emissions (tonnes CO <sub>2</sub> e per '000 sqft)	Target Year
Int1	1	Gas and owned vehicles	100%	0%	2013	3.03	2016
Int2	2	Electricity	100%	0%	2013	7.90	2016
Int3	3	Business travel, waste, hotel stays, electricity T&D	100%	0%	2013	13.18	2016

In 2014, we set new targets for the next three years for both absolute and normalised measurements. We are targeting that normalised emissions targets will remain constant, i.e. a nil increase, but in absolute terms emissions will be limited to a 5% p.a. increase, which compares to forecast business growth of 15% p.a. The targets also explicitly take into account the commissioning of a second head office building in Cirencester. This is being built to accommodate business growth and is due to be completed during the target period. We hope to achieve a BREAM rating of 'very good' for the new building.

## 2) Progress

### Absolute Emissions Progress

ID	Scope	Actual Emissions in Year (tonnes CO <sub>2</sub> e)	% variance from Target	Comment
Abs1	1	764	-19%	Emissions from gas and owned vehicles have fallen due to a reduction in the number of Company-owned cars and reduced mileage.
Abs2	2	1,984	-19%	Emissions from electricity have increased this year due to the inclusion of our operations in Asia, although previous plant improvements mean we are still ahead of target.
Abs3	3	2,559	-37%	We remain well ahead of our Scope 3 emissions absolute target, driven mainly by a significant reduction in long-haul flights.
Abs3.1	3 (Property Trust Investments and WTT)	12,182	n/a	Two extra Scope 3 categories are being reported this year – SJP Property Trusts and WTT for all Scopes.

# CORPORATE SOCIAL RESPONSIBILITY REPORT

## CONTINUED

### Normalised Emissions Progress

ID	Scope	Normalised Emissions in Year (tonnes CO <sub>2</sub> e per '000 sqft)	% variance from Target	Comment
Int1	1	2 62	-13%	In all areas, the reduced floor space compared to the original expectation has partially offset the impact of the reduction emissions In 2016 new office premises are expected to be added, which will change this analysis
Int2	2	6 81	-14%	
Int3	3	8 78	-33%	

Comparative data for 2013 is presented as the Base Year information in the Target tables above. Since then we have seen reductions in all areas of our carbon footprint, despite continuing growth in the business. Key reasons for the improvements are documented in the table above, but, looking to the future, we anticipate higher Scope 2 emissions in 2016 as a result of taking on additional office premises in London, and from moving into our new building in Cirencester. Since the increase will arise from new buildings, we are expecting that the normalised emissions level will improve compared to target.

### 3) Emissions Trend (excluding Investment Property Portfolios and WTT)

ID	Scope	Activity	Gross Emissions (tonnes CO <sub>2</sub> e)		
			2013	2014	2015
Abs1	1	Gas and owned vehicles	851	932	764
Abs2	2	Electricity	2,218	1,888	1,984
Abs3	3	Business travel	3,704	2,366	2,559
		Total	6,773	5,186	5,307



# APPROVAL OF THE STRATEGIC REPORT

As part of the Annual Report by the Directors it is a statutory requirement to produce a Strategic Report

The purpose of the report is

'to inform members of the Company and help them assess how the Directors have performed their duty under section 172 of the Companies Act 2006 (duty to promote the success of the Company)'

The objective of the report is to provide shareholders with an analysis of the Company's past performance, to impart insight into its business model, strategies, objectives and principal risks and to provide context for the financial statements in the Annual Report

The Directors consider that the report, comprising pages 1 to 54 of this document, meets the statutory purpose and objectives of the Strategic Report

On behalf of the Board

*David Bellamy*  
Chief Executive  
22 March 2016

*Andrew Croft*  
Chief Financial Officer

## ST. JAMES'S PLACE FOUNDATION

*'Since its formation 23 years ago, the St. James's Place Group has been committed to fostering a culture of 'giving back' to those who need it most.'*

Tuscan Peaks Challenge raising £115,000

It is a philosophy that has contributed much to the nature of our culture, and been a source of great pride. Since 1992, the St. James's Place Foundation has received nearly £50 million for distribution to good causes. The overwhelming majority of this has come as the result of fundraising or donations made by St. James's Place Partners and employees of the Company.

Funds raised by Partners and employees are matched pound-for-pound by the Company, which also covers all expenses relating to the running of the Foundation. This means that all the funds raised go directly to those registered charities, at home and overseas, that meet the Foundation's themes of cherishing children, combating cancer and supporting hospices.

More than 85% of St. James's Place Partners and employees give to the Foundation through their pay or earnings on a monthly basis, which alone generates over £2 million annually, including matching.

Annual St Albans Triathlon and Duathlon raising £92,816

### Review of 2015

Continuing its record of year on year growth, the St James's Place Foundation enjoyed another record year for fundraising in 2015, raising over £7 million for good causes in the UK and abroad. This was achieved in no small part through contributions from a number of successful major fundraising events throughout the year, which represent a vital part of the Foundation's income.

Events included the annual Triathlon and Duathlon in St Albans, which raised £92,816 for Hope and Homes for Children (and which has now realised £1.5 million in the last 13 years for that charity), the Big Walk 2015, centred on Hadrian's Wall, which raised £65,000, the Tuscan Three Peaks Challenge realising £115,000, an epic three-day cycle challenge in Provence raising £282,000, a world record-breaking skydive for the late Teenage Cancer Trust Ambassador, Stephen Sutton, in which St James's Place employees raised £10,000, a further £104,000 from the annual Summer Swing event in Congleton, and £80,500 from two regional Children of Courage events in Yorkshire and the Midlands. All amounts shown include Company matching.

Additionally, Partners and employees showed their generosity by supporting the refugee crisis in Europe, and the aftermath of the Nepal earthquakes at the beginning of the year. At the end of the year, our community had raised over £25,000 for Save The Children in support of the charity's efforts to help thousands of displaced children fleeing warfare and conflict in the Middle

East in what is an ongoing humanitarian crisis. Similarly in Nepal, which holds a special place in the hearts of the St James's Place community following the Everest expedition in 2012, the Foundation has donated £40,000 to youth charities supporting the needs of families and communities devastated by the catastrophic earthquakes which killed thousands and destroyed over 800,000 homes.

The Foundation makes donations and grants ranging from a few hundred to hundreds of thousands of pounds. In doing so, the Foundation seeks to make a real difference to the lives of children and young people at home and overseas. Chosen charities are selected very carefully, with the underlying goal being to make the biggest difference to as many charities as possible.

Any small charity that meets the Foundation's selection criteria can apply for a grant if it has a project that is for the direct benefit of economically disadvantaged or socially marginalised young people aged 25 or under, the physically disabled, those suffering from a mental condition, or a life-threatening or degenerative illness. The Foundation also helps those people whose lives have been adversely affected by illness through the hospice movement, making grants to hospices to support the cost of complementary therapy, equipment or specialist staff.

# ST. JAMES'S PLACE FOUNDATION

## CONTINUED

Highlighted below are examples of some of the many charities which have benefited from the Foundation's support in the last 12 months

### **Making a Positive Difference**

Through the Foundation's giving programmes we aim to make a positive and lasting difference to the lives of children in need both in the UK and overseas, and so they can reach their full potential, here are some examples of the donations we have made

#### ***Hope and Homes for Children***

The Foundation, a long term supporter of Hope and Homes for Children, announced a commitment of £600,000 over three years, starting in 2015, to support the charity's vital work in Romania helping children out of orphanages and into loving family homes. The Foundation also donated towards the charity's Numb3rs Appeal which, with UK Aid Match, raised over £4 million. This will support the charity's work in Rwanda and across East Africa over the next three years, where the focus will be on reducing reliance on orphanages as a means of caring for children.

#### ***Philippine Community Fund***

The Foundation granted £93,600 to the Philippine Community Fund (PCF) which was set up 13 years ago to improve the quality of life for impoverished communities in the islands. The PCF works in the most depressed areas of the Philippines, providing education, nutrition, health, medical and family-enhancement programmes.

#### ***EdUKaid***

A grant of £37,000 was awarded by the Foundation to EdUKaid to assist its work in improving the educational prospects of deprived children in the poor rural region of Mtwara in Tanzania, benefiting 700 deprived children aged between four and six years.

#### ***Envision***

Envision inspires young people to gain skills and confidence, and the Foundation has awarded £75,000 over a three year period to fund the cost of its Community Apprentice Scheme, helping disadvantaged young people in Bristol. Envision's projects help young people to design their own local community programmes, tackling issues ranging from street crime to climate change, and inspiring them to become effective role models in their communities.

#### ***The Art Room***

The Foundation granted £77,000 to provide funding for the next three years for a Deputy Manager at the Northolt Art Room in Ealing, a charity which offers art as therapy to children and young adults to raise their self-esteem, self-confidence and independence.

#### ***Roald Dahl's Marvellous Children's Charity***

Roald Dahl's Marvellous Children's Charity helps to make life better for seriously ill children and young people in the UK, and the Foundation donated £84,500 spread over two years to help fund the salary costs of a nurse specifically caring for children who are ill. The charity is inspired by the belief that every child has the right to a marvellous life, no matter how ill a child is, or how short their life may be.

A grant of £500,000 was made to OnSide Youth Zones

### *Panathlon Challenge*

The Foundation committed £255,000 to the Panathlon Challenge, a national charity which provides sporting opportunities for over 5,000 disabled young people each year. Since 1999, Panathlon has invested over £5.5 million in opportunities for young people to compete in sport.

### *A Lasting Legacy – Funding Capital Projects Across the UK*

Thanks to the record amount raised in 2015, and in previous years, the Foundation has been able to consider support for larger Capital Projects – those that we believe will help children in need over a number of years, and leave a lasting legacy for both disabled and disadvantaged children, and for young people in the future. In 2015 projects totalling in excess of £2 million were completed, including

#### *Smile, Support & Care*

£1.2 million to help build a Care Centre in Hampshire providing respite breaks where children and young adults with severe disabilities can stay with their families or carers. Established in 1994, Smile, Support and Care provides respite care, across Hampshire and West Sussex, ranging from several hours per week for a child with a mild form of autism, through to 24-hour care for those suffering severe life-limiting conditions.

#### *OnSide Youth Zones 'The Way'*

£500,000 to help build a state-of-the-art youth centre in Wolverhampton, providing a vital space for disadvantaged and disabled young people to engage in life-changing activities, such as sport, fitness, dance, arts, music, media, enterprise and wellbeing, and self-improvement. OnSide Youth Zones spearheads the development of the Youth Zone 'model' across the country.

A £2,500 grant was awarded to Support Dogs

### *Local Office Allowances*

Local office allowances are small grants made by individual St James's Place offices and are an excellent way of making a difference in their local communities. In the last 12 months, 258 local grants were made totalling £449,183, often with stories that touch the heart.

### *Charlie's Beach Hut Fund*

Charlie's Beach Hut Fund was established in Perranporth, Cornwall by his parents as a permanent memorial to Charlie Codling, who died at the age of four from an incurable brain tumour. The Foundation donated £2,000 to support the Fund with the annual cost of maintaining the hut which provides families of children with life-limiting illnesses with a relaxing environment in which they can forge happy memories.

### *Jacob and Minta*

A £2,500 grant from Cirencester to Support Dogs helped bring joy to a lonely little boy called Jacob. Trapped in his own world by autism, the grant funded the arrival of a yellow Labrador dog called Minta, trained as an Autism Assistance dog, which has transformed his life. Boy and dog are the best of friends, and Minta has proved to be the best possible medicine.

### *Future Plans*

Once again, following a record year of fundraising, the Foundation plans to build on its achievements in 2016 to enable it to contribute and make a difference to even more charitable projects both in the UK and abroad. A number of exciting fundraising events and initiatives are already planned for 2016, reflecting the wonderful commitment the St James's Place community makes to the Foundation every year.

If you would like to know more about the St James's Place Foundation please visit its website at [www.sjpfoundation.co.uk](http://www.sjpfoundation.co.uk)

# BOARD OF DIRECTORS

## Sarah Bates Chairman



Date of Appointment Chairman January 2014  
Non-executive Director, September 2004  
Chair of the Nomination Committee

### Experience

Sarah brings over 30 years' experience from the investment and investment management sectors, both executive and non-executive. Amongst her many roles, she was Joint CIO and CEO for Invesco UK and its Institutional Division between 1999 and 2003. She has also served as Chairman of the Association of Investment Companies from 2011 to 2013. She retains a range of investment related responsibilities which support her Chairmanship of St James's Place.

### External Appointments

Chairman of J P Morgan American Investment Trust plc, and Witan Pacific Investment Trust. Non-executive director of Worldwide Healthcare and Polar Capital Technology Trust plc. Senior independent director of U and I plc. Member of the investment committee of the Universities Superannuation Fund.

## David Bellamy Chief Executive Officer

Date of Appointment Chief Executive Officer  
September 1997  
Joined St James's Place 1991

### Experience

David has worked in the financial services industry since 1973. He joined the Founders of the Company at the outset to establish the back office. Since then he has held a number of roles at St James's Place, including Group Operations Director and Managing Director. He is a Trustee of the St James's Place Foundation.

### External Appointments

Member of the Financial Conduct Authority's Practitioner Panel.

## Andrew Croft Chief Financial Officer

Date of Appointment Chief Financial Officer  
September 2004  
Joined St James's Place 1993

### Experience

Andrew joined the Company in 1993 and has been Chief Financial Officer since 2004. Having trained as an Accountant with Deloitte Haskins and Sells (now part of PricewaterhouseCoopers) he then worked in the financial services sector. Since joining St James's Place he has held a number of roles within the Finance department, assuming the role of Finance Director in 2002. He is a Trustee of the St James's Place Foundation.

### External Appointments

Lay member of the Audit, Risk & Investment Committees of the Royal College of Surgeons of England.

## David Lamb Managing Director

Date of Appointment Executive Director  
December 2007  
Joined St James's Place 1992

### Experience

David is Managing Director with responsibility for Private Client, International and Discretionary Fund Management business and the Group's investment business, including the fund range. He is a Fellow of the Institute and Faculty of Actuaries, having worked in the financial sector since 1979, and has significant experience in wealth management, together with investment and portfolio management. He is chair of the Investment Committee and a Trustee of the St James's Place Foundation.

### External Appointments

Non-executive director of The Henderson Smaller Companies Investment Trust plc.  
Director of the Wealth Management Association.  
Governor of the University of the West of England.

## Ian Gascoigne Managing Director

Date of Appointment January 2003  
Joined St James's Place 1991

### Experience

Ian is Managing Director responsible for the management and development of the Partnership. He has worked in the financial services industry since 1986 and has considerable experience in the financial advisory space. Ian is a Trustee of the St James's Place Foundation.

### External Appointments

Member of the Advisory Board of Loughborough University Business School.

**Iain Cornish**

Senior Independent Non-executive  
Director



Date of Appointment Senior Independent  
Director January 2014

Non-executive Director October 2011  
Chair of the Risk Committee

**Experience**

Iain brings experience from both the financial and regulatory environments. He was a senior consultant at KPMG, specialising in the banking and finance sector, and then served as chief executive of the Yorkshire Building Society. In recent years he has been an independent director of the Prudential Regulation Authority and chairman of the FSA Practitioner Panel.

**External Appointments**

Chairman of Shawbrook Group plc and non-executive director of Arrow Global Group plc

**Simon Jeffreys**

Independent Non-executive Director



Date of Appointment Non-executive Director  
January 2014  
Chair of the Audit Committee

**Experience**

Simon brings experience of the auditing world and financial services. He was a senior audit partner with PricewaterhouseCoopers LLP from 1986 to 2006 where he also led their Global Investment Management practice. Between 2006 and 2014, Simon was CFO and Chief Administrative Officer at Fidelity International and then CFO and Chief Operating Officer at the Wellcome Trust.

**External Appointments**

Chairman of AON UK Limited, non-executive director and chair of the Audit Committees of Henderson International Income Trust plc and SimCorp A/S, a listed Danish financial services software company. Senior Advisor to Wellcome Trust.

**Baroness Wheatcroft**

Independent Non-executive Director



Date of Appointment Non-executive Director  
April 2012

**Experience**

Baroness Wheatcroft brings experience of the media and also the legislature. Her career has included editorial roles at both the Sunday Telegraph and The Times, as well as being editor-in-chief at the Wall Street Journal, Europe. She is a member of the House of Lords. Her financial services experience includes previous appointments as a non-executive director of Barclays Group plc and Shaftesbury plc.

**External Appointments**

Non-executive director of Fiat Chrysler Automobiles. Chairman of the Financial Times Appointments Committee.

**Roger Yates**

Independent Non-executive Director



Date of Appointment Non-executive Director  
January 2014  
Chair of the Remuneration Committee

**Experience**

Roger brings over 30 years of investment management experience. He started his career with GT Management Limited in 1981 and has subsequently held positions at Morgen Grenfell, Invesco and Henderson Group plc, where he was chief executive officer. Most recently, he was chairman of Electra Private Equity plc until 5 November 2015 and a non-executive director of IG Holdings plc, from which he resigned on 15 October 2015.

**External Appointments**

Non-executive chairman of Pioneer Global Asset Management S p A.  
Non-executive director of J P Morgan Elect plc.

Full biographical details may be found on the corporate website at [www.sjp.co.uk](http://www.sjp.co.uk)

**Committee key**

- Member of Audit Committee
- Member of Risk Committee
- Member of Remuneration Committee
- Member of Nomination Committee

## CHAIRMAN'S REPORT

Sarah Bates  
Chairman

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

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

Successfully managing the growth in our community, and nurturing such a pool of talent, is a key responsibility for any organisation and this is therefore a key area of interest for the Board. We look to attract, develop and retain talented people of both genders, and indeed of diverse skills and mind-sets in a wider sense, so as not to unwittingly exclude any particular group from the opportunities we can offer or deprive ourselves of people who could bring benefits to our community. Last year, I reported that a group led by Ian Gascoigne would look at patterns of female participation in our workforce, and there is more information about his progress on page 103. We also continue to observe the skills, experience and potential of our people and having expanded the Executive Board at the start of 2015 we are building on these foundations. We have also been looking at the skills and experience of the Board and planning for longer-term succession.



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

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

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

This year we undertook an external Board evaluation. The detail of the evaluation can be found on page 69, but in summary we were pleased that the Board was considered to be working well, with effective discussions and constructive relationships. We will, however, continue to learn and adapt our training and development programmes are active and being supplemented, and we can make our paperwork more rigorous.

Finally, during the course of the year we noted and participated in a number of public initiatives seeking to support and develop Board governance. As a Wealth Management business, we are interested in these initiatives not only as a corporate body but also in respect of the £58.0 billion of assets we manage on behalf of our clients. The stewardship of these assets is very important and we have been working with both our fund managers and with our corporate advisers to evolve our future approach. Our own ongoing dialogue with shareholders is equally important and further detail on our activity in this respect can be found on page 67. It goes without saying that I am always pleased to meet with shareholders and please do feel free to contact me during the year.

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

*Sarah Bates*  
Chairman  
22 March 2016

# CORPORATE GOVERNANCE REPORT

## Make up of the Board and its Committees

### The Board

Sarah Bates (*Chairman*)  
David Bellamy (*CEO*)  
Andrew Croft  
David Lamb  
Ian Gascoigne  
Iain Cornish (*SID*)  
Simon Jeffreys  
Baroness Wheatcroft  
Roger Yates

### Risk

Iain Cornish (*Chair*)  
Simon Jeffreys  
Baroness Wheatcroft  
Roger Yates

### Nomination

Sarah Bates (*Chair*)  
Iain Cornish  
Baroness Wheatcroft

### Audit

Simon Jeffreys (*Chair*)  
Iain Cornish  
Roger Yates

### Remuneration

Roger Yates (*Chair*)  
Simon Jeffreys  
Baroness Wheatcroft

## The Role of the Board

### Board Leadership

Your Board is collectively responsible for the long-term success of the Company by

- Providing entrepreneurial leadership and direction to the Company in setting out its strategic aims, visions and values and overseeing delivery against these,
- Monitoring financial performance and reporting,
- Setting the Company's risk appetite, assessing the principal risks facing the Company and ensuring that adequate controls are in place to manage risk effectively,
- Ensuring that the appropriate and effective succession planning arrangements and remuneration policies are in place,
- Implementing appropriate corporate governance procedures,
- Reviewing major transactions or initiatives proposed by the Executives, and
- Deciding the Company's policy on charitable and political donations

There is a full schedule of matters reserved to the Board and the Company also maintains a Board Control Manual which sets out the primary policy and decision-making mechanisms within the Company. This includes terms of reference for the various Board Committees, as well as the Company's risk policies and risk appetite statement. Detailed job descriptions for each of the Executive Directors and Non-executive Directors are also included.

Biographical details of the Executive and Non-executive Directors who make up your Board are set out on pages 60 and 61.

## Board Organisation and Governance Structure

### The Roles of the Chairman and Chief Executive

Sarah Bates was appointed as Chairman of the Board on 1 January 2014. The job descriptions of the Chairman and Chief Executive Officer, David Bellamy, and the division of responsibilities between them are clearly defined and agreed by the Board. As Chairman, Sarah takes responsibility for the leadership of your Board, ensuring its continued effectiveness, and promoting effective communication between the Executive and Non-executive Directors, as well as with shareholders generally. As Chief Executive, David's primary responsibility is to manage the Company via the executive management team and implement the strategies adopted by the Board.

### The Senior Independent Director

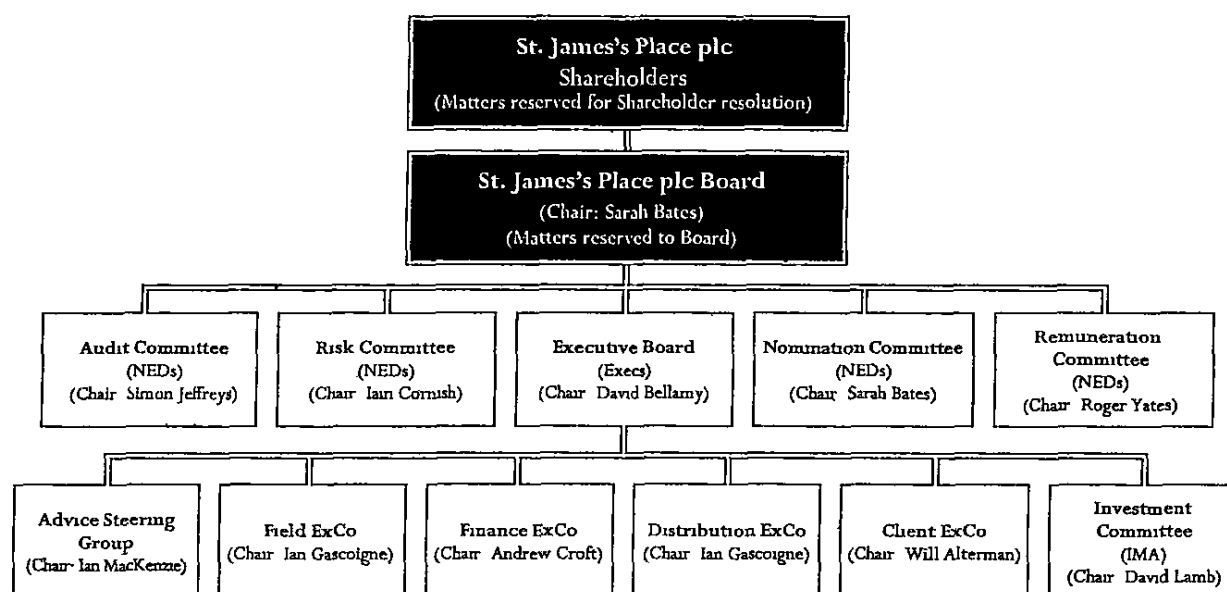
Iain Cornish was appointed Senior Independent Director in January 2014 and his job description has been agreed by the Board. The Senior Independent Director acts as a sounding board and confidant for the Chairman and the Non-executive Directors. Iain also ensures he is available to meet with shareholders and raises any shareholder concerns with the Board that might not be resolved through normal channels.

### Committees

There are four Non-executive Committees of the Board: Audit, Nomination, Remuneration, and Risk. The members of each of these Committees are the independent Non-executive Directors, with the exception of the chair of the Nomination Committee, which is the Chairman of the Company. The membership and terms of reference of each of these Board Committees are reviewed annually and are available on the corporate website ([www.sjp.co.uk](http://www.sjp.co.uk)), or on request from the Company Secretary.

The Executive Committee, (the 'Executive Board') comprises the Executive Directors of the Board and other members of senior management. It is via the Executive Board that operational matters are delegated to management. The Executive Board is responsible for communicating and implementing the Group's business plan objectives, ensuring that the necessary resources are in place in order to achieve those objectives, and managing the day-to-day operational activities of the Group. The terms of reference for the Executive Board are also regularly reviewed and are included in the Board Control Manual. In addition, there is a Disclosure Committee of Executive Directors, responsible for identifying and determining matters to be disclosed to the market.

There are also a number of committees below the main Board Committees and these assist the Executive Board in executing its responsibilities. They each have Terms of Reference which set out clearly their delegated authorities and a right of escalation of matters outside that remit to the Executive Board. A table showing the current supporting governance structure is set out below.



## Board Composition

### Board Size and Composition

The Board currently comprises four Executive Directors, four independent Non-executive Directors and the Chairman (who was independent on appointment). There were no changes to the Board during 2015. The Directors' biographies are set out on pages 60 and 61.

### Independence

When determining whether a Non-executive Director is independent, your Board considers each individual against the criteria set out in the Code and also considers how they conduct themselves in Board meetings, including how they exercise judgement and independent thinking. Taking these factors into account, the Board believes that all the Non-executive Directors continue to demonstrate their independence.

In the Remuneration Report in the 2014 Report and Accounts, we highlighted the ownership of New Bridge Street (advisers to the Remuneration Committee) and confirmed the other business relationships that Aon plc (NBS's parent company) has with the Company. The Board was satisfied that this had no bearing on the independence of NBS as our advisers on remuneration and stated this on page 77 of the 2014 Report and Accounts.

Since the 2014 Report and Accounts, Simon Jeffreys (Non-executive Director and member of the Remuneration Committee) has become Chair of Aon UK Limited, part of the Aon Group of Companies which also includes NBS. The Board has now examined the nature of the relationships between Simon Jeffreys and NBS as a result of his position at Aon UK Limited, and is satisfied that this has no effect on the independence of either party.

# CORPORATE GOVERNANCE REPORT

## CONTINUED

### *Duration of Appointments*

The Chairman and Non-executive Directors are appointed for a specified term and the Executive Directors have service contracts with the Group (copies of the terms and conditions of appointment of all Directors are available for inspection at the registered office address). However, all Directors are subject to annual re-election by shareholders.

### *Time Commitments*

Non-executive Directors are expected to commit at least 15-25 days per annum and in practice commit considerably more time than this. The Board is satisfied that each of the Non-executive Directors commits sufficient time to the business of the Company and further details of work carried out by the Nomination Committee in this respect is set out on page 81.

Since her appointment in January 2014, the Chairman has devoted a significant proportion of her time to the role. In conjunction with the Senior Independent Director, she regularly assesses her various commitments and continues to manage her portfolio of other activities to ensure that she has sufficient time to meet the requirements of the position. She currently holds three other non-executive roles and two Chairmanship roles in other publicly listed companies, however, the Chairmanships and two of the non-executive roles are with Investment Trusts which generally require less time commitment than an operational company, and which provide useful and valuable investment insight to Board discussions. She has a full attendance record at the Company's Board meetings in 2015 and has also attended twenty Board Committee meetings in addition to spending a substantial amount of time engaging with the business outside formal Board and Committee meetings. The Board is satisfied that she commits sufficient time to the business of the Company.

### *Succession Planning and Diversity*

The Board has a responsibility to ensure that appropriate succession plans are in place both for the Board, the Executive Board and senior management. The expansion of the Executive Board in 2014 and the restructuring of that Executive Board and the roles held by its members with effect from the end of 2015 has provided a robust succession plan for the future and this, together with the Board succession plans, will continue to be reviewed during 2016.

The Board also continued to develop its initiative around patterns of female participation and diversity in different parts of the Group and the Partnership and this will continue to be a focus in 2016.

### *Board Effectiveness*

The Board undertakes a review of its effectiveness each year, organised by the Chairman. At least once every three years this is facilitated by an external party and a formal external evaluation of the Board took place in 2015. Further details of the review and its key findings are set out on page 69.

### *Board Training*

#### *Induction*

An appropriate induction programme is designed to enable all new Board Directors to meet senior management, understand the business and future strategy, visit various office locations and speak directly to Partners and staff around the country as well as being introduced to other key stakeholders.

#### *Continuing Professional Development*

The Chairman and Company Secretary also ensure the continuing professional development for all your Directors, based on their individual requirements, and a list of training carried out during the year is maintained by the Company Secretary. Such training includes topical issues, visits to head office and other locations to meet with staff and members of the Partnership and attending seminars or other events taking place throughout the year. In addition to this, ad hoc training is set up in the year to deal with individual requests and the Non-executive Directors are able to attend seminars or conferences which they consider will assist them in carrying out their duties. Non-executive Directors are briefed on the views of major shareholders at Board meetings and are provided with the opportunity to meet with shareholders, as appropriate.

### *Board Functioning*

The Chairman is responsible for setting the Board Agenda together with the Chief Executive Officer and the Company Secretary. For each Board meeting, all Board members are supplied with an agenda and pack containing specific papers on strategic issues, reports and management information on current trading, operational issues, compliance, risk, accounting and financial matters. The Chairs of the various committees of the Board report to the Board at each Board meeting and copies of committee meeting minutes are included (where appropriate) in the Board packs.

To ensure that there is sufficient time for the Board to discuss matters of a material or more discursive nature, Board dinners are usually held prior to most scheduled Board meetings, which allows the Directors greater time to discuss their views.

In addition to the strategic discussion at Board meetings, the Directors attend two separate Strategy Days each year and, during 2015, these focused on some of the areas set out on page 68.

### Culture

The Board exercises oversight over the Company's culture and regularly considers how both employees and Partners adhere to it and reviews measures to retain the Group's culture. The manner in which employees and Partners can adhere to the culture is set out in a series of 'Our Approach' documents, including The Spirit of the Partnership.

### Company Secretariat

Directors have access to the advice of the Company Secretary at all times, as well as independent professional advice where needed in order to assist them in carrying out their duties.

### Relations with Shareholders

The Company maintains close relationships with institutional shareholders through dialogue and frequent meetings, and meets regularly with the Group's brokers who facilitate meetings with investors and their representatives.

During 2015, shareholder interaction included giving shareholder roadshows, where the Chief Executive Officer and the Chief Financial Officer presented the Company's full year and half year results to investors, attending investor conferences and holding general investor meetings and conference calls.

The Chief Financial Officer provides feedback to the Board on any material topics raised in these meetings and Board members also receive copies of the latest analysts' and brokers' reports on the Company, and will attend shareholder and/or analyst meetings from time to time.

The Chairman, Senior Independent Director and other Non-executive Directors are available for consultation with shareholders on request and will be available after the Company's Annual General Meeting which will be held on Wednesday, 4 May 2016, further details of which are set out in the Notice of Annual General Meeting. The Chairman wrote to major shareholders in 2015, to make sure they had contact details for her, the SID and the new Chairman of the Remuneration Committee, and to ask if any major shareholder had specific comments or queries. No such comments or queries were made. The Chairman and Non-executive Directors also attended the Capital Markets Day and post results analysts' briefings. She will be attending a number of shareholder meetings with the executive team in 2016.

### Board Meetings and Focus During 2015

#### Meetings

During the year, seven formal Board meetings were held and there were two additional Board Strategy meetings. There were also twenty Board Committee meetings.

Attendance at both Board and Board Committee meetings is set out below.

Member	Board and Committee Attendance in 2015				
	Plc Board	Audit	Risk	Remuneration	Nomination
Sarah Bates	7 (7)	—	—	—	3 (3)
David Bellamy	7 (7)	—	—	—	—
Iain Cornish	7 (7)	7 (7)	7 (7)	—	3 (3)
Andrew Croft	7 (7)	—	—	—	—
Ian Gascoigne	7 (7)	—	—	—	—
Simon Jeffreys	7 (7)	7 (7)	7 (7)	3 (3)	—
David Lamb	7 (7)	—	—	—	—
Baroness Wheatcroft	7 (7)	—	7 (7)	3 (3)	3 (3)
Roger Yates	7 (7)	7 (7)	7 (7)	3 (3)	—

Note: The number in brackets denotes the number of meetings that the Board members were eligible to attend.

# CORPORATE GOVERNANCE REPORT

## CONTINUED

In addition, the independent Non-executive Directors met without the Executive Directors but with the Chairman three times during the year, and also met once without the Chairman

### Board Activities During 2015

A summary of some of the topics considered by the Board during 2015 is set out below and in the Chairman's Report on pages 62 and 63. Reports on the activities of each of the Board Committees during 2015 are set out on pages 70 to 83

### Highlights of 2015 Board Business

The following provides an overview of the key matters considered by the Board in 2015

#### Strategy

##### *The Board:*

- Discussed possible future financial market behaviours, with an external speaker,
- Considered the strategic direction of its Investment Management Approach taking into account market and political conditions, the scale of funds under management together with proposed industry and product developments, risks and constraints,
- Received regular updates and discussed the changing landscape in relation to pensions and the Government's Pensions Reforms together with the Financial Advice Market Review,
- Considered and approved the acquisition of Rowan Dartington, a discretionary fund manager, which acquisition has received regulatory approval and will be completed imminently,
- Approved the launch of a new Money Management Account through Metrobank,
- Conducted 'deep dives' on the strategies relating to
  - clients and client outcomes,
  - the Partnership,
  - capacity and capability,
  - risk; and
  - expenses
- Reviewed and approved a new Partner Share Option scheme,
- Received updates on progress of the Asian operations, and
- Approved the Company's Business Plan for 2015

#### Risk Management

##### *The Board:*

- Undertook a robust assessment of the principal risks facing the Group, in accordance with C 2.3 of the UK Corporate Governance Code, including those that would threaten its business model, future performance, solvency or liquidity (see pages 43 to 47 for description of these risks and how they are being managed or mitigated) and approved the Group's Risk Framework and the Group's Risk Appetite Statement (see also the report of the Risk Committee on pages 77 to 79),

- Reviewed and approved the ORSA required under the new Solvency II regime, further details of which are set out on page 41,
- Conducted a deep dive on the Company's risk strategy and progress against plan, monitored the Company's risk management and internal control systems and carried out a review of their effectiveness (see page 69 for a report on that review), and
- Oversaw the project to upgrade the Group's back-office administration systems, as discussed in the Report and Accounts for 2014, and also risks in relation to third party outsourcing arrangements

#### Governance

##### *The Board:*

- Considered and received training on the impending implementation of the Senior Insurance Managers Regime and approved the Governance Maps for the Group and SJPUK (a key requirement of the regime) that were submitted to the PRA at the end of 2015,
- Worked to ensure, via its various reporting forums, that the Group complied with all of its obligations and responsibilities under UK Company Law as well as the revised UK Corporate Governance Code;
- As noted in the Audit Committee report, reviewed the financial statements and considered they were indeed fair, balanced and understandable, and that they provide the necessary clarity required by shareholders to sufficiently understand the business,
- Considered the new requirement for a 'viability statement' to be included in the Report and Accounts together with the most appropriate timeframe on which to base its viability statement, further details of which are set out on page 42,
- Commissioned and participated in an external evaluation of the effectiveness of the Board and its Committees generally. Details of the evaluation are set out on page 69, and
- Internal individual peer reviews were also conducted with each Director

#### Succession and Diversity

##### *The Board:*

- Spent considerable time reviewing the Group's succession plans through the Nomination Committee, looking to ensure the continued development of senior management and agreeing to the proposed restructuring of the Executive Board members' responsibilities as outlined on page 81, and
- Noted the establishment of a group to review patterns of female participation in the organisation

## Finance, Regulatory and Statutory

### The Board:

- Received regular updates on extensive regulatory changes including Solvency II and the Senior Insurance Managers Regime mentioned above,
- Was presented with a deep-dive on the Group's expenses,
- Had regular contact with the Group's regulators to ensure effective and appropriate engagements with them, with the FCA also attending a Board meeting during the year, and
- Approved the Annual Report and the shareholder notice of Annual General Meeting

### Training

During the year all the Directors identified and undertook relevant training based on their individual requirements. They also attended a specific training day covering SJP products and services, SJP funds, Governance and Resolution Planning. In addition, during 2015 the Non-executive Directors identified areas that they particularly wished to receive training and development including meeting Partners and visiting Locations and attending Executive Committee meetings.

### 2015 Board Effectiveness Review

Last year we conducted an internal evaluation of the Board's effectiveness (the results of which were set out in last year's Report and Accounts) and I am pleased to say that we have made good progress in relation to the key actions arising from that review. This included setting aside time at future Board meetings to discuss issues in more depth, and further training and development for Non-executive Directors.

As mentioned earlier in this Report, in 2015 the Board undertook an external evaluation, which was conducted by Sean O'Hare from Boardroom Dialogue. Boardroom Dialogue also provided some advice on long term succession planning. Sean O'Hare was a partner in the Human Resource Services Group at PwC but retired on 31 December 2013 and thus his independence was not affected. He does not have any other connections with, nor has undertaken any other work for, the Group.

This review focused on identifying where the Board was working well and areas for improvement. It was conducted between August and December and consisted of

- 11 interviews with each of the members of the Board, key executives, the Company Secretary and the Audit Partner from PwC,
- Observation of Board and Committee meetings held over the period, and
- A review of the Board and Committee agendas, minutes and papers for the previous 12 months.

The findings of the 2015 review were that the Board was working well, considering the right topics in a timely basis with an appropriate level of challenge. The Non-executive Directors were conscientious and prepared thoroughly for Board and Committee meetings and the management team received value from, and were influenced by, the Non-executive Directors' contributions.

Therefore, overall this was a positive report reflecting that the Board had made good progress in the last three years and there were no major issues or concerns that were not already under consideration. However, to improve Board effectiveness further, the main areas to focus on were

- Enhancing Board engagement by considering additional informal meetings involving Board members, keeping Non-executive Directors updated on SJP communications events and increasing engagement at shareholder meetings, and continuing to enhance the quality of, and focus on, strategic discussions,
- Improving meeting administration to streamline the format and volume of information going to the Board and the timeliness of papers, improving the scheduling of certain Audit Committee meetings, reviewing attendance by management at meetings and reviewing the secretariat support for the Board Committees and the Executive Board,
- Engaging further in Board development by building on the current training for Non-executive Directors through further briefing sessions on more complex areas of the business and reviewing and updating the induction process for Non-executive Directors; and
- Building on existing long term succession planning to ensure continued discussion on this topic at Board level and greater visibility to the Board of succession plans below the Board and the Executive Board.

The Company will report on the progress of the above action plan in the 2016 Report and Accounts.

During 2015, the Chairman also assessed the individual performance of each member of the Board, by way of a questionnaire and individual discussions, to consider performance and establish Board related objectives. Training and development needs for 2016 were also identified and the output from these reviews will be taken into account in drawing up the Board effectiveness plan for 2016.

### Compliance with the UK Corporate Governance Code

The Board's statement of compliance with the provisions of the UK Corporate Governance Code 2014 is set out on page 100.

# REPORT OF THE AUDIT COMMITTEE

I am pleased to present the report of the Audit Committee of St James's Place plc for the year ended 31 December 2015

As shareholders will be aware, the Audit Committee has numerous obligations to the Board and shareholders, including assisting the Board in its monitoring of both the financial reporting process, and the effectiveness of the Company's internal control, internal audit and risk management systems

The Committee is also responsible for monitoring the statutory audit of the annual report and the consolidated financial statements, and the independence of the Group's statutory auditor, PricewaterhouseCoopers LLP (PwC). In carrying out these duties, the Committee must maintain an effective relationship with the external auditors and pay due regard to any findings and conclusions resulting from external inspections of previous audits and the results of our internal evaluation of the effectiveness of prior year audits

*Simon Jeffreys*  
*Chair of the Audit Committee*

## Role of the Committee in Summary

- To be responsible for the accuracy and integrity of the Group's financial statements,
- To oversee the work of the external auditor and consider its reports,
- To monitor the work of the Internal Audit function and ensure its effectiveness,
- To monitor the effectiveness of the systems of internal control and risk management,
- To review, and where appropriate refer on to the Board, any significant control failures; and
- To report to the Board on how the Committee has discharged its responsibilities

## Audit Committee Members

Simon Jeffreys (*Chair*)  
Iain Cornish  
Roger Yates

A further duty of the Committee is to provide advice to the Board that the Company's financial reports, taken as a whole, provide a fair, balanced and understandable assessment of the Company's financial position and results, and that they provide the information necessary for shareholders to assess the Company's financial position and performance, business model and strategy

A key activity of the Committee in 2015 was reviewing the annual and half-yearly Report and Accounts, associated announcements and the external auditor's reports. Engagement with the Internal Audit function, and particularly development of the Internal Audit plan for the year, monitoring progress of the plan and considering the results from all Internal Audit activity was also important, as was maintenance of an appropriate relationship with the Company's external auditors

This report sets out how the Committee has discharged these, and its other duties, through 2015

*Simon Jeffreys*  
*On behalf of the Audit Committee*  
22 March 2016



### Committee Membership During 2015

Committee members are unchanged since January 2015 and, in accordance with the UK Corporate Governance Code, comprise three independent Non-executive Directors. This remains the case as at the date of this report. The Board is satisfied that all members have the experience and qualifications necessary to successfully perform their roles, noting in particular that the Chair of the Committee is a qualified accountant and former auditor, and other members also have recent and relevant financial experience and expertise.

Details of attendance of Committee members at the meetings of the Audit Committee throughout the year can be found on page 67. Additional invited attendees to the meetings during the course of the year included the Chairman, the Chief Financial Officer, the Director of Internal Audit, the Corporate Actuary and other members of the Finance team, as well as representatives from the external auditors, PricewaterhouseCoopers LLP. The Chief Executive Officer and the Group Risk Director both attended a joint meeting of the Audit and Risk Committees held in May 2015.

### Committee Activities During 2015

#### Financial Reporting

The Committee reviewed both the annual and half-year Report and Accounts, together with the associated reports from the external auditors. An early draft of the Annual Report was discussed at the November meeting and the Committee held early discussions on key disclosures including material assumptions, key judgements, changes since 2014 and significant events and activities during 2015. The Committee reflected both on positive developments and challenges during the year. The topics discussed were driven both by consideration of risk of mis-statement of the accounts, and also by assessment of the scale of risk in the business.

Given the nature of our business, there are certain areas which are always relevant and important, particularly valuation of assets and actuarial reserving assumptions. Other topics reflect the business experience in the year. During 2015 the activity has included

Area of Focus	Activity
Asset Valuation (Particularly Property and Derivatives)	Further to a request by the Audit Committee, senior management presented on asset valuation systems and controls, with particular focus on property and derivatives, but also outlining the process of audit of Unit Trusts. As a result the Committee was able to conclude that the processes were appropriate and would provide reliable financial information.
Actuarial Reserving Assumptions (Including Persistency Assumptions in Relation to EEV and Solvency II Reporting)	In line with practice of recent years, Committee members engaged in a separate briefing session to review the experience analysis underlying demographic assumptions, and also reviewed the key economic assumptions to be used in valuations. This prompted detailed discussion of the various judgements, and resulted in a common understanding of, and agreement on: <ul style="list-style-type: none"> <li>The impact of changes in the pension market and client behaviour on persistency of pension business, and</li> <li>The outlook for future maintenance expenses in light of the new administration contract.</li> </ul>
Fraud in Revenue Recognition	During the course of its regular work, the Committee reviewed the relevant policies and received regular reports from management and internal/external audit on the controls.
Management Override of Controls	Much of the work of the Committee was directly or indirectly focused on management and controls. This included review of systems of controls, reports on the self-assessment activity, and external review, including internal audit co-sourcing.
FSCS Levy	As this levy was such a significant item in the first half of the year, the Committee discussed the appropriate level of provision and potential implications for the business in the future, concluding that the reporting was appropriate.

# REPORT OF THE AUDIT COMMITTEE

## CONTINUED

Area of Focus	Activity
Deferred Tax Assets from Legacy Capital Losses	<p>Following the identification of significant tax losses in legacy companies, the Committee requested information about the timing of recognition and realisation of this tax asset and any risks which could impair its value. The Committee also considered the communication and reporting of these losses, including engaging in discussion with external advisers, which enabled it to support management's recommended approach. See further detail on page 28.</p> <p>The Committee also considered the expected use of tax losses identified in earlier years, and reviewed other deferred tax assets and liabilities.</p>
Migration of UT and ISA Business to the Bluedoor Administration System	<p>The Committee discussed the migration testing strategy and work, targeted Internal Audit work on this important project and received reports prepared by both management and external consultants. Furthermore, members of the Committee attended governance meetings to ensure the processes were robust, and reviewed the results of dry runs. The Committee concurred with management's decision to migrate UT and ISA business to the new system, which was successfully completed in October.</p>
Revised Contract with IFDS	<p>As part of the final approval process for a new contract with IFDS, the Committee carried out an oversight review of management's review of the contract and in particular the financials. The Committee also discussed the implications for financial reporting, and in particular agreed with management on the recognition in the financial statements, and the recoverability, of a pre-payment for development costs that will be recognised over the lifetime of the contract.</p>
Acquisition of Rowan Dartington	<p>The Committee reviewed and agreed the proposed approach to consolidation of the additional entity and reporting of the transaction costs and intangibles.</p>
New Partner Share Option Scheme	<p>During the year the business decided to offer a new share option scheme to SJP Partners to support retention and promote productivity of our most successful Partner businesses. The Committee supported the proposed approach to financial statement disclosure.</p>

Developments in relation to cyber security controls were considered by the Risk Committee as part of its discussions around the Group's risk appetite in this area of increasing risk.

This year was also significant for Financial Reporting and Regulatory changes within the industry, with a number of key areas for the Committee to consider

Area of Focus	Activity
Solvency II (In Conjunction with the Risk Committee)	Final preparations were made during the year, ready for implementation in January 2016. The Committee was informed of progress in the project, including monitoring of the project and reports by Internal Audit, and considered the potential impact on corporate reporting. The Committee also approved the approach taken to reporting Solvency II information in the year-end Report and Accounts.
UK GAAP Update	As part of its regular review of developments in accounting standards, the Committee assessed and supported the move to adopting FRS 101 for most of the Group companies.
2014 UK Corporate Governance Code (Including Viability Statement)	As well as monitoring developments with the FRC, the Committee considered the changes required to satisfy the 2014 UK Corporate Governance Code. In particular the Committee discussed and agreed the approach to the viability statement.
EU Audit Directive	Although national implementation of the EU Audit Directive is yet to be completed, the Committee has anticipated the likely implications and has updated the Group's Policy on auditor independence accordingly.
New Business Metrics (APE – Annual Premium Equivalent)	Following developments in industry reporting, the Group decided to stop reporting performance on the APE measure. The Committee was involved in reviewing the proposed change and considering any potential risks.

#### *'Fair, Balanced and Understandable' Opinion*

The UK Corporate Governance Code requires the Board to give its opinion as to whether it considers the Company's Report and Accounts, taken as a whole, provide a fair, balanced and understandable assessment of the Company's position, and that they provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

To aid the Board, the Audit Committee carried out a formal review of the Report and Accounts in relation to this requirement, including a consideration of the results of activities and information described above. In particular, the Committee reflected on the following questions:

- Does the report present the whole story, including challenges and issues faced as well as Company achievements?
- Does the report achieve consistency between the financial statements and the narrative sections?
- Are appropriate performance measures included and clearly explained?
- Are key judgements and estimation uncertainties in the financial statements explained and are they consistent with the Audit Committee report and the risks the external auditor intends to include in its report?
- Does the report have a clear and cohesive structure?
- Is the report readable and are the important messages highlighted appropriately?
- Are explanations of business models, strategies and accounting policies clear?

Following this review, the Committee was able to advise the Board that the Company's Report and Accounts for the year ended 31 December 2015 are indeed fair, balanced and understandable.

# REPORT OF THE AUDIT COMMITTEE

## CONTINUED

### External Auditor

The Committee has responsibility for the work of the external auditors of the Company

The auditors attended all Audit Committee meetings, and reported on their work. The Chair of the Committee also met regularly with the Senior Statutory Auditor

The Audit plan was presented, discussed and agreed with the Audit Committee at the October meeting, setting out the activity planned and the major risks identified. Regular progress updates were presented at the November and January meetings, with a full report presented at the conclusion of the audit in February. The Committee discussed the findings from the work under the headings of the major risks as set out in the original Audit plan and members applied their understanding of the scope of work, findings, judgements and conclusions of the external audit in their evaluation that the financial statements had been properly prepared

During the year the Committee developed a revised Policy on Auditor Independence. The new policy is available on the Company website. The policy makes clear the types of non-audit work which are prohibited, and our robust policy of only engaging our auditor for limited non-audit work, where there is no risk of compromising independence, and where it is appropriate to do so

The policy also sets out St James's Place's commitment to regular rotation of the auditors, taking into account both the EU and Competition and Markets Authority rules. In particular the Committee is committed to reviewing the performance of the auditor every year, and considering whether a change is required

The Committee used their experience and the following additional information to assess the effectiveness, independence and objectivity of the Company's external auditor:

Area of Focus	Activity
Auditor Effectiveness	<ul style="list-style-type: none"> <li>The findings of the annual review by the FRC of the main auditing firms</li> <li>The Audit Quality Review report on PricewaterhouseCoopers LLP specifically</li> <li>The outcome of the review by the FRC of the 2014 audit of the Company – the Committee reviewed the comments, discussed them with PwC and was satisfied with the outcome</li> <li>The experience and knowledge of the team (with due regard to the requirement for regular rotation of audit team members)</li> <li>Results of an internal survey of auditor performance</li> <li>Results of the review of the 2014 Annual Report and Accounts, which was used to inform the Committee's review of the 2015 Annual Report and Accounts</li> </ul>
Auditor Independence and Objectivity	<ul style="list-style-type: none"> <li>Review of the nature and extent of other 'non-audit' work undertaken to confirm compliance with our policy.</li> <li>Review by SJP to confirm no links or investments with the Company by the Audit Team</li> <li>Regular rotation of Audit Team</li> <li>Appropriate considerations when recruiting a former audit partner</li> </ul>
Level of Fees	Detailed information on the breakdown of fees paid to our external audit firm is provided in Note 6 of the Accounts on page 134

As a result of this work, the Committee concluded that the audit service of PricewaterhouseCoopers LLP was fit for purpose and provided a robust evaluation of the risks underlying the Company's financial statements. As a consequence it was agreed that it was not necessary to tender the audit during the year. However, since PwC was appointed as auditor in 2009, it is expected that, in the best interests of shareholders, the audit will be tendered during 2016 in respect of the 2017 year-end audit (though this need not result in a change of audit firm). We will need to change audit firm at least by 2027. Having rotated our Senior Statutory Auditor in 2014, we will also at least require a further rotation by 2019. Taking into account these plans and disclosure, we believe that we comply with the provisions of the Statutory Audit Services Order.

### Internal Audit

The Committee is responsible for monitoring the work of the Internal Audit function and its effectiveness. The Director of Audit has regular access to the Chairman of the Audit Committee and the Board and is accountable to the Audit Committee.

During the year the Committee reviewed and approved the Audit Charter, as required by the standards of the IIA (Institute of Internal Auditors), and confirmed the updated document complies with the internal audit policy requirements of the Solvency II directive. The Internal Audit function also presented periodic reviews of the skills and capabilities within the team. The Committee encouraged the Director of Audit to put in place a formal co-sourcing agreement and Deloitte LLP was chosen for this purpose after a competitive selection process. Co-sourcing provides specialist expertise and additional resources to maintain and enhance the level of assurance.

The work plan for the Internal Audit function was agreed at the start of the year, and progress was monitored through the year, with particular focus on whether the team had the necessary resources to implement the plan in a timely manner. The Committee encouraged an external quality assessment of the Internal Audit function, which was conducted by independent consultants. This confirmed compliance with the International IIA standards to which the function is benchmarked and the Code for Effective Internal Audits in Financial Services. There were a number of minor recommendations to improve the effectiveness and resilience of the internal audit function and the Committee ensured that appropriate changes were made.

Risk based Internal Audit work during the year has focused on several themes identified at the planning stage with the Committee, for example:

Area of Focus	Activity
Governance	<ul style="list-style-type: none"> <li>• Delegations of authority across the Group</li> <li>• Management of conflicts of interest</li> </ul>
Major Change Initiatives	<ul style="list-style-type: none"> <li>• Administration system – extensive coverage of the programme to upgrade the Group's back-office administration systems</li> <li>• Solvency II – specific audits to ensure preparedness for compliance in 2016</li> </ul>
Core Compliance and Regulatory Risk Audits	<ul style="list-style-type: none"> <li>• Complaints handling and case checking of written business</li> <li>• Fraud controls</li> </ul>
Management of Third Parties and Outsourced Service Providers	<ul style="list-style-type: none"> <li>• Review of risk and control management at IFDS and Capita</li> <li>• General audit coverage of other key third parties</li> </ul>
Other Key Operational Risks	<ul style="list-style-type: none"> <li>• Business continuity planning – including oversight of third party administrators</li> <li>• Information technology – review of data quality</li> </ul>

When receiving regular updates from the Director of Internal Audit in relation to the results from completed audits, the Committee paid careful attention to any areas where the audit led to remedial action being recommended. The actions arising were monitored to ensure completion. In practice, 86% (2014: 85%) of actions were completed in line with the original agreed deadlines, with the rest expected to be completed by appropriately agreed revised deadlines.

### System of Internal Control

The Board has overall responsibility for the Company's system of internal controls, the ongoing monitoring of risk and internal control systems and for reporting on any significant failing or weaknesses. The Audit Committee and Risk Committee work closely together to support the Board in this responsibility, with the Board having delegated responsibility to the Audit Committee for reviewing the effectiveness and monitoring of the 'risk and internal controls framework', and responsibility to the Risk Committee for oversight of risk management. The Risk Committee therefore provides regular updates to the Audit Committee on the status of risk management in the Group.

# REPORT OF THE AUDIT COMMITTEE

## CONTINUED

The Group adopts the 'three lines of defence model' as the design basis for its internal control framework and the process for reviewing the effectiveness of the framework takes account of this model as follows

Area of Focus	Activity
First Line – Operations	<ul style="list-style-type: none"> <li>Control Self-Assessment attestation from management</li> <li>Attestation by significant third party suppliers of outsourced administration services</li> <li>CEO attestation to the Board Audit Committee on the first line operations.</li> </ul>
Second Line – Risk Management and Controls	<ul style="list-style-type: none"> <li>Control assessments               <ul style="list-style-type: none"> <li>– 'Risk control' self-assessments,</li> <li>– Compliance monitoring, and</li> <li>– Business assurance 'thematic reviews'</li> </ul> </li> <li>Review led by the Controls Manager at half year and year-end</li> <li>CEO attestation to the Board Audit Committee on the second line, risk management functions.</li> <li>Reports from the Board Risk Committee</li> </ul>
Third Line – Audit	<ul style="list-style-type: none"> <li>Internal Audit ongoing activity, including reviews by external organisations, managed by Internal Audit (e.g. KPMG file reviews)</li> <li>External Audit activity.</li> <li>Internal Audit – Internal Control Evaluation report</li> </ul>

In summary, the Chief Executive has ultimate responsibility for the first two lines of defence and uses his knowledge of the business, and that of his senior management team, to provide an opinion on the control systems. Separately, Internal Audit provides an independent opinion (the Internal Control Evaluation report), from a third line perspective, based on Internal Audit activity conducted throughout the year and Internal Audit's further analysis and appraisal of the outputs from a wide range of other sources.

These sources of assurance assist the Audit Committee in completing its annual review and enable the Audit Committee to attest on behalf of the Board that it has been able to properly review the effectiveness of the Company's system of internal control in accordance with the 2014 FRC Guidance on risk management, internal control and related financial and business reporting. The Audit Committee did not identify any 'significant failings or weaknesses' and it has ensured that corrective action is being taken on matters arising from the review.

### Other Activity

The Chair of the Committee acts as the key contact for the Whistleblowing Policy and will be the whistleblowers' champion under the Senior Insurance Managers Regime. The Committee has reviewed whistleblowing arrangements in light of the PRA policy statement in October 2015 and will oversee the amendments and communications required prior to the new rules coming into force on 7 September 2016.

### Self-Assessment

As part of the annual process of Board evaluation, the Committee considered its overall performance during the year. Overall the Committee judged itself to be effective, but consideration was given to the possibility that, as both the Audit and Risk Committees fulfil similar oversight roles, there could be duplication. As a result, formal arrangements have been introduced to further strengthen the working relationship, including ensuring that the Chairs of the Audit and Risk Committees liaise on agendas.

The Committee was also included in the Board Evaluation process and no material issues were highlighted in respect of its operation.

The terms of reference, which were revised in 2015 and which set out the Committee's role and authority, can be found on the corporate website at [www.sjp.co.uk](http://www.sjp.co.uk)

# REPORT OF THE RISK COMMITTEE

Strategic Report

St. James's Place Foundation

Governance

Financial Statements

Other Information

Fostering a culture of effective risk management is of the utmost importance to the Directors. The Risk Committee is a sub-committee of the Board, the remit of which is to assist the Board in developing this culture, by providing leadership, direction and oversight of the Group's management of risk.

In carrying out this remit, the Committee's key activities in 2015 included

- Overseeing preparations for the implementation of the Solvency II Directive alongside the Audit Committee,
- Monitoring and reviewing the effectiveness of risk management in the Group and the risk management functions,
- Reviewing the principal risks and uncertainties affecting the Group as well as the risk appetite,
- Considering reports produced by the Group's Risk and Compliance functions, to monitor the ongoing compliance interaction with the Group's regulators, and
- Receiving presentations from members of senior management about their business areas and reviewing the management of the associated risks

The following report sets out in more detail the Committee's key activities in 2015

*Iain Cornish*  
Chair of the Risk Committee

## Role of the Committee in Summary

- To foster a culture of effective risk identification and management throughout the Group,
- To provide leadership, direction and oversight of the Group's management of risk,
- To review the principal risks affecting the Group and the ways in which the risks are controlled and mitigated,
- To provide oversight of the Own Risk and Solvency Assessment process, and
- To report any material areas of concern to the full Board

## Risk Committee Members

Iain Cornish (*Chair*)  
Simon Jeffreys  
Baroness Wheatcroft  
Roger Yates

*Iain Cornish*  
On behalf of the Risk Committee  
22 March 2016

# REPORT OF THE RISK COMMITTEE

## CONTINUED

### Committee Membership During 2015

All members of the Risk Committee have considerable financial, risk and/or other relevant experience and are independent Non-executive Directors. There have been no changes to the membership of the Risk Committee during 2015. Details of attendance at the meetings of the Risk Committee throughout the year can be found on page 67.

Regular attendees at Committee meetings during the year included the Chief Executive, the Managing Director, the Group Risk Director, the Chief Financial Officer, the Compliance Officer and the Chief Actuary. As Chairman of the Board, Sarah Bates also attended all Risk Committee meetings during 2015.

### Committee Activities During 2015

A key focus for the Committee during 2015 has been oversight of the implementation of Solvency II requirements. The Committee set the strategy for the performance of a single, Group-wide, ORSA and had continued involvement in this process throughout the year. In particular, the Committee discussed the underlying basis and assumptions, the nature and results of stress and scenario tests, the assessment of operational risks, key risk management policies and the content of the Narrative Report, ORSA report and viability statement. It also received regular reports on project progress.

An important element of the work of the Committee is to consider reports from senior executives and external consultants on specific topics, including key corporate initiatives. The Committee spent time discussing management of the associated risks, and provided challenge to the executives responsible. Topics considered in 2015 included:

- Cyber-security threats, the Group's defences and industry best-practice. The Committee considered the Group's risk appetite, current level of maturity, and developments to controls and awareness in this area of increasing risk;
- The Group's financial crime prevention controls. The Committee considered the risks associated with overseas clients and the due diligence required for such individuals, and received an update on financial crime prevention controls in the Asian subsidiaries. In a separate discussion, the Committee considered the financial crime prevention strategy over the next five years, to ensure controls remain effective in light of a changing external risk environment and increasing complexity within the Group;
- The progression of the project underway to implement the Group's new administration platform. The Committee considered the financial and contractual risks associated with the development, and focussed on the controls operating within the project, including quality gates in place at key decision points,

- Oversight of third party administrators, including the potential impact on clients of any issues experienced by those administrators and how these are mitigated. The Committee considered the controls in place to ensure correct handling of client money, discussing the implementation of new client assets regulations and the impact of the new administration platform on the handling of client money. The nature of the Group's oversight of outsourced relationships was also considered;
- The potential risks associated with the acquisition of Rowan Dartington, with subsequent discussions around the process of aligning the two businesses, following the Board's decision to proceed with the acquisition;
- The nature of client complaints and the way in which these are handled and resolved. The Committee also considered the reporting of complaints, both within the Group and to regulators;
- The approval process for new Partners, in particular the checks that are carried out during the recruitment process and subsequent monitoring of new recruits;
- The political landscape in the UK, including the implications of changes to pension legislation and potential impacts on the Group from a Greek Euro exit or a British exit from the EU, and
- The regulatory environment and management of key risks within the Asian subsidiaries, including the progress towards full integration of the acquired business into the SJP Group and continued enhancements to controls and resource levels.

This gave the Committee the opportunity to ensure that risks are being addressed and to test that the culture of risk identification and management is embedded.

Oversight of the Risk Management Framework is key to delivery of the responsibilities of the Committee. Further information about the risk framework can be found on pages 40 to 42. The framework and associated documents are subject to annual review, and in 2015, the Committee has focused on embedding the changes made in 2014. In particular, the risk appetite statement has been realigned to reflect key drivers of the business: clients, Partners, the Investment Management Approach, shareholders, regulators and our people. This represents an evolution of the existing statements, and there has been no fundamental shift in the underlying risk appetite of the Group. The set of indicators used by the Committee to regularly monitor performance against risk appetite has been aligned to the new statement, as has the record of the top risks to the Group. Both have been regularly reviewed by the Committee during the year. Further enhancements to the Risk Management Framework have been identified and will be implemented during 2016.



The Committee is supported in its oversight of the Risk Management Framework by Risk Management teams at Group and local levels, and the Committee spends a significant proportion of its time receiving updates from the Group Risk Director and the Head of Division – Group Risk, who both have direct access to the Chairman of the Risk Committee should the need arise. The Committee is also able to review and provide challenge on the implementation of risk mitigation in the business.

As part of its oversight of risk management in the business, the Committee also continued to receive and review reports from a number of Executive Committees and other functions in the Group, including

- Reports relating to relevant topics discussed at Group Risk Executive and Finance Executive Committee meetings, where executive oversight is given to the appropriateness and observance of the Group's Risk Appetite,
- Reports produced by the Compliance Oversight and Business Assurance functions in respect of thematic reviews carried out into specific areas of the Group's business,
- Reports from the Group Risk Director on the effectiveness of the Group's risk management systems, and
- An annual report from the Money Laundering Reporting Officer on the anti-money laundering, bribery and fraud activities taking place within the Group.

Since most of the activity within the Group is regulated, the Committee also considered regular updates on the Group's ongoing interactions with regulators, including the Prudential Regulation Authority, Financial Conduct Authority, Central Bank of Ireland, Monetary Authority of Singapore, Securities and Futures Commission of Hong Kong and Office of the Commissioner of Insurance in Hong Kong, and the wider regulatory interactions with firms in the financial services marketplace. This allowed it to monitor ongoing compliance with regulation.

The Committee was also included in the Board Evaluation process and no material issues were highlighted in respect of its operation.

The terms of reference, which were revised in 2015 and which set out the Committee's role and authority, can be found on the corporate website at [www.sjp.co.uk](http://www.sjp.co.uk).

# REPORT OF THE NOMINATION COMMITTEE

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The Nomination Committee plays a crucial role in ensuring that the structure and composition of the Board (including the skills, knowledge, experience and diversity) is appropriate to continue to lead the Group and achieve its strategic objectives

The Committee must also ensure that the skills and attributes necessary at those levels immediately below the Board are also constantly reviewed, in order to ensure that there is an appropriate and talented succession pipeline. There has been considerable focus on succession planning in this respect, continuing the work carried out last year (and referred to in the 2014 Report and Accounts) and reflected in the further development of the Executive Committee and the roles of its members over the last year

The Committee has devoted time to reviewing diversity within the Group and some good progress has been made. The Committee has also been engaged in the external Board Evaluation process which has been designed to highlight what the Board and its Committees do well and any key areas for improvement. Further details of the Board Evaluation can be found on page 69

This report provides further details of the work undertaken during the year

*Sarah Bates*  
*Chair of the Nomination Committee*

## Role of the Committee in Summary

- To regularly review Board and Committee composition and structure,
- To identify, report on and recommend for Board approval, suitable candidates for appointment to the Board,
- To appropriately consider succession planning for Directors and senior management, taking into account diversity, experience, knowledge and skills, and
- To report to the Board on the work of the Committee

## Nomination Committee Members

Sarah Bates (*Chair*)  
Iain Cornish  
Baroness Wheatcroft

*Sarah Bates*  
*On behalf of the Nomination Committee*  
22 March 2016

### Committee Membership During 2015

The members of the Committee remained unchanged during 2015 and up to and including the date of this report. Details of attendance at the meetings of the Nomination Committee throughout the year can be found on page 67.

### Committee Activities During 2015

In 2015, a continued key area of focus was reviewing succession plans for the Executive. Good progress has been made in this respect and the further restructuring of the Executive Board and the reorganisation of functional responsibilities at the end of the year has marked the continued development of a platform for future succession. Succession planning will continue to evolve during 2016.

The Committee continued to keep the composition and structure of the Board and its various Committees under review. In particular, looking to ensure that the existing skills, knowledge, experience, diversity and independence of the various members remained appropriate both now and in the future, as well as considering whether there was any requirement to draw in additional skills from elsewhere. The Committee is still of the opinion not to set a 25% target for female representation for the Board in 2016, noting that the level of female representation on the Board is still close to satisfying the target at the present time and that the Company has a female Chairman.

The Committee also undertook a review of the independence of the Non-executive Directors, and, having satisfied itself that the existing mix of skills, knowledge, experience, diversity and independence and the structure of the Board and Committees remain appropriate, the Committee has not felt it necessary to make any recommendations to engage additional Board Members or change the structure of the Board or its Committees during the current year, although it will be considering its plans for the future in order to plan for its own refreshment and succession. The proportion of the Board (excluding the Chairman) that comprises independent Directors remains at 50% and the Board therefore continues to comply with the Corporate Governance Code (further details are contained on page 100).

The Committee also reviewed some detailed analysis as to the significant other commitments of the Non-executive Directors and how much time they were spending on the Company's business and affairs. As mentioned on page 66, the Non-executive Directors are able to, and do, commit sufficient time to the Company's business and, indeed, considerably exceed the expected number of days they are required to spend.

During the year, the Committee also concentrated on diversity within the Group and the Partnership, receiving a number of reports and statistics from senior management who had carried out reviews in this area. Whilst there is female representation, a number of measures have been identified to make further progress and this work will continue during 2016.

The Committee also discussed the scope of the external Board Evaluation exercise undertaken by Boardroom Dialogue and considered the outcome, noting that no material issues were highlighted in respect of its operation.

The terms of reference setting out the Committee's role and authority, and which were reviewed and updated in 2015, can be found on the corporate website at [www.sjp.co.uk](http://www.sjp.co.uk).

# DIRECTORS' REMUNERATION REPORT

*Roger Yates*  
Chair of the Remuneration Committee

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for 2015 which sets out how the Directors' Remuneration Policy (the 'Policy') was applied in 2015 and how it will be implemented in 2016. The Remuneration Committee (the 'Committee') believes that the Policy remains appropriate and should continue to operate for 2016 with no changes proposed. The remuneration policy table is included in this report and a full copy of the Policy is available on our website [www.sjp.co.uk](http://www.sjp.co.uk)

## Remuneration Policy and the Corporate Strategy

The Policy was approved by the shareholders in 2014 and continued to operate in 2015. The Policy supports the Group's business strategy in that the major part of remuneration for Executives is performance-dependent, including both annual and longer-term measures aligned to a balanced set of business objectives. There is substantial deferral of variable remuneration into shares, and requirements for Executives to hold Company shares, through minimum shareholding thresholds and a two year post-vesting sale restriction on Performance Share Plan (PSP) awards. Further detail as to how each element of the Policy supports the strategy is set out in the table on pages 96 to 99.

## Corporate Performance and Remuneration for 2015

As reported in this Annual Report, 2015 has been another year of strong performance and our Executives' remuneration for 2015 reflects this. Based on the three-year performance to the end of 2015, 100% of the Executive Directors' PSP awards granted in 2013 will vest in March 2016, as a result of relative total shareholder return (TSR) and earnings per share (EPS) growth at or above the upper end of the performance range set by the Committee.

The report includes disclosure of performance targets and the outcome for the annual bonus for 2015. The Committee determined that 93.3% of the maximum annual bonus should be payable for 2015, reflecting the strong financial results for 2015 and strong progress against strategic objectives set by the Committee at the start of the year, which are fully explained in the report. 50% of the bonus is deferred into shares for three years.

## Remuneration for 2016

The Committee considered the overall remuneration arrangements for the Executive Directors in 2016 in accordance with the Policy.

Following no increase in the base salaries of the Executive Directors for 2015, the Committee has decided to award an increase of circa 2.5% in the base salaries of the Executive Directors for 2016, which is in line with the overall increase of base salaries for the workforce. The Committee continues to monitor the complexity of the responsibilities undertaken, the remuneration of staff generally, an element of market comparison and inflation trends from year to year. The Committee may consider further salary increases at subsequent review dates as a result of analysis of these factors.

The maximum annual bonus opportunity for 2016 will remain at the same levels as 2015. Performance share awards will also be granted at the same level as 2015, 200% of salary for our CEO and 190% for our other Executive Directors, which continues to be below our shareholder approved policy maximum.

In addition, the fees of the Chairman for 2016 were increased to £190,000 (8.5% increase), the base fees of the Non-executive Directors were increased to £59,945 (3% increase) and Committee Chair fees increased to £20,000 (21% increase) to reflect their increased workload, regulatory responsibilities and the size of the Group.

### Engagement with Shareholders and Best Practice

The Committee ensures it is up to date with the developing views of shareholders and investor representative bodies and best practice. Any views expressed by shareholders at general meetings of the Company or otherwise will be considered by the Committee as part of any review of the Policy. The Committee understands the importance and increasing focus on clear and transparent disclosure of remuneration outcomes demonstrating the alignment of remuneration and performance and the Committee believes it provides complete disclosure in this area.

### Role of the Committee During 2015

During 2015 the Committee's main areas of focus were on

- Reviewing performance and agreeing the 2014 annual bonus payments as well as the 2012 PSP awards vesting in 2015,
- Setting the individual objectives for the 2015 annual bonus for both the Executive team and Code Staff;
- Setting annual targets for the 2015 annual bonus scheme and performance measures for the 2015 PSP awards,
- 2015 salary reviews,
- Reviewing and approving the Remuneration Policy Statement in relation to Code Staff for 2015 (and the list of the employees classified as Code Staff),
- Remuneration policies and risk mitigation including the impact of Solvency II, and
- Updates on regulatory developments including the recent publication by the European Banking Authority on sound remuneration policies and the potential impact of regulation on the Company's remuneration policies

### Regulatory Change

The Committee is closely monitoring developments in remuneration regulation from European and UK authorities. Should there be a need to amend policy or practice in 2017, in light of these regulatory developments, the Committee will undertake consultation with major shareholders in advance of any proposed changes.

### Summary

The Policy supports our corporate objectives and the remuneration received by the Executive Directors reflects the strong performance of the Company and management.

I hope that you will support the remuneration resolution to be proposed at the next AGM. If in the meantime you have any questions regarding our Policy then my colleagues and I on the Committee will be pleased to address them.

*Roger Yates*

*On behalf of the Remuneration Committee*

22 March 2016

# DIRECTORS' REMUNERATION REPORT

## CONTINUED

### ANNUAL REPORT ON REMUNERATION

This Annual Report on Remuneration will be put to an advisory shareholder vote at the 2016 AGM. The information on pages 85 to 99 has been audited where indicated.

### How the Committee Operates to set the Remuneration Policy

The Committee, on behalf of the Board, determines the Policy and the remuneration packages of the Executive Directors of the Company and the Chairman. In addition, the Committee monitors the remuneration of the senior management team (including the Group Risk Director and his senior colleagues in the Group Risk Division) and employees classified as Code Staff and oversees the operation of the Executive long term incentive schemes and all employee share schemes.

The membership and terms of reference of the Committee are reviewed annually and the terms of reference are available on the Company's website.

### Membership of and Attendance at the Remuneration Committee Meetings

The members of the Committee are Simon Jeffreys, Patience Wheatcroft and Roger Yates. There have been three (3) Committee meetings during the year and all the members attended each of the meetings (details of attendance at those meetings can be found on page 67).

### Advisers to the Committee

The Committee is advised, on remuneration matters generally, by independent remuneration consultants New Bridge Street (NBS). NBS's appointment as adviser to the Committee is reviewed annually by the Committee. NBS is a signatory to the Remuneration Consultants' Code of Conduct, which requires its advice to be impartial and NBS has confirmed to the Committee its compliance with the Code.

The total fees paid to NBS for the advice provided to the Committee during the year were £51,955 (excluding VAT). Fees are charged on a 'time spent' basis.

NBS has not provided any other services to the Company during the year. However, certain subsidiaries of Aon plc, the parent company of NBS, have provided some investment advisory services to the Company and the fees for this work during 2015 were £213,113 (excluding VAT). The Committee has been advised of the basis on which NBS is organised and managed as part of the wider Aon organisation and the basis on which its staff are remunerated and is satisfied that the additional services provided by other Aon group companies did not in any way compromise the independence of advice provided by NBS to the Committee.

The Committee also seeks internal support from the CEO, CFO, Chairman, Chairman of the Risk Committee, Group Risk Director and the Company Secretary. No Director is present at any part of a meeting of the Committee when their individual remuneration or contractual terms are being discussed.

### Engagement with Shareholders

The Committee is updated on the latest views of major shareholders (and their representative bodies) through meetings with investors (and their representative bodies) and from various written communications received, including published guidelines. The Chairman of the Committee is happy to meet with shareholders on request to discuss any concerns regarding remuneration issues, should they arise.

## How the Policy was Applied in 2015

### Remuneration Payable in Respect of Performance in 2015 (Audited)

The following table sets out each element of remuneration for the years ended 31 December 2014 and 2015 (or period thereof for appointments or cessations during the year)

		Salary & fees	Benefits <sup>(i)</sup>	Annual bonus <sup>(ii)</sup>	Long term incentives <sup>(iii)</sup>	Pension <sup>(iv)</sup>	Other <sup>(v)</sup>	Total
		£	£	£	£	£	£	£
<b>Directors</b>								
David Bellamy	2015	492,000	59,168	688,800	1,776,526	98,400	20,596	3,135,490
	2014	489,667	57,867	701,100	2,299,947	97,933	—	3,646,514
Andrew Croft	2015	356,000	41,292	498,400	1,184,411	71,200	19,380	2,170,683
	2014	354,333	41,613	507,300	1,530,690	70,867	—	2,504,803
Ian Gascoigne	2015	356,000	69,523	498,400	1,184,411	71,200	—	2,179,534
	2014	354,333	49,508	507,300	1,530,690	70,867	—	2,512,698
David Lamb <sup>(vi)</sup>	2015	356,000	48,754	498,400	1,184,411	71,200	22,544	2,181,309
	2014	354,333	46,176	507,300	1,530,690	70,867	—	2,509,366
<b>Non-executive Directors</b>								
Sarah Bates (Chairman)	2015	175,100	3,365					178,465
	2014	170,000						170,000
Iain Cornish	2015	77,460	7,829					85,289
	2014	74,658						74,658
Simon Jeffreys	2015	74,680	1,397					76,077
	2014	68,167						68,167
Patience Wheatcroft	2015	58,200	1,788					59,988
	2014	56,375						56,375
Roger Yates	2015	74,680	—					74,680
	2014	61,938						61,938

#### Notes:

- (i) Benefits for the Executive Directors comprise the entitlement to company car or cash equivalent, fuel, private health care, life and critical illness cover, permanent health insurance and health screening, and for Ian Gascoigne a housing allowance to facilitate working across the Company's two main locations, and are generally the amounts which are returned for taxation purposes. Benefits for the Non-executive Directors are for reimbursement of taxable travel expenses grossed up for the tax payable thereon.
- (ii) As explained on page 97, half of the annual bonus is paid in cash, with the other half being used to purchase St. James's Place shares which are subject to forfeiture for 3 years under the terms of the Deferred Bonus Scheme.
- (iii) The value of the long term incentives is the value of shares for the award where the performance period ends in the year together with the value of the dividends that would have been received during the three year performance period. The figures for 2015 have been calculated using the average of the SJP share price in the 3 month period to 31 December 2015, being £9.52, as the actual vesting date of the PSP award is on 21 March 2016. The figures for 2014 have been updated from the 3 month average figures used in last year's report (being £1,847,115 for David Bellamy and £1,229,315 for Andrew Croft, Ian Gascoigne and David Lamb) to take into account the SJP share price on the date of vesting on 15 March 2015, being £9.45.
- (iv) Pension contributions, being 20% of base salary, for all Directors were capped by legislation and so a non-pensionable salary supplement was paid to the Executive Directors in full for David Bellamy, Andrew Croft and Ian Gascoigne and for the balance for David Lamb, who had a £40,000 contribution to the money purchase Group pension scheme.
- (v) The value of the SAYE options exercised by David Bellamy on 4 August 2015 when the mid-market price of St. James's Place shares was £9.735, by Andrew Croft on 27 May 2015 when the mid market price of St. James's Place shares was £9.335 and by David Lamb on 2 November 2015 when the mid-market price of St. James's Place shares was £9.64.
- (vi) David Lamb was a non-executive director of the Henderson Smaller Companies Investment Trust plc during the year and was paid a fee of £21,750 in 2015 in connection with that role (2014: £19,375).
- (vii) Mike Wilson, a former Director of the Company, was paid £200,000 in 2015 (£200,000 in 2014) in respect of his role as Chairman of the St. James's Place Foundation, assisting the Academy and mentoring various members of the St. James's Place Partnership.

# DIRECTORS' REMUNERATION REPORT

## CONTINUED

### Details of Variable Pay Earned in the Year

#### Annual Bonus for 2015 Performance

The performance conditions which applied to the bonus and the resulting payout were as follows.

Measure	Weighting (% of salary)	Weighting (% of maximum)	Threshold	Maximum value	Actual	Payout (% of salary)	Payout (% of maximum)
EEV operating profit	75%	50%	£513m	£569m	£660.2m	75%	50%
Strategic business plan objectives	75%	50%	Assessment by the Committee of the performance of the Executive Directors			65%	43.3%
Total payout						140%	93.3%

In setting the operating profit target for the year it was assumed that the combined operating experience variance and operating assumption changes would have a neutral impact on the outcome for the year. The actual outcome for the year included a combined positive impact to the operating profit from these two items of £122.2 million. The Committee concluded that this positive outcome was as a result of management action during the year and should therefore be included when assessing the bonus payout for the year.

#### Annual Bonus Strategic Targets Performance Assessment

As described in other parts of the Report and Accounts, the Company delivered strong performance in 2015 for our clients, shareholders and other stakeholders. The Committee considered these three groups when setting the strategic targets for 2015, together with other objectives set out in the 2015 business plan. In serving our clients well, developing our employees and the Partnership for the future and striving to improve the effectiveness of our organisation, we will be best placed to meet our long-term business objectives, and create additional value for our shareholders. We also focus on the importance of safe and sustainable growth through prudent management of risk and the highest standards of regulatory compliance.

The Committee assessed how well the Executive team had performed in relation to the objectives set at the start of the year. The Committee did not place fixed weightings on the factors assessed, but made a judgement based on the Committee's view of the relative importance and impact of those factors over the course of the year. For some factors the Committee put in place quantitative metrics, and for others qualitative judgements were made, depending on the nature of the strategic objective.

As regards client satisfaction, the Committee took into account the following objectives:

- The Annual Wealth Account Survey results for 2015 were very strong with 95% of clients saying they would recommend SJP to friends or contacts and 58% of those surveyed confirming they have done so already,
- Clients continued to benefit from above average performance across the majority of funds and portfolios over a range of time periods. Across all ten year periods, the equity fund managers outperformed their benchmark, on average, 82% of the time. Over the three and five year periods, the equivalent average outperformance rate was 75% and 74% respectively. For the range of eight Growth and Income portfolios available to clients, outperformance compared to the relevant Asset Risk Consultants (ARC) Private Client Index peer group occurred in 85% of all three year periods on average,
- The Group won a number of industry awards, further details of which are set out on page 49, many of which were voted on by clients, and
- The above factors, together with strong service levels, generally contributed to excellent retention of funds under management, with 95% of existing funds being retained (see page 16 for further details).

In terms of strategic objectives designed to ensure the success of the business in the future, the Committee took into account:

- The growth in the size of the Partnership of 6.2% in 2015,
- The success of the Academy in attracting suitable candidates to the courses run in 2015, the establishment of a new Academy based in Solihull and 71 advisers graduating from the Academy and joining the Partnership in 2015,
- The high levels of retention for both employees and members of the Partnership, assisted by additional training and development opportunities for the senior management team, the Partnership and the workforce generally, and
- The continued improvements in the standard of documentation in relation to new business submitted by the Partnership.



In addition to the above, the Committee assessed and noted the satisfactory completion of the various strategic objectives set out in the business plan, including

- Continuing the integration of the Henley Group in Asia with a 60% increase in the number of advisers in Asia,
- Acquisition of Rowan Dartington,
- Continuing positive engagement with the Group's regulators and implementing Solvency II,
- The completion of various objectives designed to enhance and strengthen the monitoring and mitigation of key regulatory risks impacting the Group,
- The introduction of the new administration platform for certain aspects of the business, although it was acknowledged that there had been some initial challenges with implementation,
- Launching the new Money Management Account,
- The continuing development of the Group's range of funds, the range of fund managers available to clients and the strengthening of the Investment Committee, and
- The ongoing success of the Group's CSR objectives, including raising a record £7 million for the Foundation and expanding the volunteering opportunities available to employees

Taking all the above strategic objectives into account, the Committee awarded a bonus of 65% of salary (87% of the maximum) under the team performance element of the annual bonus scheme, recognising that a high proportion of the strategic objectives were graded as 'outstanding' or 'above stretch' and that nearly all of the major business plan objectives had been satisfactorily completed

#### Notes

- (i) *The Committee has the discretion to scale back the annual bonus payable in respect of the strategic measures if it considers it inappropriate in the context of the overall financial results of the Group. The Committee reviewed the Group's performance and agreed that no scale-back was appropriate*
- (ii) *The Committee retains the discretion to amend each element of the bonus, up or down, within the overall cap of 150% of salary, to take into account other relevant factors such as the Group's performance compared to competitor organisations or, for instance, an exceptional positive or negative event which impacts the Group. The Committee reviewed the Group's performance as well as competitors and the external market at the end of the performance period and agreed that no adjustment was required*
- (iii) *Half of the bonus is paid in cash, with the remainder being invested in the Company's shares and deferred for three years, under the Group's deferred bonus plan*

# DIRECTORS' REMUNERATION REPORT

## CONTINUED

### Long Term Incentive Awards

#### *Vesting of Performance Share Plan (PSP) Awards (Audited)*

On 31 December 2015, the awards made on 21 March 2013 under the PSP reached the end of their three year performance period. These will vest on 21 March 2016, being the third anniversary of the date of grant. The performance conditions which applied to the 2013 PSP awards, and the actual performance achieved against these conditions, are set out in the table below.

Performance level hurdle	Performance required	TSR relative to the FTSE 250*		Average annual adjusted EPS growth (including the unwind of the discount rate) in excess of RPI		Average annual adjusted EPS growth (excluding the unwind of the discount rate) in excess of RPI	
		% of one third of award vesting	Performance required	% of one third of award vesting	Performance required	% of one third of award vesting	Performance required
Below threshold	Below Median	0%	Below 5%	0%	Below 5%	0%	Below 5%
Threshold	Median	25%	At least 5%	25%	At least 5%	25%	At least 5%
Stretch or above	Upper Quartile or above	100%	16% or above	100%	16% or above	100%	16% or above
Actual achieved	23 out of 172 companies	100%	26%	100%	26%	100%	26%
	Above Upper Quartile						

\* FTSE 250, excluding investment trusts and companies in the FTSE oil, gas and mining sectors

Accordingly, the total percentage of the 2013 PSP awards vesting was 100%, which resulted in the following awards vesting to the Executive Directors

Director	Total number of shares granted	Percentage of awards vesting	Number of shares vesting	Value of shares vesting (£'000) <sup>1</sup>
David Bellamy	176,178	100%	176,178	1,677
Andrew Croft	117,458	100%	117,458	1,118
Ian Gascoigne	117,458	100%	117,458	1,118
David Lamb	117,458	100%	117,458	1,118

Note 1 The deemed share price used to calculate the value of shares vesting was £9.52, being the 3 month average to 31 December 2015 (as the awards will not actually vest until 21 March 2016).

Note 2 Up to 744 shares can be exercised by each Executive Director via a linked award under an approved share option scheme, with an exercise price of £5.155. If such linked award is exercised, a number of shares equivalent to the gain achieved upon such exercise will be lapses from the number of Performance Share Plan shares noted, and the overall value of shares vesting is therefore unchanged from the number set out above.

### Performance Share Awards Granted to the Executive Directors in 2015

Director	Type of award	Basis of award granted	Average share price at date of grant	Number of PSP shares over which award was granted (Note 1)	Face value of award (£'000)	% of face value that would vest at threshold performance
David Bellamy	Nil cost option	200% of salary of £492,000	£9.8125	100,280	£984	25%
Andrew Croft	Nil cost option	190% of salary of £356,000	£9.8125	68,932	£676	25%
Ian Gascoigne	Nil cost option	190% of salary of £356,000	£9.8125	68,932	£676	25%
David Lamb	Nil cost option	190% of salary of £356,000	£9.8125	68,932	£676	25%

Note 1 The number of shares awarded was calculated based on the average share price over a period of 3 days prior to the date of grant on 26 March 2015, being £9.8125 per share. The face value of the award figure is calculated by multiplying the number of shares awarded by the average share price figure of £9.8125.

PSP awards are structured as nil cost options and there is therefore no exercise price payable on exercise. Dividend equivalents accrue to the Executive Directors between the date of grant and exercise of the award (up to a maximum of five years from date of grant), but are released only to the extent that awards vest. Further details of the performance conditions which apply to the awards are set out in Notes 1 and 2 on page 95.

### Total Shareholder Return Performance

The graph below shows a comparison of the Company's TSR performance against the FTSE All-Share index over the last seven financial years. The Company considers this to be the most appropriate comparative index, given the broad nature of the index and the companies within it.

### Total Shareholder Return

Source: Thomson Reuters

This graph shows the value, by 31 December 2015, of £100 invested in St James's Place on 31 December 2008 compared with the value of £100 invested in the FTSE All-Share Index. The other points plotted are the values at intervening financial year ends.

### Total Remuneration for the Chief Executive

The table below shows the total remuneration figure for the Chief Executive over the last seven financial years. The total remuneration figure includes the annual bonus and long-term incentive awards which vested based on performance in those years (and ending in that year for PSP scheme awards).

	Year ending 31 December						
	2009	2010	2011	2012	2013	2014	2015
Total Remuneration	£1,039,723	£1,495,600	£1,998,758	£2,410,380	£3,362,651	£3,646,514	£3,135,490
Annual Bonus (% of maximum)	92%	96%	63%	46%	98%	95%	93.3%
LTIP vesting (% of maximum)	0%	57%	83%	87%	95%	96.37%	100%

The deemed value of the PSP award in the table above for 2015 is £1,677,215. Of this, £769,017 is due to increases in the SJP share price over the vesting period, being an increase of 85%.

The value of long-term incentive awards for 2015 has been calculated using the average of the SJP share price in the three month period to 31 December 2015, being £9.52, as the actual vesting date of the PSP award is on 21 March 2016. The 2014 figure for total remuneration has been updated by substituting the three month average figure used to calculate the value of long-term incentive awards in last year's report by a revised figure based on the SJP share price on the date of vesting on 15 March 2015, being £9.45.

# DIRECTORS' REMUNERATION REPORT

## CONTINUED

### Relative Importance of Spend on Pay

The following table sets out the percentage change in profit, dividends and overall spend on pay in the year ending 31 December 2015, compared to the year ending 31 December 2014

	2014 £ Million	2015 £ Million	Percentage change
Operating profit after tax	187.9	202.0	7.5%
Dividends	120.7	146.5	21.4%
Employee remuneration costs	111.7	121.2	8.5%

The increase in the employee remuneration costs in 2015 was largely due to an increase in employee headcount, an increase to the costs of share awards due to the headcount increase and the increase in the SJP share price

### Percentage Increase in the Remuneration of the Chief Executive

The table below shows the percentage movement in the salary, benefits and annual bonus for the Chief Executive between the current and previous financial year compared to that for the average Group employee

	% change 2014 to 2015
<b>Chief Executive</b>	
Salary	—
Benefits (Note 1)	2.2%
Bonus	(1.8)%
<b>Average per Employee</b>	
Salary	3.4%
Benefits	3.3%
Bonus	7.9%

Note 1 See Note (f) on page 85 for further details

### Share Awards

The tables below set out details of share awards that have been granted to individuals who were Directors during 2015 and which had yet to vest or be exercised at some point during the year

#### Performance Share Plan – Awards Held in Return for Qualifying Services During 2015 (Audited)

	Balance at 1 January 2015	Granted in year <sup>(a)</sup>	Lapsed in year <sup>(a)</sup>	Exercised in year <sup>(a)</sup>	Balance at 31 December 2015	Dates from which exercisable
David Bellamy	253,970			253,970	—	15 Mar 2014 to 15 Mar 2017
	242,220 <sup>(b)</sup>		8,795	233,425	—	26 Mar 2015 to 26 Mar 2018
	176,178 <sup>(b)</sup>				176,178	21 Mar 2016 to 21 Mar 2019
	109,782 <sup>(b)</sup>				109,782	26 Mar 2017 to 26 Mar 2020
		100,280			100,280	26 Mar 2018 to 26 Mar 2021
Andrew Croft	169,025			169,025	—	15 Mar 2014 to 15 Mar 2017
	161,206 <sup>(b)</sup>		5,853	155,353	—	26 Mar 2015 to 26 Mar 2018
	117,458 <sup>(b)</sup>				117,458	21 Mar 2016 to 21 Mar 2019
	73,165 <sup>(b)</sup>				73,165	26 Mar 2017 to 26 Mar 2020
		68,932			68,932	26 Mar 2018 to 26 Mar 2021
Ian Gascoigne	169,025			169,025	—	15 Mar 2014 to 15 Mar 2017
	161,206 <sup>(b)</sup>		5,853	155,353	—	26 Mar 2015 to 26 Mar 2018
	117,458 <sup>(b)</sup>				117,458	21 Mar 2016 to 21 Mar 2019
	73,165 <sup>(b)</sup>				73,165	26 Mar 2017 to 26 Mar 2020
		68,932			68,932	26 Mar 2018 to 26 Mar 2021
David Lamb	169,025			169,025	—	15 Mar 2014 to 15 Mar 2017
	161,206 <sup>(b)</sup>		5,853	155,353	—	26 Mar 2015 to 26 Mar 2018
	117,458 <sup>(b)</sup>				117,458	21 Mar 2016 to 21 Mar 2019
	73,165 <sup>(b)</sup>				73,165	26 Mar 2017 to 26 Mar 2020
		68,932			68,932	26 Mar 2018 to 26 Mar 2021

## Notes:

- (i) These awards were made on 26 March 2012 when the St. James's Place share price was £3 733. The performance period is the three year period ending on 31 December 2014. The performance conditions, each in respect of one-third of the award, relate to (i) EPS (including the impact of the unwind of the discount rate, as described more fully on page 32), (ii) EPS excluding the impact of the said unwind and (iii) TSR compared to the FTSE 250 Index, excluding investment trusts and companies in the oil, gas and mining sectors. The EPS scale starts at RPI +5% for 25% of the award to vest and ends at RPI +16% for 100% of the award to vest, with pro rata vesting between the said points. The TSR sliding scale is between median and upper quartile, with 25% of the TSR part of the award vesting at median.
- (ii) These awards were made on 21 March 2013 when the St. James's Place share price was £5 07. The performance period is the three year period ending on 31 December 2015. The performance conditions, each in respect of one-third of the award, relate to (i) EPS (including the impact of the unwind of the discount rate, as described more fully on page 32), (ii) EPS excluding the impact of the said unwind and (iii) TSR compared to the FTSE 250 Index, excluding investment trusts and companies in the oil, gas and mining sectors. The EPS scale starts at RPI +5% for 25% of the award to vest and ends at RPI +16% for 100% of the award to vest, with pro rata vesting between the said points. The TSR sliding scale is between median and upper quartile, with 25% of the TSR part of the award vesting at median. Up to 774 shares (being the maximum value under the £30k Inland Revenue cap on 'approved' share options) can be exercised via a linked award under an approved share option scheme with an exercise price of £5 155.
- (iii) These awards were made on 26 March 2014 when the St. James's Place share price was £8 515. The performance period is the three year period ending on 31 December 2016. The three performance conditions, each in respect of one-third of the award, relate to (i) EPS (including the impact of the unwind of the discount rate, as described more fully on page 32), (ii) EPS excluding the impact of the said unwind and (iii) TSR compared to the FTSE 250 Index, excluding investment trusts and companies in the oil, gas and mining sectors. The EPS scale starts at RPI +5% for 25% of the award to vest and ends at RPI +16% for 100% of the award to vest, with pro rata vesting between the said points. The TSR sliding scale is between median and upper quartile, with 25% of the TSR part of the award vesting at median. Up to 3,054 shares (being the maximum value under the £30k Inland Revenue cap on 'approved' share options) can be exercised via a linked award under an approved share option scheme with an exercise price of £8 515.
- (iv) These awards were made on 26 March 2015 when the St. James's Place share price was £9 8125. The performance period is the three year period ending on 31 December 2017. The three performance conditions, each in respect of one-third of the award, relate to (i) EPS (including the impact of the unwind of the discount rate, as described more fully on page 32), (ii) EPS excluding the impact of the said unwind and (iii) TSR compared to the FTSE 51-150 Index, excluding investment trusts and companies in the oil, gas and mining sectors. The EPS scale starts at RPI +5% for 25% of the award to vest and ends at RPI +16% for 100% of the award to vest, with pro rata vesting between the said points. The TSR sliding scale is between median and upper quartile, with 25% of the TSR part of the award vesting at median.
- (v) These awards lapsed due to the performance condition based on EPS (more fully described in note (i) above) not being fully satisfied and, as a result, 3.63% of the award lapsed at the end of the performance period (8,795 shares lapsed for David Bellamy and 5,853 shares lapsed for the other Executive Directors).
- (vi) All four Directors exercised their 2011 and 2012 PSP awards in 2015.

*Deferred Bonus Scheme – Shares Held During 2015 (Audited)*

The table below sets out details of the awards held by the Directors under the deferred element of the annual bonus scheme during 2015

Director	Balance at 1 January 2015	Released during year <sup>(i)</sup>	Awarded during year <sup>(ii)</sup>	Balance at 31 December 2015 <sup>(iii)</sup>	Vesting date
David Bellamy	49,563	49,563		—	26 Mar 2015
	24,591			24,591	21 Mar 2016
	33,924			33,924	26 Mar 2017
			37,252	37,252	26 Mar 2018
Andrew Croft	35,813	35,813		—	26 Mar 2015
	17,769			17,769	21 Mar 2016
	24,556			24,556	26 Mar 2017
			26,955	26,955	26 Mar 2018
Ian Gascoigne	35,813	35,813		—	26 Mar 2015
	17,769			17,769	21 Mar 2016
	24,556			24,556	26 Mar 2017
			26,955	26,955	26 Mar 2018
David Lamb	35,813	35,813		—	26 Mar 2015
	17,769			17,769	21 Mar 2016
	24,556			24,556	26 Mar 2017
			26,955	26,955	26 Mar 2018

## Notes:

- (i) These deferred share awards were awarded on 26 March 2012, equal in value to the Executive's 2011 annual cash bonus. The St. James's Place share price on the date of the award was £3 733 and on the date of release (26 March 2015) was £9 435499.
- (ii) These deferred share awards were awarded on 26 March 2015, equal in value to the Executive's 2014 annual cash bonus. These shares will be held for a restricted period ending on 26 March 2018. The St. James's Place share price on 26 March 2015 was £9 441.
- (iii) Outstanding awards at the year-end relate to deferred share awards awarded in 2013, 2014 and 2015 (see (i) above). The share price at the date of the 2013 award (21 March 2013) was £5 07 and as at the date of the 2014 award (26 March 2014) was £8 515.
- (iv) Further details of the deferred element of the annual bonus scheme are set out on page 97. Dividends accrue to the Executive Directors during the three year period while the shares are subject to forfeiture.

# DIRECTORS' REMUNERATION REPORT

## CONTINUED

### SAYE Share Option Scheme – Shares Held During 2015 (Audited)

Details of the options held by the Directors in 2015 under the SAYE scheme and any movements during the year are as follows

Director	Options held at 1 January 2015	Granted in year	Lapsed in year	Exercised in year	Options held at 31 December 2015	Exercise price	Dates from which exercisable
David Bellamy	3,040			3,040	—	£2.96	1 May 2015 to 31 Oct 2015
Andrew Croft	3,040	1,219		3,040	1,219	£2.96 £7.38	1 May 2015 to 31 Oct 2015 1 May 2018 to 31 Oct 2018
Ian Gascoigne	3,272	1,243			3,272 1,243	£2.75 £7.24	1 Nov 2015 to 30 Apr 2016 1 Nov 2018 to 30 Apr 2019
David Lamb	3,272	1,243		3,272	— 1,243	£2.75 £7.24	1 Nov 2015 to 30 Apr 2016 1 Nov 2018 to 30 Apr 2019

**Note**

(i) At 31 December 2015 the mid-market price for St. James's Place shares was £10.08. The range of prices between 1 January 2015 and 31 December 2015 was between £7.67 and £10.23.

### Share Incentive Plan – Shares Held During 2015 (Audited)

The table below sets out details of the awards held by the Directors under the Share Incentive Plan during 2015

Director	Balance at 1 January 2015	Partnership shares allocated during year	Matching shares allocated during year	Dividend shares allocated during year	Balance at 31 December 2015	Holding period (matching shares)
Andrew Croft <sup>(i)</sup>	642				642	26 Mar 2010 to 26 Mar 2013
	325				325	26 Mar 2013 to 26 Mar 2016
		152	15		167	26 Mar 2015 to 26 Mar 2018
Ian Gascoigne <sup>(ii)</sup>	502				502	26 Mar 2011 to 26 Mar 2014
	210				210	26 Mar 2014 to 26 Mar 2017
		152	15		167	26 Mar 2015 to 26 Mar 2018

**Notes**

- (i) 152 partnership shares were awarded on 26 March 2015 at a price of £9.8125 per share, in return for £1,500 being deducted from Mr Croft's pre-tax salary. A further 15 matching shares were awarded on the same date.
- (ii) 152 partnership shares were awarded on 26 March 2015 at a price of £9.8125 per share, in return for £1,500 being deducted from Mr Gascoigne's pre-tax salary. A further 15 matching shares were awarded on the same date.
- (iii) The partnership, dividend and matching shares will be held by an employee benefit trust on behalf of the Director. The matching and dividend shares must be held for a minimum period of three years from the date of the award.

Between 31 December 2015 and 22 March 2016 there were no exercises or other dealings in the Company's share awards by the Directors.

### Share Interests and Shareholding Guidelines (Audited)

The Executive Directors are required to build up a shareholding equivalent to 150% of salary, and a further 50% of salary in shares and/or in one or more St James's Place fund portfolios. All of the Executive Directors have met the shareholding guideline.

#### Directors' Interests in Shares

Director	Shares held at 1 January 2015	Shares held at 31 December 2015	% of base salary held in SJF shares as at 31 December 2015 <sup>(i)</sup>
David Bellamy	1,291,838	1,263,080	2,588%
Andrew Croft	785,980	890,569	2,522%
Ian Gascoigne	660,125	692,511	1,961%
David Lamb	381,162	461,345	1,306%
Sarah Bates	13,500	13,500	
Iain Cornish	—	—	
Simon Jeffreys	18,364	18,364	
Patience Wheatcroft	2,500	2,500	
Roger Yates	10,000	10,000	

#### Notes:

- (i) Calculated using the mid market price at 31 December 2015 of £10.08.  
(ii) The interests of the Directors include those of their Connected Persons as defined in section 96B(2) of the Financial Services and Markets Act.  
(iii) The interests of the Executive Directors set out above include deferred bonus scheme awards held in trust for the Directors, details of which are set out on page 91. The interests of the Executive Directors also include awards under the Share Incentive Plan, details of which are set out on page 92.  
(iv) The Company's register of Directors' interests contains full details of Directors' shareholdings and any share awards under the Company's various share schemes.  
(v) Disclosure of the Directors' interests in share awards is given on pages 90 to 92 of the Remuneration Report and also in Note 32 – Related Party Transactions.

Between 31 December 2015 and 22 March 2016 there were no transactions in the Company's shares by the Directors.

### Executive Directors' Shareholdings and Outstanding Share Awards

Executive Director	Beneficially owned at 31 December 2015 <sup>(i)</sup>	Outstanding PSP awards (performance conditions) <sup>(ii)</sup>	SAYE options (no performance conditions) <sup>(iii)</sup>	Outstanding DBS awards (no performance conditions) <sup>(iv)</sup>	SIP shares (no performance conditions) <sup>(v)</sup>
David Bellamy	1,263,080	386,240	—	95,767	—
Andrew Croft	890,569	259,555	1,219	69,280	1,134
Ian Gascoigne	692,511	259,555	4,515	69,280	879
David Lamb	461,345	259,555	1,243	69,280	—

#### Notes:

- (i) Beneficially owned shares include those DBS awards and SIP shares set out in columns (iv) and (v) above.  
(ii) Details on the PSP awards are set out on page 90.  
(iii) Details on the SAYE options are set out on page 92.  
(iv) Details on DBS awards are set out on page 91.  
(v) Details on the SIP shares are set out on page 92.

# DIRECTORS' REMUNERATION REPORT

## CONTINUED

### Dilution

Dilution limits agreed by shareholders at the time of shareholder approval of the various long term incentive schemes allow for the following

- Up to 10% of share capital in ten years to be used for grants to employees and members of the St James's Place Partnership under all share schemes i.e. both the employee and 'Partner' share schemes, and
- Up to 5% of share capital in ten years to be used for grants to employees under discretionary schemes

The table below sets out, as at 31 December 2015, the number of new ordinary shares in the Company which have been issued, or are capable of being issued (subject to the satisfaction of any applicable performance conditions) as a result of options or awards granted under the various long term incentive schemes operated by the Company in the ten years prior to 31 December 2015

Share scheme	Number of new ordinary shares of 15 pence each	% of total issued share capital as at 31 December 2015
SAYE schemes	4,302,173	0.82%
Executive share schemes	10,833,954	2.06%
Partners' share schemes	10,758,626	2.05%
<b>Total</b>	<b>25,894,753</b>	<b>4.93%</b>

In addition, as at 31 December 2015, the Group's Employee Share Trust held 1,727,510 shares in the Company which were acquired to satisfy awards made under the PSP, executive share option schemes and awards made under the Deferred Bonus Scheme to Irish employees. In addition, a further 621,001 shares are held to satisfy awards made in 2015 under the Deferred Bonus Scheme.

A further 954,533 shares, registered to employees under the terms of the Group's Deferred Bonus Scheme, have been allocated by the Group's Employee Share Trust for awards made in 2013 and 2014. These shares are allocated to the relevant individuals on a restricted basis whereby the recipients are not entitled to the shares until completion of the three year restricted period. Further details of the deferred bonus scheme are set out on page 97.

### Interests in Shares Held in Trusts

Certain Executive Directors and employees are deemed to have an interest or a potential interest as potential discretionary beneficiaries under the St James's Place Employee Share Trust. As such, they were treated as at 31 December 2015 as being interested in 1,727,510 ordinary shares of 15p in the Company, such shares being held by S G Hambros Trust Company (Channel Islands) Limited, the trustee of that trust.

### Statement of Shareholding Voting at AGM

At last year's AGM held on 14 May 2015, the Directors' Remuneration Report received the following votes from shareholders

	Remuneration Report	
	Total number of votes	% of votes cast
For	393,469,563	99.71%
Against	1,161,913	0.29%
<b>Total</b>	<b>394,631,476</b>	<b>100%</b>
Abstentions	4,571,521	—

### How the Policy will be Applied for 2016

#### 2016 Salary Review

The base salaries of the Executive Directors are being increased in 2016

The current salaries as at 1 March 2015 and from 1 March 2016 are as follows

Director	Salary from 1 March 2015	Salary from 1 March 2016	Increase from 1 March 2016
David Bellamy	£492,000	£505,000	2.6%
Andrew Croft	£356,000	£365,000	2.5%
Ian Gascoigne	£356,000	£365,000	2.5%
David Lamb	£356,000	£365,000	2.5%



### Annual Bonus for 2016

The Executive Directors' maximum bonus opportunity for 2016 will be the same as for 2015, being 150% of salary. Half of the annual bonus will be determined by EEV operating profit and half by key strategic targets.

50% of the annual bonus earned for performance in 2016 will be paid in cash and the remaining 50% will be deferred in SJP shares for a three year period and subject to continued service.

The EEV operating profit target set by the Committee is based on a sliding scale to progressively reward incremental performance. The EEV result is calculated based on 'best estimate' assumptions and any deviation or changes from these assumptions are reported as an experience variance or an operating assumption change. In setting the operating profit target for the year it is assumed the combined operating experience variance and operating assumption changes will have a neutral impact on the outcome for the year. In setting the 2016 EEV Operating Profit target, the Committee maintained the new business and expense growth objectives at the same level as in previous years. However, it was recognised that, in comparison to the 2015 operating profit target, the 2016 contribution to operating profit from the unwind of the discount rate will be impacted positively, but marginally, by the higher discount rate, due to the 0.2% increase in the UK ten-year Government gilt yield from 5.0% to 5.2% during 2015.

The Board considers that the performance targets for the annual bonus are commercially sensitive and is not disclosing them at this time. The performance metrics and performance against them will be disclosed in the 2016 Remuneration Report to the extent that they do not remain commercially sensitive at that time.

The team element of the 2016 annual bonus will be assessed by reference to key strategic targets based around the 2016 business plan, including elements relating to clients, shareholders and other key stakeholders. Specific objectives include: the delivery of excellent service to the Group's clients as measured by surveys and other client feedback, enhancing the range of investment funds and maintaining strong investment performance; the successful recruitment and retention of high quality new Partners, successfully implementing the next phase of the new administration system and transferring certain existing assets onto the new system, successfully controlling and mitigating the material risks that could impact the Group, and maintaining the Group's good relations with its shareholders and regulators.

### Performance Share Plan Awards for 2016

The Executive Directors will each receive a PSP award in 2016 of 190% of salary, except for David Bellamy who will receive a PSP award of 200% of salary.

Awards will be subject to a relative TSR performance condition for one-third of the award and earnings per share growth targets for two-thirds of the award as follows:

Performance level hurdle	TSR relative to the FTSE 51 to 150 (Note 1)		Average annual adjusted EPS growth (including the unwind of the discount rate) in excess of RPI (Note 2)		Average annual adjusted EPS growth (excluding the unwind of the discount rate) in excess of RPI (Note 2)	
	Performance required	% of one third of award vesting	Performance required	% of one third of award vesting	Performance required	% of one third of award vesting
Below threshold	Below Median	0%	Below 5%	0%	Below 5%	0%
Threshold	Median	25%	At least 5%	25%	At least 5%	25%
Stretch or above	Upper Quartile or above	100%	16% or above	100%	16% or above	100%

Note 1: FTSE 51 to 150, excluding investment trusts and companies in the FTSE oil, gas producers and mining sectors. Straight line vesting occurs in between threshold and maximum vesting.

Note 2: The first EPS performance condition is calculated by reference to adjusted consolidated profit after tax on the EEV basis of accounting for both the life and unit trust businesses (on a fully diluted per share basis). The effect of the adjustment to the consolidated after tax figures will be to strip out the post tax EEV investment variance and any economic assumption change in the final year of the performance period as these factors are not within the control of management and can produce wide variations to reported earnings due to stock market fluctuations. However, this measure of EPS is still impacted by stock market movements in the prior year due to the impact of any such movements on the unwind of the discount rate in the current year.

The second EPS performance condition is calculated in a similar way to the first EPS condition, save that a further adjustment is made to strip out the impact of the unwind of the discount rate. This adjustment eliminates any direct impact of stock market volatility and changes in the economic assumptions throughout the whole three-year period of the performance condition.

Straight line vesting occurs in between threshold and maximum vesting.

# DIRECTORS' REMUNERATION REPORT

## CONTINUED

### Fees for the Chairman and Non-executive Directors for 2016

The fees for the Chairman and Non-executive Directors from 1 January 2015 to 31 December 2015 are as set out in column 1 below. For 2016, the fees of the Chairman have been increased by 8.5%, the Non-executive Directors' base fees have been increased by 3% and the Committee Chair fee increased by 21% in recognition of their increased workload, regulatory responsibilities and the size of the Group. The 2016 fee levels are set out in column 2 of the table below.

	(1) Fees from 1 January to 31 December 2015	(2) Fees from 1 January to 31 December 2016	(3) Percentage increase from 2015
Chairman	£175,100	£190,000	8.5%
Base fee	£58,200	£59,945	3%
Committee Chair	£16,480	£20,000	21%
Senior Independent Director	£2,780	£2,780	0%

Note: No committee membership fees are payable

### Summary of Directors' Remuneration Policy

The following table summarises each element of the Policy, explaining how each element operates and how each part links to the Corporate Strategy.

#### Salary

Purpose and link to strategy including choice of performance metrics	<p>To provide the core reward for the role.</p> <p>Sufficient level to recruit and retain individuals of the necessary calibre, taking into account the skills, experience, demands and complexity of the role.</p>
Operation	<p>Reviewed annually and fixed for 12 months commencing 1 March.</p> <p>Influenced by</p> <ul style="list-style-type: none"> <li>– Role, experience and performance of the individual,</li> <li>– Company performance,</li> <li>– External economic conditions,</li> <li>– Average change in broader workforce salary,</li> <li>– Periodic benchmarking for each role against similar UK listed companies; and</li> <li>– Overall policy, having regard to the factors noted, is normally to target salaries up to the mid market level.</li> </ul>
Maximum opportunity	<p>Salary increases (in percentage terms) will normally be linked to the average of the workforce generally other than in exceptional circumstances such as where the increase may be higher for a significant change in responsibility, experience or increase in role or the size or complexity of the Group where increases may be phased.</p> <p>Where new joiners or recent promotees have been given a starting salary below mid-market level, a series of increases above those granted to the wider workforce (in percentage terms) may be awarded over the following few years, subject to satisfactory individual performance and development in the role.</p> <p>The base salaries for the Executive Directors from 1 March 2016 are set out in the Annual Report on Remuneration.</p>
Performance metrics	The Committee considers all of the factors described in this table when deciding how the salary policy operates.

### Annual Bonus

Purpose and link to strategy including choice of performance metrics	<p>Rewards the achievement of annual financial and strategic business plan targets and delivery of strategic objectives</p> <p>Deferred element aids retention, encourages long-term shareholding, discourages excessive risk taking and aligns with shareholder interests</p> <p>Performance metrics reflect the key performance drivers of the annual business plan, achievement of which will reflect performance in line with the Group's strategy</p>
Operation	<p>Performance measures, targets and weightings are reviewed annually and set in line with the annual business plan.</p> <p>Bonus payments are determined by the Committee after the year end, based on performance against the targets set</p> <p>50% of any bonus payable is paid in cash with the remaining 50% deferred into SJP shares, the vesting of which is normally subject to a three year continuous service requirement</p> <p>Dividends that accrue on the deferred shares are paid to the Executive Directors during the three-year deferral period</p> <p>All bonus payments are at the discretion of the Committee</p> <p>The Committee has the overriding discretion to scale back payments under the strategic part of the annual bonus if it deems them to be inappropriate in the context of the overall financial results of the Company</p> <p>The Committee has the overriding discretion to adjust the bonus outcome up or down (subject to the overall 150% maximum) to take account of factors such as an exceptional positive or negative event.</p> <p>Annual bonus payments including deferred amounts are subject to clawback if there is found to have been a material mis-statement, error or misconduct following the payment of the bonus</p>
Maximum opportunity	150% of base salary
Performance metrics	<p>Performance measured over one year</p> <p>At least half the bonus is based on financial measures reflecting the key priorities of the business for the relevant year</p> <p>Up to half of the annual bonus can be based on the achievement of key strategic objectives set at the start of the year</p> <p>Actual measures and weightings may change from year to year to reflect the business priorities at that time</p> <p>Details of performance criteria set for the year under review and performance against them is provided in the Annual Report on Remuneration</p> <p>20% of the annual bonus vests for threshold performance</p>

# DIRECTORS' REMUNERATION REPORT

## CONTINUED

### Performance Share Plan

Purpose and link to strategy including choice of performance metrics	<p>Incentivises the Directors to achieve superior long term shareholder returns.</p> <p>Provides long term retention</p> <p>Focuses the Executives on longer term corporate performance and performance objectives.</p> <p>A mix of three performance conditions provides an appropriate balance of targets that both incentivise the Executives to achieve stretching long-term financial performance while also keeping their interests aligned to those of shareholders</p>
Operation	<p>Awards are granted annually with vesting on the third anniversary of the date of grant dependent on the achievement of stretching performance conditions measured over a period of three financial years</p> <p>Metrics and targets are set in line with the business plan and are reviewed annually to ensure they remain appropriate as well as the weighting between them.</p> <p>Awards in 2015 and beyond will be made under the performance share plan, approved by shareholders at the AGM in 2014, and will have a post vesting holding period of two years (net of tax) Dividend equivalents may accrue on awards made between the date of grant and the end of the two year post vesting holding period These dividend equivalents will be released only to the extent that awards vest</p> <p>Subject to claw-back in the event of a material misstatement, error or misconduct allowing summary dismissal.</p>
Maximum opportunity	<p>The maximum annual award under the plan rules is 250% of salary as at date of grant although the Committee will not increase above the 2015 award levels without prior consultation with the Company's major shareholders</p> <p>The PSP award levels for 2016 will be 200% of salary for the Chief Executive and 190% of salary for the other Executive Directors (value of shares at date of award)</p>
Performance metrics	<p>The vesting of awards is dependent on the achievement of three equally weighted performance measures as set out below The Committee may choose alternative measures and weightings between them if it deems it appropriate taking into account the strategic objectives of the Company The vesting of at least one-third of the PSP award will however be determined by a relative TSR target.</p> <p>The performance targets for the 2016 PSP awards will be based on</p> <ul style="list-style-type: none"> <li>• EPS growth based on EEV adjusted profit,</li> <li>• EPS growth as above but excluding the impact of the EEV unwind of the discount rate (effectively excluding the impact of stock market movements on earnings), and</li> <li>• Relative TSR performance</li> </ul> <p>For each performance condition, a threshold and stretch level of performance is set At threshold, 25% of the relevant element vests</p>

### Pension

Purpose and link to strategy including choice of performance metrics	Helps recruit and retain Executives Provides a discrete element of the package to contribute to post-retirement lifestyle
Operation	Defined contribution pension scheme 20% of salary is paid into the Group personal pension scheme for the Executive or an equivalent cash amount via non-pensionable salary supplement if the Executive is affected by the pension cap
Maximum opportunity	20% of base salary
Performance metrics	N/A

### Other Benefits

Purpose and link to strategy including choice of performance metrics	Operate competitive benefits to help recruit, retain and support the well-being of employees
Operation	Including, but not limited to:  Company car (or salary supplement in lieu), private medical insurance, life, critical illness and death in service cover, relocation assistance where necessary and the use of a driver for business purposes  Participation in the Group's all employee SIP and SAYE schemes
Maximum opportunity	Benefit costs are monitored and controlled and represent a small element of total remuneration costs
Performance metrics	N/A

### Non-executive Directors' Fees

	To attract high quality, experienced Non-executive Directors.
	The Chairman is paid an all-encompassing annual fee, which is reviewed periodically by the Committee
	All Non-executive Directors receive a basic annual fee for carrying out their duties, together with additional fees being paid in respect of Board Committees and other responsibilities, with fee levels reviewed periodically by the Board. They may also be paid additional fees (calculated at an appropriate day rate) in the event of exceptional levels of additional time being required, for instance in response to corporate developments
	There is no prescribed maximum annual increase. Reviews take into account market data for similar non-executive roles in other companies of a similar size and/or business to St James's Place as well as the time commitment of its Non-executive Directors
	The Company's policy is to pay up to the mid-market level based on similar time commitments of the chairman and non-executives in similar sized companies

This report was approved by the Board of Directors and signed on its behalf by

Roger Yates  
Chairman of the Remuneration Committee  
22 March 2016

## DIRECTORS' REPORT

The Directors present their Report and the Annual Report and Accounts and the audited consolidated financial statements of the Group for the year ended 31 December 2015. All of the Directors were in office throughout the financial year and up to the date of signing this report.

For the purposes of compliance with DTR 4.1.5R(2) and DTR 4.1.8R, the required content of the 'Management Report' can be found in the Strategic Report and the Directors' Report, including the sections of the Annual Report and Accounts incorporated by reference. Specific reference to CO<sub>2</sub> emissions can be found on page 52.

For the purposes of compliance with the UK Financial Conduct Authority's Listing Rules (LR 9.8.4R), the information required to be disclosed by LR 9.8.4 can be found in the following sections:

Interest Capitalised	Not Applicable
Publication of Unaudited Financial Information	Not Applicable
Details of Long Term Incentive Schemes	The Directors' Remuneration Report on pages 82 to 99
Waiver of Emoluments by a Director	Not Applicable
Waiver of Future Emoluments by a Director	Not Applicable
Non Pre-Emptive Issues of Equity for Cash	Not Applicable
Item (7) in Relation to Major Subsidiary Undertakings	Not Applicable
Parent Participation in a Placing by a Listed Subsidiary	Not Applicable
Contracts of Significance	Directors' Report
Provision of Services by a Controlling Shareholder	Not Applicable
Shareholder Waivers of Dividends	Directors' Report
Shareholder Waivers of Future Dividends	Directors' Report
Agreements with Controlling Shareholders	Not Applicable

### UK Corporate Governance Code 2014

Under the FCA Listing Rules, all UK listed companies must state whether they have complied with the provisions of the UK Corporate Governance Code dated September 2014 (the 'Code') throughout the year and, where they have not complied, they are required to explain such non-compliance. The provisions of the Code can be found on the Financial Reporting Council's website, [www.frc.org.uk](http://www.frc.org.uk)

The Company reviews its compliance with the Code on an ongoing basis. Details of how your Company has complied with the Code throughout the year are set out in the Corporate Governance sections of this Report. Particular detail on those principles from the Code which relate to remuneration is provided in the Remuneration Report on pages 82 to 99.

Your Board considers that the Company has complied with all of the provisions of the Code during 2015.

As outlined in the Risk and Risk Management section on page 40, processes for identifying, evaluating and managing the risks faced by the Group have been in place throughout the year under review and up to the date of this report. They are regularly reviewed by the Board, with the assistance of the Risk Committee, and accord with the Guidance for Directors in C 2.3 of the UK Corporate Governance Code. As outlined in the Corporate Governance Report on page 68, the Board has undertaken a robust assessment of the principal risks facing the Group in accordance with the Guidance for Directors in C 2.1 of the UK Corporate Governance Code.

### Status of Company

The Company is registered as a public limited company under the Companies Act 2006.

For details of the Company's subsidiaries and overseas branches, please see page 170.

### The Directors

#### Board of Directors

Details of the Directors as at 22 March 2016 and their biographies are shown on pages 60 and 61. Brief particulars of the Directors' membership of the Board Committees are contained in the Corporate Governance Report on pages 64 to 69.

#### Appointment of Directors

The Company's Articles of Association require that any Director appointed during the year to fill a casual vacancy must stand for reappointment at the next Annual General Meeting and that, at each Annual General Meeting, all those Directors who were elected or last re-elected at or before the Annual General Meeting held in the third calendar year before the current year, shall retire from office by rotation. Directors can be removed from office by an ordinary resolution of shareholders or in certain other circumstances as set out in the Articles of Association. However, in accordance with the recommendations of the Code, all of the Directors will retire by rotation at the Annual General Meeting to be held on 4 May 2016.

Before a Director is proposed for re-election by shareholders, the Chairman considers whether his or her performance continues to be effective and whether they demonstrate commitment to the role. After careful consideration, the Chairman is pleased to confirm that, following the external Board evaluation referred

to on page 69, the Directors seeking re-election continue to make a valuable contribution to the Board and continue to dedicate sufficient time to their duties. Your Directors each bring significant skill sets to the Board as a result of their varied careers and we believe that this diversity is essential to contributing to the appropriate mix of skills and experience needed by the Board and its committees in order to protect the interests of the Company's shareholders. The Board therefore recommends to its shareholders that all the Directors retiring at the forthcoming Annual General Meeting be re-elected.

#### **Power of the Directors**

The Directors are responsible for managing the business of the Company and their powers are subject to any regulations of the Articles, to the provisions of the Statutes and to such regulations as may be prescribed by Special Resolution of the Company.

The Company's Articles of Association contain, for example, specific provisions and restrictions concerning the Company's power to borrow money. They also provide that Directors have the power to allot unissued shares, up to pre-determined levels set and approved by shareholders in general meetings. This also applies to the Directors allotting equity securities otherwise than in accordance with statutory pre-emption rules.

#### **Statement of Directors' Responsibilities**

This statement is set out on page 105. The complete Corporate Governance Report is set out on pages 64 to 69.

#### **Conflicts of Interest**

The Company has in place procedures for the management of Conflicts of Interest. In the event a Director were to become aware that they or any of their connected persons have an actual or potential conflict of interest, they must disclose this to the Board immediately. The Board will then consider the potential conflict of interest based on its particular facts, and decide whether to waive the potential conflict and/or impose conditions on such waiver if it believes this to be in the best interests of the Company. Internal controls also exist whereby regular checks are conducted to ensure that the Directors have disclosed material interests appropriately.

Except as stated in the Directors' Remuneration Report, no Director has, or has had during the year under review, any material interest in any contract or arrangement with the Company or any of its subsidiaries.

#### **Directors' Service Agreements**

The Company's policy is that service contracts may be terminated with 12 months' notice from either the Company or from the Executive Director (except in certain exceptional recruitment situations where a longer notice period from the Company may be set provided it reduces to a maximum of 12 months with a specified time limit). Service contracts do not contain a fixed end date. Executive Directors' service contracts will be available for inspection at the Company's Annual General

Meeting to be held in 2016. The Company does not have agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a takeover, except that provisions in the Company's share schemes may, in certain circumstances, cause share awards granted to employees under such schemes to vest on a takeover.

#### **Directors' and Officers' Indemnity and Insurance**

The Company has taken out insurance covering Directors and officers against liabilities they may incur in their capacity as Directors or officers of the Company and its subsidiaries. The Company has granted indemnities to all of its Directors (and Directors of subsidiary companies) on terms consistent with the applicable statutory provisions. Qualifying third party indemnity provisions for the purposes of section 234 of the Companies Act 2006 were accordingly in force during the course of the financial year ended 31 December 2015, and remain in force at the date of this report.

#### **Share Capital**

##### **Structure of the Company's Capital**

As at 31 December 2015, the Company's issued and fully paid up share capital was 524,665,212 ordinary shares of 15 pence each. All ordinary shares are quoted on the London Stock Exchange and can be held in uncertificated form via CREST. Details of the movement in the issued share capital during the year are provided in Note 29 to the financial statements on page 162.

#### **Voting Rights**

At any General Meeting, on a show of hands, each member who is present in person has one vote and every proxy present who has been duly appointed by a member entitled to vote on a resolution has one vote. On a poll, every member who is present in person or by proxy shall have one vote for every share of which he is the holder.

Forms appointing a proxy sent by the Company to shareholders, in relation to any General Meeting, must be received by the Company or their registrars not less than 48 hours before the time appointed for holding of the meeting or adjourned meeting.

#### **Restrictions on Voting Rights**

If any shareholder has been sent a notice by the Company under section 793 of the Companies Act 2006 and failed to supply the relevant information for a period of 14 days, then the shareholder may not (for so long as the default continues) be entitled to attend or vote either personally or by proxy at a shareholders' meeting, or to exercise any other right conferred by membership in relation to shareholders' meetings.

If those default shares represent at least 0.25 per cent of their class, any dividend payable in respect of the shares will be withheld by the Company and (subject to certain limited exceptions) no transfer, other than an excepted transfer, of any shares held by the member in certificated form will be registered.

# DIRECTORS' REPORT

## CONTINUED

### Articles of Association

The full rights and obligations attaching to the ordinary shares of the Company are set out in the Articles of Association. The Articles can be amended by a special resolution of the members of the Company and copies can be obtained from Companies House. Holders of ordinary shares are entitled to receive the Company's Reports and Accounts, attend, speak and exercise voting rights, and appoint proxies to attend general meetings.

The Company proposes to amend its Articles of Association at its forthcoming Annual General Meeting due to new requirements under the Solvency II regulations in relation to Tier 1 Instruments. Full details are contained in the Notice of Annual General Meeting.

### Restrictions on Share Transfers

There are restrictions on share transfers, all of which are set out in the Articles of Association. Restrictions include transfers made in favour of more than four joint holders and transfers held in certificated form. Directors may decline to recognise a transfer, unless it is in respect of only one class of share and lodged (and duly stamped) with the Transfer Office. The Directors may also refuse to register any transfer of shares held in certificated form which are not fully paid. Directors may also choose to decline requests for share transfers from a US Person (as defined under Regulation S of the United States Securities Act 1933) that would cause the aggregate number of beneficial owners of issued shares who are US Persons to exceed 70.

The registration of transfers may be suspended at such times and for such periods (not exceeding 30 days in any year) as the Directors may from time to time determine in respect of any class of shares.

The Company is not aware of any agreements between shareholders that restrict the transfer of shares or voting rights attached to the shares.

### Substantial Shareholders

As at 22 February 2016, the Company had been notified of the following interests disclosed to the Company under Disclosure and Transparency Rule 5.

Shareholder	Holding at 31 Dec 2015	% held at 31 Dec 2015	Holding at 22 Feb 2016	% held at 22 Feb 2016
Ameriprise Financial Inc	28,184,506	5.38	28,184,506	5.38
The Capital Group Companies, Inc	27,174,893	5.19	27,174,893	5.19
FMR LLC	26,126,505	5.03	26,126,505	5.03
BlackRock, Inc	26,277,302	5.00	n/a	n/a

The interests of the Directors, their families and any connected persons in the issued share capital of the Company are shown on page 93.

### Results and Dividends

The consolidated statement of comprehensive income is on page 114 and profit after tax for the financial year attributable to equity shareholders increased to £202.0 million from £187.9 million in the prior year. The profit before tax reduced from £294.4 million to £174.1 million in the current year, principally due to the £88.7 million reduction in charges, from £111.5 million in 2014 to £22.8 million in 2015, deducted from Life Investment business in respect of policyholder tax due to HMRC and included within profit before tax, as explained on page 28. This movement was mainly driven by relative investment performance in the year, reflecting the fact that, whilst the investment return was still positive in 2015, it was not as strong as in the prior year. The profit before tax was also impacted negatively by the £21.7 million movement in DAC/DIR/PVIF intangibles, which is explained on page 27, and the £14.2 million increase in the charge from the FSCS levy in the year.

An interim dividend of 10.72 pence per share, which equates to £56.0 million, was paid on 2 October 2015 (2014: 8.93 pence per share/£46.1 million). The Directors recommend that shareholders approve a final dividend of 17.24 pence per share, which equates to £90.5 million (2014: final dividend of 14.37 pence per share/£74.8 million) to be paid on 13 May 2016 to shareholders on the register at the close of business on 8 April 2016.

In 2012, the Directors introduced a Dividend Reinvestment Plan (DRP), details of which are set out on page 198.



### Authority to Purchase Own Shares

At the Annual General Meeting in 2015, shareholders granted authority to the Directors for the purchase by the Company of its own shares. This authority will expire at the end of the Annual General Meeting to be held in 2016, or 18 months from the date granted, whichever is the earlier. During the year, the Company did not purchase any of its own shares. The Directors will propose the renewal of the authority to purchase its own shares at the forthcoming Annual General Meeting.

### Employees

Details of the Company's approach to maintaining an appropriately skilled and diverse workforce can be found in the Strategic Report on page 12.

The Company is committed to attracting and retaining talented people of both genders, and indeed of diverse skills and mind sets in the wider sense. The Company has a policy of ensuring that no discrimination takes place with regards to its job applicants and employees. Appointments and promotions are made based on fair and considered judgements, with the individuals being assessed on their merits and skill sets. We need to make sure we are not unwittingly excluding any particular group from the opportunities we can offer or depriving ourselves of people who could bring benefits to our community.

We strive to give full and fair consideration to applications from and promotions of disabled people, having regard to their particular aptitudes and abilities, and where appropriate, we will consider modifications to the working environment so they can take up opportunities or enhance their role. We will similarly make every effort in the event of an employee becoming ill or disabled, for example, by arranging appropriate training.

We have also been looking at patterns of female participation throughout the Group. For instance, we have a slightly higher level of female participation in the Partnership than is typical of the financial advice industry (although it is still not very high), and the level of female participation in other teams can vary quite significantly. We have also looked at the distribution of salaries between male and female employees in particular pay grades. During the year, the Executive Board reaffirmed its commitment to make further progress. A budget for work has been agreed, and a steering group set up, chaired by Ian Gascoigne, to develop our approaches.

We believe that, by adopting best practice principles, we seek to ensure that our responsibilities are met as an equal opportunity employer and that everyone can enjoy an environment free from discrimination of any sort.

The right to collective bargaining has not been exercised by any of the Company's employees, however, were they to do so, the Company would look to comply with due process.

The Company considers it important to provide its employees with a balanced work and home life, and does not expect its employees to work excessive hours.

The Company has a calendar of regular communication with employees and this includes a bi-annual employee satisfaction survey, the most recent of which was conducted in 2014.

The Company also offers a range of development options which reflect business priorities and offer employees the opportunity to grow their careers within the Group. Such opportunities include:

- An apprenticeship programme launched in 2012,
- Membership of the Institute of Customer Service,
- A rolling programme of Knowledge Development Meetings,
- Support for employees seeking externally recognised professional qualifications,
- Management development activities for those with the interest and ability to develop their careers as leaders in the business, and
- Specific development programmes for the more specialist roles within the Company's Field Management Team.

The Company encourages employee involvement in its performance through the use of employee share plans.

### Bribery Act 2010

The Board is responsible for the oversight of the Company's anti-bribery, corruption and whistleblowing policies and procedures. During 2015, the Company carried out its annual review to ensure that it has adequate policies and procedures in place to prevent bribery and corruption. This included reviewing the Bribery Act Policy Statement, along with other related policies and procedures, and providing training to employees and Partners with regards to money laundering, fraud, bribery and corruption via an online training programme, the completion of which is compulsory.

The Company also operates a Whistleblowing policy, and encourages employees, Partners and other interested parties to advise, on an anonymous basis, the appropriate person in the Company should they become aware of any wrongdoing. The key contact for Whistleblowing is the Chair of the Audit Committee.

During 2015, no employees or Partners were disciplined or dismissed due to non-compliance with the Anti-Bribery and Corruption policies and no fines were levied against the Company in relation to bribery or corruption.

# DIRECTORS' REPORT

## CONTINUED

The Bribery Act Policy Statement and the Whistleblowing procedure are available to all employees and Partners via the Company's intranet.

### Significant Contracts and Change of Control

The Company has a number of contractual arrangements which it considers essential to the business of the Company. Specifically, these are committed loan facilities from a number of banks and arrangements with third party providers of administrative services

A change of control of the Company may cause some agreements to which the Company is a party to alter or terminate. These include bank facility agreements and employee share plans

The Group had committed facilities totalling £175.0 million as at 22 February 2016 which contain clauses which require lender consent for any change of control. In addition, the Group guarantees the obligations of loans made to Partners in connection with facilities agreed with various lenders totalling £68.7 million in aggregate. Should consent not be given, a change of control would trigger mandatory repayment of the said facilities.

All the Company's employee share plans contain provisions relating to a change of control. Outstanding awards and options may vest and become exercisable on a change of control, subject where appropriate to the satisfaction of any performance conditions at that time and pro-rating of awards

### Political Donations

It is the Group's policy not to make any donations to political parties within the meaning of the definitions set out in the Political Parties, Elections and Referendums Act 2000 and sections 362 to 379 of the Companies Act 2006. The Group did not make any political donations during the year (2014: nil).

### Annual General Meeting

The Company's Annual General Meeting will be held on Wednesday, 4 May 2016 at The Royal Aeronautical Society, 4 Hamilton Place, London W1J 7BQ at 11.00am

### Going Concern

The Code provides that in its annual financial statements, the Directors should state whether they consider it appropriate to adopt the going concern basis of accounting in preparing them, and identify any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements. The Company's Viability Statement is set out in the Risk and Risk Management section on page 42

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report, as referred to on page 55

The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Strategic Report on pages 20 to 39. In addition, the Notes on pages 143 and pages 148 to 159 and the Risk and Risk Management section on pages 40 to 47 include the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to credit risk and liquidity

As shown on pages 35 to 39 of the Strategic Report, the Group's capital position is strong and well in excess of regulatory requirements. The long-term nature of the business results in considerable positive cash flows, arising from existing business. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully

The Directors confirm that they are satisfied that the Company and the Group have adequate resources to continue in business in line with the Viability Statement set out on page 42. For this reason, they continue to adopt the going concern basis in preparing the accounts. Further information on the basis of preparation of these accounts can be seen in Note 1 to both the Consolidated Accounts under International Financial Reporting Standards and the Parent Company Accounts under Financial Reporting Standard 101.

### Disclosure of Information to Auditors

Each of the Directors, at the date of approval of this report, confirms that

- So far as each Director is aware, there is no relevant audit information of which the auditors are unaware, and
- Each Director has taken all steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of such information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

### Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a Resolution that they be re-appointed until the end of the 2017 Annual General Meeting will be put to shareholders at the Annual General Meeting on 4 May 2016

On behalf of the Board

David Bellamy  
Chief Executive  
22 March 2016

Andrew Croft  
Chief Financial Officer

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company Law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Parent Company financial statements respectively, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors have chosen to prepare supplementary information in accordance with the European Embedded Value Principles issued in May 2004 by the Chief Financial Officers Forum, as supplemented by the Additional Guidance on European Embedded Value Disclosures issued in October 2005 (the EEV Principles). When compliance with the EEV Principles is stated, those principles require the Directors to prepare supplementary information in accordance with the Embedded Value methodology (EVM) contained in the EEV Principles and to disclose and explain any non-compliance with the EEV Guidance included in the EEV Principles.

In preparing the EEV supplementary information, the Directors have:

- Prepared the supplementary information in accordance with the EEV Principles;
- Identified and described the business covered by the EVM;
- Applied the EVM consistently to the covered business;
- Determined assumptions on a realistic basis, having regard to past, current and expected future experience and to any relevant external data, and then applied them consistently, and
- Made estimates that are reasonable and consistent.

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

Each of the Directors, whose names and functions are listed in the Board of Directors section of the Annual Report, confirm that, to the best of their knowledge:

- The Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- The EEV supplementary information has been prepared in accordance with the EEV principles issued in May 2004 by the Chief Financial Officers Forum as supplemented by the Additional Guidance on European Embedded Value Disclosures issued in October 2005 (the EEV Principles);
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces; and
- The Directors consider that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

By order of the Board

Elizabeth Kelly  
Company Secretary  
22 March 2016

# CONSOLIDATED FINANCIAL STATEMENTS ON INTERNATIONAL FINANCIAL REPORTING STANDARDS BASIS

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# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ST. JAMES'S PLACE PLC

## REPORT ON THE GROUP FINANCIAL STATEMENTS

### Our opinion

In our opinion, St. James's Place plc's Group financial statements (the financial statements)

- give a true and fair view of the state of the Group's affairs as at 31 December 2015 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation

### What we have audited

The financial statements, included within the Annual Report and Accounts 2015 (the Annual Report), comprise

- the consolidated statement of financial position as at 31 December 2015;
- the consolidated statement of comprehensive income for the year then ended,
- the consolidated statement of cash flows for the year then ended,
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union

### Our audit approach

#### Context

This year's audit focused on the core aspects of the business such as the recognition of revenue, and existence and valuation of financial investments. Developments during the year included in particular the recognition and recoverability of deferred tax assets on the winding up of SJP Partnership and SJP 1990 Limited. With the Group's outsourced operating model for administration, we also continued to look at the valuation of the prepayment asset held in the balance sheet in relation to the recently implemented administration platform

### Overview

#### Materiality

- Overall Group materiality represents 5% of profit before tax. £8.5 million, (2014: £15 million)

#### Audit Scope

- The Group is structured to reflect its vertically integrated insurance and wealth management business and operates predominantly within the United Kingdom
- The consolidated financial statements are a consolidation of six financially significant reporting entities, comprising the Group's operating businesses and the St. James's Place Unit Trusts

#### Areas of Focus

- Recognition of revenue
- Recoverability of deferred tax asset arising from historic capital losses
- Valuation of the prepayment asset in respect of an administration platform at an outsourced provider
- Existence and valuation of financial investments and investment property.

#### The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland))

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ST. JAMES'S PLACE PLC

## CONTINUED

### Area of focus

#### *Recognition of revenue*

*See Note 2 to the financial statements for the Directors' disclosure of critical accounting estimates and judgements in applying accounting policies for further information*

ISAs (UK & Ireland) presume there is a risk of fraud in revenue recognition because of the pressure management may feel to achieve market expectations. In this regard we focused on transactions which included a judgemental element in their calculation, typical within the life insurance industry, as set out in Note 2 to the financial statements.

We focused specifically on the following

- Deferral of income and acquisition costs and amortisation of Deferred Income Reserve (DIR), and Deferred Acquisition Costs (DAC) under IFRS methodology. In the year, the net movement of DIR of £49.7 million was recognised as revenue (see Note 4) and £32.1 million of acquisition costs were deferred and £100.1 million of DAC was amortised (see Note 6); and
- Classification of the Group's products between insurance and investment business to ensure that investment business is deposit accounted in the consolidated statement of financial position.

We also considered the recognition of income or costs which may have a close relationship to earned insurance premiums and fees, in accordance with Auditing Practices Board Practice Note 20 – 'The audit of insurers in the United Kingdom', such as reinsurance costs. The Group fully reinsures the UK insurance risk of its closed book of protection business and therefore we focused on whether the £32.6 million of premium income associated with this business that was reversed out of the consolidated statement of comprehensive income was complete

### How our audit addressed the area of focus

We assessed the critical accounting estimates and judgements as set out in Note 2 to the financial statements that had a direct impact on revenue. Specifically we

- substantively tested the deferred income and acquisition costs and the amortisation of DIR and DAC, including assessing the future profitability of the products to which the income and acquisition costs related to ensure that profitability was sufficient to support the carrying value of the deferred balances, and
- confirmed substantively the classification of the Group's products between insurance and investment business to check that insurance product revenue was appropriately included in the consolidated statement of comprehensive income and investment business (except for fees related to investment contract management) was excluded.

We confirmed that there were no new reinsurance arrangements and agreed sample of premiums ceded to invoice

Our work on the above areas of judgement was supported by controls testing and substantive procedures over all material revenue streams including

- reconciling fees on investment business to confirmatory documentation provided by the asset custodian, State Street;
- testing internal controls over the accuracy and occurrence of revenue recognised in the financial statements,
- obtaining and reading the International Standard on Assurance Engagements (ISAE) 3402 'Assurance Reports on Controls at a Service Organisation' for International Financial Data Services (IFDS), in particular focusing on the controls designed to prevent and detect fraud operating over the Group unit trust business administration system owned and operated by IFDS,
- following migration of certain products to a new administration system also operated by IFDS, obtaining and reading an agreed upon procedures (AUP) report prepared by an independent third party for the Directors in respect of the relevant controls, and
- testing a sample of journal entries posted throughout the year to revenue accounts that met specific criteria to identify unusual or irregular items

There were no issues in the ISAE 3402 report or AUP that impacted our audit scope. Overall, we noted no material exceptions in our testing and found the judgements taken by the Directors to be reasonable.

### Area of focus

*Recoverability of deferred tax asset arising from historic capital losses  
See Notes 2 and 13 to the financial statements for the Directors'  
disclosure of determining the value of deferred tax assets for further  
information*

An additional deferred tax asset of £74.8 million was recognised during the year following management's investigation of historic capital losses crystallising within the Group on the planned winding-up of SJP Partnership and SJP 1990 Limited (see Note 13), bringing the total asset at the year end to £113.1 million

We focused on this item due to the magnitude and complex nature of the balance, requiring technical knowledge of tax, and the judgements involved in forecasting future capital growth and gains in future years in Group companies to offset against the capital losses

### How our audit addressed the area of focus

We assessed the basis of the capital losses that gave rise to the additional £74.8 million deferred tax asset, and had PwC tax specialists evaluate the advice received by management from external tax advisers.

We considered the application of relevant taxation legislation and accounting standards around the recognition of the deferred tax asset as a whole

We examined correspondence between the Group and HMRC to confirm that, on the evidence provided, the capital losses are expected to be available

We assessed the Group's forecasts for the utilisation of the losses against future capital gains, including assessing the likelihood of such gains

We challenged the asset growth assumptions used by the Directors in the calculation of forecast capital gains and compared these to relevant benchmarks including for example average dividend yield and index growth versus RPI for relevant market indices

We checked the information disclosed in the financial statements back to the supporting records and calculations

No issues were noted in the work performed.

*Valuation of the prepayment asset in respect of the development of a  
new administration platform at an outsourced provider  
See the Report of the Audit Committee for further information and Notes  
2, 16 and 26 to the financial statements for the Directors' disclosure of  
other receivables and payables*

The Group is charged costs by IFDS in respect of ensuring operational readiness of a new policy administration platform. These costs are recognised as a prepayment to be unwound over the duration of the related service agreement with IFDS once benefits are received from use of the system, and the balance of the prepayment at 31 December 2015 was £87.9 million. The maximum prepayment that can be recognised is capped at the net present value of future cost savings.

Due to the nature and magnitude of the amounts arising from the contractual terms the valuation of the prepayment asset was an area of audit focus.

In testing whether the asset was valued appropriately and whether an impairment was necessary we:

- carried out tests of details on the payments to IFDS associated with the new operational services agreement,
- assessed the reasonableness of the assumptions underlying management's discounted cashflow calculating the anticipated cost savings that support the valuation of the prepaid cost asset in the consolidated statement of financial position.

We also agreed the cost savings for 2015 to the new service tariffs against the legacy platform tariff. We sensitised the inflation and discount rate assumptions as well as business flow to determine the potential impact of changes in these variables on the present value of future savings to check whether they would affect the carrying value of the asset this year.

We noted no material exceptions in our procedures and we determined that the disclosure of the transactions in the financial statements was appropriate.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ST. JAMES'S PLACE PLC

## CONTINUED

Area of focus	How our audit addressed the area of focus
<p><i>Existence and valuation of financial investments and investment property</i>  <i>See Note 27 to the financial statement for the Directors' disclosure of financial risk for further information</i></p> <p>Financial investments and investment properties were an area of focus for our testing, in particular the judgemental valuations of investment properties and derivatives, due to the magnitude of the balances</p> <p>The Group outsources investment custodian and valuation activities to State Street. Our audit procedures therefore considered the evidence available over the reliability of these outsourced processes</p>	<p>We agreed the existence of holdings of the financial investment portfolio to confirmatory documentation received directly from independent custodians as at year end.</p> <p>We independently agreed the existence of a sample of holdings of investment properties at year end to the Land Register maintained by the Land Registry</p> <p>We obtained and read the International Standard on Assurance Engagements (ISAE) 3402 'Assurance Reports on Controls at a Service Organisation' for State Street's Global Fund Accounting and Custody operations, which provided a description of the systems and controls in place and the results of testing of the operational effectiveness of those controls.</p> <p>Where appropriate we placed reliance on the controls described in the ISAE 3402 report over the valuation and existence of the financial investments within the portfolio</p> <p>We independently re-priced a sample of derivative investments as at year end. We also independently re-priced a sample of equity, fixed income and collective investment scheme investments at the year end to complement our controls reliance. We agreed our independent prices to those provided by State Street</p> <p>For investment properties we tested the inputs to the valuation process and tested the reasonableness of the rental yield assumptions used by the Directors in the valuation of the portfolio by reference to industry accepted benchmarks</p> <p>We found no material exceptions in our testing.</p>



### How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates. The Group outsources a large proportion of its back office administration services to IFDS, Capita and State Street, accordingly the financially significant business processes performed for the Group by these outsourcer services providers were addressed in our audit.

The Group financial statements are a consolidation including six financially significant business units, all of which are subject to an audit of their complete financial information, comprising the Group's operating businesses and centralised functions and the consolidated St James's Place Unit Trusts. The six financially significant business units required an audit of their complete financial information due to their size and/or their risk characteristics.

In order to gain sufficient coverage of all financial statement line items we also carried out audit procedures on balances of certain other entities that contributed over 5% to specific line items.

This scope provided us with audit coverage (calculated on an absolute basis as a percentage of the total balances) in excess of 90% for each of Profit before tax, Revenue and Total Assets.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the business units by us, as the Group engagement team, or component auditors from other PwC network firms operating under our instruction. The Group team completed all work on the financially significant components with the exception of St James's Place International Plc (Eire) Limited based in Dublin. We determined the scope of work for a component team from PwC Ireland and maintained regular contact with them during the course of their work.

Together with additional procedures performed at the consolidated level, this scope of work gave us the evidence we needed for our opinion on the consolidated financial statements as a whole.

### Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£8.5 million (2014: £15 million)
How we determined it	5% of profit before tax
Rationale for benchmark applied	Profit before tax is a generally accepted auditing benchmark. Prior year materiality was calculated based on approximately 8% of profit before tax attributable to shareholders' returns, which was approximately 5% of profit before tax.
Component materiality	For each component in our audit scope, we allocated a materiality that was less than our overall Group materiality. The range of materiality allocated across components was between £4.0 million and £7.0 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.425 million (2014: £0.75 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 104, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ST. JAMES'S PLACE PLC

## CONTINUED

### OTHER REQUIRED REPORTING

#### Consistency of other information

#### Companies Act 2006 opinions

#### In our opinion

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- the information given in the Corporate Governance Statement set out in the Governance section with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements

#### ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|
| <ul style="list-style-type: none"> <li>information in the Annual Report is materially inconsistent with the information in the audited financial statements; or apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or otherwise misleading.</li> </ul>                                                                                                                                                       | We have no exceptions to report |
| <ul style="list-style-type: none"> <li>the statement given by the Directors on page 73 in accordance with provision C.1.1 of the UK Corporate Governance Code (the Code), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit.</li> </ul> | We have no exceptions to report |
| <ul style="list-style-type: none"> <li>The section of the Annual Report on page 70, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee</li> </ul>                                                                                                                                                                                                                                          | We have no exceptions to report |

*The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group*

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to

- |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                          |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|
| <ul style="list-style-type: none"> <li>the Directors' confirmation on page 100 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.</li> </ul>                                                                                                                                                                                                                                                                 | We have nothing material to add or to draw attention to  |
| <ul style="list-style-type: none"> <li>the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                       | We have nothing material to add or to draw attention to. |
| <ul style="list-style-type: none"> <li>the Directors' explanation on page 42 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions</li> </ul> | We have nothing material to add or to draw attention to  |

Under the Listing Rules we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the Directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements, checking that the statements are in alignment with the relevant provisions of the Code, and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review

#### Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility

**Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

**Corporate governance statement**

Under the Companies Act 2006 we are required to report to you if, in our opinion, a corporate governance statement has not been prepared by the parent company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

**RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT*****Our responsibilities and those of the Directors***

As explained more fully in the Statement of Directors' Responsibilities set out on page 105, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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 an audit of financial statements involves***

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed,
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**OTHER MATTERS**

We have reported separately on the parent company financial statements of St James's Place plc for the year ended 31 December 2015 and on the information in the Directors' Remuneration Report that is described as having been audited.

**Jeremy Jensen (Senior Statutory Auditor)**  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
22 March 2016

- (a) The maintenance and integrity of the St James's Place plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year Ended 31 December 2015	Year Ended 31 December 2014
		£'Million	£'Million
Insurance premium income		54.7	57.4
Less premiums ceded to reinsurers		(32.6)	(33.5)
<b>Net insurance premium income</b>		<b>22.1</b>	<b>23.9</b>
Fee and commission income	4	1,333.5	1,201.0
Investment return	5	1,755.8	3,347.1
Other operating income		1.5	1.2
<b>Net income</b>	<b>3</b>	<b>3,112.9</b>	<b>4,573.2</b>
Policy claims and benefits			
– Gross amount		(65.0)	(58.8)
– Reinsurers' share		28.5	24.1
<b>Net policyholder claims and benefits incurred</b>		<b>(36.5)</b>	<b>(34.7)</b>
Change in insurance contract liabilities			
– Gross amount		10.8	(8.0)
– Reinsurers' share		(0.5)	21.2
<b>Net change in insurance contract liabilities</b>		<b>10.3</b>	<b>13.2</b>
<b>Investment contract benefits</b>	<b>22</b>	<b>(1,762.5)</b>	<b>(3,234.4)</b>
Fees, commission and other acquisition costs		(835.7)	(824.0)
Administration expenses		(311.2)	(195.7)
Other operating expenses		(3.2)	(3.2)
	<b>6</b>	<b>(1,150.1)</b>	<b>(1,022.9)</b>
<b>Profit before tax</b>	<b>3</b>	<b>174.1</b>	<b>294.4</b>
Tax attributable to policyholders' returns	8	(22.8)	(111.5)
<b>Profit before tax attributable to shareholders' returns</b>		<b>151.3</b>	<b>182.9</b>

	Note	Year Ended 31 December 2015 £'Million	Year Ended 31 December 2014 £'Million
Profit before tax attributable to shareholders' returns		151.3	182.9
Total tax expense	8	27.9	(106.5)
Less: tax attributable to policyholders' returns	8	22.8	111.5
Tax attributable to shareholders' returns	8	50.7	5.0
Profit and total comprehensive income for the year		202.0	187.9
Loss attributable to non-controlling interests		(0.2)	(0.1)
Profit attributable to equity shareholders		202.2	188.0
Profit and total comprehensive income for the year		202.0	187.9
		Pence	Pence
Basic earnings per share	9	38.9	36.6
Diluted earnings per share	9	38.5	35.9

The notes and information below and on pages 119 to 173 form part of these financial statements.

#### Underlying profit measure

	Note	Year Ended 31 December 2015 £'Million	Year Ended 31 December 2014 £'Million
Profit before tax attributable to shareholders' returns		151.3	182.9
Adjustments: DAC/DIR/PVIF		12.4	(9.3)
Underlying profit before tax attributable to shareholders' returns	3	163.7	173.6
Profit and total comprehensive income for the year		202.0	187.9
Adjustments: DAC/DIR/PVIF		4.8	(7.0)
Underlying profit and total comprehensive income for the year	3	206.8	180.9
		Pence	Pence
Underlying basic earnings per share	9	39.8	35.2
Underlying diluted earnings per share	9	39.4	34.6

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Note	Attributable to Equity Shareholders						Non-controlling Interests	Total Equity
	Share Capital	Share Premium	Treasury Shares Reserve	Retained Earnings	Misc Reserves	Total		
	£Million	£Million	£Million	£Million	£Million	£Million	£Million	£Million
At 1 January 2014	77.3	142.2	(10.2)	694.5	2.3	906.1	—	906.1
Profit/(loss) and total comprehensive income for the year				188.0		188.0	(0.1)	187.9
Dividends	10			(95.5)		(95.5)		(95.5)
Issue of share capital		0.2				0.2		0.2
Exercise of options		0.4	5.2			5.6		5.6
Consideration paid for own shares				(5.2)		(5.2)		(5.2)
Own shares vesting charge			4.9	(4.9)		—		—
Retained earnings credit in respect of share option charges				11.0		11.0		11.0
At 31 December 2014	77.9	147.4	(10.5)	793.1	2.3	1,010.2	(0.1)	1,010.1
Profit/(loss) and total comprehensive income for the year				202.2		202.2	(0.2)	202.0
Dividends	10			(130.8)		(130.8)		(130.8)
Issue of share capital	29	0.3	1.9			2.2		2.2
Exercise of options	29	0.5	9.0			9.5		9.5
Consideration paid for own shares				(12.8)		(12.8)		(12.8)
Own shares vesting charge			4.7	(4.7)		—		—
Retained earnings credit in respect of proceeds from exercise of share options of shares held in trust			0.1			0.1		0.1
Retained earnings credit in respect of share option charges				14.8		14.8		14.8
At 31 December 2015	78.7	158.3	(18.5)	874.6	2.3	1,095.4	(0.3)	1,095.1

The number of shares held in the Treasury Share Reserve is given in Note 29 Share Capital on page 162

Miscellaneous reserves represent other non-distributable reserves

The notes and information on pages 119 to 173 form part of these financial statements

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2015 £'Million	31 December 2014 £'Million
<b>Assets</b>			
Goodwill	11	10.1	10.1
Intangible assets			
– Deferred acquisition costs	12	745.0	813.0
– Acquired value of in-force business	12	33.6	36.8
– Computer software	12	4.3	7.7
		793.0	867.6
Property & equipment		8.0	7.9
Deferred tax assets	13	225.9	192.8
Investment property	14	1,344.9	1,031.4
Investments			
– Equities		37,960.8	34,734.9
– Fixed income securities		8,934.0	6,838.8
– Investment in Collective Investment Schemes		3,269.6	2,961.7
– Derivative Financial Instruments		364.1	166.4
Reinsurance assets	20	85.0	85.5
Insurance and investment contract receivables		76.2	63.5
Other receivables	16	891.0	604.6
Cash & cash equivalents	17	5,325.1	5,139.4
<b>Total assets</b>		<b>59,277.6</b>	<b>52,694.5</b>
<b>Liabilities</b>			
Insurance contract liabilities	19	463.5	474.4
Other provisions	21	15.4	11.4
Financial liabilities			
– Investment contracts benefits	22	43,159.8	38,851.2
– Borrowings	23	181.8	84.3
– Derivative Financial Instruments		221.1	79.3
Deferred tax liabilities	24	434.6	519.8
Insurance and investment contract payables		45.9	50.4
Deferred income	25	413.5	463.2
Income tax liabilities		29.6	32.8
Other payables	26	660.8	499.7
Net asset value attributable to unit holders	15	12,556.4	10,617.8
Preference shares		0.1	0.1
<b>Total liabilities</b>		<b>58,182.5</b>	<b>51,684.4</b>
<b>Net assets</b>		<b>1,095.1</b>	<b>1,010.1</b>
<b>Shareholders' equity</b>			
Share capital	29	78.7	77.9
Share premium		158.3	147.4
Treasury shares reserve		(18.5)	(10.5)
Miscellaneous reserves		2.3	2.3
Retained earnings		874.6	793.1
		1,095.4	1,010.2
Shareholders' equity		(0.3)	(0.1)
Non-controlling interests			
<b>Total equity</b>		<b>1,095.1</b>	<b>1,010.1</b>
		Pence	Pence
<b>Net assets per share</b>		<b>208.7</b>	<b>194.5</b>

The financial statements on pages 114 to 173 were approved by the Board of Directors on 22 March 2016 and signed on its behalf by

David Bellamy  
Chief Executive

Andrew Croft  
Chief Financial Officer

The notes and information on pages 119 to  
173 form part of these financial statements

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended 31 December 2015	Year Ended 31 December 2014
Note	£'Million	£'Million
<b>Cash flows from operating activities</b>		
Profit before tax for the year	174.1	294.4
Adjustments for:		
Depreciation	2.5	1.9
Amortisation of acquired value of in-force business	12 3.2	3.2
Amortisation of computer software	12 3.4	2.8
Share-based payment charge	30 15.7	11.4
Interest income	(23.9)	(21.9)
Interest paid	4.4	3.8
<b>Changes in operating assets and liabilities</b>		
Decrease in deferred acquisition costs (net)	12 68.0	75.8
Increase in investment property	(313.5)	(298.7)
Increase in investments	(5,826.7)	(5,734.1)
Decrease/(increase) in reinsurance assets	0.5	(21.3)
Increase in insurance and investment contract receivables	(12.7)	(13.6)
Increase in other receivables	(316.5)	(84.9)
(Decrease)/increase in insurance contract liabilities	(10.9)	8.0
Increase in provisions	4.0	1.7
Increase in financial liabilities (excluding borrowings)	4,450.4	5,125.2
(Decrease)/increase in insurance and investment contract payables	(4.5)	12.3
Decrease in deferred income	(49.7)	(75.4)
Increase in other payables	164.0	60.3
Increase in net assets attributable to unit holders	1,938.6	2,082.4
<b>Cash generated from operating activities</b>	270.4	1,433.3
Interest received	23.9	21.9
Interest paid	(4.4)	(3.8)
Income taxes paid	(61.7)	(35.5)
<b>Net cash generated from operating activities</b>	228.2	1,415.9
<b>Cash flows from investing activities</b>		
Acquisition of property & equipment	(4.0)	(4.0)
Acquisition of intangible assets	12 —	(1.8)
Acquisition of subsidiaries and other business combinations, net of cash acquired	(0.8)	(7.2)
<b>Net cash used in investing activities</b>	(4.8)	(13.0)
<b>Cash flows from financing activities</b>		
Proceeds from the issue of share capital	9.5	5.9
Consideration paid for own shares	(12.8)	(5.2)
Proceeds from exercise of options over shares held in trust	0.1	—
Additional borrowings	175.0	—
Repayment of borrowings	(79.1)	(14.4)
Dividends paid	10 (130.8)	(95.5)
<b>Net cash used in financing activities</b>	(38.1)	(109.2)
<b>Net increase in cash &amp; cash equivalents</b>	185.3	1,293.7
Cash & cash equivalents at 1 January	5,139.4	3,845.7
Exchange gains on cash and cash equivalents	0.4	—
<b>Cash &amp; cash equivalents at 31 December</b>	5,325.1	5,139.4

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

The notes and information on pages 119 to 173 form part of these financial statements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

## 1. ACCOUNTING POLICIES

St James's Place plc (the Company) is a company incorporated and domiciled in England and Wales

### *Statement of Compliance*

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

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU (adopted IFRSs) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) and those parts of the Companies Act 2006 that are applicable when reporting under IFRS.

As at 31 December 2015, 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 not yet effective.

IAS 1 Amendment – Disclosure Initiative

IAS 16 and IAS 38 Amendments – Clarification of Acceptable Methods of Depreciation and Amortisation

IFRS 9 Financial Instruments

IFRS 10 and IAS 28 Amendments – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

IFRS 10, IFRS 12 and IAS 28 Amendments – Investment Entities. Applying the Consolidation Exception

IFRS 15 Revenue from Contracts with Customers

IFRS 16 Leases

Annual Improvements to IFRSs 2012 – 2014 Cycle

The adoption of the above standards is not expected to have a material impact on the Group's results reported within the financial statements other than requiring additional disclosure or alternative presentation, however the impact of these standards will continue to be assessed.

The Group financial statements also comply with the revised Statement of Recommended Practice issued by the Association of British Insurers in December 2005 (as amended in December 2006), to the extent that it is consistent with IFRS standards

### *Basis of Preparation*

As discussed in the Directors' Report, the going concern basis has been adopted in preparing these financial statements.

The financial statements are presented in pounds Sterling, rounded to the nearest one hundred thousand pounds. They are prepared on a historical cost basis, except for assets classified as investment property, available-for-sale financial assets and assets and liabilities at fair value through profit and loss

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years, if the revision affects both current and future years

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 2

The financial statements are prepared in accordance with the Companies Act 2006 as applicable to companies reporting under IFRS and the accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

## CONTINUED

### 1. ACCOUNTING POLICIES *continued*

#### *Summary of Significant Accounting Policies*

##### (a) *Basis of Consolidation*

The consolidated financial information incorporates the assets, liabilities and the results of the Company and of its subsidiaries. Subsidiaries are those entities in which the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity (including unit trusts in which the Group holds more than 30% of the units). Associates are all entities over which the Group has significant influence but not control and are accounted for at fair value through the profit or loss. The Group uses the acquisition method of accounting to account for business combinations and expenses all acquisition costs as they are incurred. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with policies adopted by the Group.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 in the consolidated statement of comprehensive income.

The treatment of transactions with non-controlling interests depends on whether, as a result of the transaction, the Group alters control of the subsidiary. Changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent entity. Where the Group loses control of the subsidiary, at the date when control is lost the amount of any non-controlling interest in that former subsidiary is derecognised and any investment retained in the former subsidiary is remeasured to its fair value, the gain or loss that is recognised in profit or loss on the partial disposal of the subsidiary includes the gain or loss on the remeasurement of the retained interest.

Intragroup balances, and any income and expenses or unrealised gains and losses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

##### (b) *Product Classification*

The Group's products are classified for accounting purposes as either insurance contracts or investment contracts.

##### (i) *Insurance Contracts*

Insurance contracts are contracts that transfer significant insurance risk. The Group's product range includes a variety of term assurance and whole of life protection contracts involving significant insurance risk transfer.

##### (ii) *Investment Contracts*

Contracts that do not transfer significant insurance risk are treated as investment contracts. The majority of the business written by the Group is unit linked investment business and is classified as investment contracts.

##### (c) *Long Term Business*

##### (i) *Insurance Premium Revenue*

For unit linked insurance contracts, premiums are recognised as revenue when the liabilities arising from them are recognised. All other premiums are accounted for when due for payment.

Investment contract premiums are not included in the statement of comprehensive income but are reported as deposits to investment contract liabilities in the balance sheet.

##### (ii) *Revenue from Investment Contracts*

Fees charged for services related to the management of investment contracts are recognised as revenue as the services are provided. Initial fees, including dealing margins from unit trusts, which exceed the level of recurring fees and relate to the future provision of services, are deferred. These are amortised over the anticipated period in which services will be provided.

*(iii) Policy Claims and Benefits*

For insurance contracts, death claims are accounted for on notification of death. Critical illness claims are accounted for when admitted. All other claims and surrenders are accounted for when payment is due.

For investment contracts, benefits paid are not included in the statement of comprehensive income but are instead deducted from investment contract liabilities. The movement in investment contract benefits within the statement of comprehensive income principally represents the investment return credited to policyholders.

Explicit advice charges are payable to St. James's Place distribution company by most clients who wish to receive advice with their investment in a St. James's Place retail investment product. St. James's Place facilitates the payment of these charges for the client, by arranging withdrawals from the client's policy, which are then recognised as income to St. James's Place distribution company. A proportion of the charge is then paid to the St. James's Place adviser (Partner) who provides the advice (see (g)(i) Expenses).

*(iv) Acquisition Costs*

For insurance contracts, acquisition costs comprise direct costs such as initial commission and the indirect costs of obtaining and processing new business. Acquisition costs which are incurred during a financial year, net of any impairment losses, are deferred and then amortised on a straight line basis over the period during which the costs are expected to be recoverable and in accordance with the incidence of future related margins.

For investment contracts, only directly attributable acquisition costs, which vary with and are related to securing new contracts and renewing existing contracts, are deferred, and only to the extent that they are recoverable out of future revenue. These deferred acquisition costs, which represent the contractual right to benefit from providing investment management services, net of any impairment losses, are amortised on a straight-line basis over the expected lifetime of the Group's investment contracts. All other costs are recognised as expenses when incurred. Note, following the implementation of the Retail Distribution Review (RDR) on 31 December 2012, the initial advice costs are no longer an acquisition cost linked to the contractual right to benefit from providing investment management services and so they are no longer deferred.

The period over which costs are expected to be recoverable are as follows:

Insurance contracts:	6 years
Investment contracts:	12–14 years

*(v) Insurance Contract Liabilities*

Insurance contract liability provisions are determined following an annual actuarial investigation of the long-term fund in accordance with regulatory requirements. The provisions are calculated on the basis of current information and using the gross premium valuation method. The Group's accounting policies for insurance contracts meet the minimum specified requirements for liability adequacy testing under IFRS 4, as they consider current estimates of all contractual cash flows, and of related cash flow such as claims handling costs.

Insurance contract liabilities can never be definitive as to their timing nor the amount of claims and are therefore subject to subsequent reassessment on a regular basis.

*(vi) Investment Contract Liabilities*

All of the Group's investment contracts are unit linked. Unit linked liabilities are measured at fair value 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. An allowance for deductions due to (or from) the Company in respect of policyholder tax on capital gains (and losses) in the life assurance funds is also reflected in the measurement of unit linked liabilities. Investment contract liabilities are recognised when units are first allocated to the policyholder, they are derecognised when units allocated to the policyholder have been cancelled.

The decision by the Group to designate its unit linked liabilities as fair value through the profit and loss statement reflects the fact that the underlying investment portfolio is managed, and its performance evaluated, on a fair value basis.

*(vii) Insurance and Investment Contract Receivables and Payables*

Insurance and investment contract receivables and payables are initially recognised at fair value and subsequently at amortised cost, using the effective interest method, less impairment losses.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

## CONTINUED

### 1. ACCOUNTING POLICIES continued

#### (d) Reinsurance

Reinsurance premiums are accounted for when due for payment, and reinsurance recoveries, in respect of insurance contract liabilities, are accounted for in the same period as the related claim. Amounts recoverable from reinsurers in respect of claims and amounts payable in respect of future reinsurance premiums are reported as part of insurance and investment contract receivables and payables, respectively.

#### (e) Fee and Commission Income

Fee and commission income comprises

- i) advice charges paid by clients who wish to receive advice with their investment in a St. James's Place or third party retail investment product,
- ii) commission, due in respect of products sold on behalf of third parties, and
- iii) fees charged for services related to the management of investment contracts

Advice charges and commission are recognised in full on acceptance and inception of the associated policy by the relevant product provider. Where the product provider retains the right to clawback of commission on an indemnity basis, turnover on sale of these products is recognised net of a provision for the estimated clawback.

Investment contract management fees are generally recognised as revenue as the services are provided (see also accounting policy Note (c) (ii)).

#### (f) Investment Return

Investment return comprises investment income and investment gains and losses. Investment income includes dividends, interest and rental income from investment properties under operating leases. Dividends are accrued on an ex-dividend basis, and rental income is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Interest, which is generated on assets classified as fair value through profit or loss, is accounted for using the effective interest method.

#### (g) Expenses

##### (i) Partner Remuneration

Partner remuneration comprises initial commission and initial advice fees (IAF) (paid for initial advice, at policy outset and within an 'initial period'), renewal commission and renewal advice fees (payable on regular contributions) and fund fee commission or ongoing advice fee (OAF) (based on funds under management). Initial and renewal commission and advice fees are recognised in line with the associated premium income, but initial commission on insurance and investment contracts may be deferred as set out in accounting policy (c) (iv). Fund fee commission and ongoing advice fee are recognised on an accruals basis.

Commission and advice fees in respect of some insurance and investment business may be paid in advance on renewal premiums and accelerated by up to five years. The unearned element of this accelerated remuneration is recognised as an asset within other receivables. Should the contributions reduce or stop within the initial period, any unearned amount is recovered.

##### (ii) Operating Lease Payments

Leases where a significant proportion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the total lease expense and are spread over the life of the lease.

#### (h) Income Taxes

Income tax on the profit or loss for the year comprises current and deferred tax payable by the Group in respect of policyholders and shareholders. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

#### (i) Current Tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

*(ii) Deferred Tax*

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following differences are not provided for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

*(iii) Policyholder and Shareholder Tax*

The total income tax charge is a separate adjustment within the statement of comprehensive income based on the movement in current and deferred income taxes in respect of income, gains and expenses. The total charge reflects tax incurred on behalf of policyholders as well as shareholders, and so it is useful to be able to identify these separately. Shareholder tax is estimated by making an assessment of the effective rate of tax that is applicable to the shareholders, with the balance being treated as tax in respect of policyholders.

*(i) Dividends Paid*

Dividend distributions to the Company's shareholders are recognised in the period in which the dividends are paid, and, for the final dividend, are disclosed (but unpaid) when approved by the Company's shareholders at the Annual General Meeting.

*(j) Intangible Assets**(i) Deferred Acquisition Costs*

See accounting policy (c) (iv)

*(ii) Acquired Value of In-force Business*

The acquired value of in-force business in respect of insurance business represents the present value of profits that are expected to emerge from insurance business acquired on business combinations. It is calculated at the time of acquisition using best estimate actuarial assumptions for interest, mortality, persistency and expenses, net of any impairment losses, and it is amortised on a straight line basis as profits emerge over the anticipated lives of the related contracts in the portfolio. An intangible asset is also recognised in respect of acquired investment management contracts representing the fair value of contractual rights acquired under those contracts. The acquired value of in-force business is expressed as a gross figure in the balance sheet with the associated tax included within deferred tax liabilities. It is assessed for impairment at each reporting date and any movement is charged to the statement of comprehensive income.

*(iii) Computer Software*

Computer software is stated at cost less accumulated amortisation and any recognised impairment loss. The carrying value is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Computer software is recognised as an intangible asset during development with amortisation commencing when the software is operational. Amortisation is charged to the statement of comprehensive income to administration expenses on a straight-line basis over four years, being the estimated useful life of the intangible asset.

*(k) Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired entity at the date of acquisition. Where the fair value of the Group's share of the identifiable net assets of the acquired entity is greater than the cost of acquisition, the excess is recognised immediately in the statement of comprehensive income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

## CONTINUED

### 1. ACCOUNTING POLICIES continued

Goodwill is recognised as an asset at cost and is reviewed at least annually for impairment or when circumstances or events indicate there may be uncertainty over this value. If an impairment is identified, the carrying value of the goodwill is written down immediately through the statement of comprehensive income and is not subsequently reversed. At the date of disposal of a subsidiary, the carrying value of attributable goodwill is included in the calculation of the profit or loss on disposal except where it has been written off directly to reserves in the past.

#### (l) Investment Property

Investment properties, which are all held within the unit linked funds, are properties which are held to earn rental income and/or for capital appreciation. They are stated at fair value.

An external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio every month.

The fair values are based on open market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Any gain or loss arising from a change in fair value is recognised in the statement of comprehensive income within investment income. Rental return from investment property is accounted for as described in accounting policy (f).

#### (m) Investments

The Group's investments are initially and subsequently recognised at fair value through profit or loss, with all gains and losses recognised within investment income in the statement of comprehensive income. The fair values of quoted financial investments, which represent the vast majority of the Group's investments, are based on the value within the bid-ask spread that is most representative of fair value. If the market for a financial investment is not active, the Group establishes fair value by using valuation techniques such as recent arm's length transactions, reference to similar listed investments, discounted cash flow models or option pricing models.

The decision by the Group to designate its investments at fair value through the profit and loss reflects the fact that the investment portfolio is managed, and its performance evaluated, on a fair value basis.

The Group recognises purchases and sales of investments on trade date. The costs associated with investment transactions are included within administration expenses in the statement of comprehensive income.

#### (n) Derivative Financial Instruments

The Group uses derivative financial instruments within some unit linked funds, with each contract initially and subsequently recognised at fair value, based on observable market prices. All changes in value are recognised within investment income in the statement of comprehensive income.

#### (o) Other Receivables

Other receivables are initially recognised at fair value and subsequently held at amortised cost less impairment losses, except for renewal income which is held at fair value. The value of any impairment recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. See accounting policy Note (p) for information relating to the treatment of impaired amounts.

#### (p) Impairment

##### 1) Non-Financial Assets

Assets that are subject to amortisation are reviewed for impairment when circumstances or events indicate there may be uncertainty over this value. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

*(u) Financial Assets*

Formal reviews to assess the recoverability of financial assets are carried out at each reporting date. The recoverability of such assets is measured and the asset is deemed impaired if the projected future margins are less than the carrying value of the asset. If there is any indication of irrecoverability or impairment, the asset's recoverable amount is estimated based on the present value of its estimated future cash flows.

In relation to debt instruments, impairment losses are reversed – through the statement of comprehensive income – if there is a change in the estimates used to determine the recoverable amount. Such losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation where applicable, if no impairment loss had been recognised.

*(q) Cash & Cash Equivalents*

Cash & cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments, and bank overdrafts to the extent that they are an integral part of the Group's cash management.

Cash & cash equivalents held within unit linked and unit trust funds are classified at fair value through the profit and loss. All other cash & cash equivalents are classified as loans and receivables.

*(r) Provisions*

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events such that it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured as the discounted expected future cash flows taking account of the risks and uncertainties associated with the specific liability where appropriate.

*(s) Borrowings*

Borrowings are measured initially at fair value, net of directly attributable transaction costs, and subsequently stated at amortised cost. The difference between the proceeds and the redemption value is recognised in the statement of comprehensive income over the borrowing period on an effective interest rate basis. Borrowings are recognised on drawdown and derecognised on repayment.

*(t) Other Payables*

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

*(u) Net Asset Value Attributable to Unit Holders*

The Group consolidates unit trusts in which it holds more than 30% of the units and exercises control. The third party interests in these unit trusts are measured at fair value, since the underlying investment portfolios are managed on a fair value basis, and they are presented in the balance sheet as net asset value attributable to unit holders. Income attributable to the third party interests is accounted for within investment income, offset by a corresponding change in investment contract benefits.

*(v) Employee Benefits**(i) Pension Obligations*

The Group operates a defined contribution personal pension plan for its employees. Contributions to this plan are recognised as an expense in the statement of comprehensive income as incurred. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

*(ii) Share-Based Payments*

The Group operates a number of share-based payment plans. The fair value of equity instruments granted is recognised as an expense spread over the vesting period of the instrument which accords with the period for which related services are provided, with a corresponding increase in equity in the case of equity settled plans. The total amount to be expensed is determined by reference to the fair value of the awards at the grant date, measured using standard option pricing models.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

## CONTINUED

### 1. ACCOUNTING POLICIES *continued*

At each reporting date, the Group revises its estimate of the number of equity instruments that are expected to vest and it recognises the impact of the revision of original estimates, if any, in the statement of comprehensive income, such that the amount recognised for employee services are based on the number of shares that actually vest. The charge to the statement of comprehensive income is not revised for any changes in market vesting conditions

#### (w) Share Capital

Ordinary shares are classified as equity. Where any Group Company purchases the Company's equity share capital (treasury shares), the consideration paid is deducted from equity attributable to shareholders, as disclosed in the Treasury Shares reserve. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to shareholders, net of any directly attributable incremental transaction costs and the related income tax effects.

#### (x) Foreign Currency Translation

The Group's presentation and the Company's functional currency is pounds Sterling.

Foreign currency transactions are translated into Sterling using the exchange rate prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the reporting date and the gain or losses on translation are recognised in the statement of comprehensive income.

Non-monetary assets and liabilities which are held at historical cost are translated using exchange rates prevailing at the date of transaction, those held at fair value are translated using exchange rates ruling at the date on which the fair value was determined.

#### (y) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee of the Board.

#### (z) Current and Non-Current Disclosure

Assets which are expected to be recovered or settled no more than twelve months after the reporting date are disclosed as current within the notes to the financial statements. Those expected to be recovered or settled more than twelve months after the reporting date are disclosed as non-current.

Liabilities which are expected or due to be settled no more than twelve months after the reporting date are disclosed as current within the notes to the financial statements. Those liabilities which are expected or due to be settled more than twelve months after the reporting date are disclosed as non-current.

#### (aa) Non-GAAP Measures

Included within the financial statements are a number of non-GAAP measures, being underlying profit before tax, EEV, EPS on the post-tax underlying profit and the post-tax cash result. A definition of the non-GAAP measures can be found within the Glossary and reconciliations to IFRS on pages 115, 131, 132 and 137.

### 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

#### *Judgements*

The primary areas in which the Group has applied judgement in applying accounting policies are in the classification of contracts between insurance and investment business and when applying the concept of control to determine which entities are subsidiaries.

#### *Classification of Contracts Between Insurance and Investment Business*

Contracts with a significant degree of insurance risk are treated as insurance. All other contracts are treated as investment contracts. It is this classification that management considers to be a critical judgement, however, due to the carrying value of the insurance contract liabilities within the Statement of Financial Position, management does not consider insurance business to be significant to the Group.



### Subsidiaries

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

### Estimates

The principal areas in which the Group applies accounting estimates are

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

Estimates are also applied in determining the amount of deferred tax asset recognised on unrelieved expenses and the value of other provisions

### Measurement of Insurance Contract Liabilities

The assumptions used in the calculation of insurance contract liabilities that have an effect on the statement of comprehensive income of the Group are

- The lapse assumption, which is set prudently based on an investigation of experience during the year
- The level of expenses, which is based on actual expenses in 2014 and expected long term rates
- The mortality and morbidity rates, which are based on the results of an investigation of experience during the year
- The assumed rate of investment return, which is based on current gilt yields

Greater detail on the assumptions applied is shown in Note 19.

### Acquisition Expenses

Certain management expenses vary with the level of new business and have been treated as acquisition costs. Each line of costs has been reviewed and its variability to new business volumes estimated on the basis of the level of costs that would be incurred if new business ceased.

### Amortisation and Recoverability of Deferred Acquisition Costs (DAC) and Deferred Income (DIR)

Deferred acquisition costs on investment contracts are amortised on a straight-line basis over the expected lifetime of the underlying contracts. The expected lifetime of the contracts has been estimated from the experienced termination rates and the age of clients at inception and maturity.

Deferred income on investment contracts is amortised on a straight line basis over the expected lifetime of the underlying contracts, although on certain contracts, the impact of early withdrawal charges means the income is effectively recognised over a shorter period.

Deferred acquisition costs on insurance contracts are amortised over the period during which the costs are expected to be recoverable in accordance with the projected emergence of future margins.

Deferred acquisition costs relating to insurance and investment contracts are tested annually for recoverability by reference to expected future income levels. Future income levels are projected using assumptions consistent with those underlying our embedded value calculation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

## CONTINUED

### 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING

#### POLICIES continued

##### Acquired In-Force Business

There have been no new business combinations generating acquired in-force business during the year. The acquired value of the in-force business is amortised on a basis that reflects the expected profit stream arising from the business acquired at the date of acquisition. This profit stream is estimated from the experienced termination rates, expenses of management and age of the clients under the individual contracts as well as global estimates of investment growth, based on recent experience at the date of acquisition.

The acquired value of in-force business relating to insurance and investment contracts is tested annually for recoverability by reference to expected future income levels.

##### Valuing Capital Losses in the Unit Funds

In line with IAS 12, the Group has recognised a deferred tax asset in relation to capital losses in the unit funds at the reporting date. This asset has been tested for impairment against the level of capital gains realistically expected to arise in future.

Much of the benefit of the deferred tax asset on capital losses in the unit funds will be shared with policyholders. The policyholder investment contract liability has therefore been increased to reflect the fair value of this additional benefit. The assumptions that have a significant effect on the fair value of the liability are as follows:

- The assumed rate of investment return, which is based on current gilt yields.
- The lapse assumption, which is set prudently based on experience during the year.
- The assumed period for development of capital gains, which is estimated from recent experience.

##### Determining the Value of Deferred Tax Assets

In line with IAS 12, the Group has recognised deferred tax assets for future tax benefits that will accrue. The asset value has taken into consideration the likelihood of appropriate future income or gains against which the tax asset can be utilised. In particular, future investment income from the existing assets and new business will be sufficient to utilise the unrelieved expenses, and capital gains crystallising in the unit linked funds will utilise the capital losses. Tax assets in relation to deferred income will be utilised as the underlying income is recognised.

##### Determining the Fair Value of Financial Instruments and Investment Property

In accordance with IFRS 13, the Group categorises financial instruments carried on the balance sheet at fair value using a three level hierarchy. Financial instruments categorised as level 1 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However, the fair value of financial instruments categorised as level 2 and, in particular, level 3 is determined using valuation techniques. These valuation techniques involve management judgement and estimates, the extent of which depends on the complexity of the instrument and the availability of market observable information. Further details of these valuations are described in Note 27.

##### Determining the Fair Value of Share-Based Payments

In determining the fair value of share-based payments and the related charge to the income statement, the Group makes assumptions about the future events and market conditions. In particular, judgement must be formed as to the likely number of shares that will vest, and the fair value of each award granted. Further details of these assumptions used are described in Note 30.

##### Recoverability of St. James's Place Partnership Loans

During the normal course of business the Group provides loans to St. James's Place Partners in order to support the development and growth of the St. James's Place Partnership. The St. James's Place Partnership loans are initially recognised at fair value and subsequently held at amortised cost less impairment losses. The recoverability of loans is measured and the asset is deemed impaired if the projected future margins are less than the carrying value of the asset. The allowance for impairment losses on St. James's Place Partnership loans is management's best estimate of losses incurred in the portfolio at the statement of financial position date.

#### Measurement of Prepaid Operational Readiness Costs

Included within prepayments are operational readiness costs relating to the new administration service agreement which are initially recognised at the amounts advanced. The prepayment is expensed in line with the provision of services under the service agreement. At each statement of financial position date, the value of the prepayment is assessed for impairment recognised against the present value of the estimated future contract benefits. In determining the present value of the estimated future contract benefits, the critical judgements are the levels of future business that will be serviced, the anticipated future service tariffs, termination fees payable and receivable under the contract and the rate used to discount amounts to present value.

#### Fair Value Estimation of Assets Acquired

In accordance with IFRS 3 Business Combinations, as of the acquisition date, the Group recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree and classifies the identifiable assets acquired and liabilities assumed on the basis of the contractual terms, economic conditions, its operating or accounting policies and other pertinent conditions as they exist at the acquisition date. The Group measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

### 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 reportable segments under IFRS 8 are therefore as follows:

1. Life business – offering pensions, protection and investment products through the Group's life assurance subsidiaries
2. Unit Trust business – offering unit trust investment products, including ISAs, through St James's Place Unit Trust Group Limited and St. James's Place Investment Administration Limited.
3. Distribution business – the distribution network for the St James's Place life and unit trust products as well as financial products such as annuities, mortgages and stakeholder pensions, from third party providers

The figures for segment income provided to the Board in respect of the distribution business relate to the distribution of the products of third party providers only. The figures for segment profit provided to the Board take account of fees and commissions payable by the life business and unit trust business to the distribution business.

#### 4 Other – all other Group activities

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

The income, profit and assets of these segments are set out over the next few pages.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

## CONTINUED

### 3. SEGMENT REPORTING continued

#### Segment Income

#### Gross Inflows to Funds Under Management

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

	Year Ended 31 December 2015	Year Ended 31 December 2014
	£'Million	£'Million
Life business	6,110.0	5,130.0
Unit Trust business	3,130.0	2,750.0
<b>Total gross inflows</b>	<b>9,240.0</b>	<b>7,880.0</b>
<b>Adjustments to IFRS basis</b>		
Life business		
Exclude life gross inflows	(6,110.0)	(5,130.0)
Insurance premiums receivable	54.7	57.4
Less: insurance premium income ceded to reinsurers	(32.6)	(33.5)
Fee income (management fees)	571.9	520.8
Net movement on deferred income	38.4	64.7
Investment return (primarily in unit linked funds)	1,531.7	2,914.6
Unit Trust business		
Exclude unit trust gross inflows	(3,130.0)	(2,750.0)
Fee income (dealing profit and management fees)	193.4	170.0
Net movement on deferred income	11.3	10.7
Investment return	0.4	0.4
Distribution business		
Fee and commission income receivable	513.3	429.3
Other investment return	0.2	0.3
Other business		
Fee income receivable	5.2	5.5
Investment return on third party holdings in consolidated unit trusts	216.8	425.9
Other investment return	6.7	5.9
Other operating income	1.5	1.2
<b>Total adjustments</b>	<b>(6,127.1)</b>	<b>(3,306.8)</b>
<b>Net income</b>	<b>(3,112.9)</b>	<b>4,573.2</b>

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

#### Segment Profit

Four separate measures of profit are monitored on a monthly basis by the Board. These are European Embedded Value (EEV) and IFRS (both pre-tax), underlying profit before tax and post-tax cash result. Information as to the definition of these measures can be found on pages 20 and 21 of the Financial Review and within the Glossary on pages 201 to 203

**EEV Operating Profit**

EEV operating profit is monitored on a monthly basis by the Board. The components of the EEV operating profit are included in more detail in the Supplementary Information on the EEV basis within the Annual Report and Accounts on pages 186 to 196. A reconciliation of EEV operating profit to IFRS profit before tax is shown below.

**EEV Result**

	Year Ended 31 December 2015	Year Ended 31 December 2014
	£'Million	£'Million
Life business	467.0	467.0
Unit Trust business	274.4	177.7
Distribution business	(21.2)	(10.9)
Other business	(60.0)	(37.4)
<b>EEV operating profit</b>	<b>660.2</b>	<b>596.4</b>
Investment return variance	(24.4)	80.2
Economic assumption changes	0.9	(7.0)
<b>EEV profit before tax</b>	<b>636.7</b>	<b>669.6</b>
Adjustments to IFRS basis		
Deduct: amortisation of acquired value of in-force	(3.2)	(3.2)
Movement in life value of in-force (net of tax)	(187.6)	(241.7)
Movement in unit trust value of in-force (net of tax)	(176.4)	(104.9)
Tax of movement in value of in-force	(118.2)	(136.9)
<b>Profit before tax attributable to shareholders' returns</b>	<b>151.3</b>	<b>182.9</b>
Tax attributable to policyholder returns	22.8	111.5
<b>IFRS profit before tax</b>	<b>174.1</b>	<b>294.4</b>

**Cash Result**

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

## CONTINUED

### 3. SEGMENT REPORTING continued

#### IFRS Result

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

#### Underlying Profit

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

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

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

*Segment Assets*

## Funds under Management (FUM)

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

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

**4. FEE AND COMMISSION INCOME**

	Year Ended 31 December 2015	Year Ended 31 December 2014
	£'Million	£'Million
Advice charges	420.7	340.4
Third party fee and commission income	97.8	94.4
Life company initial margin	30.5	26.3
Life company management fees	541.4	494.5
Unit Trust dealing profit	16.2	16.0
Unit Trust management fees	147.4	122.4
Unit Trust other income	29.8	31.6
Movement in deferred income	49.7	75.4
<b>Total fee and commission income</b>	<b>1,333.5</b>	<b>1,201.0</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

## CONTINUED

### 5. INVESTMENT RETURN

	Year Ended 31 December 2015	Year Ended 31 December 2014
	£Million	£Million
Dividend income	586.4	505.3
Interest income	23.2	23.4
Rental income	60.4	50.8
Unit linked funds cross holding investment income	471.7	423.1
Net realised gains	562.1	381.5
Net unrealised (losses)/gains	(164.8)	1,537.1
Income attributable to third party holdings in unit trusts	216.8	425.9
<b>Total investment return</b>	<b>1,755.8</b>	<b>3,347.1</b>

For further information on the investment return see page 22 of the Financial Review

### 6. EXPENSES

The following items are included within the expenses disclosed in the statement of comprehensive income.

	Year Ended 31 December 2015	Year Ended 31 December 2014
	£Million	£Million
Employee costs (see Note 7)	121.2	111.7
Depreciation	2.5	1.9
Amortisation of acquired value of in-force business	3.2	3.2
Amortisation of DAC	100.1	102.7
Amortisation of computer software	3.4	2.8
Deferral of DAC	(32.1)	(26.9)
Partner remuneration	518.5	455.4
Payment under operating leases	10.4	13.8
Fees payable to the Company's auditors and its associates for the audit of the Parent Company and consolidated financial statements	0.2	0.1
Fees payable to the Company's auditors and its associates for other services		
– The audit of the Company's subsidiaries (excluding Unit Trusts)	0.5	0.3
– Audit of the Company's Unit Trusts	0.3	0.3
– Audit-related assurance services	0.5	0.2

### 7. EMPLOYEE COSTS

	Year Ended 31 December 2015	Year Ended 31 December 2014
	£Million	£Million
Wages and salaries	92.0	84.2
Social security costs	10.3	10.1
Other pension costs in relation to defined contribution schemes	6.8	6.0
Cost of share awards and options	12.1	11.4
<b>Total employee costs</b>	<b>121.2</b>	<b>111.7</b>
Average monthly number of persons employed by the Group during the year	1,430	1,225

The above information includes Directors' remuneration. Details of the Directors' remuneration, share options, pension entitlements and interests in shares are disclosed in the Remuneration Report on pages 82 to 99



## 8. INCOME TAXES

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

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

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, with the balance being treated as tax in respect of policyholders

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

The deferred tax components to which movements above relate are disclosed in Note 13 Deferred Tax Assets and Note 24 Deferred Tax Liabilities.

Included within the deferred tax current year charge is a charge of £1.8 million (2014: £1.5 million credit) relating to share-based payments. Details of share-based payments are disclosed in Note 30 Share-based Payments.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

## CONTINUED

### 8. INCOME TAXES continued

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

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

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

In arriving at the profit before shareholder tax, it is necessary to estimate the analysis of the total tax charge between that payable in respect of policyholders and that payable by shareholders. Shareholder tax is estimated by making an assessment of the effective rate of tax that is applicable to the shareholders, with the balance being treated as tax in respect of policyholders.

As noted on page 28, in the second half of 2015, management completed the review of all historic Group companies, a project that commenced a number of years ago. During this process management identified further capital losses which it is expected will be utilised over the next ten years, albeit the actual rate of utilisation will depend on business growth and external factors, particularly investment market conditions. Therefore a further deferred tax asset of £74.8 million has been established within the IFRS result.

## 9. EARNINGS PER SHARE

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

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

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

## 10. DIVIDENDS

The following dividends have been paid by the Group

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

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

## 11. GOODWILL

	31 December 2015	31 December 2014
	£ Million	£ Million
Balance at 1 January	10.1	—
Additions	—	10.1
Accumulated impairment loss	—	—
<b>Balance at 31 December</b>	<b>10.1</b>	<b>10.1</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

## CONTINUED

### 11. GOODWILL continued

Goodwill is reviewed at least annually for impairment or when circumstances or events indicate there may be uncertainty over this value. For the purposes of impairment testing, 100% of the goodwill is allocated to the appropriate cash generating unit, being Life

The recoverable amount has been based on a value in use calculation. The calculation applies an actuarially determined appraisal value, based on the embedded value of the business. The key assumptions used in the value in use calculation are growth in volume of new business at 15% and profitability in line with our other existing international business. More information regarding the assumptions used in the embedded value of the business can be found on pages 191 and 192.

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

### 12. INTANGIBLE ASSETS

	Life business - insurance DAC	Life business - investment DAC	Unit Trust business - investment DAC	Total DAC	Acquired value of in-force business	Computer software & other specific software develop- ments	Total
	£Million	£Million	£Million	£Million	£Million	£Million	£Million
<b>Cost</b>							
At 1 January 2014	107.2	1,146.0	299.0	1,552.2	73.4	11.8	1,637.4
Additions	0.5	17.2	9.2	26.9	—	1.8	28.7
At 31 December 2014	107.7	1,163.2	308.2	1,579.1	73.4	13.6	1,666.1
At 1 January 2015	107.7	1,163.2	308.2	1,579.1	73.4	13.6	1,666.1
Additions	0.5	22.6	9.0	32.1	—	—	32.1
At 31 December 2015	108.2	1,185.8	317.2	1,611.2	73.4	13.6	1,698.2
<b>Accumulated amortisation</b>							
At 1 January 2014	105.7	450.1	107.6	663.4	33.4	3.1	699.9
Charge for the year	0.8	80.4	21.5	102.7	3.2	2.8	108.7
At 31 December 2014	106.5	530.5	129.1	766.1	36.6	5.9	808.6
At 1 January 2015	106.5	530.5	129.1	766.1	36.6	5.9	808.6
Charge for the year	0.6	78.1	21.4	100.1	3.2	3.4	106.7
At 31 December 2015	107.1	608.6	150.5	866.2	39.8	9.3	915.3
<b>Carrying value</b>							
At 31 December 2014	1.2	632.7	179.1	813.0	36.8	7.7	857.5
At 31 December 2015	1.1	577.2	166.7	745.0	33.6	4.3	782.9
Current							105.5
Non-current							677.4
							782.9
<b>Outstanding amortisation period</b>							
At 31 December 2014	6 years	14 years	14 years		11 years	4 years	
At 31 December 2015	6 years	14 years	14 years		10 years	4 years	

Amortisation of deferred acquisition costs is charged within the fees, commission and other acquisition costs line in the statement of comprehensive income. The amortisation of the acquired value of in-force business is charged within other operating expenses with the amortisation of computer software and customer list charged within administration expenses. Amortisation profiles are assessed annually.

### 13. DEFERRED TAX ASSETS

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

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

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

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

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

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

### 14. INVESTMENT PROPERTY

	31 December 2015	31 December 2014
	£'Million	£'Million
Balance at 1 January	1,031.4	732.7
Additions	247.9	254.2
Capitalised expenditure on existing properties	5.9	4.8
Disposals	(14.3)	(46.1)
Changes in fair value	74.0	85.8
<b>Balance at 31 December</b>	<b>1,344.9</b>	<b>1,031.4</b>

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

## CONTINUED

### 14. INVESTMENT PROPERTY continued

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

	Year Ended 31 December 2015	Year Ended 31 December 2014
	£'Million	€'Million
Rental income	60.4	50.8
Direct operating expenses	5.8	6.2

At the year end contractual obligations to purchase, construct or develop investment property amounted to £9.0 million (2014: £2.2 million) and to dispose of investment property amounted to £nil (2014: £nil).

### 15. ASSETS HELD TO COVER LINKED LIABILITIES AND THIRD PARTY HOLDINGS IN UNIT TRUSTS

Included within the balance sheet are the following assets and liabilities which represent the net assets held to cover linked liabilities and those attributable to third party holdings in unit trusts (UTMI). The difference between these assets and liabilities and those shown in the consolidated balance sheet represents assets and liabilities held outside the unit linked funds and the UTMI.

	31 December 2015	31 December 2014
	£'Million	€'Million
<b>Assets</b>		
Investment property	1,344.9	1,031.4
Investments		
– Equities	37,960.8	34,734.9
– Fixed income securities	8,850.9	6,755.5
– Investment in Collective Investment Schemes	2,736.9	2,440.1
– Currency forwards	33.8	38.3
– Interest rate swaps	13.5	10.3
– Collateralised mortgage obligations	238.7	53.4
– Fixed income options	–	12.4
– Index options	20.3	18.2
– Contracts for differences	10.7	27.7
– Equity rate swaps	16.1	–
– Foreign currency options	22.8	–
– Total return swaps	6.6	–
– Other derivatives	1.6	6.1
Other receivables	478.4	312.0
Other receivables eliminated on consolidation	125.5	94.8
Cash & cash equivalents	5,091.6	4,865.1
<b>Total assets</b>	<b>56,953.1</b>	<b>50,400.2</b>
<b>Liabilities</b>		
Financial liabilities		
– Currency forwards	168.6	28.3
– Interest rate swaps	5.9	5.1
– Fixed income options	6.1	9.7
– Index options	3.6	8.1
– Contracts for differences	4.3	18.9
– Equity rate swaps	5.8	–
– Foreign currency options	19.6	–
– Total return swaps	0.2	–
– Other derivatives	7.0	9.2
Other payables	311.0	183.7
Other payables eliminated on consolidation	274.2	217.9
<b>Total liabilities</b>	<b>806.3</b>	<b>480.9</b>
<b>Net assets held to cover linked liabilities and third party holdings in unit trusts</b>	<b>56,146.8</b>	<b>49,919.3</b>

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

See accounting policy (z) for further information on current and non-current disclosure

	31 December 2015	31 December 2014
	£'Million	£'Million
Investment contracts	43,159.8	38,851.2
Net asset value attributable to unit holders	12,556.4	10,617.8
Insurance contract liabilities	376.5	384.3
Consolidation adjustments	54.1	66.0
<b>Net assets held to cover linked liabilities and third party holdings in unit trusts</b>	<b>56,146.8</b>	<b>49,919.3</b>

## 16. OTHER RECEIVABLES

	31 December 2015	31 December 2014
	£'Million	£'Million
St. James's Place Partnership loans	178.7	158.9
Prepayments	114.2	62.5
Advanced Partner remuneration	27.9	25.1
Unit linked funds and UTMI (including outstanding security sales)	478.4	312.0
Unit Trust dealing receivables	35.5	3.2
Renewal income	26.8	29.1
Miscellaneous	29.5	13.8
<b>Total other receivables</b>	<b>891.0</b>	<b>604.6</b>
Current	650.4	453.7
Non-current	240.6	150.9
	<b>891.0</b>	<b>604.6</b>

The fair value of loans and receivables included in other receivables is not materially different from amortised cost. St. James's Place Partnership loans are interest bearing (linked to Bank of England base rate plus a margin), repayable on demand and secured against the future renewal income streams of that Partner. The St. James's Place Partnership loans are shown net of a £3.0 million provision (2014: £2.9 million). During the year £1.2 million of the provision was utilised (2014: £1.4 million utilised) whilst new provisions and adjustments to existing provisions increased the total by £1.3 million (2014: £0.5 million decrease).

Included within prepayments are operational readiness costs relating to the new administration platform being developed by our key outsourced back-office administration provider. Management have assessed the recoverability of this prepayment and it is believed that any reasonably possible change in the assumptions applied within this assessment would have no impact on the carrying value of the asset.

### Movement in renewal income

	31 December 2015	31 December 2014
	£'Million	£'Million
At 1 January	29.1	16.6
Reclassification*	—	5.9
Additions	1.4	9.5
Revaluation	(3.7)	(2.9)
<b>Total renewal income</b>	<b>26.8</b>	<b>29.1</b>

\* The prior year reclassification related to purchased SJP Partner renewal income previously disclosed within miscellaneous

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

## CONTINUED

### 16. OTHER RECEIVABLES continued

The key assumptions used for the assessment of the fair value of the renewal income are as follows.

	31 December 2015	31 December 2014
Lapse rate -- SJP Partner renewal income**	6%–10%	6%–10%
Lapse rate -- Non SJP renewal income**	9%–32%	14%–21%
Discount rate	5.0%	5.0%

\*\* Future income streams are projected making use of persistency assumptions derived from the Group's experience of the business or, where insufficient data exists, from external industry experience. These assumptions are reviewed on an annual basis.

These assumptions have been used for the analysis of each business combination classified within renewal income.

### 17. CASH & CASH EQUIVALENTS

	31 December 2015	31 December 2014
	£'Million	£'Million
Cash at bank	233.5	273.5
Cash held by third parties	—	0.8
Cash & cash equivalents held outside unit linked and unit trust funds	233.5	274.3
Balances held within unit linked and unit trust funds	5,091.6	4,865.1
Total cash & cash equivalents	5,325.1	5,139.4

All cash & cash equivalents are considered current



## 18. INSURANCE RISK

Insurance risk arises from inherent uncertainties as to the occurrence, amount and timing of insurance liabilities. The Group assumes insurance risk by issuing insurance contracts under which the Group agrees to compensate the client (or other beneficiary) if a specified future event (the insured event) occurs. The Group insures mortality and morbidity risks but has no longevity risk as we have never written any annuity business. The Group has a medium appetite for insurance risk, only actively pursuing it where financially beneficial, or in support of strategic objectives.

RISK	DESCRIPTION	MANAGEMENT
Underwriting	Failure to price appropriately for a risk, or the impact of anti-selection.	The Group ceased writing new protection business in April 2011. Experience is monitored regularly. For most business the premium or deduction rates can be re-set. The Group has fully reinsured the UK insurance risk.
Epidemic/disaster	An unusually large number of claims arising from a single incident or event.	Protection is provided through reinsurance. The Group has fully reinsured the UK insurance risk.
Expense	Administration costs exceed expense allowance	Administration is outsourced and a tariff of costs is agreed. The contract is monitored regularly to rationalise costs incurred. Internal overhead expenses are monitored and closely managed.
Retention	Loss of future profit due to more clients than anticipated withdrawing their funds	Retention of insurance contracts is closely monitored and unexpected experience is investigated. Retention experience has continued in line with assumptions.

## 19. INSURANCE CONTRACT LIABILITIES

	2015 £'Million	2014 £'Million
Balance at 1 January	474.4	466.4
Movement in unit linked liabilities	(7.8)	(10.7)
Movement in non-unit linked liabilities		
– New business	0.2	(0.2)
– Existing business	(1.3)	7.1
– Other assumption changes	(1.2)	6.9
– Experience variance	(0.8)	4.9
Total movement in non-unit linked liabilities	(3.1)	18.7
Balance at 31 December	463.5	474.4
Unit linked	376.5	384.3
Non-unit linked	87.0	90.1
	463.5	474.4
Current	102.5	106.7
Non-current	361.0	367.7
	463.5	474.4

Unit linked liabilities move as a function of net cash flows into policyholder funds and underlying investment performance of those funds.

See accounting policy (2) for further information on the current and non-current disclosure.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

## CONTINUED

### 19. INSURANCE CONTRACT LIABILITIES continued

#### Assumptions Used in the Calculation of Liabilities

The principal assumptions used in the calculation of the liabilities are

Assumption	Description														
Interest rate	The valuation interest rate is calculated by reference to the long term gilt yield at 31 December 2015 and the specific gilts backing the liabilities. The specific rates used are between 1.7% and 2.2% depending on the tax regime (1.6% and 2.1% at 31 December 2014)														
Mortality	Mortality is based on Company experience and is set at 72% of the TM/F92 tables with an additional loading for smokers. There has been no change since 2006														
Morbidity – Critical Illness	Morbidity is based on Company experience. There has been no change during 2015. Sample annual rates per £ for a male non-smoker are. <table><tr><th rowspan="2">Age</th><th colspan="2">Rate</th></tr><tr><th>2015</th><th>2014</th></tr><tr><td>25</td><td>0.000760</td><td>0.000760</td></tr><tr><td>35</td><td>0.001334</td><td>0.001334</td></tr><tr><td>45</td><td>0.003189</td><td>0.003189</td></tr></table>	Age	Rate		2015	2014	25	0.000760	0.000760	35	0.001334	0.001334	45	0.003189	0.003189
Age	Rate														
	2015	2014													
25	0.000760	0.000760													
35	0.001334	0.001334													
45	0.003189	0.003189													
Morbidity – Permanent Health Insurance	Morbidity is based on Company experience. There has been no change during 2015. Sample annual rates per £ income benefit p.a. for a male non-smoker are. <table><tr><th rowspan="2">Age</th><th colspan="2">Rate</th></tr><tr><th>2015</th><th>2014</th></tr><tr><td>25</td><td>0.00548</td><td>0.00548</td></tr><tr><td>35</td><td>0.01447</td><td>0.01447</td></tr><tr><td>45</td><td>0.03138</td><td>0.03138</td></tr></table>	Age	Rate		2015	2014	25	0.00548	0.00548	35	0.01447	0.01447	45	0.03138	0.03138
Age	Rate														
	2015	2014													
25	0.00548	0.00548													
35	0.01447	0.01447													
45	0.03138	0.03138													
Expenses	Contract liabilities are calculated allowing for the actual costs of administration of the business. The assumption has been amended to allow for changes to the underlying administration costs. <table><tr><th rowspan="2">Product</th><th colspan="2">Annual Cost</th></tr><tr><th>2015</th><th>2014</th></tr><tr><td>Protection business</td><td>£36.01</td><td>£34.98</td></tr></table>	Product	Annual Cost		2015	2014	Protection business	£36.01	£34.98						
Product	Annual Cost														
	2015	2014													
Protection business	£36.01	£34.98													
Persistency	Allowance is made for a prudent level of lapses within the calculation of the liabilities. The rates have not changed in 2015. Sample annual lapse rates are. <table><tr><th rowspan="2">2014 &amp; 2015</th><th colspan="3">Lapses</th></tr><tr><th>Year 1</th><th>Year 5</th><th>Year 10</th></tr><tr><td>Protection business</td><td>7%</td><td>9%</td><td>8%</td></tr></table>	2014 & 2015	Lapses			Year 1	Year 5	Year 10	Protection business	7%	9%	8%			
2014 & 2015	Lapses														
	Year 1	Year 5	Year 10												
Protection business	7%	9%	8%												

### Sensitivity Analysis

The table below sets out the sensitivity of the profit on insurance business and net assets to changes in key assumptions. The levels of sensitivity tested are consistent with those proposed in the EEV principles and reflect reasonably possible levels of change in the assumptions. The analysis reflects the change in the variable/assumption shown while all other variables/assumptions are left unchanged. In practice variables/assumptions may change at the same time, as some may be correlated (for example, an increase in interest rates may also result in an increase in expenses if the increase reflects higher inflation). It should also be noted that in some instances sensitivities are non-linear. The sensitivity % has been applied to proportion the assumption e.g. application of a 10% sensitivity to a withdrawal assumption of 8% will reduce it to 7.2%.

Sensitivity analysis	Change in assumption	Change in profit/(loss) before tax 2015	Change in profit/(loss) before tax 2014	Change in net assets 2015	Change in net assets 2014
	%	£ Million	£ Million	£ Million	£ Million
Withdrawal rates	-10%	(1.0)	(1.1)	(0.9)	(0.9)
Expense assumptions	-10%	0.3	0.3	0.3	0.3
Mortality/morbidity	-5%	0.0	0.0	0.0	0.0

A change in interest rates will have no material impact on insurance profit or net assets.

## 20. REINSURANCE ASSETS

	31 December 2015	31 December 2014
	£ Million	£ Million
Reinsurers' share of insurance contract liabilities		
– Long term insurance contract liability	76.4	76.6
– Claims outstanding	8.6	8.9
<b>Reinsurance assets</b>	<b>85.0</b>	<b>85.5</b>
Current	24.2	24.5
Non-current	60.8	61.0
	<b>85.0</b>	<b>85.5</b>

A reconciliation of the movement in the net reinsurance balance is set out below

	2015	2014
	£ Million	£ Million
Reinsurance assets at 1 January	85.5	64.2
Reinsurance component of net change in claims provision	(0.3)	5.2
Reinsurance component of change in insurance liabilities	(0.2)	16.1
<b>Reinsurance assets at 31 December</b>	<b>85.0</b>	<b>85.5</b>

The overall impact of reinsurance on the profit for the year was a net charge of £4.6 million (2014 credit of £11.8 million)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

## CONTINUED

### 21. OTHER PROVISIONS AND CONTINGENT LIABILITIES

	Total provisions
	£Million
At 1 January 2015	11.4
Utilised during the year	(8.9)
Additional provisions	12.9
At 31 December 2015	15.4
Current	8.5
Non-current	6.9
	15.4

Total provisions relate to the cost of redress for complaints. The provision is based on estimates of the total number of complaints expected to be upheld, the estimated cost of redress and the expected timing of settlement.

As more fully set out in the summary of principal risks and uncertainties on pages 43 to 47, 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 won't 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 (2014: £nil).

### 22. INVESTMENT CONTRACT BENEFITS

	2015	2014
	£Million	£Million
Balance at 1 January	38,851.2	33,717.5
Deposits	6,039.1	5,022.8
Withdrawals	(2,704.3)	(2,176.8)
Investment contract benefits (principally representing investment expense/income)	1,762.5	3,234.4
Less: investment contract benefits attributable to fund deductions	(571.9)	(520.8)
Less: investment contract benefits attributable to third party holdings in unit trusts	(216.8)	(425.9)
Balance at 31 December	43,159.8	38,851.2
Current	3,237.0	2,913.8
Non-current	39,922.8	35,937.4
	43,159.8	38,851.2

See accounting policy (z) for further information on the current and non-current disclosure

## 23. BORROWINGS

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

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

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

The Group also guarantees £77.2 million (2014: £93.9 million) of direct loans from Bank of Scotland, £44.8 million (2014: £20.1 million) of direct loans from Metro Bank plc and £19.4 million (2014: £nil) of direct loans from Santander plc to members of the St. James's Place Partnership drawn under total facilities of £90.0 million (2014: £120.0 million), £76.0 million (2014: £40.0 million) and £25.0 million (2014: £nil), respectively. In the event of default of any individual Partner loan, the Group guarantees to repay the outstanding balance of that loan. These Partners' loans are secured against the future renewal income streams of that Partner.

The fair value of the outstanding bank loans and guarantees are not materially different from amortised cost.

## 24. DEFERRED TAX LIABILITIES

	31 December 2015	31 December 2014
	£'Million	£'Million
On deferred acquisition costs	86.8	115.0
— Life and pensions business	31.0	35.8
— Unit trust business	6.2	7.4
On acquired value of in-force business	3.5	4.1
On renewal income	304.8	354.7
In respect of unit linked funds	2.3	2.8
Other	—	—
<b>Total deferred tax liabilities</b>	<b>434.6</b>	<b>519.8</b>
Current	69.4	76.5
Non-current	365.2	443.3
	<b>434.6</b>	<b>519.8</b>

The deferred tax liability on deferred acquisition costs is expected to crystallise over approximately 14 years, on acquired value of in force business over ten years and on renewal income over approximately 20 years. The majority of the deferred tax on unrealised gains is expected to crystallise over six years.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

## CONTINUED

### 25. DEFERRED INCOME

	31 December 2015	31 December 2014
	£'Million	£'Million
Life business	194.2	232.6
Unit Trust business	219.3	230.6
<b>Total deferred income</b>	<b>413.5</b>	<b>463.2</b>
Current	93.0	104.2
Non-current	320.5	359.0
	<b>413.5</b>	<b>463.2</b>

### 26. OTHER PAYABLES

	31 December 2015	31 December 2014
	£'Million	£'Million
Accruals	112.4	93.3
Unit Trust dealing payable	88.1	88.5
Unit linked funds and UTMI (including outstanding security purchases)	311.0	183.7
Miscellaneous	149.3	134.2
<b>Total other payables</b>	<b>660.8</b>	<b>499.7</b>
Current	605.8	467.3
Non-current	55.0	32.4
	<b>660.8</b>	<b>499.7</b>

Included within miscellaneous is a Contract Payment of £48.3 million (2014: £27.4 million) which is non-interest bearing and repayable on a straight-line basis over the life of a 12 year service agreement commencing in 2017.

### 27. FINANCIAL RISK

#### *Risk Management Objectives and Risk Policies*

The Group seeks to manage risk through the operation of unit linked business whereby the policyholder bears the financial risk. In addition, shareholder assets are invested in liquid investments with a strong credit rating.

Under IFRS 7, the Group is required to analyse their exposure to the following risks:

- Credit risk
- Liquidity risk
- Market risk
- Currency risk

**Credit risk** is the risk of loss due to a debtor's non-payment of a loan or other line of credit. Credit risk also arises from holdings of cash and cash equivalents, deposits and formal loans with banks and financial institutions. The Group has adopted a risk averse approach to such risk and has a stated policy of not actively pursuing or accepting credit risk except when necessary to support other objectives.

RISK	DESCRIPTION	MANAGEMENT
Shareholders' assets	Loss of assets	Shareholder funds are predominantly invested in AAA rated unitised money market funds and deposits with approved banks. Maximum counterparty limits are set for each Company within the Group and aggregate limits are also set at a Group level.
Investment matching of non-linked liabilities	Loss of value of assets	These liabilities are matched by fixed interest securities with minimum AAA credit ratings or UK Government Gilts, maximum counterparty limits for such holdings are again set for each Company within the Group and at an aggregate Group level.
Reinsurance	Failure of counterparty or counterparty unable to meet liabilities	Credit ratings of potential reinsurers must meet or exceed minimum specified levels. Consideration is also given to size, risk concentrations/exposures and ownership in the selection of reinsurers. The Group also seeks to diversify its reinsurance credit risk through the use of a spread of reinsurers.
Partner loans and advances	Inability of Partners to repay loans or advances from St. James's Place	Loans and advances are managed in line with the Group's secured lending policy. Loans are secured on the future renewal income stream expected from a Partner's portfolio and loan advances vary in relation to the projected future income of the relevant Partner. Outstanding balances are regularly reviewed and assessed on a conservative basis. Support is provided to help Partners manage their business appropriately. Appropriate provision is made where there is objective evidence of impairment.

**Liquidity risk** is the risk that the Group, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost. The Group is averse to liquidity risk and seeks to minimise this risk by not actively pursuing it except where necessary to support other objectives.

RISK	DESCRIPTION	MANAGEMENT
Cash or expense requirement	A significant cash or expense requirement needs to be met at short notice.	The majority of free assets are invested in cash or cash equivalents and the cash position and forecast are monitored on a monthly basis. Also, the Group maintains a margin of free assets in excess of the minimum required solvency capital within its regulated entities.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

### CONTINUED

#### 27. FINANCIAL RISK continued

**Market risk** is the impact a fall in the value of equity or other asset markets may have on the business. The Group adopts a risk averse approach to market risk, with a stated solvency policy of not actively pursuing or accepting market risk except where necessary to support other objectives. However, the Group accepts the risk that the fall in equity or other asset markets will reduce the level of annual management charge income derived from policyholder assets and the risk of lower future profits.

The table below summarises the main market risks that the business is exposed to and the methods by which the Group seeks to mitigate them.

RISK	DESCRIPTION	MANAGEMENT
Client liabilities	As a result of a reduction in equity values, the Group may be unable to meet client liabilities.	This risk is substantially mitigated by the Group's strategic focus on unit-linked business, by not providing guarantees to clients on policy values and by the matching of assets and liabilities.
Tax	In adverse market conditions, when the Group is realising investment losses rather than gains, the working of the I-E tax regime can lead to short-term capital inefficiencies, including the deferral of the cash benefit arising from tax relief on expenses.	The tax position is monitored closely, in particular the size and sources of relevant income streams.
Retention	Loss of future profit on investment contracts due to more clients than anticipated withdrawing their funds, particularly as a result of poor investment performance.	Retention of investment contracts is closely monitored and unexpected experience variances are investigated. Retention has remained consistently strong throughout 2015, despite the challenging economic environment and volatility, and fund surrender rates have remained low at c.5%.
New business	Poor performance in the financial markets in absolute terms, and relative to inflation, leads to existing and future clients rejecting investment in longer term assets.	The benefits to clients of longer term equity investment as part of a diversified portfolio of assets is fundamental to our philosophy. Advice and marketing become even more important when market values fall, and greater attention is required to support and give confidence to existing and future clients in such circumstances. This is taken account of by the Group in its activities.

#### Currency Risk

The Group is not subject to any significant currency risk since all material shareholder financial assets and financial liabilities are denominated in Sterling.



### Categories of Financial Assets and Financial Liabilities

The categories and carrying values of the financial assets and financial liabilities held in the Group's balance sheet are summarised in the table below

31 December 2015	Financial assets at fair value through profit and loss <sup>(1)</sup>	Available for sale	Loans and receivables	Financial liabilities at fair value through profit and loss <sup>(2)</sup>	Financial liabilities measured at amortised cost	Total
	£Million	£Million	£Million	£Million	£Million	£Million
<b>Financial Assets and Investment Properties</b>						
Investment properties	1,344.9					1,344.9
Equities	37,960.8					37,960.8
Fixed income securities	8,934.0					8,934.0
Investment in Collective Investment Schemes	3,269.6					3,269.6
Derivative financial instruments	364.1					364.1
Insurance & investment contract receivables			76.2			76.2
Other receivables <sup>(2)</sup>						
– St. James's Place Partnership loans			178.7			178.7
– Renewal income		26.8				26.8
– Other			543.4			543.4
Total other receivables		26.8	722.1			748.9
Cash & cash equivalents	5,091.6		233.5			5,325.1
<b>Total financial assets and investment properties</b>	<b>56,965.0</b>	<b>26.8</b>	<b>1,031.8</b>			<b>58,023.6</b>
<b>Financial Liabilities</b>						
Investment contract benefits				43,159.8		43,159.8
Borrowings					181.8	181.8
Derivative financial instruments				221.1		221.1
Insurance & investment contract payables					45.9	45.9
Other payables					660.8	660.8
Net asset value attributable to unit holders				12,556.4		12,556.4
<b>Total financial liabilities</b>				<b>55,937.3</b>	<b>888.5</b>	<b>56,825.8</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

## CONTINUED

### 27. FINANCIAL RISK continued

31 December 2014	Financial assets at fair value through profit and loss <sup>(1)</sup>	Available for sale	Loans and receivables	Financial liabilities at fair value through profit and loss <sup>(1)</sup>	Financial liabilities measured at amortised cost	Total
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
<b>Financial Assets and Investment Properties</b>						
Investment properties	1,031.4					1,031.4
Equities	34,734.9					34,734.9
Fixed income securities	6,838.8					6,838.8
Investment in Collective Investment Schemes	2,961.7					2,961.7
Derivative financial instruments	166.4					166.4
Insurance & investment contract receivables			63.5			63.5
Other receivables <sup>(2)</sup>						
– St. James's Place Partnership loans			158.9			158.9
– Renewal income		29.1				29.1
– Other			329.0			329.0
<b>Total other receivables</b>		29.1	487.9			517.0
Cash & cash equivalents	4,865.1		274.3			5,139.4
<b>Total financial assets and investment properties</b>	<b>50,598.3</b>	<b>29.1</b>	<b>825.7</b>			<b>51,453.1</b>
<b>Financial Liabilities</b>						
Investment contract benefits				38,851.2		38,851.2
Borrowings					84.3	84.3
Derivative financial instruments				79.3		79.3
Insurance & investment contract payables					50.4	50.4
Other payables					499.7	499.7
Net asset value attributable to unit holders				10,617.8		10,617.8
<b>Total financial liabilities</b>				<b>49,548.3</b>	<b>634.4</b>	<b>50,182.7</b>

(1) All financial assets and liabilities at fair value through profit or loss are designated as such upon initial recognition.

(2) Other financial assets exclude prepayments and unearned commission from other receivables.

The carrying value of the unit linked investment contract liabilities may differ from the amount contractually required to pay at maturity. Maturity values of the financial liabilities vary with future policyholder investment and withdrawals as well as investment return, coupled with the impact of capital losses in the funds. The contractual value required to be paid to policyholders as at 31 December 2015 would be £9.6 million lower than the investment contract benefits stated above.

### Income, Expense, Gains and Losses Arising from Financial Assets and Financial Liabilities

The income, expense, gains and losses arising from financial assets and financial liabilities are summarised in the table below

Year Ended 31 December 2015	Financial assets at fair value through profit and loss <sup>(1)</sup>	Available for sale	Loans and receivables	Financial liabilities at fair value through profit and loss <sup>(1)</sup>	Financial liabilities measured at amortised cost	Total
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
<b>Financial Assets and Investment Properties</b>						
Investment properties	74.0					74.0
Unit linked assets	1,530.4					1,530.4
Fixed income securities	(1.1)					(1.1)
Investment in Collective Investment Schemes	3.0					3.0
Other receivables						
– St. James's Place Partnership loans			5.9			5.9
– Renewal income		(3.7)				(3.7)
Total other receivables		(3.7)	5.9			2.2
Cash & cash equivalents <sup>(2)</sup>			1.4			1.4
<b>Total financial assets and investment properties</b>	<b>1,606.3</b>	<b>(3.7)</b>	<b>7.3</b>			<b>1,609.9</b>
<b>Financial Liabilities<sup>(3)</sup></b>						
Investment contract benefits				973.9		973.9
Borrowings					(4.4)	(4.4)
Other payables					(0.7)	(0.7)
Net asset value attributable to unit holders				216.8		216.8
<b>Total financial liabilities</b>				<b>1,190.7</b>	<b>(5.1)</b>	<b>1,185.6</b>
<b>Year Ended 31 December 2014</b>						
	Financial assets at fair value through profit and loss <sup>(1)</sup>	Available for sale	Loans and receivables	Financial liabilities at fair value through profit and loss <sup>(1)</sup>	Financial liabilities measured at amortised cost	Total
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
<b>Financial Assets and Investment Properties</b>						
Investment properties	85.8					85.8
Unit linked assets	3,332.1					3,332.1
Fixed income securities	6.0					6.0
Investment in Collective Investment Schemes	2.7					2.7
Other receivables						
– St. James's Place Partnership loans			6.0			6.0
– Renewal income		(2.9)				(2.9)
Total other receivables		(2.9)	6.0			3.1
Cash & cash equivalents <sup>(2)</sup>			1.2			1.2
<b>Total financial assets and investment properties</b>	<b>3,426.6</b>	<b>(2.9)</b>	<b>7.2</b>			<b>3,430.9</b>
<b>Financial Liabilities<sup>(3)</sup></b>						
Investment contract benefits				2,287.6		2,287.6
Borrowings					(3.8)	(3.8)
Other payables				425.9		425.9
Net asset value attributable to unit holders						
<b>Total financial liabilities</b>				<b>2,713.5</b>	<b>(3.8)</b>	<b>2,709.7</b>

(1) All financial assets and liabilities at fair value through profit or loss are designated as such upon initial recognition.

(2) The majority of the return from cash & cash equivalents is included within unit linked assets

(3) None of the change in the fair value of financial liabilities at fair value through profit or loss is attributable to changes in their credit risk.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

## CONTINUED

### 27. FINANCIAL RISK continued

#### 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 of 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)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's assets and liabilities measured at fair value

31 December 2015	Level 1	Level 2	Level 3	Total balance
	£'Million	£'Million	£'Million	£'Million
<b>Financial assets and investment properties</b>				
Investment property			1,344.9	1,344.9
Equities	37,960.8			37,960.8
Fixed income securities		8,934.0		8,934.0
Investment in Collective Investment Schemes	3,266.9		2.7	3,269.6
Derivative financial instruments		364.1		364.1
Other receivables			26.8	26.8
Cash & cash equivalents	5,091.6			5,091.6
<b>Total financial assets and investment properties</b>	<b>46,319.3</b>	<b>9,298.1</b>	<b>1,374.4</b>	<b>56,991.8</b>
<b>Financial liabilities</b>				
Investment contract benefits		43,159.8		43,159.8
Derivative financial instruments		221.1		221.1
Net asset value attributable to unit holders	12,556.4			12,556.4
<b>Total financial liabilities</b>	<b>12,556.4</b>	<b>43,380.9</b>		<b>55,937.3</b>
<b>31 December 2014</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total balance</b>
	£'Million	£'Million	£'Million	£'Million
<b>Financial assets and investment properties</b>				
Investment property			1,031.4	1,031.4
Equities	34,734.9			34,734.9
Fixed income securities		6,838.8		6,838.8
Investment in Collective Investment Schemes	2,931.8		29.9	2,961.7
Derivative financial instruments		166.4		166.4
Other receivables			29.1	29.1
Cash & cash equivalents	4,865.1			4,865.1
<b>Total financial assets and investment properties</b>	<b>42,531.8</b>	<b>7,005.2</b>	<b>1,090.4</b>	<b>50,627.4</b>
<b>Financial liabilities</b>				
Investment contract benefits		38,851.2		38,851.2
Derivative financial instruments		79.3		79.3
Net asset value attributable to unit holders	10,617.8			10,617.8
<b>Total financial liabilities</b>	<b>10,617.8</b>	<b>38,930.5</b>		<b>49,548.3</b>

The fair value of financial instruments traded in active markets is based on quoted bid prices at the reporting date, as described in the accounting policy (m). These instruments are included in Level 1. Instruments included in Level 1 comprise primarily listed equity instruments.

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.

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

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

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

#### 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 Collective Investment Schemes (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.

During 2015, £0.3 million relating to CIS was transferred into the Level 3 portfolio. During 2014, £28.7 million relating to CIS and £5.9 million relating to a reclassification within other receivables were transferred into the Level 3 portfolio.

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

	2015	2014
	£'Million	£'Million
Opening balance	1,090.4	750.6
Transfer into Level 3	0.3	34.6
Additions during the year	255.2	268.5
Disposed during the year	(41.7)	(46.3)
Gains recognised in the income statement	70.2	83.0
Closing balance	1,374.4	1,090.4

Total gains included in the statement of comprehensive income for assets held at the end of the reporting year:

	2015	2014
	£'Million	£'Million
Realised losses	(5.8)	(4.7)
Unrealised gains	76.0	87.7
Gains recognised in the income statement	70.2	83.0

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

## CONTINUED

### 27. FINANCIAL RISK continued

Additions include £253.8 million of investment properties and £1.4 million of renewal income. Gains recognised in the statement of comprehensive income are included within investment return for certain equities and investments in CIS and investment property, and within administration expenses for the renewal income.

The principal assets classified as Level 3 are investment properties amounting to £1,344.9 million (2014: £1,031.4 million). Investment property is valued monthly by external chartered surveyors in accordance with the guidance issued by The Royal Institution of Chartered Surveyors. The investment property valuation has been prepared using the 'market approach' valuation technique – using prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets. The following table sets out the unobservable inputs utilised in the valuation of the investment properties.

31 December 2015	Investment property classification			
	Office	Industrial	Retail & leisure	All
Gross ERV (per sq ft)*				
Range	£14.75 – £90.01	£3.00 – £15.00	£5.00 – £365.46	£3.00 – £365.46
Weighted average	£30.18	£6.59	£14.73	£13.22
True equivalent yield				
Range	3.7% – 8.0%	5.4% – 7.1%	4.7% – 13.1%	3.7% – 13.1%
Weighted average	5.4%	6.1%	6.0%	5.8%
31 December 2014				
Gross ERV (per sq ft)*				
Range	£14.75 – £92.51	£3.00 – £15.00	£5.30 – £350.39	£3.00 – £350.39
Weighted average	£28.04	£6.25	£15.67	£11.96
True equivalent yield				
Range	3.8% – 8.0%	5.7% – 8.0%	4.3% – 13.3%	3.8% – 13.3%
Weighted average	5.7%	6.6%	6.1%	6.1%

\* Equivalent rental value (per square foot)

### Sensitivity of Level 3 Valuations

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

The valuation of renewal income is based on discounted cash flows and historic lapse rates. 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 £3.0 million and a favourable change in valuation of £3.6 million, respectively.

The investment property valuation has been prepared using the 'market approach' valuation technique – using prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets. The following table sets out the effect of applying reasonably possible alternative assumptions to the valuation of the investment properties. Any change in the value of investment property is matched by the associated movement in the policyholder liability and therefore would not impact on the shareholder net assets.

	Investment property significant unobservable inputs	Carrying value	Effect of reasonable possible alternative assumptions	
			Favourable changes	Unfavourable changes
		£'Million	£'Million	£'Million
31 December 2015	Expected rental value/Relative yield	1,344.9	1,469.3	1,235.2
31 December 2014	Expected rental value/Relative yield	1,031.4	1,125.5	947.8

### Credit Risk

The following table sets out the maximum credit risk exposure and ratings of financial and other assets which are neither past due or impaired and susceptible to credit risk

31 December 2015	AAA	AA	A	BBB	Unrated	Unit linked funds and third party holdings in unit trusts <sup>(1)</sup>	Total
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
Equities						37,960.8	37,960.8
Fixed income securities	3.9	79.2				8,850.9	8,934.0
Investment in Collective Investment Schemes <sup>(2)</sup>	531.0				1.7	2,736.9	3,269.6
Derivative financial instruments						364.1	364.1
Insurance & investment contract receivables					76.2		76.2
Amounts due from reinsurers							
– Claims outstanding		8.6					8.6
– Reinsurers share of long term insurance contract liabilities		76.4					76.4
Total amount due from reinsurers		85.0					85.0
Other receivables					270.5	478.4	748.9
Cash & cash equivalents		22.1	177.8	25.4	8.2		233.5
<b>Total</b>	<b>534.9</b>	<b>186.3</b>	<b>177.8</b>	<b>25.4</b>	<b>356.6</b>	<b>50,391.1</b>	<b>51,672.1</b>

(1) Credit risk relating to unit linked and unit trust funds is borne by the policyholder/unit holder

(2) Investment of shareholder assets in Collective Investment Schemes refers to investment in untitled money market funds held for the longer term.

The table below sets out the comparative credit risk analysis as at 31 December 2014

31 December 2014	AAA	AA	A	BBB	Unrated	Unit linked funds and third party holdings in unit trusts <sup>(1)</sup>	Total
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
Equities						34,734.9	34,734.9
Fixed income securities	2.4	80.9				6,755.5	6,838.8
Investment in Collective Investment Schemes <sup>(2)</sup>	517.3				4.3	2,440.1	2,961.7
Derivative financial instruments						166.4	166.4
Insurance & investment contract receivables					63.5		63.5
Amounts due from reinsurers							
– Claims outstanding		8.9					8.9
– Reinsurers share of long term insurance contract liabilities		76.6					76.6
Total amount due from reinsurers		85.5					85.5
Other receivables					205.0	312.0	517.0
Cash & cash equivalents		51.8	212.4	1.5	8.6	4,865.1	5,139.4
<b>Total</b>	<b>519.7</b>	<b>218.2</b>	<b>212.4</b>	<b>1.5</b>	<b>281.4</b>	<b>49,274.0</b>	<b>50,507.2</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

## CONTINUED

### 27. FINANCIAL RISK continued

#### *Financial Assets that are Either Past Due or Impaired*

Loans to St James's Place Partnership of £178.7 million (2014: £158.9 million) are net of an impairment provision of £3.0 million (2014: £2.9 million) (see Note 16). The value of the loans that are past due but not impaired is not considered to be material and has therefore not been aged. The factors considered in determining the impairment include default history, the nature or type of the Partner loan, exposure levels to individual Partners and whether the individual Partner is active or has left.

The movement in the impairment provision will reflect utilisation of the existing provision during the year, but the overall cost of impaired loans (including new provisions) recognised within administration expenses in the statement of comprehensive income during the year was a charge of £1.4 million (2014: £0.9 million).

There are no other financial assets that are impaired, would originally have been past due or impaired but whose terms have been renegotiated, or are past due but not impaired.

#### *Contractual Maturity and Liquidity Analysis*

The following table sets out the contractual maturity analysis of the Group's financial assets and financial liabilities as at 31 December 2015.

31 December 2015	Up to 1 year	1-5 years	Over 5 years	Total ex- unit linked funds and other unit holders	Unit linked funds and third party holdings in unit trusts *	Total
	£Million	£Million	£Million	£Million	£Million	£Million
<b>Financial Assets</b>						
Equities				—	37,960.8	37,960.8
Fixed income securities	40.7		42.4	83.1	8,850.9	8,934.0
Investment in Collective Investment Schemes	532.7			532.7	2,736.9	3,269.6
Derivative financial instruments				—	364.1	364.1
Insurance & investment contract receivables	76.2			76.2		76.2
Other receivables						
— St. James's Place Partnership loans	62.2	105.1	11.4	178.7		178.7
— Renewal income	26.8			26.8		26.8
— Other	29.5			29.5	513.9	543.4
Total other receivables	118.5	105.1	11.4	235.0	513.9	748.9
Cash & cash equivalents	233.5			233.5	5,091.6	5,325.1
<b>Total financial assets</b>	<b>1,001.6</b>	<b>105.1</b>	<b>53.8</b>	<b>1,160.5</b>	<b>55,518.2</b>	<b>56,678.7</b>
<b>Financial Liabilities</b>						
Investment contract benefits				—	43,159.8	43,159.8
Borrowings	1.0	126.7	54.1	181.8	—	181.8
Derivative financial instruments				—	221.1	221.1
Insurance & investment contract payables	45.9			45.9		45.9
Other payables	296.3	5.2	48.3	349.8	311.0	660.8
<b>Total financial liabilities</b>	<b>343.2</b>	<b>131.9</b>	<b>102.4</b>	<b>577.5</b>	<b>43,691.9</b>	<b>44,269.4</b>



The table below sets out comparative contractual maturity and liquidity analysis as at 31 December 2014

31 December 2014	Up to 1 year	1-5 years	Over 5 years	Total ex- unit linked funds and other unit holders	Unit linked funds and third party holdings in unit trusts*	Total
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
<b>Financial Assets</b>						
Equities				—	34,734.9	34,734.9
Fixed income securities	27.4	11.7	44.2	83.3	6,755.5	6,838.8
Investment in Collective Investment Schemes	517.3			517.3	2,444.4	2,961.7
Derivative financial instruments				—	166.4	166.4
Insurance & investment contract receivables	63.5			63.5		63.5
Other receivables						
— St. James's Place Partnership loans	54.0	94.4	10.5	158.9		158.9
— Renewal income	29.1			29.1		29.1
— Other	24.4			24.4	304.6	329.0
Total other receivables	107.5	94.4	10.5	212.4	304.6	517.0
Cash & cash equivalents	274.3			274.3	4,865.1	5,139.4
<b>Total financial assets</b>	<b>990.0</b>	<b>106.1</b>	<b>54.7</b>	<b>1,150.8</b>	<b>49,270.9</b>	<b>50,421.7</b>
<b>Financial Liabilities</b>						
Investment contract benefits				—	38,851.2	38,851.2
Borrowings	29.7	50.4	4.2	84.3		84.3
Derivative financial instruments				—	79.3	79.3
Insurance & investment contract payables	50.4			50.4		50.4
Other payables	285.1	10.3	20.6	316.0	183.7	499.7
<b>Total financial liabilities</b>	<b>365.2</b>	<b>60.7</b>	<b>24.8</b>	<b>450.7</b>	<b>39,114.2</b>	<b>39,564.9</b>

- \* Financial liabilities included under unit linked funds and net assets attributable to unit holders are deemed to have a maturity of up to one year since the corresponding unit linked liabilities are repayable and transferable on demand. In practice the contractual maturities of the assets may be longer than one year, but the majority of assets held within the unit linked and unit trust funds are highly liquid and the Group also actively monitors fund liquidity.

### Sensitivity Analysis to Market Risks

The majority of the Group's business is unit linked and the direct associated market risk is therefore borne by policyholders (although there is a secondary impact as shareholder income is dependent upon the markets). Financial assets and liabilities held outside unitised funds primarily consist of fixed interest securities, units in money market funds, cash and cash equivalents, and other assets and liabilities. The fixed interest securities are held to match non linked liabilities and the liability values move broadly in line with the matching asset values such that fair value interest rate risk is immaterial, although there is some residual risk due to imperfect matching. Cash held in unitised money market funds and at bank is valued at par and is unaffected by movement in interest rates. Other assets and liabilities are similarly unaffected by market movements.

As a result of these combined factors, the Group's financial assets and liabilities held outside unitised funds are not materially subject to market risk, and movements at the reporting date in interest rates and equity values have an immaterial impact on the Group's profit after tax and equity. Future profits from annual management charges may be affected by movements in interest rates and equity values.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

### CONTINUED

#### 28. CAPITAL MANAGEMENT AND ALLOCATION

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

- Protect clients' interests,
- Meet regulatory requirements,
- Protect creditors' interests, and
- Create shareholder value through support for business development

Within the Group, each subsidiary manages its own capital in the context of a Group capital plan. Any capital in excess of planned requirements is returned to the Group's parent, St. James's Place plc, normally by way of dividends. The Group capital position is monitored by the Finance Executive Committee on behalf of the St. James's Place plc Board.

The Group's policy is for each subsidiary to hold the higher of

- The capital required by any relevant supervisory body uplifted by a specified margin to absorb changes, or
- The capital required based on the Company's internal assessment

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

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

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

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

As an insurance group, St. James's Place is subject to the new Solvency II regulations, which were implemented on 1 January 2016. More information about the impact of the implementation of Solvency II is included in the Financial Review on page 35. The overall capital position for the Group at 1 January 2016, assessed in the standard formula basis, is presented in the following table

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

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

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

Although there has been a significant change in the approach to assessing 'required capital' during the year (as a result of Solvency II), there has been no material change in the level of capital required, or in the Group's management of capital. All regulated entities exceeded the minimum solvency requirements at the reporting date and during the year.

### Capital Composition

The principal forms of capital are included in the following balances on the consolidated statement of financial position

	31 December 2015	31 December 2014
	£Million	£Million
Share capital	78.7	77.9
Share premium	158.3	147.4
Treasury shares reserve	(18.5)	(10.5)
Miscellaneous reserves	2.3	2.3
Retained earnings	874.6	793.1
Shareholders' equity	1,095.4	1,010.2
Non-controlling interests	(0.3)	(0.1)
<b>Total equity</b>	<b>1,095.1</b>	<b>1,010.1</b>

The above assets do not all qualify as regulatory capital. The required minimum regulatory capital and analysis of the assets that qualify as regulatory capital are outlined in Section 6 of the Financial Review on page 35, which demonstrates that the Group has met its internal capital objectives. The Group and its individually regulated operations have complied with all externally and internally imposed capital requirements throughout the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

## CONTINUED

### 29. SHARE CAPITAL

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

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

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

The number of shares reserved for issue under options and contracts for sale of shares, including terms and conditions, is included within Note 30.

### 30. SHARE-BASED PAYMENTS

During the year ended 31 December 2015, the Group operated a number of different equity settled share-based payment arrangements, which are aggregated as follows:

- SAYE plan – this is a standard HMRC approved scheme that is available to all employees where individuals may contribute up to £250 per month over three years to purchase shares at a price not less than 80% of the market price at the date of the invitation to participate.
- Share incentive plan (SIP) – this is an HMRC approved scheme which is available to all employees where individuals may invest up to an annual limit of £1,500 of pre-tax salary in SJP shares, to which the Company will add a further 10%. If the shares are held for five years then they may be sold free of income tax or CGT.
- Executive deferred bonus schemes – under these plans the deferred element of the annual bonus is used to purchase shares at market value in the Company. The shares are held by the Company until vesting after three years and, in addition to the performance targets, which apply prior to any entitlement being granted, further performance conditions may also apply on vesting.
- Executive performance share plan – the Remuneration Committee of the Group Board may make awards of performance shares to the Executive Directors and other senior managers. Two-thirds of shares awarded to Directors are subject to an earnings growth condition of the Group and one-third of shares awarded to Directors are subject to a comparative total shareholder return (TSR) condition, both measured over a three year period. Further information regarding the vesting conditions of the earnings growth and total shareholder return dependent portions of the award is given in the Remuneration Report on page 98. Awards made to senior managers are largely only subject to the earnings growth condition of the Group.
- Partner share option schemes – these were offered to the Partners of the St. James's Place Partnership and vest over three to six years subject to satisfying personal sales related performance criteria. The last award under these schemes was made in 2007.
- Partner performance share plan – a new scheme was launched in January 2008 whereby Partners are entitled to purchase shares in the future at nominal value (15 pence). The number of shares the Partners are entitled to purchase will depend on their personal business volumes in the year of the award and validation over the following three years.
- Partner & Adviser chartered plan – a new scheme was launched during 2015 whereby Partners and Advisers are entitled to purchase shares in the future at nominal value (15 pence). The number of shares the Partners are entitled to purchase will depend upon achieving specific professional qualifications and their personal sales production in a specified 12 month period and validation over the following three years. The first award under these schemes will be made in 2016.

Share options outstanding under the various share option schemes, together with shares due under the deferred bonus schemes at 31 December 2015, amount to 7.1 million shares (2014: 11.9 million). Of these, 1.1 million (2014: 3.5 million) are under option to Partners of the St James's Place Partnership, 4.7 million (2014: 6.9 million) are under option to executives and senior management (including 1.5 million (2014: 2.7 million) under option to Directors as disclosed in the Remuneration Report on pages 90 to 92) and 1.2 million (2014: 1.5 million) are under option through the SAYE and SIP schemes. These are exercisable on a range of future dates.

The table below summarises the share-based payment awards made in 2014 and 2015.

	SAYE	Share Incentive Plan	Executive Deferred Bonus	Executive Performance Share Plan
<b>Awards in 2014</b>				
Date of grant	25 March	26 March	26 March	26 March
Number granted	281,243	4,639	555,428	889,357
<b>Awards in 2015</b>				
Date of grant	25 March & 25 September	26 March	26 March	26 March
Number granted	637,327	5,245	629,572	724,370
Contractual life	3.5 years	3 years	3 years	3.5–6 years
Vesting conditions	3 year saving period	3 year saving period	3 years' service and achievement of personal targets in some instances	3 years' service and achievement of earnings and TSR targets

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

## CONTINUED

### 30. SHARE-BASED PAYMENTS continued

#### *Financial Assumptions Underlying the Calculation of Fair Value*

The fair value expense has been based on the fair value of the instruments granted, as calculated using appropriate derivative pricing models. The table below shows the weighted average assumptions and models used to calculate the grant date fair value of each award.

	SAYE	Share Incentive Plan	Executive Deferred Bonus	Executive Performance Share Plan
Valuation model	Black Scholes	Black Scholes	Black Scholes	Monte Carlo
<b>Awards in 2014</b>				
Fair value (pence)	232.4 <sup>(2)</sup>	851.5	851.5	608.8/851.5 <sup>(4)</sup>
Share price (pence)	845.0	851.5	851.5	851.5 <sup>(5)</sup>
Exercise price (pence)	677.0	0.0	0.0	0.0
Expected volatility (% pa) <sup>(1)</sup>	29	N/A	N/A	29
Expected dividends (% pa)	1.9	N/A	N/A <sup>(3)</sup>	N/A
Risk-free interest rate (% pa)	1.2	N/A	N/A	N/A
Volatility of competitors (% pa)	N/A	N/A	N/A	20 to 62
Correlation with competitors (%)	N/A	N/A	N/A	20
<b>Awards in 2015</b>				
Fair value (pence)	263.3/161.4 <sup>(2)</sup>	979.0	979.0/982.5	979.0 <sup>(4)</sup>
Share price (pence)	990.0/836.6	979.0	979.0	979.0 <sup>(5)</sup>
Exercise price (pence)	738.0/724.0	0.0	0.0	0.0
Expected volatility (% pa) <sup>(1)</sup>	25/25	N/A	N/A	25
Expected dividends (% pa)	2.4/3.0	N/A	N/A <sup>(3)</sup>	N/A
Risk-free interest rate (% pa)	0.7/0.9	N/A	N/A	N/A
Volatility of competitors (% pa)	N/A	N/A	N/A	18 to 48
Correlation with competitors (%)	N/A	N/A	N/A	20

#### Notes:

- (1) Expected volatility is based on an analysis of the Company's historic share price volatility over a period (typically three or five years) which is commensurate with the expected term of the options or the awards.
- (2) In 2014 and 2015, the vesting period for the SAYE plan was three years. The vesting period may be extended by up to six months in order to catch up on missed contributions.
- (3) Dividends payable on the shares during the restricted period are paid out during the restricted period for the executive deferred bonus schemes and no dividend yield assumption is therefore required.
- (4) The awards made under the executive performance share plan are dependent upon earnings growth in the Company (two-thirds of the award) and a total shareholder return of a comparator group of companies (one-third of the award). This results in having two fair values for each of the awards made in the table above, the first being in relation to the comparator total shareholder return and the second relating to the Company's earnings growth.
- (5) Awards were made under the executive performance share plan on two separate occasions during 2015 (2014: three).
- (6) There were no awards made in 2014 or 2015 for the executive share option schemes or the sales management share option schemes.

	Year Ended 31 December 2015	Year Ended 31 December 2015	Year Ended 31 December 2014	Year Ended 31 December 2014
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
<b>SAYE</b>				
Outstanding at start of year	1,458,774	£3.86	1,487,337	£2.92
Granted	637,327	£7.30	281,243	£6.77
Forfeited	(88,461)	£5.52	(75,141)	£4.17
Exercised	(845,052)	£2.82	(234,665)	£2.43
Outstanding at end of year	1,162,588	£6.15	1,458,774	£3.68
Exercisable at end of year	108,103	£2.75	—	—
<b>Executive Share Options</b>				
Outstanding at start of year	54,270	£2.43	135,444	£2.22
Granted	—	—	—	—
Forfeited	—	—	—	—
Exercised	(54,270)	£2.43	(81,174)	£2.08
Outstanding at end of year	—	—	54,270	£2.43
Exercisable at end of year	—	—	54,270	£2.43
<b>Partner Share Options</b>				
Outstanding at start of year	3,407,365	£2.91	5,172,671	£2.81
Granted	—	—	—	—
Forfeited	—	—	(11,262)	£1.75
Exercised	(2,261,139)	£2.69	(1,754,044)	£2.63
Outstanding at end of year	1,146,226	£3.35	3,407,365	£2.91
Exercisable at end of year	1,146,226	£3.35	3,407,365	£2.91

The average share price during the year was 921.5 pence (2014: 766.1 pence)

The SAYE plan options outstanding at 31 December 2015 had exercise prices of 275 pence (108,103 options), 389 pence (209,692 options), 677 pence (237,868 options), 738 pence (253,587), 724 pence (353,338) and a weighted average remaining contractual life of 1.1 years

The options outstanding under the Partner share option schemes at 31 December 2015 had exercise prices ranging from 319 pence to 465 pence and a weighted average remaining contractual life of 0.6 years

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

## CONTINUED

### 30. SHARE-BASED PAYMENTS continued

#### *Share Incentive Plan (nil cost option – no proceeds on exercise)*

	Year Ended 31 December 2015	Year Ended 31 December 2014
	Number of options	Number of options
Outstanding at start of year	23,069	19,611
Granted	5,245	4,639
Forfeited	(879)	(555)
Exercised	(2,543)	(626)
Outstanding at end of year	24,892	23,069
Exercisable at end of year	3,711	10,005

#### *Executive Performance Share Plan (nil cost option – no proceeds on exercise)*

	Year Ended 31 December 2015	Year Ended 31 December 2014
	Number of options	Number of options
Outstanding at start of year	5,212,411	5,168,598
Granted	724,370	889,357
Forfeited	(245,272)	(225,315)
Exercised	(2,502,018)	(620,229)
Outstanding at end of year	3,189,491	5,212,411
Exercisable at end of year	310,188	1,447,642

#### *Partner Performance Share Plan (15 pence nominal share value option – 15 pence per share on exercise)*

	Year Ended 31 December 2015	Year Ended 31 December 2014
	Number of options	Number of options
Outstanding at start of year	95,500	131,000
Granted	–	–
Forfeited	–	–
Exercised	(80,500)	(35,500)
Outstanding at end of year	15,000	95,500
Exercisable at end of year	15,000	65,000



*Executive Deferred Bonus (nil cost option – no proceeds on exercise)*

	Year Ended 31 December 2015	Year Ended 31 December 2014
	Number of shares	Number of shares
Outstanding at start of year	1,676,958	2,210,882
Granted	629,572	555,428
Forfeited	(26,339)	(15,678)
Exercised	(704,657)	(1,073,674)
Outstanding at end of year	1,575,534	1,676,958
Exercisable at end of year	–	–

*Early Exercise Assumptions*

The following allowance has been made for the impact of early exercise once options have vested

- 1 SAYE plan – all option holders are assumed to exercise half-way through the six month exercise window
- 2 Executive, sales management and partner share option schemes – it is assumed that 10% of option holders exercise their options each year irrespective of the level of the share price. For the remainder it is assumed that one-half will exercise their options each year if the share price is at least 33% above the exercise price.

*Allowance for Performance Conditions*

The executive performance share plan includes a market based performance condition based on the Company's total shareholder return relative to an index of comparator companies. The impact of this performance condition has been modelled using Monte Carlo simulation techniques, which involve running many thousands of simulations of future share price movements for both the Company and the comparator index. For the purpose of these simulations it is assumed that the share price of the Company and the comparator index are 20% (2014 20%) correlated and that the comparator index has volatilities ranging between 18% p a to 48% p a (2014 20% p a to 62% p a)

The performance condition is based on the Company's performance relative to the comparator index over a three year period commencing on 1 January each year. The fair value calculations for the awards that were made in 2015 therefore include an allowance for the actual performance of the Company's share price relative to the index over the period between 1 January 2015 and the various award dates.

*Charge to the Consolidated Statement of Comprehensive Income*

The table below sets out the charge to the consolidated statement of comprehensive income in respect of the share-based payment awards

	Year Ended 31 December 2015	Year Ended 31 December 2014
	£'Million	£'Million
Share-based payment expense	15.7	11.4

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

## CONTINUED

### 31. FINANCIAL COMMITMENTS

At 31 December 2015, the Group had annual commitments under non-cancellable operating leases in connection with the rental of office buildings and office equipment with varying lease end dates ranging from 2016 to 2041. The following table represents the future aggregate lease payments under non-cancellable operating leases.

	31 December 2015	31 December 2014*
	£'Million	£'Million
Within one year	14.9	12.6
Between two and five years	50.1	38.7
In more than five years	67.4	28.6
<b>Total financial commitments</b>	<b>132.4</b>	<b>79.9</b>

\* Represented to reflect the total lease commitment over the term of the lease agreement.

As at 31 December 2015, there was £0.1 million (2014: £0.1 million) of future minimum sublease payments expected to be received under non-cancellable sub-leases.

### 32. RELATED PARTY TRANSACTIONS

#### *Transactions with St. James's Place Unit Trusts*

In respect of the non-consolidated St. James's Place managed unit trusts that are held as investments in the St. James's Place life and pension funds, there was income recognised of £10.1 million (2014: £8.0 million income) and the total value of transactions with those non-consolidated unit trusts was £43.0 million (2014: £47.4 million). Net management fees receivable from these unit trusts amounted to £22.3 million (2014: £20.7 million). The value of the investment into the non-consolidated unit trusts at 31 December 2015 was £176.5 million (2014: £130.7 million).

#### *Transactions with Key Management Personnel*

Key management personnel have been defined as the Board of Directors and members of the Executive Board Committee. The remuneration paid to the Board of Directors of St. James's Place is set out in the Remuneration Report on page 85, in addition to the disclosure below.

The Remuneration Report also sets out transactions with the Directors under the Deferred Bonus Scheme, the Performance Share Plan, the Executive Share Option Scheme and the SAYE Share Option Schemes, together with details of the Directors' interests in the share capital of the Company.

The remuneration paid to key management personnel is as follows:

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

The charge to the statement of comprehensive income in respect of the share-based payment awards made to the key management personnel of St. James's Place during 2015 was £3.7 million (2014: £3.6 million).

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

Commission, advice fees and remuneration of £1,729,564 (2014: £1,639,654) was paid, under normal commercial terms, to St James's Place Partners and employees who were related parties by virtue of being connected persons with key management personnel. The outstanding amount payable at 31 December 2015 was £93,423 (2014: £123,100).

Outstanding at the year end were Partner loans of £449,934 (2014: £420,039) due from St James's Place Partners who were related parties by virtue of being connected persons with key management personnel. During the year £88,702 (2014: £nil) was advanced and £74,696 (2014: £90,302) was repaid by Partners who were related parties. St James's Place Partnership loans are interest bearing (linked to Bank of England base rate plus a margin), repayable on demand and secured against the future renewal income streams of that Partner.

At the start of the year, related parties of key management personnel held 176,740 (2014: 177,029) shares and options under various St James's Place plc share option schemes. During the year 23,413 (2014: 28,993) shares and options were granted, 1,235 (2014: 1,757) options lapsed, 113,568 (2014: nil) options were exercised and nil (2014: 25,548) shares were released.

### 33. INTERESTS IN UNCONSOLIDATED ENTITIES

#### *Unconsolidated Structured Entities*

The Group operates investment vehicles, such as unit trusts, primarily to match unit holder liabilities. The investment vehicles are primarily financed by investments from unit holders. Note 2 sets out the judgements inherent in determining when the Group controls, and therefore consolidates, the relevant investment vehicles.

The majority of the risk from a change in the value of the Group's investment in unconsolidated unit trusts is matched by a change in policyholder liabilities. However, the maximum exposure to loss is equal to the carrying value of the investment, with the balance being included within investments in Collective Investment Schemes. At 31 December 2015, the total net asset value of unconsolidated unit trusts in which the Group held a beneficial interest was £2,702.4 million (2014: £2,235.0 million).

The following unit trusts are not consolidated within the Group financial statements, however, the Group does act as the manager of these unit trusts.

Name of entity	% of ownership interest		Nature of relationship	Measurement method	Net asset value as at 31 December	
	2015	2014			2015	2014
					£'Million	£'Million
St. James's Place Property Unit Trust	0.00	0.00	Manager of unit trust	N/A	859.2	620.0
St James's Place UK High Income Unit Trust	9.64	8.10	Manager of unit trust	Fair value through profit or loss	1,843.2	1,615.0
					<b>2,702.4</b>	<b>2,235.0</b>

As at 31 December 2015 the value of the Group's interests in the individual unconsolidated unit trusts were £nil (2014: £nil) in St James's Place Property Unit Trust and £177.7 million (2014: £130.8 million) in St James's Place UK High Income Unit Trust.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

## CONTINUED

### 33. INTERESTS IN UNCONSOLIDATED ENTITIES continued

#### Associates

The following unit trusts are not consolidated within the Group financial statements, however, they do meet the criteria of an associate

Name of entity	% of ownership interest		Nature of relationship	Measurement method	Net asset value as at 31 December	
	2015	2014			2015	2014
					£'Million	£'Million
St. James's Place UK High Income Unit Trust	9.64	8.10	Manager of unit trust	Fair value through profit or loss	1,843.2	1,615.0
					1,843.2	1,615.0

### 34. SUBSIDIARY UNDERTAKINGS

#### Principal Subsidiaries

##### Investment Holding Companies

St James's Place Investments plc\*

St James's Place Wealth Management Group plc\*

##### Life Assurance

St James's Place UK plc

St James's Place International plc (incorporated in Ireland)

##### Unit Trust Management

St James's Place Unit Trust Group Limited

##### Unit Trust Administration and ISA Management

St James's Place Investment Administration Limited

##### Distribution

St James's Place Wealth Management plc

##### Management Services

St James's Place Management Services Limited\*\*

##### IFA Acquisitions

St James's Place Acquisition Services Limited

##### Asia Distribution

St James's Place International Distribution Limited

\* Directly held by St. James's Place plc

\*\* The Company also operates a branch in the Republic of Ireland

The Company owns either directly or indirectly 100% of the voting ordinary equity share capital of the above-named subsidiaries, as such they have been appropriately consolidated

Due to ongoing solvency requirements, there are restrictions on the amount of distributable reserves within the life assurance, unit trust and financial services operating companies of the Group which restricts their ability to transfer cash dividends to the Company

Included below is a full list of the entities within the St James's Place plc Group.

Entity	Company number	Country of incorporation	Principal activity	Audit exemption
Anglia Financial Limited	3835743	England & Wales	Non-trading	Yes
Australian Expatriate Services Limited	1954254	Hong Kong	Overseas Distribution	No
BFS Financial Services Limited	4609753	England & Wales	Financial Advice	Yes
Chapman Associates Limited	3047530	England & Wales	Financial Advice	Yes
Chapman Hunter Group Limited	6034452	England & Wales	Holding Company	Yes
E W Smith & Co Independent Financial Advisors Limited	4088394	England & Wales	Financial Advice	No
G M B Financial Services Limited	4074782	England & Wales	Non-trading	Yes
Lansdown Place Group Holdings Limited	6390547	England & Wales	Holding Company	No
Lopsystem Limited	1503794	England & Wales	Non-trading	No
LP Auto Enrolment Solutions Limited	8257531	England & Wales	Pension Auto-enrolment	No
LP Financial Management Limited	2195886	England & Wales	Investment Advice	No
LP Holdco Limited	8323278	England & Wales	Holding Company	No
Lansdown Place Wealth Management Limited	5458948	England & Wales	Financial Advice	No
M H S (Holdings) Limited	559995	England & Wales	Non-trading	Yes
Nascent Life Limited	IR325783	Ireland	Non-trading	No
PFPTime Ltd	4047197	England & Wales	Financial Advice	Yes
SJP AESOP Trustees Limited	4089795	England & Wales	Nominee Company	Yes

Entity	Company number	Country of incorporation	Principal activity	Audit exemption
SJPC 2000 Limited	SC013363	Scotland	Non-trading	No
SJPC Corporate Investments Limited	1476292	England & Wales	Holding Company	Yes
St James's Place (Hong Kong) Limited	275275	Hong Kong	Overseas Distribution	No
St James's Place (PCP) Limited	2706684	England & Wales	Transacts and Services SJP Income Streams	No
St James's Place (Properties) Limited	6890166	England & Wales	Non-trading	Yes
St James's Place (Shanghai) Limited	310000400640051	China	Overseas Distribution	No
St James's Place (Singapore) Private Limited	200406398R	Singapore	Financial Advice	No
St James's Place Acquisition Services Limited	7730835	England & Wales	IFA Acquisitions	Yes
St James's Place Client Solutions Limited	5487108	England & Wales	Policy Administration	Yes
St James's Place Corporate Secretary Limited	9131866	England & Wales	Corporate Secretary	Yes
St James's Place DFM Holdings Limited	9687687	England & Wales	Non-trading	No
St James's Place European S à r l	B77427	Luxembourg	Non-trading	No
St James's Place International (Hong Kong) Limited	2207694	Hong Kong	Life Assurance	No
St James's Place International Assurance Group Limited	2727326	England & Wales	Holding Company	No
St James's Place International Distribution Limited	8798683	England & Wales	Holding Company	Yes
St James's Place International plc	185345	Ireland	Life Assurance	No
St James's Place Investment Administration Limited	8764231	England & Wales	Unit Trust Administration and ISA Manager	No
St James's Place Investment Trust Limited	209445	England & Wales	Holding Company	Yes
St James's Place Investments plc	1773177	England & Wales	Holding Company	Yes
St James's Place Management Services (Asia) Limited	2293151	Hong Kong	Management Services	No
St James's Place Management Services Limited	2661044	England & Wales	Management Services	No
St James's Place Nominees Limited	8764214	England & Wales	Nominee Company	Yes
St James's Place Partnership Limited	425649	England & Wales	Non-trading	No
St James's Place Partnership Services Limited	8201211	England & Wales	Treasury Company	No
St James's Place Reassurance (2009) Limited	6718989	England & Wales	Non-trading	No
St James's Place S A	B17089	Luxembourg	Non-trading	No
St James's Place Trust Company Jersey Limited	98624	Jersey	Trustee Services	No
St James's Place UK plc	2628062	England & Wales	Life Assurance	No
St James's Place Unit Trust Group Limited	947644	England & Wales	Unit Trust Management	No
St James's Place Wealth Management (PCIS) Limited	6604824	England & Wales	Securities and Futures Firm	No
St James's Place Wealth Management (Shanghai) Limited	1511517	Hong Kong	Overseas Distribution	No
St James's Place Wealth Management Group plc	2627518	England & Wales	Holding Company	No
St James's Place Wealth Management International Pte Ltd	201323453N	Singapore	Holding Company	No
St James's Place Wealth Management plc	4113955	England & Wales	UK Distribution	No
THG Wealth Management Limited	8077989	England & Wales	UK Distribution	Yes

Where indicated above, the subsidiaries of St. James's Place plc have taken advantage of the exemption from statutory audit granted by section 479A of the Companies Act 2006. In accordance with section 479C, St James's Place plc has therefore guaranteed all the outstanding liabilities as at 31 December 2015.

All Group companies have an accounting reference date of 31 December, except for PFPTIME Ltd (04047197) and G M B Financial Services Limited (04074782) which have an accounting reference date of 24 January.

Unless otherwise stated, the tax residency of each subsidiary is the same as the country of incorporation.

100% of the ordinary share capital is held for the above subsidiaries with the exception of LP Holdco Limited (08323278) and Lansdown Place Group Holdings Limited (06390547) where 92.4% and 43.32% ordinary share capital is respectively held.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

### CONTINUED

#### 34. SUBSIDIARY UNDERTAKINGS continued

In addition, the Group financial statements consolidate the following unit trusts, all of which are registered in England and Wales

St James's Place Allshare Income Unit Trust  
 St James's Place Alternative Assets Unit Trust  
 St James's Place Balanced Managed Unit Trust  
 St James's Place Continental European Unit Trust  
 St James's Place Corporate Bond Unit Trust  
 St James's Place Diversified Bond Unit Trust  
 St James's Place Emerging Markets Equity Unit Trust  
 St James's Place Equity Income Unit Trust  
 St James's Place Ethical Unit Trust  
 St James's Place Far East Unit Trust  
 St James's Place Gilts Unit Trust  
 St James's Place Global Emerging Markets Unit Trust  
 St James's Place Global Equity Income Unit Trust  
 St James's Place Global Equity Unit Trust  
 St James's Place Global Unit Trust  
 St James's Place Greater European Progressive Unit Trust  
 St James's Place High Octane Unit Trust  
 St James's Place Index Linked Gilts Unit Trust  
 St James's Place International Corporate Bond Unit Trust  
 St James's Place International Equity Unit Trust  
 St James's Place Investment Grade Corporate Bond Unit Trust  
 St James's Place Managed Growth Unit Trust  
 St James's Place Money Market Unit Trust  
 St James's Place Multi Asset Unit Trust  
 St James's Place North American Unit Trust  
 St James's Place Strategic Income Unit Trust  
 St James's Place Strategic Managed Unit Trust  
 St James's Place UK & General Progressive Unit Trust  
 St James's Place UK & International Income Unit Trust  
 St James's Place UK Absolute Return Unit Trust  
 St James's Place UK Growth Unit Trust  
 St James's Place UK Income Unit Trust  
 St James's Place Worldwide Opportunities Unit Trust

### 35. EVENTS AFTER THE REPORTING PERIOD

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

#### Rowan Dartington Group

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

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

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

It is expected that the contingent consideration will be paid in full with no changes to the amount initially recognised; however, should the target number of Investment Executives not be met, the contingent consideration will decrease on a pro-rata basis down to a value of £nil.

# PARENT COMPANY FINANCIAL STATEMENTS (FINANCIAL REPORTING STANDARD 101)

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# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ST. JAMES'S PLACE PLC

## REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

### *Our opinion*

In our opinion, St. James's Place plc's parent company financial statements (the 'financial statements')

- give a true and fair view of the state of the parent company's affairs as at 31 December 2015;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

### *What we have audited*

St James's Place plc's financial statements comprise

- the balance sheet of the parent company as at 31 December 2015, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

## OTHER REQUIRED REPORTING

### *Consistency of other information*

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

### *ISAs (UK & Ireland) reporting*

Under International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)') we are required to report to you if, in our opinion, information in the Annual Report is

- materially inconsistent with the information in the audited financial statements, or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the parent company acquired in the course of performing our audit, or
- otherwise misleading

We have no exceptions to report arising from this responsibility

### *Adequacy of accounting records and information and explanations received*

Under the Companies Act 2006 we are required to report to you if, in our opinion

- we have not received all the information and explanations we require for our audit, or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns

We have no exceptions to report arising from this responsibility

### *Directors' remuneration*

Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006

### *Other Companies Act 2006 reporting*

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

## RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

### *Our responsibilities and those of the Directors*

As explained more fully in the Statement of Directors' Responsibilities set out on page 105, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ST. JAMES'S PLACE PLC

## CONTINUED

### RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT continued

#### *What an audit of financial statements involves*

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

- whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed,
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

### OTHER MATTER

We have reported separately on the Group financial statements of St James's Place plc for the year ended 31 December 2015

*Jeremy Jensen (Senior Statutory Auditor)*  
*for and on behalf of PricewaterhouseCoopers LLP*  
*Chartered Accountants and Statutory Auditors*  
London  
22 March 2016

- (a) The maintenance and integrity of the St. James's Place plc website is the responsibility of the Directors, the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

# PARENT COMPANY STATEMENT OF FINANCIAL POSITION

	Note	31 December 2015 £'Million	31 December 2014 £'Million
<b>Fixed assets</b>			
Investment in subsidiaries	2	352.8	402.1
<b>Current assets</b>			
Amounts owed by Group undertakings		242.1	106.7
<b>Current liabilities</b>			
Corporation tax liabilities		(0.7)	(0.4)
<b>Net current assets</b>		<b>241.4</b>	<b>106.3</b>
<b>Net assets</b>		<b>594.2</b>	<b>508.4</b>
<b>Equity</b>			
Share capital	3	78.7	77.9
Share premium	4	158.3	147.4
Share option reserve	4	107.3	92.6
Miscellaneous reserves	4	0.1	0.1
Retained earnings	4	249.8	190.4
<b>Total shareholders' funds</b>		<b>594.2</b>	<b>508.4</b>

The financial statements on pages 177 to 182 were approved by the Board of Directors on 22 March 2016 and signed on its behalf by

*David Bellamy*  
Chief Executive

*Andrew Croft*  
Chief Financial Officer

The notes and information on pages 178 to 182 form part of these financial statements

# NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

## 1. ACCOUNTING POLICIES

### *Basis of Preparation*

St James's Place plc ('the Company') is a limited liability company incorporated in England and Wales and whose shares are publicly traded. The Company offers a range of insurance, investment and other wealth management services through its subsidiaries, which are incorporated in the UK, Ireland and Asia.

The financial statements have been prepared under the historical costs convention, on a going concern basis and in accordance with Financial Reporting Standard 101 (FRS 101) 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. No significant accounting judgements have been made.

### *First Time Application of FRS 100 and FRS 101*

In the current year the Group has adopted FRS 100 and FRS 101. In previous years the financial statements were prepared in accordance with applicable UK accounting standards.

This change in the basis of preparation has not materially altered the recognition and measurement requirements previously applied in accordance with UK GAAP. Consequently, the principal accounting policies are unchanged from the prior year. The change in basis of preparation has enabled the Group to take advantage of all of the available disclosure exemptions permitted by FRS 101 in the financial statements, the most significant of which are summarised below. There have been no other material amendments to the disclosure requirements previously applied in accordance with UK GAAP.

### *FRS 101 – Reduced Disclosure Exemptions*

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- The requirements of IFRS 7 *Financial Instruments: Disclosures*
- The requirements of paragraphs 91 to 99 of IFRS 13 *Fair Value Measurement*
- The requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of paragraph 79(a)(iv) of IAS 1
- The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 *Presentation of Financial Statements*
- The requirements of IAS 7 *Statement of Cash Flows*
- The requirements of paragraph 17 and 18A of IAS 24 *Related Party Disclosures*
- The requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 *Impairment of Assets*, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated

In publishing the Parent Company financial statements, the Company has taken advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form part of these financial statements. The Company is not required to present a statement of comprehensive income.

### *Going Concern*

The Company is non-trading and has positive net assets, therefore the Company continues to adopt the going concern basis in preparing these financial statements.

### Significant Accounting Policies

The following principal accounting policies have been applied consistently to all the years presented.

#### (a) Investment Return

Investment return comprises dividends from subsidiaries, which are accounted for when received

#### (b) Taxation

Taxation is based on profits and income for the year as determined in accordance with the relevant tax legislation, together with adjustments to provisions for prior years

#### (c) Investment in Subsidiaries

Investments in subsidiaries are carried at cost stated after any impairment losses, plus the cost of share awards granted by the Company of its own shares

#### (d) Receivables

Receivables are initially recognised at fair value and subsequently held at amortised cost less impairment losses

#### (e) Amounts Owed to Group Undertakings

Amounts owed to Group undertakings initially are recognised at fair value and subsequently held at amortised cost

#### (f) Impairment Losses

Non-financial assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment when circumstances or events indicate there may be uncertainty over this value. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use

## 2. INVESTMENT IN SUBSIDIARIES

	2015	2014
	£'Million	£'Million
<b>Cost at 1 January</b>		
Investment in Group undertakings	311.4	311.4
Share options granted by Company	92.6	81.2
	404.0	392.6
<b>Additions in the year</b>		
Investment in Group undertakings	14.7	11.4
Share options granted by Company	14.7	11.4
	29.4	22.8
<b>Cost at 31 December</b>		
Investment in Group undertakings	311.4	311.4
Share options granted by Company	107.3	92.6
	418.7	404.0
<b>Impairment in value</b>		
Investment in Group undertakings	(65.9)	(1.9)
<b>Net book value at 31 December</b>	<b>352.8</b>	<b>402.1</b>

The Directors believe that the carrying value of the investments is supported by their underlying net assets

During the year St. James's Place Partnership Limited and St. James's Place Investments plc paid dividends to St. James's Place plc of £42.0 million and £37.3 million respectively. Overall there was a £64.0 million net decrease in the underlying net assets of these subsidiaries, resulting in the movement in 'impairment in value' from £(1.9) million to £(65.9) million

# NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

## CONTINUED

### 2. INVESTMENT IN SUBSIDIARIES continued

#### Principal Subsidiary Undertakings at 31 December 2015

Investment Holding Companies	St James's Place Investments plc
Life Assurance	St James's Place Wealth Management Group plc
	St James's Place UK plc
	St James's Place International plc ( <i>incorporated in Ireland</i> )*
Unit Trust Management	St James's Place Unit Trust Group Limited
Unit Trust Administration and ISA Management	St James's Place Investment Administration Limited
Distribution	St James's Place Wealth Management plc
Management Services	St James's Place Management Services Limited**
IFA Acquisitions	St James's Place Acquisition Services Limited
Asia Distribution	St James's Place International Distribution Limited

\* The Company operates a branch in Singapore

\*\* The Company operates a branch in the Republic of Ireland

The Company owns either directly or indirectly 100% of the voting ordinary equity share capital of the above-named subsidiaries. A full list of the St James's Place Group subsidiary undertakings can be found on pages 170 to 172 of the St James's Place Report and Accounts.

All of these companies are registered in England and Wales and operate principally in the United Kingdom except where otherwise stated.

Due to ongoing solvency requirements, there are restrictions on the amount of distributable reserves within the life assurance, unit trust and financial services operating companies of the Group which restricts their ability to transfer cash dividends to the Company.

### 3. SHARE CAPITAL

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

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

5,217,821 shares were issued in the year at a nominal value of £0.8 million, for which the Company received consideration of £11.7 million.

#### 4. RESERVES

	Share Premium	Retained Earnings	Share Option Reserve	Misc. Reserves	Total
	£'Million	£'Million	£'Million	£'Million	£'Million
At 1 January 2014	142.2	144.3	81.2	0.1	367.8
Profit for the financial year		141.6			141.6
Dividends		(95.5)			(95.5)
Issue of share capital					
Exercise of options	5.2				5.2
Cost of share options expensed in subsidiary			11.4		11.4
At 31 December 2014	147.4	190.4	92.6	0.1	430.5
Profit for the financial year		190.2			190.2
Dividends		(130.8)			(130.8)
Issue of share capital					
Issue of share capital	1.9				1.9
Exercise of options	9.0				9.0
Cost of share options expensed in subsidiary			14.7		14.7
At 31 December 2015	158.3	249.8	107.3	0.1	515.5

As at 31 December 2015 the total distributable reserves of the Company were £249.8 million (2014: £190.4 million). Information on the Company's dividend policy can be found within the Capital Management section of the St James's Place Group Report and Accounts on page 39.

#### 5. AUDITORS' REMUNERATION

The total audit fee in respect of the Group is set out in Note 6 on page 134 of the consolidated financial statements. The audit fee charged to the Company for the year ended 31 December 2015 is £1,000 (2014: £1,000).

#### 6. DIVIDENDS

The following dividends have been paid by the Group.

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

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

# NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

## CONTINUED

### 7. RELATED PARTY TRANSACTIONS AND BALANCES

At the year end the following related party balances existed

	31 December 2015	31 December 2014
	£'Million	£'Million
<i>Investments in Group companies</i>		
St James's Place Partnership Limited	—	42.0
St James's Place Wealth Management Group plc	194.9	180.3
St James's Place Investments plc	157.9	179.8
St James's Place DFM Holdings Limited	—	—
<i>Intragroup debtors</i>		
St James's Place Investments plc	238.8	106.7
St James's Place Management Services Limited	1.4	—
St James's Place International Distribution Limited	1.9	—

During the year, the Company received £254.9 million (2014: £142.0 million) dividends from subsidiary undertakings.

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

The following wholly-owned subsidiaries of St James's Place plc have taken advantage of the exemption from statutory audit granted by section 479A of the Companies Act 2006. In accordance with section 479C, St James's Place plc has therefore guaranteed all the outstanding liabilities as at 31 December 2015 of

Angha Financial Limited (3835743)  
 BFS Financial Services Limited (4609753)  
 Chapman Associates Limited (3047530)  
 Chapman Hunter Group Limited (6034452)  
 G M B. Financial Services Limited (4074782)  
 M H S (Holdings) Limited (559995)  
 PFPTIME Ltd (4047197)  
 SJP AESOP Trustees Limited (4089795)  
 SJPC Corporate Investments Limited (1476292)  
 St James's Place (Properties) Limited (6890166)  
 St James's Place Acquisition Services Limited (7730835)  
 St James's Place Client Solutions Limited (5487108)  
 St James's Place Corporate Secretary Limited (9131866)  
 St James's Place International Distribution Limited (8798683)  
 St James's Place Investment Trust Limited (209445)  
 St James's Place Investments plc (1773177)  
 St James's Place Nominees Limited (8764214)  
 THG Wealth Management Limited (8077989)

### 8. DIRECTORS' EMOLUMENTS

The Directors' responsibilities relate primarily to the trading companies of the Group and accordingly their costs are charged to those companies and none are met by the Parent Company. Disclosure of the Directors' emoluments is made within the Remuneration Report on page 85.

### 9. COMPANY INFORMATION

In the opinion of the Directors there is not considered to be any ultimate controlling party.

Copies of the consolidated financial statements of St James's Place plc may be obtained from the Company Secretary, St James's Place plc, St James's Place House, 1 Tetbury Road, Cirencester, Gloucestershire, GL7 1FP.



# SUPPLEMENTARY INFORMATION ON EUROPEAN EMBEDDED VALUE BASIS

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Financial Position
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Value Basis

# INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF ST. JAMES'S PLACE PLC

## REPORT ON THE GROUP SUPPLEMENTARY FINANCIAL STATEMENTS – EUROPEAN EMBEDDED VALUE BASIS

### *Our opinion*

In our opinion, St James's Place plc (the 'Group') Supplementary Financial Statements – European Embedded Value Basis (the 'supplementary financial statements') for the year ended 31 December 2015 have been properly prepared, in all material respects, in accordance with the European Embedded Value (EEV) basis set out in Note I – Basis of preparation

### *Emphasis of matter – Basis of preparation*

In forming our opinion on the supplementary financial statements, which is not modified, we draw attention to Note I – Basis of Preparation which explains that, as permitted by the additional guidance issued in October 2015 by the European Insurance CFO Forum, the supplementary financial statements have been prepared making no allowance for the impact of Solvency II regulatory requirements

### *What we have audited*

The St James's Place plc's supplementary financial statements comprise

- the consolidated statement of financial position, European Embedded Value Basis as at 31 December 2015,
- the consolidated statement of income, European Embedded Value Basis for the year then ended,
- the consolidated statement of changes in equity, European Embedded Value Basis as at 31 December 2015 for the year then ended, and
- the notes to the supplementary financial statements, which should be read in conjunction with the Group's financial statements

The financial reporting framework that has been applied in the preparation of the supplementary financial statements is the EEV basis set out in Note I – Basis of preparation.

In applying the EEV basis, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events as set out in Note III – Assumptions

## RESPONSIBILITIES FOR THE SUPPLEMENTARY FINANCIAL STATEMENTS AND THE AUDIT

### *Our responsibilities and those of the Directors*

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the supplementary financial statements in accordance with the EEV basis set out in Note I – Basis of preparation.

Our responsibility is to audit and express an opinion on the supplementary financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinion, has been prepared for and only for the Company's Directors as a body in conformity with the methodology and disclosure requirements contained in the document 'Supplementary Reporting for Long Term Insurance Business (the European Embedded Value Method)' issued by the CFO forum, in accordance with our engagement letter dated 8 January 2016 and for no other purpose. We do not, in giving this opinion, 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, including without limitation under any contractual obligations of the Company, save where expressly agreed by our prior consent in writing

### *What an audit of financial statements involves*

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed,
- the reasonableness of significant accounting estimates made by the Directors, and
- the overall presentation of the financial statements

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the supplementary financial statements

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited supplementary financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**PricewaterhouseCoopers LLP**

*Chartered Accountants*

London

22 March 2016

Notes:

- (a) The supplementary interim financial information is published on the website of St. James's Place Plc, [www.sjp.co.uk](http://www.sjp.co.uk). The maintenance and integrity of the St. James's Place plc website is the responsibility of the Directors, the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# CONSOLIDATED STATEMENT OF INCOME

## EUROPEAN EMBEDDED VALUE BASIS

The following supplementary information shows the result for the Group adopting a European Embedded Value (EEV) basis for reporting the results of its wholly owned life and unit trust businesses

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

The notes and information on pages 189 to 196 form part of this supplementary information

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY EUROPEAN EMBEDDED VALUE BASIS

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

The notes and information on pages 189 to 196 form part of this supplementary information

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION EUROPEAN EMBEDDED VALUE BASIS

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

The supplementary information on pages 186 to 196 was approved by the Board of Directors on 22 March 2016 and signed on its behalf by:

David Bellamy  
Chief Executive

Andrew Croft  
Chief Financial Officer

The notes and information on pages 189 to 196  
form part of this supplementary information

# NOTES TO THE EUROPEAN EMBEDDED VALUE BASIS

## I. BASIS OF PREPARATION

The supplementary information on pages 186 to 196 shows the Group's results as measured on a EEV basis. This includes results for the life, pension and investment business, and also the unit trust business. The valuation is undertaken on a basis determined in accordance with the EEV Principles issued in May 2004 by the Chief Financial Officers Forum (CFO Forum), a group of chief financial officers from 19 major European insurers as supplemented by the Additional Guidance on EEV Disclosures issued in October 2005 (together 'the EEV Principles') with the exception of new business. Consistent with prior reporting periods, the value of incremental premiums to existing business is treated as new business in the year of increment, rather than at the outset of the policy. This approach better reflects the way the Group manages its business.

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

The treatment of all other transactions and balances is unchanged from the primary financial statements on an IFRS basis. The EEV basis recognises the long-term nature of the emergence of shareholder cash returns by reflecting the net present value of expected future cash flows.

Under the EEV methodology, profit is recognised as it is earned over the life of the products within the covered business. The embedded value of the covered business is the sum of the shareholders' net worth in respect of the covered business and the present value of the projected profit stream.

## II. METHODOLOGY

### (a) Covered Business

The covered business is the life, pension and investment business, including unit trust business, undertaken by the Group.

### (b) Calculation of EEV on Existing Business

Profit from existing business comprises the expected return on the value of in-force business at the start of the year plus the impact of any changes in the assumptions regarding future operating experience, plus changes in reserving basis (other than economic assumption changes), plus profits and losses caused by differences between the actual experience for the year and the assumptions used to calculate the embedded value at the end of the year.

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

### (c) Allowance for Risk

The allowance for risk in the shareholder cash flows is a key feature of the EEV Principles. The EEV Principles set out three main areas of allowance for risk in the embedded value:

- The risk discount rate,
- The allowance for the cost of financial options and guarantees, and
- The cost of holding both prudential reserves and any additional capital required.

The reported EEV allows for risk via a risk discount rate based on a bottom-up market-consistent approach, plus an appropriate additional margin for non-market risk. The Group does not offer products that carry any significant financial guarantees or options.

### (d) Non-Market Risk

Best estimate assumptions have been established based on available information and when used within the market consistent calculations provide the primary evaluation of the impact of non-market risk. However, some non-market operational risks are not symmetric, with adverse experience having a higher impact on the EEV than favourable experience. Allowance has been made for this by increasing the risk discount rate by 0.73% (2014: 0.76%).

# NOTES TO THE EUROPEAN EMBEDDED VALUE BASIS

## CONTINUED

### II. METHODOLOGY continued

#### (e) *The Risk Discount Rate*

A market-consistent embedded value for each product class has been calculated

In principle, each cash flow is valued using the discount rate applied to such a cash flow in the capital markets. However, in practice where cash flows are either independent or move linearly with market movement, it is possible to apply a simplified method known as the 'certainty equivalent' approach. Under this approach all assets are assumed to earn the risk free rate and are discounted using that risk free rate. A market-consistent cost of holding the required capital has also been calculated.

As part of this approach, an appropriate adjustment has been made to reflect the fact that the value of tax relief on expenses does not move linearly with market movements. Finally, an additional allowance for non-market risk has been made by increasing the discount rate by 0.73% (2014: 0.76%).

For presentational purposes, a risk discount rate has then been calculated which under the EEV basis gives the same value determined above. This provides an average risk discount rate for the EEV and is described in relation to the risk free rate. This average risk discount rate has also been used to calculate the published value of new business.

#### (f) *Cost of Required Capital*

In light of the results of internal analysis, the Directors consider that the minimum regulatory capital provides adequate capital cover for the risks inherent in the covered business. The required capital for the EEV calculations has therefore been set to the optimised minimum regulatory capital.

The EEV includes a reduction for the cost of holding the required capital. No allowance has been made for any potential adjustment that the investors may apply because they do not have direct control over their capital. Any such adjustment would be subjective, as different investors will have different views of what, if any, adjustment should be made.

#### (g) *New Business*

With the exception of expenses, the new business contribution arising from reported new business premiums has been calculated using the same assumptions as used in the EEV at the end of the financial year. The value of contractual incremental premiums to existing business is treated as new business in the year of the increment, rather than at the outset of the policy. This approach better reflects the way the Group manages its business.

The value of new business has been established at the end of the reporting year and has been calculated using actual acquisition costs. The new contract for administration completed with our third party administrator is expected to reduce future expenses. The reduction in future expense has been applied to the total EEV at the end of the year, and the new business contribution for business written during the year therefore reflects the previous tariff.

#### (h) *Operating Profit*

Operating profit is determined as the increase in the embedded value over the year excluding market-related impacts such as the effects of economic assumption changes and investment variances and grossed up for shareholder tax.

#### (i) *Tax*

The EEV includes the present value of tax relief on life assurance expenses calculated on a market-consistent basis. This calculation takes into account all expense and income amounts projected for the in-force business (including any carried forward unutilised relief on expenses).

In determining the market-consistent value an appropriate allowance is made to reflect the fact that the value of tax relief on expenses does not move linearly with market movements.

When calculating the value of new business, priority is given to relieving the expenses relating to that business.



### III. ASSUMPTIONS

#### (a) Economic Assumptions

The principal economic assumptions used within the cash flows at 31 December are set out below

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

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

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

#### (b) Experience Assumptions

The principal experience assumptions have been set on a best estimate basis. They are reviewed regularly.

The persistency assumptions are derived from the Group's own experience and reflect our best estimate of experience over the long term. Where sufficient data does not exist, external industry experience may be used. As a result of the review completed in 2015, our approach to modelling future lapse rates on pensions business has been developed to allow for the duration of the policy, in addition to age of the client, as a further risk factor affecting future experience. We have also updated our assumptions to allow for retention of pension business beyond age 75 following changes announced in the March 2014 budget regarding the removal of the requirement to purchase an annuity by this age. We will continue to monitor any change in policyholder behaviour arising from the pension freedom changes also announced in the March 2014 budget and the development of future experience. To aid investors who wish to make their own judgement about these changes, we have included a pensions persistency sensitivity separately in our analysis on page 194.

The expense assumptions include allowance for both third party administration costs and corporate overhead costs incurred in respect of covered business. The corporate costs have been apportioned so that the total maintenance cost represents the anticipated ongoing expenses, including systems development costs, which are expected to arise in future years in meeting the policy servicing requirements of the in-force business. As a result of good progress with the investment programme at our key outsource provider to enhance our 'back office' systems, and the commencement of the migration business to the new administration system, we have now reflected the benefit from these changes in the ongoing expense assumptions via a change in operating assumption. This is applied as a change in operating assumptions to the total EEV at the end of the year and does not therefore feed into the reported new business contribution.

Mortality and morbidity assumptions have been set by reference to the Group's own experience, published industry data and the rates set by the Group's reinsurers.

# NOTES TO THE EUROPEAN EMBEDDED VALUE BASIS

## CONTINUED

### III. ASSUMPTIONS continued

#### (c) Tax

The EEV result has been calculated allowing for tax and has been grossed up to a pre-tax level for presentation in the profit and loss account. The corporation tax rate used for this grossing up is 18.6% (2014: 20.1%) for UK life and pensions business, 12.5% (2014: 12.5%) for Irish life and pensions business and 18.8% (2014: 20.2%) for unit trust business. Future tax has been determined assuming a continuation of the current tax legislation. The reduction in tax rates for UK and unit trust business reflects the changes in tax rate enacted in the year.

### IV. COMPONENTS OF EEV PROFIT

#### (a) Life Business

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

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

#### (b) Unit Trust Business

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

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

## (c) Combined Life and Unit Trust Business

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

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

## (d) Detailed Analysis

In order to better explain the movement in capital flows, the components of the EEV profit for the year ended 31 December 2015 are shown separately between the movement in IFRS net assets and the present value of the in-force business (VIF) in the table below. All figures are shown net of tax.

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

# NOTES TO THE EUROPEAN EMBEDDED VALUE BASIS

## CONTINUED

### IV. COMPONENTS OF EEV PROFIT continued

The comparative figures for 2014 are as follows

	Movement in IFRS Net Assets	Movement in VIF	Movement in EEV
	£'Million	£'Million	£'Million
New business contribution	(49 3)	347 7	298 4
Profit from existing business	236 7	(236 7)	—
Unwind of discount rate	—	145 5	145 5
Experience variances	27 7	21 3	49 0
Operating assumption changes	(1.4)	4 0	2 6
Investment return	6 6	—	6 6
Investment return variances	(0 1)	64 3	64 2
Economic assumption changes	(0 9)	(4 7)	(5 6)
Miscellaneous	(31 3)	7 6	(23 7)
EEV profit after tax	188 0	349 0	537 0

### V. EEV SENSITIVITIES

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

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

Note 1 This is the key economic basis change sensitivity. The business model is relatively insensitive to change in economic basis. Note that the sensitivity assumes a corresponding change in all investment returns but no change in inflation.

Note 2 The 10% reduction is applied to the lapse rate. For instance, if the lapse rate is 8% then a 10% sensitivity reduction would reflect a change to 7.2%.

Note 3 The new business contribution within the EEV does not reflect future expense levels that would apply under the new administration contract.

Note 4 For the purposes of this required sensitivity, all unit linked funds are assumed to be invested in equities. The actual mix of assets varies and in recent years the proportion invested directly in UK and overseas equities has exceeded 70%.

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

Note 6 As a market-consistent approach is used, equity expected returns only affect the derived discount rates and not the embedded value or contribution to profit from new business.

Note 7 Assumed inflation is set by reference to ten year index linked gilt yields.

	Change in new business contribution	Change in European Embedded Value
	Pre-tax	Post-tax
	£'Million	£'Million
100bp reduction in risk discount rate	55.5	45.2

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

## VI. EARNINGS PER SHARE

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

The earnings per share calculations are based on the following figures

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

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

	Year Ended 31 December 2015	Year Ended 31 December 2014
	£'Million	£'Million
<b>IFRS profit before tax</b>	174.1	294.4
Tax attributable to policyholder returns	(22.8)	(111.5)
Profit before tax attributable to shareholders' returns	151.3	182.9
Add back: amortisation of acquired value in-force business	3.2	3.2
Movement in life value of in-force (net of tax)	187.6	241.7
Movement in unit trust value of in-force (net of tax)	176.4	104.9
Tax gross up of movement in value in-force	118.2	136.9
<b>EEV profit before tax</b>	636.7	669.6
	31 December 2015	31 December 2014
	£'Million	£'Million
<b>IFRS net assets</b>	1,095.1	1,010.1
Less: acquired value of in-force	(33.6)	(36.8)
Add: deferred tax on acquired value of in-force	6.2	7.4
Add: life value of in-force	2,012.9	1,825.3
Add: unit trust value of in-force	787.6	611.2
<b>EEV net assets</b>	3,868.2	3,417.2

# NOTES TO THE EUROPEAN EMBEDDED VALUE BASIS

## CONTINUED

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

	31 December 2015	31 December 2014
	£'Million	£'Million
Life company estimated free assets	298.9	278.3
Estimated required life company solvency capital	52.1	48.9
Other subsidiaries, consolidation and IFRS adjustments	744.1	682.9
<b>IFRS net assets</b>	<b>1,095.1</b>	<b>1,010.1</b>
	31 December 2015	31 December 2014
	£'Million	£'Million
Life company estimated free assets at 1 January	278.3	234.9
Investment in new business	(34.1)	(26.8)
Profit from existing business	203.9	163.9
Dividends paid	(150.0)	(100.0)
Investment return	4.0	5.9
Movement in required solvency capital	(3.2)	0.4
<b>Life company estimated free assets at 31 December</b>	<b>298.9</b>	<b>278.3</b>

## OTHER INFORMATION

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## SHAREHOLDER INFORMATION

### ANALYSIS OF NUMBER OF SHAREHOLDERS

Analysis by Number of Shares	Holders	%	Shares Held	%
1-999	2,410	43.13	907,723	0.17
1,000-9,999	2,253	40.32	6,691,479	1.28
10,000-99,999	604	10.81	19,507,747	3.72
100,000 and above	321	5.74	497,558,263	94.83
	5,588	100.00	524,665,212	100.00

### 2016 FINANCIAL CALENDAR

Ex-dividend date for final dividend	Thursday, 7 April 2016
Record date for final dividend	Friday, 8 April 2016
Announcement of first quarter new business	Tuesday, 26 April 2016
Annual General Meeting	Wednesday, 4 May 2016
Payment date for final dividend	Friday, 13 May 2016
Announcement of Interim Results and second quarter new business	Wednesday, 27 July 2016
Ex-dividend date for interim dividend	Thursday, 1 September 2016
Record date for interim dividend	Friday, 2 September 2016
Payment date for interim dividend	Friday, 30 September 2016
Announcement of third quarter new business	Tuesday, 25 October 2016

The above dates are subject to change and further information on the 2016 financial calendar can be found on the Company's website, [www.sjp.co.uk](http://www.sjp.co.uk)

### DIVIDEND REINVESTMENT PLAN

The Directors introduced a Dividend Reinvestment Plan (DRP) during 2012. If you would prefer to receive new shares instead of cash dividends, please complete a Dividend Reimbursement Plan (DRP) mandate form, which is available from our Registrars, Computershare Investor Services PLC. Their contact details are on page 199.

### SHARE DEALING

A telephone share dealing service has been established with the Registrars, Computershare Investor Services PLC, which provides shareholders with a simple way of buying or selling St James's Place plc shares on the London Stock Exchange. If you are interested in this service, telephone 0370 703 0084.

### ELECTRONIC COMMUNICATIONS

If you would like to have access to shareholder communications such as the Annual Report and the Notice of General Meeting through the internet rather than receive them by post, please register at [www.etreeuk.com/stjamesplace](http://www.etreeuk.com/stjamesplace).

An internet share dealing service is also available. Further information about this section can be obtained by logging on to [www.computershare.com/investor/sharedealing](http://www.computershare.com/investor/sharedealing).



# HOW TO CONTACT US AND ADVISERS

## HOW TO CONTACT US

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## ST. JAMES'S PLACE PARTNERSHIP LOCATIONS

### UNITED KINGDOM

- |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                              |
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|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

### ASIA

- |                                                                                                                                                                                       |                                                                                            |
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|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|

# GLOSSARY

## Adviser or Financial Adviser

An individual who is authorised by the FCA to provide financial advice

## Administration Platform, also Bluedoor

A new client-centric administration system, being developed in conjunction with our third party outsourced administration provider, IFDS

## Capita

A provider of business process outsourcing and integrated professional support service solutions, which is our third party outsourced provider, responsible for the administration of our Dublin-based life insurance company, SJPI

## Cash Result

A post-tax measure of emergence during the year of cash available for paying a dividend. The measure reflects underlying cashflows consistent with the IFRS results, but without adjustment for intangibles including DAC, DIR, PVIF and deferred tax. The result also reflects any reserving constraint imposed on an insurance company in the Group by its local statutory solvency regime. Finally, no allowance is made for the cost of share options. The cash result should not be confused with the IFRS cash flow statement which is prepared in accordance with IAS 7

## Chief Operating Decision Maker

The Executive Committee of the Board which is responsible for allocating resources and assessing the performance of the operating segments

## Client Numbers

The number of individuals who have received advice from a St James's Place Partner and own a St James's Place wrapper

## Client Advocacy

The Company requests feedback from clients each year through a survey distributed with the annual Wealth Account. Advocacy is measured by the response to the question 'Would you recommend SJP services to others?'. The potential responses distinguish between 'Yes, and have done so already', 'Yes, but have yet to do so' and 'No'

## Client Retention

Client retention is assessed by calculating the proportion of clients at 1 January in the year who remain as a client throughout the year and are still a client on 31 December of the same year

## Deferred Acquisition Costs (DAC)

An intangible asset required to be established through the application of IFRS to our long-term business. The value of the asset is equal to the amount of all costs which accrue in line with new business volumes. The asset is amortised over the expected lifetime of the business

## Deferred Income (DIR)

Deferred income which arises from the requirement in IFRS that initial charges on long-term financial instruments should only be recognised over the lifetime of the business. The initial amount of the balance is equal to the charge taken

## Earnings Per Share

Non-GAAP earnings per share measures, both basic and diluted, are calculated based on IFRS profit after tax

## European Embedded Value (EEV)

A value determined in accordance with the EEV Principles issued in May 2004 by the Chief Financial Officers Forum, as supplemented by the Additional Guidance on EEV Disclosures issued in October 2005 (together 'the EEV Principles'). The EEV recognises the long-term nature of the emergence of shareholder cash returns by reflecting the net present value of expected future cash flows

## Field Management Team

The team of managers within St James's Place with day to day responsibility for support and supervision of the Partnership

## Financial Conduct Authority (FCA)

One of the two bodies (along with the PRA) which replaced the Financial Services Authority from 1 April 2013. The FCA is a company limited by guarantee and is independent of the Bank of England. It is responsible for the conduct of business regulation of all firms (including those firms subject to prudential regulation by the PRA) and the prudential regulation of all firms not regulated by the PRA. The FCA has three statutory objectives: securing an appropriate degree of protection for consumers, protecting and enhancing the integrity of the UK financial system, and promoting effective competition in the interests of consumers.

## Financial Services Compensation Scheme (FSCS)

The FSCS is the UK's statutory compensation scheme for customers of authorised financial services firms. This means that the FSCS can pay compensation if a firm is unable, or is likely to be unable, to pay claims against it. The FSCS is an independent body, set up under the Financial Services and Markets Act 2000 (FSMA), and funded by a levy on 'authorised financial services firms'. The scheme covers deposits, insurance policies, insurance brokering, investments, mortgages and mortgage arrangement

## Funds under Management (FUM)

Represents all assets actively managed or administered by or on behalf of the Group, including all life insurance and unit trust assets, but not assets managed by third parties where we have only introduced or advised on the business. Assets managed by Rowan Dartington will count as funds under management when the acquisition is complete

# GLOSSARY

## CONTINUED

### Gross Inflows

Total new funds under management accepted in the period. New funds accepted by Rowan Dartington will also count for Gross Inflows when the acquisition is complete.

### International Financial Data Services (IFDS)

A provider of investor and policyholder, administration and technology services. IFDS is our third party outsourced provider, responsible for the administration of our UK life insurance company, SJPUK, our unit trust manager, SJPUTG, and our investment administration company, SJPIA.

### International Financial Reporting Standards (IFRS)

These are accounting regulations designed to ensure comparable preparation and disclosure of statements of financial position, and are the standards that all publicly listed companies in the European Union are required to use.

### Investment Management Approach (IMA)

The IMA is how St James's Place manages clients' investments. It is managed by the St James's Place Investment Committee, which in turn is advised by respected independent investment research consultancies, led by Stamford Associates. The Investment Committee is responsible for identifying fund managers for our funds, selecting from fund management firms all around world. They are also responsible for monitoring the performance of our fund managers, and, if circumstances should change and it becomes necessary, then they are responsible for changing the fund manager as well.

### Net Inflows

Gross inflows less the amount of funds under management withdrawn by clients during the same period. The net inflows is the growth in funds under management not attributable to investment performance.

### Policyholder and Shareholder Tax

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. This part of the overall tax charge, which is attributable to policyholders, is called policyholder tax. The rest is shareholder tax.

### Profit Before Shareholder Tax

A profit measure which reflects the IFRS result adjusted for policyholder tax, but before deduction of shareholder tax. Within the financial statements the full title of this measure is Profit before tax attributable to shareholders' returns.

### Prudential Regulatory Authority (PRA)

The PRA is a part of the Bank of England and is responsible for the prudential regulation of deposit taking institutions, insurers and major investment firms. The PRA has two statutory objectives: to promote the safety and soundness of these firms and, specifically for insurers, to contribute to the securing of an appropriate degree of protection for policyholders.

### Purchased Value of In-Force (PVIF)

An intangible asset established on takeover or acquisition, reflecting the present value of the expected emergence of profits from a portfolio of long-term business. The asset is amortised in line with the emergence of profits.

### Registered Individuals (RI)

An individual who is registered by the FCA, particularly an individual who is registered to provide financial advice. See also Adviser and St James's Place Partner.

### Rowan Dartington

A wealth management business providing investment management, advisory stockbroking and wealth planning services. During 2015 St James's Place announced the intention to acquire Rowan Dartington to enhance the offering to clients and Partners. In early 2016 change of control has been granted by the FCA and completion will follow shortly.

### Solvency II

New insurance regulations designed to harmonise EU insurance regulation which became effective from 1 January 2016. The key concerns of the regulation are to ensure robust risk management in insurance companies and to use that understanding of risk to help determine the right amount of capital for European insurance companies to hold to ensure their ongoing viability in all but the most severe stressed scenarios.

### St James's Place Foundation

The independent grant making charity established at the same time as the Company in 1992. More information about the Foundation can be found on page 56 or on the website [www.sjpfoundation.co.uk](http://www.sjpfoundation.co.uk).

### St James's Place Partner

A member of the St James's Place Partnership. Specifically, the individual or business that is registered as an Appointed Representative of St James's Place on the FCA website. St James's Place Partner businesses vary in size and structure. Many are sole traders but there are also a growing number of businesses employing many advisers.

### St. James's Place Partnership

The collective name for all of our advisers, who are Appointed Representatives of St. James's Place

### State Street

State Street is a global financial services holding company offering custodian services, investment management services, and investment research and trading services. State Street is responsible for the custody of the majority of the St. James's Place assets, and also provides other investment management services.

### Underlying Cash Result

Timing variances in cash emergence, particularly due to tax and insurance reserve impacts, will impact the regular development of the cash result. The underlying cash result is adjusted for these items, and therefore provides the most useful measure which the Board reviews (in conjunction with Group solvency) when determining any proposed dividend to shareholders. The underlying cash result should not be confused with the IFRS cash flow statement which is prepared in accordance with IAS 7. An EPS measure is also calculated on this basis.

### Underlying Profit

A profit measure, based upon Profit before shareholder tax, but adjusted to remove the impact of movements in DAC, DIR and PVIF balances and associated tax balances. An EPS measure is also calculated on this basis.



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