ST. JAMES'S PLACE

Annual Report & Accounts 2017

ST. JAMES'S PLACE

We believe in the value of face-to-face advice and building long-term relationships with our clients, delivered through the St. James's Place Partnership. We have a distinctive approach to investment management and a strong customer service ethos, underpinned by continued investment in our people and technology.

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
click on Shareholder Relations

2017 Highlights

Clients

Growth in client numbers contributed to the increase in gross inflows. The quality of client outcomes, as reflected in client retention and feedback, as well as investment returns, continued to be strong.

Number of clients

633,000 +11%

2016: 571,800

Advisers

Our proposition continued to prove attractive as we broadened our adviser base, both in the UK and Asia, and via both traditional recruitment channels and our own Academy programmes.

Number of Advisers

3,661 +7%

2016: 3,415

Funds

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

Gross inflow of funds

£14.6bn +29%

2016: £11.4bn

Net inflow of funds

£9.5bn +40%

2016: £6.8bn

Funds under management

£90.7bn +20%

2016: £75.3bn

Financial

Long-term growth in clients and Advisers combined with positive investment performance to underpin the financial results and continued growth of the business.

Profit before shareholder tax

£186.1m +32%

2016: £140.6m

Underlying cash result

£281.2m +41%

2016: £199.5m

Dividend (pence per share)

42.86p +30%

2016: 33.0p

Contents

At a Glance

St. James's Place has grown consistently since it began trading in 1992, developing from a small life insurance company to become a leading FTSE 100 wealth management business today.

1991

J. Rothschild Assurance Group

Founded by Sir Mark Weinberg, Mike Wilson CBE and Lord Rothschild in 1991, the J. Rothschild Assurance Group begins trading in 1992

1992

St. James's Place Charitable Foundation

The Directors of J. Rothschild Assurance Group establish the St. James's Place Charitable Foundation

1995

Funds under management exceed

£1 billion

1997

LSE listing

The J. Rothschild Assurance Group achieves a reverse takeover of St. James's Place Capital, securing a public listing on the London Stock Exchange

2000

St. James's Place Capital

J. Rothschild Assurance Group is renamed St. James's Place Capital, later becoming St. James's Place Wealth Management

Halifax Group

Halifax Group plc (later HBOS and then Lloyds Banking Group) acquires 60% of the issued share capital of the Group

2005

Funds under management exceed

£10 billion

2006

St. James's Place Academy

The first St. James's Place Academy is launched

WHO ARE WE?

A leading provider of advice-led wealth management services in the UK and overseas.

A trusted adviser and manager of £90.7 billion of wealth for 633,000 clients.

A business that places trust at the heart of all we do and excellence in the standards we deliver.

WHAT DO WE OFFER CLIENTS?

Personalised face-to-face wealth management advice and services:

- Delivered through the Partnership; and
- Built on expertise, trust and developing long-term relationships.

A distinctive approach to investment management:

- Access to leading 3rd party fund managers from around the world; and
- A diverse range of investment funds and portfolios.

The security of a financially strong, FTSE 100 Group that guarantees the suitability of advice given by advisers when recommending any of our wealth management products and services.

Our awards

COLWMA City of London Wealth Management Awards Winner 2017 Wealth Management Company of the Year

wealthadviser Awards 2017 Best Private Client Investment Manager

Shares Awards 2017 Winner Best Wealth Manager

The Personal Finance Awards Best Financial Adviser 2017/18

Britain's Most Admired Companies 2016/17 Winner St. James's Place Top in Sector

Clients

Number of clients

633,000 **+11%**

2016: 571,800

Client retention

96%

2016: 96%

2010

Funds under management exceed £25 billion

2011

Portfolios launched

St. James's Place introduces a range of Growth and Income portfolios to the investment proposition

2013

Funds under management exceed £50 billion

Lloyds Banking Group

Lloyds Banking Group disposes of its majority shareholding in St. James's Place

2014

FTSE 100

St. James's Place enters the FTSE 100

St. James's Place Asia

St. James's Place acquires The Henley Group, a leading wealth management business in Asia

2016

Rowan Dartington

St. James's Place acquires Rowan Dartington, creating the Group's discretionary fund management and stock broking arm

Technical Connection

St. James's Place acquires Technical Connection, a market leading technical support services business

2017

Funds under management exceed £90 billion

WHERE DO WE OPERATE?

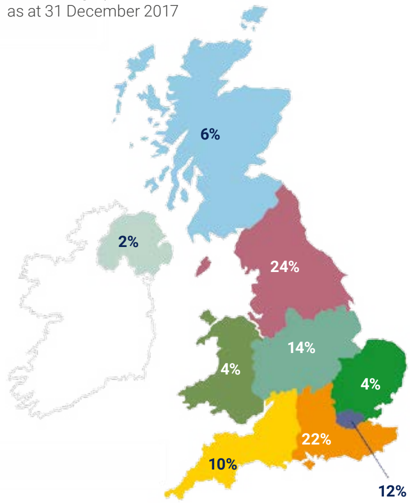
Headquartered in Cirencester, England, we now have 22 office locations across the UK, as well as premises in Hong Kong, Singapore, Shanghai and Dublin.

In the UK we have more than 3,500 advisers operating from their own premises or one of our office locations, while more than 100 St. James's Place Asia advisers are spread across each of the three Asian territories in which we have a presence.

In addition to the Partnership, we have nearly 50 Rowan Dartington Investment Executives providing discretionary fund management services in the UK.

Overseas clients account for 2% of our business. The UK client geographic distribution is set out in the map on the right.

Client Geographic Distribution
as at 31 December 2017



HOW ARE WE EVOLVING?

We are expanding our reach by:

- Supporting the growth of Partner businesses;
- Building out our Academy programmes;
- Investing into St. James's Place Asia; and
- Growing our discretionary fund management business.

We are broadening our client proposition by:

- Evolving our Investment Management Approach;
- Enhancing our intergenerational offering; and
- Building our high net worth client proposition.

We are investing in technology, building on our multi-year back-office infrastructure programme.

Advisers

Number of Advisers

3,661 +7%

2016: 3,415

Gross inflows per Adviser

£3.99m +19%

2016: £3.35m

Funds

Net inflows

£9.5bn +40%

2016: £6.8bn

Funds under management

£90.7bn +20%

2016: £75.3bn

Financial

Underlying cash result

£281.2m +41%

2016: £199.5m

Dividends per share

42.86p +30%

2016: 33.0p

Chief Executive's Report

Andrew Croft
Chief Executive

We have a clear and compelling client proposition that I believe stands St. James's Place in great stead to capture the market opportunities ahead.

Gross inflows

£14.6bn

2016: £11.4bn

Funds under management

£90.7bn

2016: £75.3bn

Full year dividend

42.86p

2016: 33.0p per share

INTRODUCTION

I should like to begin my first Chief Executive's Report by acknowledging the enormous contribution made by my predecessor David Bellamy. David joined at the inception of the Company and has given 26 years of service to the Group, the last 11 as CEO. It has been my pleasure to have worked alongside David over 25 of these years and as his Chief Financial Officer over the last 11 years. I would also like to say that it is a great honour and a privilege to be taking on the role of Chief Executive.

Looking forward, I fully intend to continue with our successful business model of providing trusted face-to-face financial advice through the St. James's Place Partnership. In doing so, we will continue to get better at everything we do well and improve those areas where we do less well, while refining and evolving our business so that the next 25 years for St. James's Place are as successful as the last. We will continue to invest in our service to clients and in increasing our support to the Partnership.

I believe there are great opportunities ahead for St. James's Place. Our core target market is already large and forecast to continue to grow, driven by favourable demographic trends and the accumulation of investable assets as savers take on the responsibility for providing for their own well-being in retirement. Meanwhile, the environment for UK savers seeking to plan their long-term financial affairs has rarely felt more difficult, whether due to complexities around personal taxation, pensions freedoms or the implications of a sustained low interest rate environment.

As a result, demand for trusted, personal face-to-face advice has never been greater. With our focus on developing long-term relationships that span client generations, our advisers can provide a level of tailored and expert advice that clients truly value. Allied with our distinct Investment Management Approach that offers clients access to best-in-class fund managers from around the world, we have a clear and compelling client proposition that I believe stands St. James's Place in great stead to capture the market opportunities ahead. Indeed, we remain confident of being able to achieve 15 to 20% annual growth in gross inflows over the medium term.

BUSINESS PERFORMANCE AND DIVIDEND

During 2017, our 25th anniversary year, we achieved record gross inflows which at £14.6 billion were up 29%, whilst net inflows were up 40% to £9.5 billion reflecting the continued strong retention of existing client investments. These net flows, together with a strong investment return, increased funds under management by 20% over the year to close at an all-time high of £90.7 billion. Against the backdrop of continued political and economic uncertainty that prevailed in the UK during the year, we are very pleased with these achievements which are a testament to the strength of our business model, the attractiveness of our client proposition, and the hard work of all in the St. James's Place community.

The financial performance naturally reflects these outcomes with all the key measures the Board monitors also seeing strong growth. The Chief Financial Officer's Report and Financial Review on pages 22 to 44 provide a comprehensive analysis of the financial performance for the year.

Of particular note was the 41% growth in the Underlying cash result, which is a key measure the Board considers when determining the dividend. This outcome, supported by a small capital release, has enabled the Board to increase the final dividend by 33% to 27.45 pence per share, which provides a full year dividend of 42.86 pence per share, growth of 30%.

This will result in an 80% full year pay-out ratio to Underlying cash and our expectation is that going forward future dividends will be set using this higher pay-out ratio.

The final dividend, subject to approval of shareholders at our AGM, will be paid on 1 June 2018 to shareholders on the register at the close of business on 6 April 2018. A Dividend Reinvestment Plan continues to be available for shareholders.

CLIENTS

Our success has been built on a core commitment to achieving the best possible outcomes for clients and ensuring that they are well served by our long-term, face-to-face relationship-based approach to the management of their financial affairs. Although in recent years we have seen the UK wealth management landscape evolve to incorporate new, digital-led solutions, we know that a highly personalised service remains in high demand and are confident that this will continue to be the case in the future as the management of individuals' financial affairs becomes more, not less, complex.

In the past year, we have seen increased activity around pension transfers, driven in part by the flexibility afforded around defined contribution schemes following the introduction of pensions freedoms but also due to increased transfer values. Transferring out of defined benefit schemes is not without considerable risk and complexity which requires expert bespoke advice, so we have naturally been relatively cautious in recommending such a course of action, but we expect this to be an area of heightened interest for clients and one which we will continue to manage carefully in the years ahead.

We continue to enhance and evolve our client proposition. In 2017, we launched a new Retirement Account with added flexibility for clients as they move from accumulation of savings before retirement to drawdown of benefit in retirement. We also introduced a cash management portal, a probate service as part of our intergenerational initiative, a panel of private banks to serve our higher net worth clients and a further range of savings accounts.

Looking ahead, a key opportunity and challenge for the wealth management industry over the long term will be how to sensibly manage the generational transfer of wealth, which is forecast to total some £2.8 trillion over the next 30 years. We have already made good steps in developing our intergenerational proposition for clients in recent years, but this will continue to be an area of further focus going forward.

In 2017, we won a number of awards that are voted for by investors including the City of London Wealth Management Company of the Year Award, Shares Award – Best Wealth Manager, Wealth Adviser – Best Private Client Investment Manager and The Personal Finance Award for Best Financial Adviser, the last of which we've won for eight consecutive years. Thank you to everyone who voted for St. James's Place.

THE ST. JAMES'S PLACE PARTNERSHIP

Partners and advisers build long-term relationships with their clients, firstly by providing trusted holistic financial advice to help them achieve their personal objectives, and then by providing an on-going advisory service to ensure they remain on track to achieve their financial goals.

Our future growth is dependent upon increasing the number of advisers and helping our existing Partners grow their businesses. It was therefore pleasing that during 2017 we grew the number of advisers working across the Partnership by 246, growth of 7%, whilst the new business per adviser increased by 19%. These new advisers comprised recruitment of experienced advisers from the industry together with graduates from our highly successful St. James's Place Academy.

We now have 3,661 qualified advisers and, going forward, we will continue to develop the infrastructure and support that we provide to Partner businesses to assist them with their client relationships and to help them grow their businesses. If we do this well, we will remain the 'go to' place for successful financial advisers and attract highly talented individuals to join St. James's Place. At the same time, we will continue to invest in our Academy, which aims to 'grow our own advisers'. We look forward to seeing many of the 261 individuals currently in the programme graduating in 2018 and 2019. We will also continue to support those advisers who wish to progress to Chartered status.

Chief Executive's Report continued

INVESTMENT MARKETS AND OUR INVESTMENT MANAGEMENT APPROACH

The strong performance from major stock and bond markets around the world continued during 2017. This was despite the growing tensions around North Korea, conflicts in the Middle East and the continuing uncertainty in the UK arising from negotiations to leave the EU in March 2019. The backdrop of strong corporate earnings and high levels of consumer confidence drove many indices, including the FTSE 100 and the S&P 500, to new highs.

In general our Portfolios performed strongly through 2017, with the most cautious strategy, the Defensive Portfolio, increasing by 4.6% and the higher-risk Adventurous Portfolio increasing by 12.6%, net of all charges.

Nevertheless, the continued strong economic environment creates the possibility of a return to higher inflation. In the UK, inflation crept above its target level of 2.0% and, by the end of the year, recorded a figure of 3.1%. In response, the Monetary Policy Committee of the Bank of England increased interest rates for the first time in ten years. Meanwhile, in the United States, the Federal Reserve increased interest rates no less than three times. Looking ahead, there are expectations that rates will increase further in both the US and the UK during 2018. Accommodative monetary policy is also slowing in other major economies, as quantitative easing programmes elsewhere in the world are beginning to be pulled back.

Towards the end of the year, we announced the launch of a strategy investing in Japan – a new opportunity for our clients. There are signs that the corporate governance environment in that country continues to improve and, in Nippon Value Investors, the Investment Committee has identified a manager which gives us access to some of the most interesting ideas in the world's third-largest economy.

The start of 2018 has seen some volatility return to markets. However, our broadly diversified Portfolios continue to give clients access to a variety of different asset classes, dampening down the impact of market gyrations as and when they occur. It is for this reason we remain confident that our investment approach will continue to support clients in realising their long-term financial goals.

INVESTMENT FOR GROWTH

As well as working to meet our shorter-term objectives as a business, we have been sowing the seeds for longer-term growth through new markets both in the UK and overseas.

St. James's Place Asia, which has been operating since 2014, continues to progress well. We now have 120 advisers, an increase of 18% during the year, and over £400 million of funds under management in St. James's Place funds, which has more than doubled during the 12 months. We currently operate across three separate markets: Hong Kong, Shanghai and Singapore, each of which has its own distinct characteristics. What is common to all, however, is the long-term market opportunity for a well-managed, well capitalised, wealth management business with a strong client proposition. In the past year we have made further operational progress on building our business and proposition.

We have also been investing for the future through Rowan Dartington (RD), our discretionary fund management business. In 2017, funds under management grew by 34% to £2.1 billion, while the number of RD investment executives has increased from 41 to 46 as we have broadened the reach of the business from its historic roots in the south west of England. We have also launched an RD service in Hong Kong alongside our Asian operations. Importantly, the capabilities provided by Rowan Dartington have served to enrich our overall client proposition.

Neither St. James's Place Asia nor Rowan Dartington are expected to achieve critical mass or contribute materially to Group profitability in the short term. Rather, it will take some time for these businesses to achieve scale as we build the appropriate infrastructure to support their long-term growth, but we remain confident they will generate value over time.

BACK-OFFICE INFRASTRUCTURE

We continue to make good progress on our important programme to consolidate our UK back-office administration onto a single client-centric platform. This will deliver a more holistic administration service to our clients whilst leveraging modern technology.

We already have £27.9 billion funds under management administered on the new platform and approximately two-thirds of our gross inflows are currently going onto the new platform. Migrations planned for 2018 mean that by the end of the year, we expect to administer approximately two-thirds of our funds under management on the new platform as we continue our programme to transform the UK back-office. The final third of UK funds under management will complete this significant transformation project in 2019.

THE ST. JAMES'S PLACE CHARITABLE FOUNDATION AND COMMUNITY ENGAGEMENT

Helping people in need is a very important part of the St. James's Place culture, with the whole community, including employees, the Partnership and their teams, together with suppliers and fund managers committed to supporting charitable causes and making a positive and lasting difference to the lives of people in need. In 2017, the St. James's Place community celebrated 25 years of giving by raising a record £5.5 million which, after including the Company matching of £2 for every £1 raised by our community and gift aid, provided for total funds raised during the year of £16.8 million. Details of the numerous fund raising events and the charities we have supported during the year are provided on pages 63 to 67. On behalf of the Trustees and all the charities receiving grants, I would like to thank everyone who supported the Charitable Foundation.

In addition to these fund-raising efforts, our desire to be '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.

Further details of our corporate responsibility activities are set out on pages 52 to 61.

MIKE WILSON CBE

It is with sadness and a heavy heart that I inform shareholders of the recent passing of Mike Wilson, one of our original Founders and the inspiration behind St. James's Place. He will be missed as a friend and mentor to many of the SJP community.

Mike was also instrumental in establishing the St. James's Place Charitable Foundation and leaves a legacy within our community of giving back to others.

OUR COMMUNITY

The strength and continued growth of the business is due to the hard work and dedication of the Partnership, their teams, our management teams and all our employees and administration support teams.

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

I very much look forward to working with everyone going forward.

OUTLOOK

The global economy is in good shape, with companies trading profitably as new technologies continue to evolve at pace driving economic growth.

Of course, there are global economic and geopolitical risks, in the UK we advance towards Brexit and we are starting to see interest rates rise on both sides of the Atlantic and some increase in market volatility. Whilst there are no certain outcomes we remain comfortable advising clients to invest through a well-diversified portfolio in order to benefit over the medium-term and we continue to see a growing need for financial advice. We remain confident that the Partnership is ideally placed to help their clients through the complexities of their financial lives, reducing their risks and investing their money wisely.

Our continuing focus on achieving the best possible outcomes for our clients, through the provision of trusted financial advice together with our distinctive Investment Management Approach, gives us confidence that we will continue to grow our business, in line with our stated medium-term objective of 15 to 20%, in 2018 and beyond.

Andrew Croft
Chief Executive
27 February 2018

We remain confident that the Partnership is ideally placed to help their clients through the complexities of their financial lives, reducing their risks and investing their money wisely.

Market Overview

We are well positioned to meet the continuing increase in demand for financial advice, given the 'advice gap'.

THE UK WEALTH MARKET

St. James's Place's core target market is UK individuals with between £50,000 and £5 million in investable assets. There are estimated to be 10.6 million such individuals and this number is projected to grow to 12.4 million by 2021. The investable assets of this group are projected to increase from £2.1 trillion to £2.5 trillion in this time.

Other analysis suggests that more than 50% of total UK personal wealth is concentrated in the hands of savers between the ages of 45 and 64, with an additional 35% controlled by those aged 65 and above. This illustrates not only the extent of decumulation ahead but also the potential scale of longer-term intergenerational wealth transfer to come. Data indicates that some £2.8 trillion of total wealth could transfer over the next 30 years, highlighting the challenge savers face in preserving wealth into the next generation, as well as the opportunity for skilled and experienced financial advisers able to build long-term, trusted relationships across client generations.

ADVICE-LED SECTOR

We ranked first in the 2017 Private Asset and Wealth Managers (PAM) Directory by Assets under Management (as at 31 December 2016), having grown by £16.7 billion in the previous twelve months (+28%). This represented the fastest growth, in absolute terms, of any business in the PAM top 10 rankings, and around 30% of the total growth of the top ten wealth managers in that year.

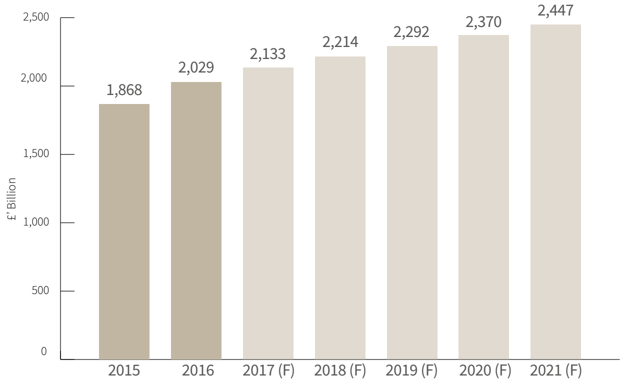
In addition, with 3,661 qualified advisers at the end of 2017, we estimate that St. James's Place represents around 14% of the UK's financial adviser population. We are well positioned to meet the continuing increase in demand for financial advice, given the 'advice gap'. This is particularly the case around retirement considerations, where individuals need face-to-face advice to deal with both the complexities of tax and pension rules, and the need to ensure that their assets are invested in the right way to support their future lifestyle. We anticipate that the need for trusted advice will continue to grow strongly as government policy results in more and more people taking responsibility for their own retirement savings and income.

DEVELOPING COMPETITIVE LANDSCAPE

Given the success of our business over time, it is unsurprising that others are endeavouring to build an adviser base of their own, whether through acquisition or via recruitment. As such, the past year has seen further consolidation in the UK adviser market. In addition, Direct-to-Consumer platforms have acknowledged the importance of personal advice and so are recruiting advisers, as are some retail banks who are seeking to re-enter the face-to-face advice market after a self-imposed hiatus. We welcome such developments, recognising the importance that a growing adviser market will play in closing the 'advice gap' that remains in the UK, especially in light of the increased adviser demand created by pension freedoms. We note also that the US market has double the

Market trends

Amount held by UK individuals with between £50,000 and £5 million of investable wealth



F = Forecast

Source: GlobalData

number of advisers per capita than in the UK, suggesting there is ample scope for further adviser penetration in the UK market.

Meanwhile, a number of businesses including wealth managers, retail banks, Direct-to-Consumer businesses, fund managers and platforms have acquired or are looking to develop automated "advice" propositions, typically through offering risk-rated portfolios of passive funds. While these automated low-cost solutions will no doubt appeal to certain sections of the market, we believe that they are unable to replicate the trusted, bespoke and comprehensive nature of face-to-face wealth management advice today. Even among users of such solutions, recent studies have suggested that only 25% place a high level of trust in them, compared to 86% of those using advisers. However, we do believe aspects of these solutions can be used effectively by advisers to engage with clients and make their business more efficient.

WEALTH SOLUTIONS

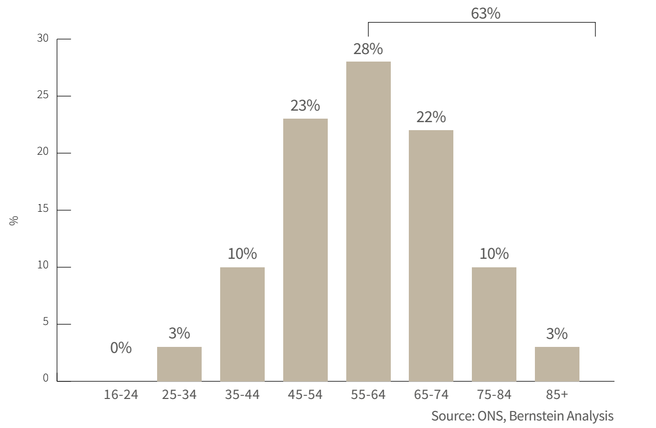
In recent years there have been unprecedented changes to the retirement planning landscape, with the advent of pensions freedoms and changes to the annual allowance for higher rate taxpayers being just two examples. It remains our view that a period of stability would help individuals plan for their future with greater confidence. Indeed, the continued speculation and uncertainty over government policy on the future of tax relief on pension contributions, risks furthering savers' confusion over the right course of action, emphasising once more the importance of good financial advice.

Against that backdrop, ISAs have been an undoubted success in encouraging savings in the UK. The Government's move to increase the annual allowance to £20,000 from last April was a very welcome one, and a clear statement of the importance of ISAs in the future personal savings landscape. Although there was a modest increase in the Bank of England Base Rate in November, interest rates for savers remain below inflation, eroding the real value of cash investments. We would therefore expect to see continued market demand for Stocks and Shares ISAs in the period ahead.

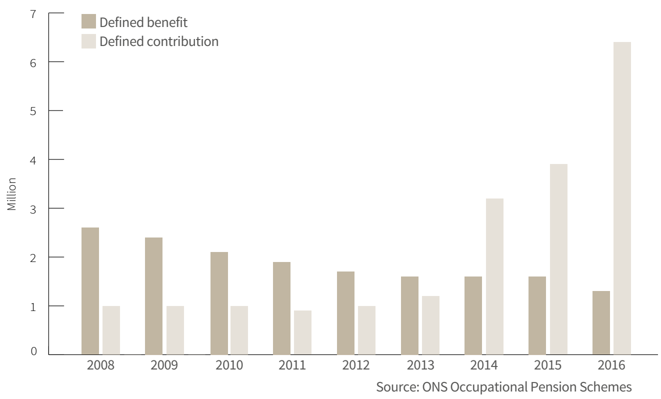
The pensions market continues to evolve as the number of open defined benefit schemes dwindles, leading increasing numbers of individuals to take responsibility for ensuring they have sufficient funds in retirement. Meanwhile, the advent of pensions freedoms from 2015/16 has led to greater flexibility in the use of defined contribution pensions savings, with the purchase of individual annuities declining in favour of more flexible offerings such as income drawdown. Last year we saw an increase in client interest around transferring out of defined benefit schemes, prompted by the enhanced transfer values offered by scheme trustees. We continue to believe that defined benefit transfers can entail considerable risk and complexity for members so we have naturally been relatively cautious in recommending such a course of action, but we expect this to be an area of heightened interest going forward.

Within the broader investment landscape, 2017 saw further demand for passive rather than active investment vehicles as investors sought lower cost investment solutions. While there has been much commentary around the merits of active fund management in recent times, we maintain our strong belief that true active fund management can outperform passive solutions over time, thereby better supporting positive client outcomes. As such, we retain our focus on employing the best active managers for our funds and ensuring that clients are able to access them at competitive rates.

UK aggregate wealth distribution by age



Active membership of private sector occupational pension schemes by benefit structure



Our Business Model

OUR CLIENT PROPOSITION

We offer clients trusted, face-to-face financial advice coupled with a compelling investment proposition.

OUR CORE BUSINESS OBJECTIVE

We aim to attract, retain and grow client funds under management.

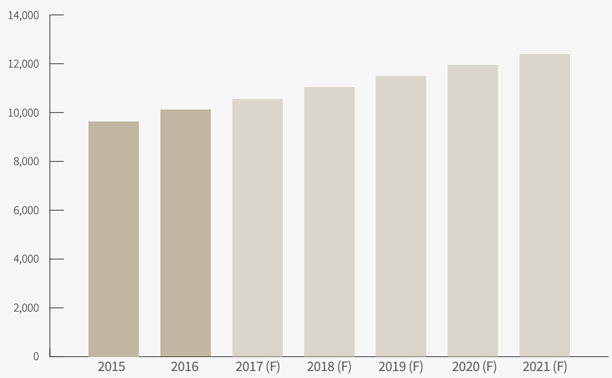
OUR REVENUE MODEL

We operate a fee-based revenue model where we receive fee income based on the level of client funds under management.

OUR CORE CLIENT MARKET

- Typically, UK individuals with £50,000 to £5 million in investable assets;
- Clients with neither time, inclination or confidence to invest, or those with complex financial affairs.

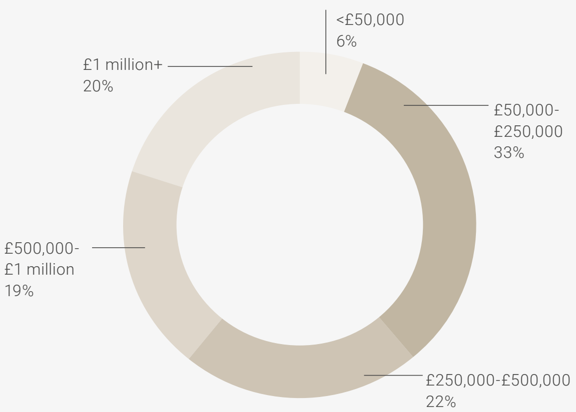
UK individuals with between £50,000 and £5 million of investable wealth



F = Forecast

Source: GlobalData

SJP clients by FUM value band 31 December 2017



OUR KEY COMPETITIVE ADVANTAGES

The Partnership

We deliver products and services to clients exclusively through the St. James's Place Partnership, a 3,661-strong force of self-employed advisers with whom we enjoy a close and symbiotic relationship.

Our Investment Management Approach (IMA)

We use our scale to select third party fund managers from around the world to manage our range of funds and model portfolios, offering clients access to leading fund managers at competitive rates.

Our People

We focus on attracting and retaining individuals that share our core values – expertise, integrity, and discretion. Our people are a sustainable competitive advantage.

Our Brand

We aim to be the trusted brand in UK wealth management. We focus on delivering positive client outcomes and doing 'the right thing' for all our stakeholders.

Our Strong Financial Position

We maintain a robust balance sheet so we can comfortably meet client liabilities while having the capacity to invest in our business and deliver growing returns to shareholders.

HOW WE ENHANCE VALUE

Attracting new advisers and clients to St. James's Place through:

- Broadening the client proposition available for our advisers;
- Enriching our support proposition for the Partnership; and
- Investing in our Academy and adviser recruitment teams.

Retaining existing advisers and clients of St. James's Place through:

- Building close, trusted relationships with the Partnership, making their relationships with their clients our priority;
- Evolving, adapting and continually strengthening our Investment Management Approach to reinforce client outcomes; and
- Enhancing the adviser and client experience.

Improving our support for Partner businesses through:

- Developing our back-office administration systems;
- Promoting continual professional and business development; and
- Providing tailored support to underpin business ambitions.

Investing to drive long-term growth through:

- Expanding our Academy initiatives;
- Improving our back-office infrastructure; and
- Developing our presence in new markets including St. James's Place Asia and Discretionary Fund Management (DFM).

WHAT WE OFFER STAKEHOLDERS

Clients
- Trusted, holistic financial advice and peace of mind;
- Enhancement of wealth and preservation of wealth; and
- Outcomes aligned to financial and life objectives.

The Partnership
- Unique adviser business model in the UK market;
- Opportunity to build and realise value creation in their businesses;
- Distinct and comprehensive client proposition; and
- Effective risk and compliance oversight, together with support for their business objectives.

Employees
- Challenging and stimulating career in a growth company;
- Authentic corporate culture focused on 'doing the right thing'; and
- Reward for commitment and contribution.

The SJP Charitable Foundation and Our Local Communities
- Ongoing financial support;
- Staff volunteering and assistance; and
- Financial education; youth employability skills.

Shareholders
- Focused, capital-light business model in an attractive market;
- Growing cash profits, underpinning increasing shareholder returns; and
- Consistency and resilience in our solvency and balance sheet.

Our Strategy Explained

Our key business objective is growth in funds under management (FUM) through offering a high-quality service to the Partnership and 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;
- Improving adviser efficiency; and
- Broadening our client proposition.

Our support strategy for delivering sustained retention of FUM involves:

- Delivering high quality service to advisers and clients;
- Driving consistently good investment performance; and
- Ensuring we remain a robust and resilient business that clients trust.

Clients

Deliver positive outcomes to clients

The Partnership

Grow and develop the Partnership

Funds

Increase funds under management

Financial

Achieve sustainable growth in profits

What this means:	Our focus for 2018:	
Through our face-to-face advice service, we aim to help clients in a way that 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, as well as to our Investment Management Approach, 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.	• Ensure the underlying administration of our client offering meets all expectations; • Expand the DFM offering as part of our holistic client offering; • Continue to build our relationships with third party providers to expand the services they provide for our clients, including around our high net worth client propositions; • Further develop our proposition for supporting clients wanting to make inter-generational financial arrangements; and • Enhance our Asia proposition.	Clients page 14.
Through providing an attractive proposition we are able to recruit new advisers to the Partnership and, by providing high quality support, we can help them to grow their businesses. The Partnership plays the leading role in delivering our wealth management service. Growing the number of advisers is core to our growth plans. 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.	• Continue to attract high quality advisers to join the Partnership; • Continue our regional academies initiative, including our next generation (succession) and paraplanning academies; • Support existing advisers in gaining further qualifications, including Chartered status; • Support the growth of Partner businesses, including the development of their back-office operations, allowing advisers to spend more time with clients; • Pilot new operating models aimed at providing a more local and tailored service for our advisers and their support staff; • Continue to develop our Asia operations and adviser proposition; and • Continue to expand DFM into our adviser proposition.	The Partnership page 15.
Management of client funds is at the heart of our business. They are principally managed through our distinctive Investment Management Approach (IMA). Overall FUM growth is driven by successful advisers supporting satisfied clients, underpinned by consistent delivery of the IMA. Our focus on delivering for clients has resulted in the 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) in gross inflows, strong retention experience and positive investment returns.	• Continue to focus on the IMA proposition in support of client outcomes both in the UK and Asia, particularly the "select, monitor, change" process; • Seek opportunities to broaden the investment proposition; • Further develop our responsible investing focus; and • Further expand our DFM offering and continue its integration into our overall approach to investment management in the UK and Asia.	Funds page 16.
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, also reflect expense management. Sustainable growth in profits involves effective management of expenditure, including development expenditure 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.	• Focus expenditure on safely delivering our strategy, including achieving 15 to 20% p.a. growth in gross inflows; • Manage expense growth to around 10% p.a.; and • Invest in the business to support long-term growth.	Financial KPIs page 20.

Clients

We place clients at the centre of everything we do. This is core to our culture.

OUR APPROACH

We place clients at the centre of everything we do. This is core to our culture. We focus on building long-term relationships anchored in trust and mutual respect, where advice is tailored to our clients' individual circumstances.

If we and our advisers do this well, our clients will not only remain with St. James's Place, but they will typically become advocates. Indeed, responses to our Wealth Account survey indicate that 97% of respondents would recommend St. James's Place to others, with around two-thirds having done so already.

It is testament to the quality of the overall client proposition and the strength of adviser-client relationships, that our clients often continue their relationship with their adviser over many years, appreciating a source of trusted advice as their financial needs and priorities evolve over time.

Clients of St. James's Place have access to a wealth of financial solutions, including the provision of funds and expert advice regarding building investment portfolios, retirement planning, intergenerational wealth and protection. In order to complement and enhance our own range of solutions, clients also have access to carefully selected external providers for other services.

St. James's Place now has 633,000 clients across nearly 300,000 households, based in all areas of the UK as well as in Hong Kong, Shanghai and Singapore. There is no 'typical' St. James's Place client. Yet common to them all is the desire to have a trusted, skilled and experienced professional adviser to look after them and their families.

EXTENDING CLIENT SERVICES

We endeavour to keep improving the services we can offer clients, with one such example in 2017 being our work around estate administration. Recognising that the passing away of an individual represents a difficult time for family members, but one in which we can help to ensure a clients' assets continue to be effectively managed and distributed through to the next generation, we have established a dedicated estate administration service in conjunction with Kings Court Trust.

This market-leading estate administration service, which involves providing a dedicated personal estate manager to oversee and manage the myriad complexities associated with estate administration, helps reduce the stress, effort and legal liability associated with what can be a complicated legal process.

We will look to build on some of our recent innovations, including our banking proposition with Metro and our Flagstone cash management offering, while making further progress on our intergenerational wealth proposition. In addition, we plan to review our suite of protection solutions and will work with providers to explore innovations that advisers can offer for the benefit of their clients.

FOCUS

Improving Client Communications

A very high proportion of clients agree that our communications are of high quality. However, in response to client feedback we are taking steps to improve existing correspondence as well as provide the option of a paperless experience and therefore drive even greater client satisfaction. Two such examples of this in action are the launch of a new Online Wealth Account and the rollout of a new Letter Management System. These have helped to drive improvements in the following areas:

Quality

The new Online Wealth Account features a more contemporary design and appearance, as well as enhanced functionality including a client document library and multi-currency reporting. The new Letter Management System has the benefit of semi-automating the production of client letters, thereby improving the appearance and accuracy of content versus manually generated letters.

Choice

When accessing the Online Wealth Account, clients now have the option to select whether they wish to receive both periodic and regular reports in either paper or digital format, with the latter giving clients the capability to view documentation online, anytime and anywhere.

97%

Of clients would recommend St. James's Place to someone else

96%

Client Retention for 2017

The Partnership

We believe our advisers are among the most experienced and skilled financial advisers in the marketplace, with the ability to foster and nurture valued, long-term client relationships.

OUR APPROACH

St. James's Place promotes its trusted 'face-to-face' approach to financial advice exclusively through the St. James's Place Partnership. The Partnership build and maintain long-term relationships with their clients and we, in turn, support these client-adviser relationships, placing them at the heart of everything that we do.

The Partnership share our common commitment to integrity, trust, openness, partnership and team work. This is central to our philosophy and the spirit of the Partnership.

It is members of the St. James's Place Partnership that deliver our wealth management service to clients. Therefore, it is critical that we provide our advisers with all the tools and support required for them to perform this role successfully. This means the provision of support around such areas as advice and technical guidance, marketing and client literature, professional development, investment solutions, business processing, risk and technology. In addition, Partner businesses are able to benefit from our distinct Investment Management Approach and their association with a strong and recognised brand that guarantees the suitability of the advice that they give when recommending any of the wealth management products and services provided by companies in the Group.

Today, the St. James's Place Partnership comprises 3,661 advisers across 2,415 Partner businesses, with our strong UK presence now complemented by a growing capability in Asia via offices in Hong Kong, Shanghai and Singapore. We believe our advisers are among the most experienced and skilled financial advisers in the marketplace, with the ability to foster and nurture valued, long-term client relationships which mean that we enjoy gross inflows per adviser and client retention rates that exceed industry norms.

DEVELOPING THE PARTNERSHIP

Reflecting our shared objectives, we commit to providing ongoing support so that advisers and Partner businesses can grow and develop over time. At its most simple, this can include providing online, workplace, or classroom-based professional development opportunities to ensure our advisers remain appropriately qualified, technically able and equipped to deliver a first-class service. We also encourage and provide support for advisers who choose to pursue further qualifications, with many wishing to progress to Chartered status, while others have gained an MSc degree in Wealth Management as part of our collaboration with the University of Loughborough Business School. Developing the Partnership also extends to our ongoing desire to provide the right support to our advisers, to help them grow their businesses and meet their clients' needs.

FOCUS
Growth in 2017

Growth in the Partnership remains a crucial long-term objective and in 2017 we welcomed a net 246 new advisers to St. James's Place. Around half were as a result of our existing successful recruitment proposition, which seeks to attract experienced professional financial advisers to the St. James's Place Partnership, but we are also very encouraged by the further progress made in our development of the St. James's Place Academy and Next Generation Academy programmes where a total of 124 new advisers graduated during the year.

The Academy provides an opportunity for suitable second-careerists to receive training and assistance to develop as wealth professionals and join the Partnership. We currently have four UK centres: in Edinburgh, London, Manchester and Solihull, which together enrolled 176 new students in 2017 and are expected to accept a similar number in 2018. Around half of our new students are from non-financial backgrounds and the average age, at 37, is around ten years younger than the average St. James's Place adviser.

In addition, our next generation Academy supports growth and builds succession for our existing successful businesses. In 2017 we enrolled 40 new students onto this programme, with an average age of 26. Another initiative is our Paraplanning Academy, aimed at training Partners' support staff to plan and prepare business to our high standards. We enrolled 90 students onto the programme in 2017, with the expectation that around two-thirds of these could become fully diploma qualified by the end of 2018.

Funds

Successful investment is critical to the future financial wellbeing of our clients. We carefully select a number of external managers from across the globe to manage our range of funds.

OUR APPROACH

Successful investment is critical to the future financial wellbeing of our clients, but it is a field which presents a unique problem: future performance is unpredictable. It is our view that it is impossible to employ the best in-house fund managers across all asset classes at all times. Instead, we carefully select a number of external managers from across the globe to manage our range of funds.

The St. James's Place Investment Committee 'manages the fund managers' on behalf of our clients. The Committee comprises three senior members of the St. James's Place investment division and four independent members, who bring a broad range of knowledge and experience. The Committee is further supported by specialist investment consultancy firms – including Stamford Associates, Redington and AON – each contracted for their expertise in particular investment markets.

With the objective of generating superior investment results over the medium to long term, having selected the best individuals within the appropriate investment company, we believe the key is to monitor both the individuals and the company they work for to ensure they remain appropriate for the fund that they are managing. The Committee does not seek to influence the investment policy of the managers. Its aim is to secure success by selecting superior managers and holding them accountable for their performance.

DEVELOPMENT OF OUR PROPOSITION

In 2017, the development of our investment proposition focused on broadening the range of opportunities available to our clients.

Continuing the development of our range of Asia Pacific equity funds, we introduced the Japan fund, managed by Yoshihiko 'Yoshi' Ito of Nippon Value Investors based in Tokyo. A new Global Growth fund brings together a carefully-selected blend of our existing investment managers: EdgePoint, Magellan, Sands Capital and Select Equity Group – to create a highly-active global equity solution.

We also added a new Portfolio. The Strategic Growth Portfolio, the first Portfolio to be launched since April 2012, provides an additional medium-risk investment solution for our clients, particularly those with a longer time horizon.

Changing demographics, pensions reform and the ever-changing market environment means our clients are increasingly looking to us to provide them with solutions that meet their different investment objectives and evolving needs. As such, we continue to explore ways to broaden and deepen our proposition still further, while also exploring new technology which will enhance and complement our interactions with clients.

FOCUS

Responsible Investing

Over the course of 2017, we continued to evolve our approach to responsible investing by building a comprehensive and structured programme of due diligence. What was most telling is the extent to which many fund managers share our belief in the importance of these principles, and we saw increasing evidence of this being incorporated into their investment processes.

We also engaged with our independent investment consultants to incorporate the assessment of responsible investment principles in the research and selection of new fund managers.

In addition to our focus on how our fund managers and consultants adopt ESG thinking into their investment processes, we are also increasing our involvement with a number of responsible investing bodies – both in the UK and globally. As part of this focus we will become signatories to the United Nations Principles for Responsible Investing guidelines during 2018.

The data below illustrates the breadth of the research, analysis and monitoring conducted during 2017 by the various functions that support the Investment Committee, which includes the teams at Stamford Associates, Redington and at our head office in Cirencester.

363	**20**	**54**	**240+**
Fund manager monitoring meetings conducted in the UK and overseas	Investment Committee meetings held during 2017	Investment professionals working exclusively on behalf of St. James's Place clients	Years industry experience of Investment Committee members

Global Investment Management Expertise

Our People

St. James's Place is a relationship-focused business and the recognition that people are our most important asset is key to our culture.

OUR APPROACH

St. James's Place is a relationship-focused business and the recognition that people are our most important asset is key to our culture and a fundamental element of our success. 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.

The basis of our culture is articulated in 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 Charitable Foundation. As our business grows it is essential that we take care of and protect our culture and we remain proactive in building and reinforcing it, ensuring that it maintains its relevance. 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 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.

EMPLOYEE ENGAGEMENT

We are proud to have engaged and enthusiastic colleagues who have helped drive the success of our business over time. Our regular employee survey, which we conduct biennially, provides us with a range of important insights, crucially on employee engagement. The most recent survey, which was conducted in 2016, received a strong survey response rate of 87%. Our overall engagement score of 86% was significantly higher than the financial services benchmark of 77%. We are especially pleased with survey scores that suggest employees are proud to work for St. James's Place, are committed to staying with the business, and feel that we are an employer that encourages them to strive for greater achievement. This strong engagement contributes to low levels of staff turnover and underpins the quality and sustainability of our proposition to Partners and clients alike.

FOCUS

Diversity and Inclusion

We recognise that a diverse community, made up of people from a wide variety of backgrounds, and with a range of experiences, skills and approaches, will make our business stronger and drive continued growth and innovation. We have a structured approach to promote diversity and inclusion to ensure that we are proactive in this agenda across the business.

We have a diversity steering group in place, chaired by Ian Gascoigne with dedicated resources to ensure that the agenda receives the appropriate level of focus. In 2017, we introduced a number of bespoke development initiatives, in particular focused on the area of women in management, as well as embarking on a more wide-ranging review of key people practices to ensure that we are able to recruit, develop and retain a diverse range of employees.

For 2018 we will focus further on targeted inclusive development programmes along with the implementation of enhancements to specific policies. For further information on these initiatives, please see the Chair's Report on page 72 and information contained in the Report of the Nomination Committee on page 94.

Our Objectives and Related Key Performance Indicators (KPIs)

CLIENTS

Objective

To deliver positive outcomes to an increasing population of clients.

Progress during 2017

2017 was another successful year as the business continued to grow. Client numbers grew by 11% contributing to the increase in investment of new funds. The quality of client outcomes, as reflected in client retention and feedback, continued to be very strong.

THE PARTNERSHIP

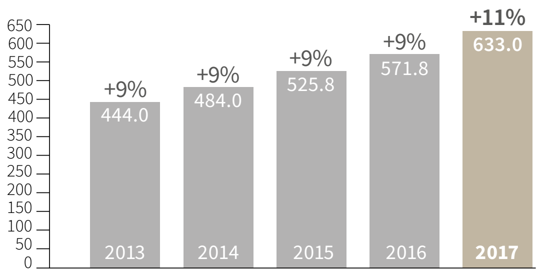
Objective

To continue to grow and develop the Partnership.

Progress during 2017

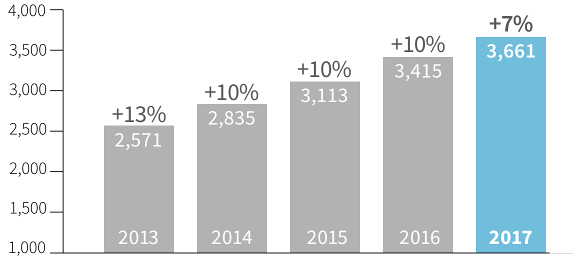
Our proposition continued to be attractive to advisers in the year. The Partnership also welcomed graduates from our Academy initiatives and new recruits in Asia.

Client Numbers (Thousands)



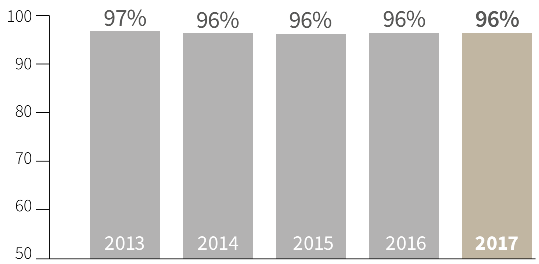
Our business model is based on managing client wealth and so the number of clients is a key measure of the health of the business. As well as reflecting past performance, it also indicates future opportunity, as our experience suggests that over 90% of new business comes from existing clients or their referrals. In 2017, we were pleased that client numbers increased from 571,800 to 633,000.

Adviser Numbers



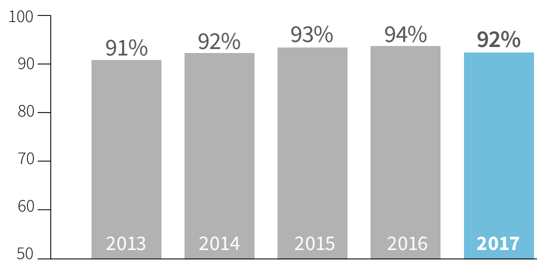
Without our advisers, we would have no clients. We were therefore pleased to deliver growth in line with our long-term aspirations, supported by Academy graduates and recruitment in Asia. Adviser numbers grew from 3,415 in 2016 to 3,661 in 2017.

Client Retention (Percentage)



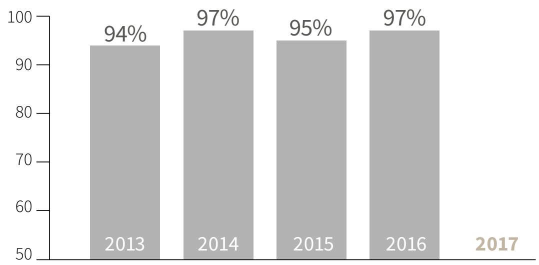
Our business is long-term and client retention feeds directly into the financial result. However, it is also an indication of minimum standards having been met. We are therefore delighted that retention was again above 95%, continuing the trend in recent years.

Adviser Retention (Percentage)



Adviser retention reflects Advisers' continuing satisfaction with our proposition. We are therefore pleased to note that retention has remained at the high level of 92% when compared with the prior year.

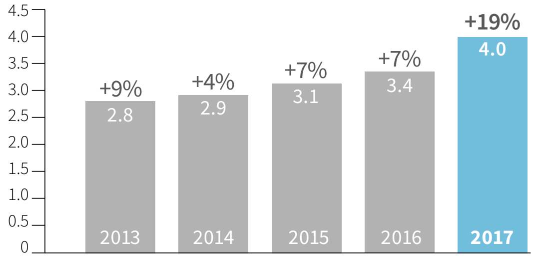
Client Advocacy (% that would recommend SJP to someone else)



Our reputation is vitally important to our business model and this is best expressed through the experience of our clients. Our Wealth Account survey, now conducted biennially, provides an excellent insight into client experience. Responses to the question "Would you recommend St. James's Place to anyone else?", have been very positive over time, with the most recent data (2016) indicating a 97% advocacy rate.

2017 Client Advocacy data is not available as the Wealth Account survey is now conducted biennially. The next survey will be conducted in relation to the 2018 Wealth Account.

Gross Inflows per Adviser (£'Million)



Gross Inflows per Adviser is a measure of their success as business people, but also feeds into success for the Company. We are pleased that in 2017 Gross Inflows per Adviser continued to increase, leading to an overall increase in Gross Inflows per Adviser from £3.35 million to £3.99 million.

FUNDS

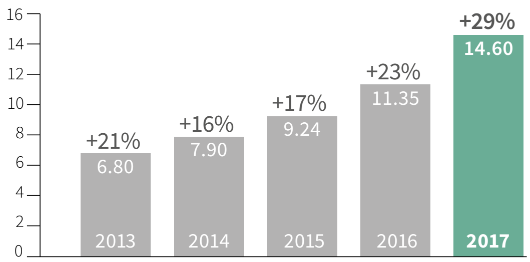
Objective

To increase funds under management (FUM).

Progress during 2017

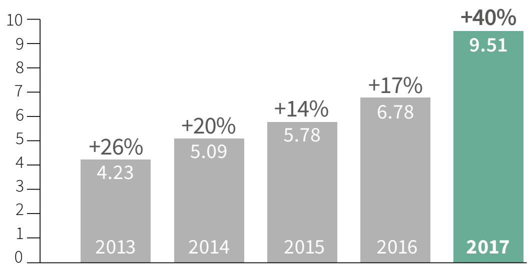
In another successful year, new business from clients, combined with positive growth in underlying investments, resulted in an increase in total FUM to £90.7 billion, growth of 20% over the year. This growth feeds through directly to the financial performance in the year.

Gross Inflows (£'Billion)



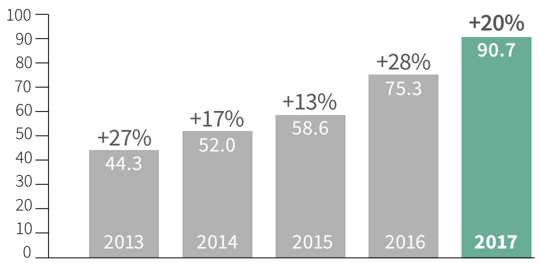
Gross inflows are the gross new investment and pensions business (principally single premium) received during the year. We aim to grow Gross Inflows by 15% to 20% per annum over the long term, which we surpassed in 2017.

Net Inflows (£'Billion)



Retention of funds is a result of satisfied clients and is essential if the FUM is to continue to grow. Growth of 40% 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.

Funds under Management (£'Billion)



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

FINANCIAL

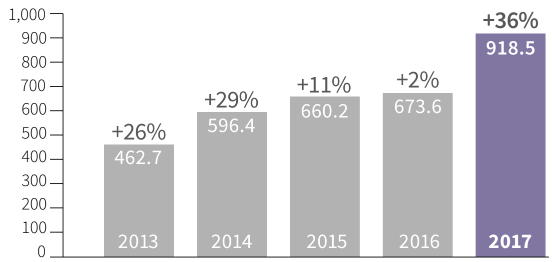
Objective

To achieve sustainable growth in reported profit on all measures.

Progress during 2017

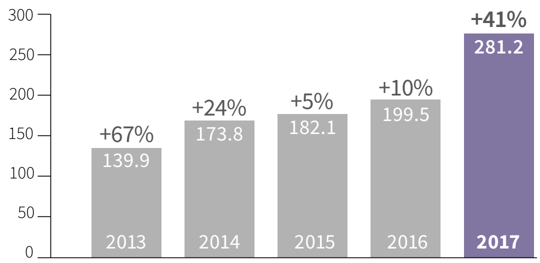
Our business model is simple and is aligned with the needs of both our clients and our Partners. Strong performance in those areas combined with positive investment performance to underpin the financial results. We are pleased to report a continuation of the trend of recent years.

EEV Operating Profit before Tax (£'Million)



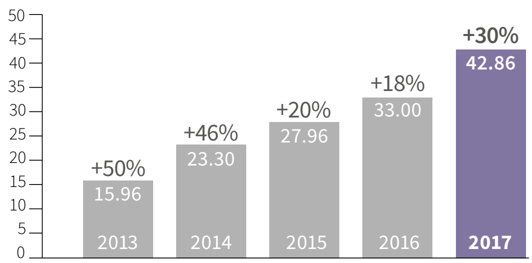
The European Embedded Value (EEV) reporting basis assesses the full value of the emergence of shareholder cash returns over the long term. New business (Gross Inflows) is the most significant underlying driver of EEV operating profit. An increase in Gross Inflows of 29%, along with operational economies of scale achieved as fixed expenses are spread across more new business and positive operating assumption changes drove a 36% increase in EEV operating profit before tax year on year.

Underlying Cash Result (£'Million)



Underlying cash profit reflects the regular emergence of cash from the business operations whilst also reflecting the impact of the strategic investments we are making. Underlying cash profit was up 41% reflecting the continuing growth in the business.

Dividends (Pence per share)



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 30% in dividend in the year, bringing the total increase over the last five years to 303%.

Chief Financial Officer's Report

The business fundamentals have performed very strongly against a backdrop of uncertainty.

Underlying cash result

£281.2m

2016: £199.5m

EEV operating profit

£918.5m

2016: £673.6m

Full year dividend

42.86p

2016: 33.0p per share

As already stated in the Chief Executive's Report, Gross and Net Inflows in 2017 grew by 29% and 40% respectively and we completed the year with £90.7 billion of funds under management, growth of 20% compared to 31 December 2016.

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

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

FINANCIAL RESULTS

Whilst our financial business model remains straightforward, the impact of having a significant life insurance company at the heart of the Group results in accounting complexity under IFRS. For this reason we continue, in our Financial Review on pages 24 to 44, to supplement IFRS information with EEV information as well as further detail on the way in which cash emerges within the business. The Financial Review shows strong results on every measure but there are a number of factors that merit emphasis:

1. Our contribution to the Financial Services Compensation Scheme for 2017 pre-tax was £21.2 million (2016: £17.2 million). This negatively impacted post tax results for the Group by £17.1 million in 2017 (2016: £13.7 million).
2. We continue to invest in growing the Partnership and the number of advisers within it. In particular we invested £6.6 million post tax in our Academy and Next Generation Academy (2016: £5.8 million) and saw 124 qualified advisers graduate during the year.
3. Our Asia and DFM operations are medium- to long-term investments and are developing well. During the year, investment in these areas of future growth amounted to £22.0 million post tax (2016: £15.4 million).
4. Our back-office infrastructure initiative has been a multi-year project and in 2017 we had progressed to the point where approximately two thirds of new business was written using the new Bluedoor system. By 31 December 2017, 31% of all funds under management were recorded on the new platform (2016: 26%). Costs in 2017 were £21.7 million post tax (2016: £16.7 million).

Last year, we reassessed the fair value of investment contract liabilities in order to reflect recent experience and match the encashment values of client investments. As explained in last year's Chief Financial Officer's Report, this had, and will continue to have, no impact on IFRS profit before tax. However, it has significantly increased the operating cash result for new business, which for 2017 was positive £10.5 million (2016: negative £80.2 million). This positive impact is a consequence of more cash being recognised at the point at which business is written whereas in the past it emerged in the cash result over a six year period.

IFRS Result

The IFRS profit after tax was £145.8 million (2016: £111.7 million). The results continue to be impacted by IFRS requirements to defer income and costs associated with new business and the significant excess of income over expense subject to this deferral continues to result in a net reduction to IFRS profit. Nonetheless, the IFRS profit after tax has increased as a result of the increase in funds under management which is the long-term driver of profit.

The Underlying profit before shareholder tax was £245.1 million (2016: £163.5 million). This measure excludes the impact of the deferral accounting explained above and is therefore more sensitive to new business. The result for 2017 is underpinned by increased funds under management but also reflects a 29% increase in Gross Inflows for the year.

Cash Result (presented post tax)

The Operating cash result for the year was £315.2 million (2016: £226.0 million), growth of 39%. This result reflects the positive impact of continued growth in funds under management and also increased expenses incurred to both support and grow the business.

As we explained previously, last year's reassessment of investment contract liabilities has also had a positive impact on the Cash result because it results in an earlier emergence of cash on new Investment and Pensions business. This earlier emergence will continue with future new business.

Operating cash is then used for investment in the Academy, our Asian operations, our new DFM offering and other strategic investments. The total post tax investment during the year was £34.0 million (2016: £26.5 million) resulting in the Underlying cash result of £281.2 million (2016: £199.5 million), growth of 41%.

The Cash result was £252.6 million (2016: £175.4 million) represented by the Underlying cash result adjusted for the cost of the back-office infrastructure investment and a number of one-off items detailed in the Financial Review on page 37.

It is important to note that the cash, operating cash and underlying cash results should not be confused with the IFRS consolidated statement of cash flows which is prepared in accordance with IAS 7 and disclosed on page 129.

EEV Result

The EEV new business contribution for the year was £779.8 million (2016: £520.2 million) growth of 50%. This reflects both the increase in new business together with operational economies of scale achieved as fixed costs are spread across more business.

The EEV operating profit for the year was £918.5 million (2016: £673.6 million), growth of 36%. This reflected the strong growth in EEV new business contribution above, but also the positive effect of improved retention assumptions and operational economies of scale.

A continued rise in the value of global stocks resulted in an investment return variance of £340.8 million building on the positive variance of £537.2 million in the prior year.

Total EEV profit before tax for the year was therefore £1,289.1 million compared with £1,198.4 million for the prior year. The net asset value per share on an EEV basis at the end of the year was 1,067.5 pence (31 December 2016: 900.7 pence).

DIVIDEND

At the half year we increased the interim dividend by 25% to 15.41 pence and stated an intention to grow the full year dividend by a similar amount. Given the continued strong performance of the business during the second half of 2017, the Board has recommended a final dividend of 27.45 pence per share, an increase of 33% which will consume £145.2 million. This will provide for a full year dividend of 42.86 pence per share, growth of 30%.

This will result in an 80% full year pay-out ratio to Underlying cash and our expectation is that going forward future dividends will be set using this higher pay-out ratio.

CAPITAL AND SOLVENCY

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

We assess our solvency against a management solvency buffer (MSB). During 2017 we completed a review of our Life business MSB, which, despite growth in the businesses, has resulted in a release of £82.0 million. This has been partially offset by an increase in solvency requirements for the rest of the Group, resulting in an overall release of £65.1 million. The MSB held by the Group reduced from £527.0 million at 31 December 2016 to £461.9 million at 31 December 2017. Further details of the MSB review are provided on page 39. Management free assets are £1,095.1 million at 31 December 2017 (31 December 2016: £1,070.0 million), well in excess of the Group MSB.

We provide information on our Solvency II position on page 40. Our solvency ratio at 31 December 2017, prior to the payment of the proposed final dividend, is 139% (31 December 2016: 147%) which demonstrates the financial strength of the business.

CONCLUDING REMARKS

The business fundamentals and financials are in very good shape. The cash result is expected to continue to grow, even alongside the significant investments we are making. We are therefore pleased to be able to set an expected dividend policy based on a pay-out ratio to Underlying cash of 80%.

Our business is long term in nature with emergence of shareholder value over time. The growth we have reported therefore bodes well for the future.

Craig Gentle
Chief Financial Officer
27 February 2018

Financial Review

THE FINANCIAL MODEL

The Group's strategy is to attract and retain retail Funds under Management (FUM) on which we receive an annual management fee for as long as the clients remain invested. This is the principal source of income for the Group out of which we meet the overheads of the business, invest in growing the Partnership and invest in acquiring new FUM.

The level of income is dependent on the level of client funds and the level of asset values. In addition, since around half of our business does not generate net cash result in the first six years, the level of income will increase as a result of new business from six years ago becoming cash generative. This deferral of cash generation means the business always has six years' worth of funds in the 'gestation' period. More information about our fees on Funds under Management can be found in Section 1 on page 28.

Group expenditure is carefully managed with clear targets set for growth in Establishment expenses in the year. Many other expenses increase with business levels and are met from margins in the products. The Group also invests in ensuring the quality of our proposition for clients and Partners, through investment in new client services and existing IT systems. Finally, we are also looking to the future, with investment in our back-office infrastructure programme and strategic initiatives, including the Academy, Asia and DFM. More information about our expenses can be found in Section 2 on page 30.

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 together with investment in future back-office and administrative capabilities.

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

PERFORMANCE MEASUREMENT

In line with statutory reporting requirements we report profits assessed on an International Financial Reporting Standards (IFRS) basis. However, given the long-term nature of the business and the high level of investment in new business generation each year, we believe the IFRS result does not provide an easy guide to the cash likely to emerge in future years, nor does it reflect the total economic value of the business. Therefore, consistent with last year, we complement IFRS reporting with additional disclosure on various alternative performance measures (APMs).

APMs are not defined by the relevant financial reporting framework (which for the Group is IFRS), but we use them to provide greater insight to the financial performance, financial position and cash flows of the Group and the way it is managed. Summary information about the key APMs used in our Financial Review is provided in the following table, and we also provide a complete Glossary of Alternative Performance Measures on page 204, in which we define each APM and explain why it is used and, if applicable, how the measure can be reconciled to the IFRS financial statements.

APM	Definition	Why is this measure used?	Reconciliation to the financial statements
Solvency II net assets	Based on IFRS Net Assets, but with the following adjustments: 1. Reflection of the recognition requirements of the Solvency II regulations for assets and liabilities. In particular this removes deferred acquisition costs (DAC), deferred income (DIR), purchased value of in-force (PVIF) and their associated deferred tax balances, other intangibles and some other small items which are treated as inadmissible from a regulatory perspective; and 2. Adjustment to remove the matching client assets and the liabilities as these do not represent shareholder assets. No adjustment is made to deferred tax, except for that arising on DAC, DIR and PVIF, as this is treated as an allowable asset in the Solvency II regulation.	Our ability to satisfy our liabilities to clients, and consequently our solvency, is central to our business. By removing the liabilities which are fully matched by assets, this presentation allows the reader to focus on the business operation. It also provides a simpler comparison with other wealth management companies.	Refer to page 35.

APM	Definition	Why is this measure used?	Reconciliation to the financial statements
Cash result, Underlying cash result and Operating cash result	The Cash result is defined as the movement between the opening and closing Solvency II net assets adjusted for the following items: 1. The movement in deferred tax is removed to reflect just the cash realisation from the deferred tax position; 2. The movements in goodwill and other intangibles, which are excluded from the Solvency II net assets, are re-instated in the Cash result; and 3. Other changes in equity, such as dividends paid in the year and share option costs, are excluded. The **Operating cash result** reflects the regular emergence of cash from the business operations. The **Underlying cash result** additionally reflects the cash impact of the strategic investments we are making. Finally, the **Cash result** reflects all other cash items, including those whose emergence is volatile, varying over time and often influenced by markets, together with the short-term costs associated with the back-office infrastructure project. Neither the cash result nor the underlying cash result should be confused with the IFRS consolidated statement of cash flows which is prepared in accordance with IAS 7.	IFRS income statement methodology recognises non-cash items such as deferred tax and share options. By contrast, dividends can only be paid to shareholders from appropriately fungible assets. The Board therefore uses the cash results to monitor the level of cash generated by the business. While the Cash result gives an absolute measure of the cash generated in the year, the Underlying and Operating cash results are particularly useful for monitoring the expected long-term rate of cash emergence, which supports dividends and sustainable dividend growth.	Refer to pages 32 and 37 and also see Note 3 – Segment Profit.
Policyholder and Shareholder tax	Shareholder tax is estimated by making an assessment of the effective rate of tax that is applicable to the shareholders on the profits attributable to shareholders. This is calculated by applying the appropriate effective corporate tax rates to the shareholder profits. The remainder of the tax charge represents tax on policyholder's investment returns. This calculation method is consistent with the legislation relating to the calculation of tax on shareholder profits.	The UK tax regime facilitates the collection of tax from life insurance policyholders by making an equivalent charge within the corporate tax of the Company. The total tax charge for the insurance companies therefore comprises both this element and an element more closely related to normal corporation tax. Life insurance business impacted by this tax typically includes policy charges which align with the tax liability, to mitigate the impact on the corporate. As a result when policyholder tax increases, the charges also increase. Given these offsetting items can be large, and typically don't perform in line with the business, it is beneficial to be able to identify the two elements separately. We therefore refer to that part of the overall tax charge, which is deemed attributable to policyholders, as policyholder tax, and the rest as shareholder tax.	Disclosed as separate line items in the statement of comprehensive income on page 126.

APM	Definition	Why is this measure used?	Reconciliation to the financial statements
Profit before shareholder tax	A profit measure which reflects the IFRS result adjusted for policyholder tax, but before deduction of shareholder tax. Within the consolidated statement of comprehensive income the full title of this measure is "Profit before tax attributable to shareholders' returns".	The IFRS methodology requires that the tax recognised in the financial statements should include the tax incurred on behalf of policyholders in our UK life assurance company. Since the policyholder tax charge is unrelated to the performance of the business, we believe it is useful to also separately identify the profit before shareholder tax, which reflects the IFRS profit before tax, adjusted only for tax paid on behalf of policyholders.	Disclosed as a separate line item in the statement of comprehensive income on page 126.
Underlying profit	A profit measure which reflects the IFRS result adjusted to remove the movements in DAC, DIR and PVIF balances.	The IFRS methodology promotes recognition of profits in line with the provision of services and so, for long-term business, some of the initial cash flows are spread over the life of the contract through the use of intangible assets and liabilities (DAC and DIR). Due to the retail distribution review (RDR) regulation change in 2013, there was a step change in the progression of these items in our financial statements, which resulted in significant accounting presentation changes despite the fundamentals of our vertically-integrated business remaining unchanged. We therefore believe it is useful to consider the IFRS result having removed the impact of movements in these intangibles as it better reflects the underlying performance of the business.	Refer to page 32.
EEV operating profit	A discounted cash flow valuation methodology, assessing the long-term economic value of the business. Our embedded value is determined in line with the EEV principles, originally set out by the Chief Financial Officers (CFO) Forum in 2004, and amended for subsequent changes to the principles, including those published in April 2016, following the implementation of Solvency II. The EEV operating profit reflects the total EEV result with an adjustment to strip out the impact of stock market and other economic effects during the year.	Both the IFRS and cash results reflect only the cash flows in the year. However, our business is long term, and activity in the year can generate business with a long-term value. We therefore believe it is helpful to understand the full economic impact of activity in the year, which is the aim of the EEV methodology. Within the EEV, many of the future cash flows derive from fund charges, which change with movements in stock markets. Since the impact of these changes is typically unrelated to the performance of the business, we believe that the EEV operating profit (reflecting the EEV profit, adjusted to reflect only the expected investment performance and no change in economic basis) provides the most useful measure of embedded value performance in the year.	See Note 3 – Segment Profit.

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 2017 we have seen gross new funds of £14.60 billion (2016: £11.35 billion), growth of 29% and a net inflow of funds under management of £9.51 billion (2016: £6.78 billion), growth of 40%. The investment return contributed £6.20 billion (2016: £8.71 billion) to funds under management during the year reflecting growth in world stock markets. Given the strong net inflow, and the positive investment performance, funds under management increased to £90.75 billion (2016: £75.31 billion).

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

Year Ended 31 December 2017	Investment	Pension	UT/ISA & DFM	Total
	£'Billion	£'Billion	£'Billion	£'Billion
Opening funds under management	25.88	28.25	21.18	75.31
Gross inflows	2.49	7.26	4.85	14.60
Net investment return	1.69	2.70	1.81	6.20
Regular income withdrawals and maturities	(0.56)	(0.96)	–	(1.52)
Surrenders and part surrenders	(1.06)	(0.96)	(1.55)	(3.57)
Matching strategy disinvestment	(0.13)	(0.14)	–	(0.27)
Closing funds under management	28.31	36.15	26.29	90.75
Net inflows	0.87	5.34	3.30	9.51
Implied surrender rate as a percentage of average funds under management	3.9%	3.0%	6.5%	4.3%

Included within "UT/ISA & DFM" are closing funds under management of £2.10 billion, Gross Inflows of £0.49 billion and outflows of £0.10 billion in relation to the Rowan Dartington Group funds under management.

Year Ended 31 December 2016	Investment	Pension	UT/ISA & DFM	Total
	£'Billion	£'Billion	£'Billion	£'Billion
Opening funds under management	22.52	20.86	15.23	58.61
Rowan Dartington acquisition	–	–	1.26	1.26
Gross inflows	2.28	5.12	3.95	11.35
Net investment return	2.50	4.02	2.19	8.71
Regular income withdrawals and maturities	(0.52)	(0.84)	(0.11)	(1.47)
Surrenders and part surrenders	(0.90)	(0.91)	(1.29)	(3.10)
Rowan Dartington – Ardan International disposal	–	–	(0.05)	(0.05)
Closing funds under management	25.88	28.25	21.18	75.31
Net inflows	0.86	3.37	2.55	6.78
Implied surrender rate as a percentage of average funds under management	3.7%	3.7%	6.8%	4.6%

Included within "UT/ISA & DFM" are closing funds under management of £1.57 billion, Gross Inflows of £0.42 billion and outflows of £0.16 billion in relation to the Rowan Dartington Group funds under management. Also included is the £0.05 billion reduction in funds under management relating to the disposal of Rowan Dartington's non-core international platform business, Ardan International, in December 2016.

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 2017		31 December 2016	
	£'Billion	% of total	£'Billion	% of total
North American Equities	20.0	22%	17.5	23%
UK Equities	19.3	21%	17.3	23%
Fixed Income Securities	16.7	19%	12.8	17%
European Equities	10.5	12%	8.2	11%
Asia and Pacific Equities	8.5	9%	6.2	8%
Cash	6.6	7%	6.0	8%
Property	2.9	3%	2.4	3%
Alternative Investments	2.6	3%	1.9	3%
Other	3.6	4%	3.0	4%
Total	90.7	100%	75.3	100%

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

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

Year	31 December 2017 Total	31 December 2016 Total
	£'Billion	£'Billion
2011	–	2.4
2012	2.9	2.9
2013	4.0	4.0
2014	4.5	4.4
2015	5.3	5.3
2016	6.3	6.1
2017	7.6	–
Total	30.6	25.1

This £30.6 billion of funds under management in the gestation period represents approximately a third of the total funds under management. If all the business reached the end of the gestation period, it would then contribute some £235.6 million to the annual post-tax cash result, calculated using the Group's average net annual management fee of 0.77% (post tax).

The Business Case for Continued Investment in Growth in FUM

The Group invests in order to:

- Continue building capacity and attract new funds;
- Enhance the Group's future capability to grow; and
- Develop administration systems and processes that will accommodate growth, contribute to future improvements in Partner and client experience, and reduce the cost of processing.

Building Capacity and Attracting New Funds

The Group has continued to invest in expanding high-quality adviser capacity, with total adviser numbers growing by 7% during the year from 3,415 in 2016 to 3,661 at 31 December 2017. At the same time gross inflows increased by 29% which contributed to an overall net increase in funds under management of £15.4 million, or 20%.

As previously reported, the reassessment of the investment contract liability that was implemented at 31 December 2016 has had a significant positive impact on the pattern of cash emergence for new business. As a result, the operating cash result on new business is now positive £10.5 million (2016: negative £80.2 million). The emergence of this cash result takes time to be reflected within IFRS profit as a result of the action of the DIR, but provides a useful reminder of the future value embedded within the business.

On an EEV post tax basis, the expected present value of this new business is £642.0 million (2016: £427.8 million).

Investing in the Group's Future Capability to Grow

Academy

Investment in our Academy and Next Generation Academy is in anticipation of medium- and long-term pay-back. We have now categorised the associated costs as investment related for over five years on the basis that it would take a certain amount of time for individuals starting their training to be productive. In 2017, 124 individuals graduated from the Academy and the Next Generation Academy, and we expect the 2018 equivalent to be 140. By the end of 2018, we expect to have over 500 Academy and Next Generation Academy graduates active as advisers, and so, reflecting the fact that this has become core to our operations, from 2019 onwards we will include the cost of our Academy within our new business Operating cash result.

Rowan Dartington

Our DFM business now has £2.10 billion of funds under management, growth of 34% from £1.57 billion at 31 December 2016. We continue to invest in operational, regulatory and IT infrastructure to provide the business with a robust platform for growth in the future. We expect funds under management will grow at a similar rate over the next few years and anticipate reclassifying DFM from Investment to business as usual by 2020.

Asia

Our investment in Hong Kong, Singapore and Shanghai is long-term in nature and we now have 120 advisers on board, and a fully licensed and operational Life Company in Hong Kong to complement our branch in Singapore. The business is growing strongly and will contribute a positive EEV in the next few years.

Investing in Next Generation Administration Systems and Processes

The most significant investment in this category is in a new back-office infrastructure which represents a multi-year programme to ensure our future systems and processes can support our overall business goals. As we have reported previously, our Unit Trust and ISA propositions are now administered using the Bluedoor platform and in 2016 and early 2017, the focus was on the launch of a new Retirement Account meaning that new pensions business is now also administered on Bluedoor.

The result of the progress made to date is that approximately two-thirds of all business written in 2017 was done so using Bluedoor and as at 31 December 2017 31% of total FUM was on Bluedoor (2016: 26%). The next significant phase will be the migration of existing pension and drawdown business, and plans for the final key migrations are being prepared. We anticipate heightened activity levels throughout 2018 and into 2019 in order to complete the project. This is likely to result in costs in 2018 being ahead of 2017.

SECTION 2: EXPENSES

Management Expenses

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

	Note	Year Ended 31 December 2017	Year Ended 31 December 2016
		£'Million	£'Million
Establishment costs	1	191.7	160.7
Other performance related costs	2	133.5	104.0
Operational development costs	3	19.3	17.0
Strategic development costs	4	6.7	6.6
Academy costs	5	8.2	7.2
Asia costs	6	15.6	13.8
DFM costs	7	18.7	12.9
Back-office infrastructure development	8	26.8	20.9
Regulatory fees	9	8.3	8.3
FSCS levy	9	21.2	17.2
		450.0	368.6

Notes:

1. Establishment costs are the running costs of the Group's infrastructure, which although relatively fixed in nature will inevitably increase with inflation, but also as the infrastructure expands to manage higher numbers of clients, growing numbers of advisers and increasing business volumes. Establishment costs in 2017 have been higher than expected due to strong business growth.
2. Other performance related costs, for both Partners and employees, vary with the level of new business and operating profit performance of the business.
3. Operational development costs represent business as usual expenditure to support the business, such as the on-going development of our investment proposition and our technology, including focus on cyber security. We expect costs in 2018 will grow in line with the business.
4. As a growth business we are constantly looking to new opportunities and expect to incur a small level of ongoing expense associated with pursuing other strategic developments. We will continue to explore opportunities and undertake appropriate initiatives.
5. The Academy is an important strategic investment for the future and we are continuing to grow our investment in this programme. Costs have increased in recent years as we have increased the number of students within the programme and launched more regional academies.

   Our investment in the Academy will continue in 2018 with expected costs of some £10.0 million.
6. Our expansion into Asia through operations in Singapore, Hong Kong and Shanghai is intended to provide diversification of our growth model through exporting our successful wealth management proposition to new markets, starting with the UK expat market. Costs reflect both the ongoing operational costs, but also the development costs associated with growing these businesses to achieve sustainable scale.

   Our investment will continue in 2018 and we expect expenses to increase by £2 to 3 million, but the level of investment reflected in the Cash result will be similar as a result of offsetting increases in Asia income.
7. Our DFM operation, which became part of the SJP proposition in March 2016 following the Rowan Dartington acquisition, continues to grow quickly. Investment is required to support this growth, and we expect that expenses in 2018 will be some £6 to 7 million higher. However, the level of investment reflected in the Cash result will be at a similar level as a result of offsetting increases in DFM income.
8. Our back-office infrastructure programme is a multi-year initiative to upgrade our administration so it can support our future business goals. Having achieved the migration of our ISA and Unit Trust proposition to our new Bluedoor platform in 2015, the focus in 2016 and early 2017 has been the launch of a new Retirement Account with the intention of migrating pension and drawdown business onto the new system in 2018. With the final key migrations being planned, we expect heightened activity levels through 2018 and into 2019 in order to complete the project. This is likely to result in costs in 2018 being ahead of 2017.
9. The costs of operating in a regulated sector include fees charged by the regulators and our contribution to the Financial Services Compensation Scheme (FSCS). Our position as a market-leading provider of advice, means we make a very substantial contribution to supporting the industry compensation scheme, the FSCS, thereby providing protection for clients of other sector businesses that fail. Over the last few years, the levy has been at an elevated level and we remain hopeful that it will return to a more normalised level in future, albeit we now expect a fourth year of an elevated contribution in the 2018/19 funding year. The FSCS levy is met by our various regulated companies and is split £18.9 million (2016: £16.5 million) via the Distribution business and £2.3 million (2016: £0.7 million) via the Life and Unit Trust regulated business.

Group Expenses

The table below provides a reconciliation from the management expenses above to the total Group expenses included in the IFRS consolidated statement of comprehensive income on page 126.

	Note	Year Ended 31 December 2017	Year Ended 31 December 2016
		£'Million	£'Million
Expenses per previous table		450.0	368.6
Payments to Partners	1	709.0	599.7
Investment expenses	1	83.4	67.9
Third party administration	1	89.9	74.2
Acquired IFA operating costs		3.8	3.1
Amortisation of DAC and PVIF, net of additions		65.0	63.4
Share-based payment expenses		32.7	23.9
Share-based payment national insurance expense		3.4	1.9
Interest expense and bank charges		5.6	6.2
Donations to the St. James's Place Charitable Foundation	2	11.0	3.4
Other		13.8	12.8
		1,017.6	856.5
Total IFRS Group expenses		1,467.6	1,225.1

Notes:

1. These costs are met from corresponding margins and any variation in them from changes in the volumes of new business or the level of the stock markets does not directly impact the profitability of the Group.
2. Costs in 2017 reflect double matching of contributions for the year in recognition of the Group's 25th Anniversary.

Financial Review continued

SECTION 3: INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

- **Profit before shareholder tax**
  This is a profit measure based on IFRS which removes the impact of policyholder tax.
- **Underlying profit**
  This is profit before shareholder tax adjusted to remove the impact of accounting for DAC, DIR and PVIF.

Of these two measures, Underlying profit is considered to be the most helpful for assessing operating performance given its greater similarity with the way in which cash emerges within the Group. Further information on these IFRS-based alternative performance measures can be found on page 26.

IFRS Profit Before Tax

The following table demonstrates the way in which profit before shareholder tax is presented in the IFRS consolidated statement of comprehensive income on page 126:

	Year Ended 31 December 2017	Year Ended 31 December 2016
	£'Million	£'Million
IFRS profit before tax	342.1	486.3
Policyholder tax	(156.0)	(345.7)
Profit before shareholder tax	186.1	140.6

Policyholder tax is accounted for as part of the Group's own corporation tax arrangements. The amount to be accounted for is a reflection of investment return in the underlying funds. The significant reduction in policyholder tax in 2017 is matched by an equivalent reduction in policyholder fund tax deductions that are credited to fee and commission income within the IFRS statement of comprehensive income, and hence IFRS profit before policyholder tax. These fund deductions are similarly unrelated to the performance of the business and for this reason profit after policyholder tax (i.e. Profit before shareholder tax) is the measure used.

IFRS Profit After Tax

	Year Ended 31 December 2017	Year Ended 31 December 2016
	£'Million	£'Million
Profit before shareholder tax	186.1	140.6
Shareholder tax	(40.3)	(28.9)
IFRS profit after tax	145.8	111.7

Shareholder tax reflects the tax charge attributable to shareholders and is closely related to the performance of the business.

The following table demonstrates the way in which IFRS profit and Underlying profit reconcile to the Cash result presented in Section 4:

	Year Ended 31 December 2017		Year Ended 31 December 2016	
	Before shareholder tax	After tax	Before shareholder tax	After tax
	£'Million	£'Million	£'Million	£'Million
IFRS profit	186.1	145.8	140.6	111.7
Remove the impact in the year of DAC/DIR/PVIF	59.0	48.1	22.9	16.8
Underlying profit	245.1	193.9	163.5	128.5
Non-cash settled share-based payments	30.5	30.5	23.9	23.9
Deferred tax impacts	–	15.0	–	21.1
Other	14.7	13.2	6.2	1.9
Cash result	290.3	252.6	193.6	175.4

	Year Ended 31 December 2017	Year Ended 31 December 2016
	Pence	Pence
IFRS basic earnings per share	27.8	21.5
IFRS diluted earnings per share	27.4	21.3

The following table shows an analysis of Underlying profit before shareholder tax by activity:

	Year Ended 31 December 2017	Year Ended 31 December 2016
	£'Million	£'Million
Life business	257.8	165.8
Unit Trust and DFM business	113.2	92.3
Funds management business	371.0	258.1
Distribution business	(31.9)	(25.9)
Back-office infrastructure development	(26.8)	(20.9)
Other	(67.2)	(47.8)
Underlying profit before shareholder tax	245.1	163.5

Funds Management Business

The Underlying profit, which excludes DAC, DIR and PVIF movements for the year, was £371.0 million, which was 44% higher than the prior year (2016: £258.1 million). The key driver for this improvement in performance is the increase in fee income from higher funds under management during the year.

Distribution Business

An analysis of the distribution result shown above is as follows:

	Year Ended 31 December 2017	Year Ended 31 December 2016
	£'Million	£'Million
Distribution gross profit	105.4	87.1
Administrative expenses	(93.2)	(73.1)
Investment in Partnership growth	(11.3)	(10.2)
FSCS levy	(18.9)	(16.5)
Distribution loss	(18.0)	(12.7)
Asia distribution loss	(13.9)	(13.2)
Total distribution loss	(31.9)	(25.9)

The result for the Distribution business reflects continued significant investment in future growth, investment in our new businesses in Asia, and the impact of the FSCS costs which continue to run at elevated rates.

Other

Items categorised within other are as follows:

	Year Ended 31 December 2017	Year Ended 31 December 2016
	£'Million	£'Million
Academy	(8.2)	(7.2)
Other development expenditure	(6.1)	(8.5)
Donations to the St. James's Place Charitable Foundation	(11.0)	(3.4)
Non-cash settled share-based payments	(30.5)	(23.9)
Other share-based payment costs including NI	(5.6)	(1.9)
Other	(5.8)	(2.9)
Total	(67.2)	(47.8)

DAC, DIR and PVIF

The following table sets out the impact of IFRS accounting for DAC, DIR and PVIF:

	Year Ended 31 December 2017		Year Ended 31 December 2016	
	Before shareholder tax	After tax	Before shareholder tax	After tax
	£'Million	£'Million	£'Million	£'Million
Amortisation of DAC	(98.7)	(80.4)	(101.8)	(82.3)
Amortisation of DIR	150.4	122.7	100.5	81.5
Amortisation of PVIF	(3.2)	(2.6)	(3.2)	(2.6)
DAC on new business for the year	36.9	30.3	44.7	37.4
DIR on new business for the year	(144.4)	(118.1)	(63.1)	(52.9)
Tax rate change	–	–	–	2.1
Movement in year	(59.0)	(48.1)	(22.9)	(16.8)

Income and Expense Deferral Rates

The effect of our IFRS accounting policies is that substantially all income deferred is amortised over a six year period and substantially all expense deferred is amortised over a 14 year period.

Impact of RDR in 2013

One of the impacts of RDR in 2013 was that under IFRS, from that point on, fewer expenses would qualify for deferral. This has resulted in a period of transition where the continued amortisation of expenses previously deferred will significantly outweigh new expenses deferred. Although this position will eventually reverse, it results in a net negative impact on IFRS profits until the reversal takes place.

Impact of the 2016 Reassessment of the Investment Contract Liability

The reassessment carried out in 2016 had, and will have, no impact on the IFRS profit and comprehensive income for the year. This is because amounts that were recognised as an accelerated emergence of Cash result in 2016, together with the accelerated emergence of Cash result reflected in the New business margin for 2017, have been deferred over a six year period starting on the date the business was written. This is the key driver behind both the increase in income deferred and also the amount of amortisation.

Impact of the Continued Growth in New Business

Continued growth in new business has the effect of increasing the amount of income deferred in each accounting period and the corresponding DIR amortisation over the following six years.

With growth in new business comes an increase in costs required to be deferred. These are then amortised over 14 years but as can be seen above, the amount of expense that qualifies for deferral is significantly exceeded by the amount of income required to be deferred. This will result in a continued net deferral of emergence of IFRS profits, and the net amortisation impact will grow in line with the long-term business growth rate.

Analysis of IFRS Assets and Net Assets per Share

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

	31 December 2017	31 December 2016
	£'Million	£'Million
Purchased value of in-force(1)	22.4	25.0
Deferred acquisition costs(1)	539.0	587.0
Deferred income(1)	(608.4)	(607.9)
Other IFRS net assets	10.0	1.5
Solvency II net assets	1,095.1	1,070.0
Total IFRS net assets	1,058.1	1,075.6

(1) Net of deferred tax

	31 December 2017	31 December 2016
	Pence	Pence
Net asset value per share	200.0	203.9

SECTION 4: CASH RESULT DERIVED FROM IFRS AND SOLVENCY II NET ASSETS BALANCE SHEETS

This section sets out the Cash result for the year and the way in which the Solvency II net asset balance sheet, from which it is derived, is prepared using the IFRS balance sheet as a source. Further analysis on the Cash result basis is presented in the Supplementary Information on pages 190 to 198.

Solvency II Net Assets Balance Sheet

The Group's consolidated IFRS balance sheet is largely dominated by a number of material balances that reflect policyholder interests in unit linked liabilities together with the underlying assets that are held to match them.

To determine the Solvency II net assets balance sheet, policyholder interests in unit-linked assets and liabilities, plus a number of other items including intangible assets and certain 'accounting' balances such as DIR, DAC and associated deferred tax, are removed. Given the relevance of the resulting Solvency II net assets balance sheet to shareholders, we believe it is helpful to show how it is calculated and how the cash result has contributed to its year on year movement.

31 December 2017	IFRS Balance Sheet	Adjustment 1	Adjustment 2	Solvency II Net Assets Balance Sheet	Solvency II Net Assets Balance Sheet: 2016
	£'Million	£'Million	£'Million	£'Million	£'Million
Assets					
Goodwill	15.6	–	(15.6)	–	–
Deferred acquisition costs	623.0	–	(623.0)	–	–
Purchased value of in force business	27.2	–	(27.2)	–	–
Developments	2.4	–	(2.4)	–	–
Property and equipment	26.4	–	–	26.4	23.1
Investment property	1,630.9	(1,630.9)	–	–	–
Equities	55,086.9	(55,086.9)	–	–	–
Fixed income securities	17,180.7	(17,134.6)	–	46.1	47.7
Investment in Collective Investment Schemes	5,903.4	(4,486.6)	–	1,416.8	867.4
Derivative financial instruments	343.4	(343.4)	–	–	–
Reinsurance assets	82.8	–	(82.8)	–	–
Cash and cash equivalents	7,280.6	(7,005.9)	–	274.7	345.9
Other receivables	1,620.0	(475.9)	(21.7)	1,122.4	1,222.8
Deferred tax assets	182.7	–	(38.6)	144.1	157.7
Total assets	90,006.0	(86,164.2)	(811.3)	3,030.5	2,664.6
Liabilities					
Insurance contract liabilities	544.6	(459.0)	(85.6)	–	–
Borrowings	279.9	–	–	279.9	281.4
Investment contract benefits	64,014.3	(64,014.3)	–	–	–
Derivative financial instruments	190.3	(190.3)	–	–	–
Net asset value attributable to unit holders	21,349.1	(21,349.1)	–	–	–
Other provisions	20.0	–	–	20.0	17.1
Other payables	1,231.2	(151.5)	–	1,079.7	789.0
Income tax liabilities	125.3	–	–	125.3	72.7
Deferred tax liabilities	546.8	–	(116.4)	430.4	434.3
Deferred income	646.3	–	(646.3)	–	–
Preference shares	0.1	–	–	0.1	0.1
Total liabilities	88,947.9	(86,164.2)	(848.3)	1,935.4	1,594.6
Net assets	1,058.1	–	37.0	1,095.1	1,070.0

Adjustments:

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

Movement in Solvency II Net Assets

The following table sets out the year on year movement in Solvency II net assets. As well as highlighting the Cash result, it also shows other movements such as dividend payments and non-cash movements such as deferred tax.

	Year Ended 31 December 2017	Year Ended 31 December 2016
	£'Million	£'Million
Opening Solvency II Net Assets	1,070.0	801.1
Dividend paid	(190.0)	(155.2)
Issue of share capital and exercise of options	7.5	6.6
Consideration paid for own shares	(11.3)	(5.5)
Movement in other reserves	–	0.2
Change in deferred tax	(15.0)	(17.2)
Change in tax discounting	(16.2)	–
Change in goodwill and intangibles	(2.5)	(2.4)
Investment contract liability reassessment	–	267.0
Cash result	252.6	175.4
Closing Solvency II Net Assets	1,095.1	1,070.0

Cash Result

Although the Cash result should not be confused with the IAS 7 consolidated statement of cash flows, we believe that it provides a helpful alternative view of the way in which cash is generated and emerges within the Group.

The cash result is derived from the movement in the IFRS Balance Sheet and the Solvency II Net Assets balance sheet within it as shown above.

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

- Operating cash result
  This measure represents the regular emergence of cash from day-to-day business operations.
- Underlying cash result
  This measure is the Operating cash result adjusted for the expense of a number of strategic investments which are being incurred and expensed in year but which are expected to create long-term benefit.
- Cash result
  This measure is the Underlying cash result adjusted for certain one-off items together with the short-term costs associated with the back-office infrastructure project.

Year Ended 31 December 2017	Note	In-Force	New Business	Total
		£'Million	£'Million	£'Million
Operational				
Net annual management fee	1	569.6	53.6	623.2
Reduction in fees in gestation period	1	(266.1)	–	(266.1)
Net income from funds under management	1	303.5	53.6	357.1
Margin arising from new business	2	–	129.4	129.4
Establishment expenses	3	(15.0)	(135.4)	(150.4)
Operational development expenses	3	–	(15.6)	(15.6)
Regulatory fees	3	(0.7)	(6.1)	(6.8)
FSCS levy	3	(1.7)	(15.4)	(17.1)
Shareholder interest	4	9.9	–	9.9
Tax relief from capital losses	5	12.1	–	12.1
Miscellaneous	6	(3.4)	–	(3.4)
Operating cash result		304.7	10.5	315.2
Investment				
Academy	7	–	(6.6)	(6.6)
Asia	7	–	(15.1)	(15.1)
DFM	7	–	(6.9)	(6.9)
Strategic development costs	7	–	(5.4)	(5.4)
Underlying cash result		304.7	(23.5)	281.2
Back-office infrastructure development	7			(21.7)
Variance	8			(6.9)
Cash result				252.6

Year Ended 31 December 2016	Note	In-Force	New Business	Total
		£'Million	£'Million	£'Million
Operational				
Net annual management fee	1	468.5	40.4	508.9
Reduction in fees in gestation period	1	(165.6)	(24.3)	(189.9)
Net income from funds under management	1	302.9	16.1	319.0
Margin arising from new business	2	–	49.0	49.0
Establishment expenses	3	(12.9)	(115.7)	(128.6)
Operational development expenses	3	–	(13.9)	(13.9)
Regulatory fees	3	(0.4)	(3.4)	(3.8)
FSCS levy	3	(1.4)	(12.3)	(13.7)
Shareholder interest	4	9.8	–	9.8
Tax relief from capital losses	5	12.6	–	12.6
Miscellaneous	6	(4.4)	–	(4.4)
Operating cash result		306.2	(80.2)	226.0
Investment				
Academy	7	–	(5.8)	(5.8)
Asia	7	–	(12.2)	(12.2)
DFM	7	–	(3.2)	(3.2)
Strategic development costs	7	–	(5.3)	(5.3)
Underlying cash result		306.2	(106.7)	199.5
Back-office infrastructure development	7			(16.7)
Variance	8			(7.4)
Cash result				175.4

	Year Ended 31 December 2017	Year Ended 31 December 2016
	Pence	Pence
Underlying cash basic earnings per share	53.6	38.2
Underlying cash diluted earnings per share	52.7	37.9
Cash basic earnings per share	48.2	33.6
Cash diluted earnings per share	47.4	33.4

Notes:

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

1. The net annual management fee is the manufacturing margin the Group retains from funds under management after payment of the associated costs (for example, investment advisory fees and Partner remuneration). Broadly speaking the Group receives an average net annual management fee of 0.77% (post tax) of funds under management (2016: 0.77% (post tax)).

   As noted on page 28 however, our investment and pension business product structure means that these products do not generate net cash result (after the initial margin) during the first six years, which we call the 'gestation period'. This effect is reflected through the reduction in fees in gestation period line. This deduction represents the offsetting of management fee income through the gestation period.

   The reduction in fees line has been impacted in 2017 by the reassessment of investment contract liabilities that took place at the end of 2016. The reassessment had the impact of bringing forward £267.0 million of cash emergence that would otherwise have emerged in the following six years within net income from funds under management.
2. Margin arising from new business: This is the cash impact of new business in the year, reflecting growth in new business, production related expenses and mix of new business.

   As noted previously, the reassessment of the investment contract liability at 31 December 2016 resulted in an increase in the level of initial margin on investment and pension business. This was the main driver for the increase between the two periods.
3. Expenses: These reflect the expenses of running the Group and more detail is provided in the table on page 30. In line with the rest of the table they are presented after allowance for tax.
4. Shareholder interest: This is the income accruing on the investments and cash held for regulatory purposes together with the interest received on the surplus capital held by the Group.
5. Tax relief from capital losses: In recent years, a deferred tax asset has been established for historic capital losses which are now regarded as being capable of utilisation over the medium term. Utilisation during the year of £12.1 million tax value (2016: £12.6 million) was slightly ahead of our expected rate of c. £10 to 12 million benefit in a year.
6. Miscellaneous: This represents the cash flow of the business not covered in any of the other categories, including ongoing administration expenses and associated policy charges, together with utilisation of the deferred tax asset in respect of prior years' unrelieved expenses (due to structural timing differences in the life company tax computation).
7. Strategic investments, including back-office infrastructure: These reflect significant investments in developing our business for the future. Further analysis of the expenses associated with these initiatives is presented in Section 2 on page 30 but all are expected to result in either additional funds (Academy, Asia and DFM) or expense savings (Back-office infrastructure) in the future. Advice margin and fees generated in Asia, and all fees generated by DFM, are reflected in the relevant line.
8. Variance: This principally reflects the impact of double matching for the Charitable Foundation during the year and other 25th anniversary costs. Costs arising from reviewing charges on legacy business were funded by one-off investment profits arising in the year. The prior year also reflected costs associated with reviewing charges in legacy business cohorts (2016: £6.6 million).

Liquidity

Included in the Solvency II net assets balance sheet are holdings in Fixed Interest Securities, Collective Investment Schemes and other cash and cash equivalents. It is our policy to always hold such assets in high credit quality liquid assets. An analysis of liquid asset holdings as at 31 December 2017 is provided below:

	31 December 2017	31 December 2016
	£'Million	£'Million
Fixed interest securities: government bonds	46.1	47.7
Collective investment schemes: money market funds	1,416.8	867.4
Cash and cash equivalents	274.7	345.9
Total liquid asset holdings	1,737.6	1,261.0

The Group's holdings in money market funds and cash and cash equivalent are spread across a number of different AAA rated unitised money market funds and approved banking counterparties. Diversification ensures that the Group's appetite for credit and liquidity risk are appropriately managed.

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

The key calls on liquidity are payments of Group dividends and investment to support the business. As noted previously, our expected dividend policy is based on a pay-out ratio to Underlying cash of 80%. We believe this will enable us to continue to invest in the business to support our growth aspirations.

Solvency

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

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

In the year ended 31 December 2016, we reassessed our approach to investment contract liabilities, and the revised approach of recording them at their encashment value resulted in a reduction in the liability of £267.0 million in the Life companies. Although this exercise was completed at 31 December 2016, the need for further work on the MSB proxy in the second year of Solvency II was flagged and a decision was made to reallocate the £267.0 million to the MSB, temporarily, in order that we would continue to hold unchanged total capital while the review was ongoing. However, at that point we explained that an asset–liability matching exercise would likely result in a reduction in our corporate exposure to market risk, and would therefore likely result in a reduction in risk capital requirement.

During the second half of 2017 we have competed our review of the MSB. The review was able to take into account stress and scenario testing completed as part of our 2017 ORSA process, together with our plans to continue investing in the business. It has also taken account of a forward Capital Management approach within our largest insurance company, the UK Life company, that will require capital to be equal to 110% of the Solvency II standard formula requirement. Given the risk profile of the business we consider this to be a prudent and sustainable policy.

Under normal circumstances we would expect the MSB to grow with the business, but as a result of this review we are able to reduce the MSB for the Life businesses this year from £437.0 million at 31 December 2016 to £355.0 million at 31 December 2017. As previously noted, we plan to manage capital in the Life businesses in order to meet the MSB, and therefore at this valuation we will be releasing the excess assets (including the reduction in MSB) and reducing capital to be in line with the MSB.

The following table demonstrates the movement in the MSB for the Life business over the year:

	2017	2016
	£'Million	£'Million
Life MSB at 1 January	437.0	150.0
(Reduction) / other increase in Life MSB	(82.0)	20.0
Increase in Life MSB due to investment contract liability reassessment	–	267.0
Life MSB at 31 December	**355.0**	**437.0**

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

31 December 2017	Life(1)	Other Regulated	Other(2)	Total	2016 Total
	£'Million	£'Million	£'Million	£'Million	£'Million
Solvency II net assets	360.1	154.4	580.6	1,095.1	1,070.0
Management Solvency Buffer (MSB)	355.0	106.9		461.9	527.0
Management solvency ratio	101%	144%			

(1) After payment of year end intragroup dividend.

(2) Before payment of the Group final dividend.

Solvency II net assets reflect the assets of the Group in excess of those matching the client's (unit linked) liabilities. It includes a £144.1 million (2016: £157.7 million) deferred tax asset which is not immediately fungible, although we expect it will be utilised over the next ten years. The actual rate of utilisation will depend on business growth and external factors, particularly investment market conditions.

Solvency II Balance Sheet

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

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

31 December 2017	Life(1)	Other Regulated	Other(2)	Total	2016 Total
	£'Million	£'Million	£'Million	£'Million	£'Million
Solvency II net assets	360.1	154.4	580.6	1,095.1	1,070.0
Value of in-force (VIF)	3,244.3	–	–	3,244.3	2,707.9
Risk Margin	(946.1)	–	–	(946.1)	(779.2)
Own Funds (A)	2,658.3	154.4	580.6	3,393.3	2,998.7
Solvency capital requirement (B)	(2,385.9)	(63.3)	–	(2,449.2)	(2,046.5)
Solvency II free assets	272.4	91.1	580.6	944.1	952.2
Solvency ratio (A/B)	111%	244%		139%	147%

(1) After payment of year end intragroup dividend.
(2) Before payment of the Group final dividend.

The solvency ratio after payment of the proposed Group final dividend is 133% at the year end (2016: 141%).

Solvency II Sensitivities

The table below shows the estimated impact on the Solvency II Free Assets, the Solvency Capital Requirement and the Solvency Ratio from changes in various assumptions underlying the Solvency II calculations. In each case, only the indicated item is varied relative to the restated values.

The solvency ratio is not very sensitive to changes in experience or assumptions, and can move counter-intuitively depending on circumstances, as demonstrated by the sensitivity analysis presented below:

	Note	Solvency II Free Assets	Solvency II Capital Requirement	Solvency Ratio
		£'Million	£'Million	%
Value at 31 December 2017		944.1	2,449.2	139%
100bp reduction in risk free rates, with corresponding change in fixed interest asset values	1	871.1	2,449.0	136%
10% increase in withdrawal rates	2	978.7	2,297.8	143%
10% reduction in market value of equity assets	3	892.2	2,197.3	141%
10% increase in expenses	4	903.5	2,447.6	137%
100bp reduction in assumed inflation	5	985.5	2,447.6	140%

Notes:

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

SECTION 5: EUROPEAN EMBEDDED VALUE (EEV)

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

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

Many of the principles and practices underlying EEV are similar to the requirements of Solvency II. In 2017, we have made a number of small changes to our EEV methods and assumptions to align them as closely as possible. For example, the value of the deferred tax assets arising from unrelieved expenses and historic capital losses has been set equal to the asset recognised on the IFRS consolidated statement of financial position at 31 December 2017, where previously the EEV estimate had been based on a discounted cash flow approach. These changes are reflected in the Economic assumption changes line.

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

	Year Ended 31 December 2017	Year Ended 31 December 2016
	£'Million	£'Million
Life business	647.2	501.4
Unit Trust and DFM business	397.2	266.8
Funds management business	1,044.4	768.2
Distribution business	(31.9)	(25.9)
Back-office infrastructure development	(26.8)	(20.9)
Other	(67.2)	(47.8)
EEV operating profit	918.5	673.6
Investment return variance	340.8	537.2
Economic assumption changes	29.8	(12.4)
EEV profit before tax	1,289.1	1,198.4
Tax	(229.2)	(212.9)
Corporation tax rate change	–	28.6
EEV profit after tax	1,059.9	1,014.1

	Year Ended 31 December 2017	Year Ended 31 December 2016
	Pence	Pence
EEV operating profit after tax basic earnings per share	143.9	105.9
EEV operating profit after tax diluted earnings per share	141.5	105.2

EEV Operating Profit

Funds Management Business

The funds management business operating profit has increased to £1,044.4 million (2016: £768.2 million) and a full analysis of the result is shown below:

	Year Ended 31 December 2017	Year Ended 31 December 2016
	£'Million	£'Million
New business contribution	779.8	520.2
Profit from existing business		
– unwind of the discount rate	209.5	199.6
– experience variance	3.8	1.4
– operating assumption change	44.0	18.6
Addition of Rowan Dartington	–	21.0
Investment income	7.3	7.4
Fund management business EEV operating profit	1,044.4	768.2

The new business contribution for the year at £779.8 million (2016: £520.2 million) was some 50% higher than the prior year, reflecting both the increase in new business and operational economies of scale achieved as fixed expenses are spread across more new business. The new business contribution has also benefitted from the assumption changes noted below, particularly from the persistency changes, and from the additional value associated with Retirement Account business compared to Retirement Plan business. Further detail on the new business margin is provided on page 43.

The unwind of the discount rate for the year increased slightly to £209.5 million (2016: £199.6 million), reflecting the higher opening value of in-force business but offset by a lower discount rate of 4.5% (2016: 5.2%).

The experience variance during the year was small at £3.8 million (2016: £1.4 million), with positive retention experience offset by other negative variances.

The impact of operating assumption changes in the year was a positive £44.0 million (2016: £18.6 million) as a result of higher retention assumptions reflecting positive experience for on-shore bond, ISA and Unit Trust business, and operational economies of scale noted above.

The investment income for the year was little changed at £7.3 million (2016: £7.4 million).

Distribution business, Back-office infrastructure development and Other

The results for these items have already been commented on in the IFRS section on page 33.

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 average investment return on our funds during the period was some 7% higher than the assumed investment return during the period, resulting in a positive investment return variance of £340.8 million (2016: £537.2 million).

Economic Assumption Changes

The positive variance of £29.8 million arising in the year (2016: £12.4 million negative) reflects the positive effect from the decrease in the long-term inflation rate which is offset by the expected impact from tax changes announced in the 2017 Budget. In addition, there is a positive impact from aligning the EEV valuation approach with the Solvency II valuation with respect to economic assumptions and the valuation of deferred tax assets.

EEV Profit Before Tax

The total EEV profit before tax for the year was £1,289.1 million (2016: £1,198.4 million). The improvement is principally due to growth in the business between the two periods arising from both strong gross inflows and positive investment performance over the last twelve months.

Tax

The tax charge at £229.2 million (2016: £212.9 million) reflects the underlying result.

All future changes in corporation tax have been incorporated in the EEV calculation in previous reporting periods.

EEV Profit After Tax

The EEV profit after tax was £1,059.9 million (2016: £1,014.1 million) reflecting the movement in EEV profit before tax.

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 gross inflows, and is expressed as a percentage.

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

	Year Ended 31 December 2017	Year Ended 31 December 2016
Life business		
Investment		
New business contribution (£'Million)	130.2	108.3
Gross inflows (£'Billion)	2.49	2.28
Margin (%)	5.2	4.8
Pension		
New business contribution (£'Million)	363.5	207.9
Gross inflows (£'Billion)	7.26	5.12
Margin (%)	5.0	4.1
Unit Trust and DFM business		
New business contribution (£'Million)	286.1	204.0
Gross inflows (£'Billion)	4.85	3.95
Margin (%)	5.9	5.2
Total business		
New business contribution (£'Million)	779.8	520.2
Gross inflows (£'Billion)	14.60	11.35
Margin (%)	5.3	4.6
Post tax margin (%)	4.4	3.8

The overall margin for the year was higher at 5.3% (2016: 4.6%) reflecting increases in margin across all categories of business. Two particular drivers were key to the increases:

- Firstly, changes in retention assumptions to reflect positive experience for both insurance bond business, and unit trust/ISA business resulted in projection of additional future profits. Small improvements to pensions business also had a positive effect, as did recognition within the valuation of our new Retirement Account of the potential value of both the pre-retirement and post-retirement phases of this investment product.
- Secondly, the margin was positively impacted by economies of scale as higher levels of business combined with the new administration tariff. This new tariff better reflects the actual fixed and variable nature of the administration expenses than the previous tariff, and so, as the fixed proportion of the expenses are spread over a higher volume of business the value of the new business will grow.

Economic Assumptions

The principal economic assumptions used within the cash flows at 31 December are set out below:

	Year Ended 31 December 2017	Year Ended 31 December 2016
	%	%
Risk free rate	1.4	1.4
Inflation rate	3.2	3.4
Risk discount rate (net of tax)	4.5	4.5
Future investment returns:		
– Gilts	1.4	1.4
– Equities	4.4	4.4
– Unit-linked funds	3.7	3.7
Expense inflation	3.6	3.8

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

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

EEV Sensitivities

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

	Note	Change in new business contribution		Change in European Embedded Value
		Pre-tax	Post-tax	Post-tax
		£'Million	£'Million	£'Million
Value at 31 December 2017		779.8	642.0	5,647.7
100bp reduction in risk free rates, with corresponding change in fixed interest asset values	1	(21.3)	(17.6)	(70.8)
10% reduction in withdrawal rates	2	62.4	51.4	325.4
10% reduction in market value of equity assets	3	–	–	(566.1)
10% reduction in expenses	4	14.9	12.4	53.6
100bp increase in assumed inflation	5	(23.7)	(19.6)	(88.1)

Notes:

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

	Change in new business contribution		Change in European Embedded Value
	Pre-tax	Post-tax	Post-tax
	£'Million	£'Million	£'Million
Value at 31 December 2017			
100bp reduction in risk discount rate	92.8	76.4	430.0

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

Analysis of the EEV Result and Net Assets per Share

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

	31 December 2017	31 December 2016
	£'Million	£'Million
Value of in-force		
– Life	3,182.3	2,636.2
– Unit Trust and DFM	1,370.3	1,044.9
Solvency II net assets	1,095.1	1,070.0
Total embedded value	5,647.7	4,751.1

	31 December 2017	31 December 2016
	Pence	Pence
Net asset value per share	1,067.5	900.7

As noted above, the 2017 EEV result reflects the new terms and conditions of our Retirement Account product, which incorporates both pre-retirement and post-retirement phases of this investment in the same product. The impact of reflecting both phases is a higher new business margin which has helped drive the overall increase in margin for pension business from 4.1% to 5.0%.

Our experience is that much of our Retirement Plan business converts into Drawdown business at retirement. However, because of the way the legal terms of our existing Retirement Plan business are written, and in line with the EEV guidelines, we are required to defer recognition of the additional value from the Drawdown plan until it is crystallised. If instead we were to assess the future value of Retirement Plan business (beyond the immediate contract boundary) in a more holistic fashion, in line with Retirement Account, this would result in an increase of approximately £400 million in Life EV.

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 20 and 21.

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

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

RISK APPETITE

The Board chooses carefully the risks it accepts and those it seeks to limit or avoid. These choices are set out in detail in our Group Risk Appetite Statement, which is owned by the Board and reviewed at least annually. The Risk Appetite Statement is aligned with the outcomes-based approach of the Group's business and client objectives and the overarching Risk Management Framework. In particular, it articulates:

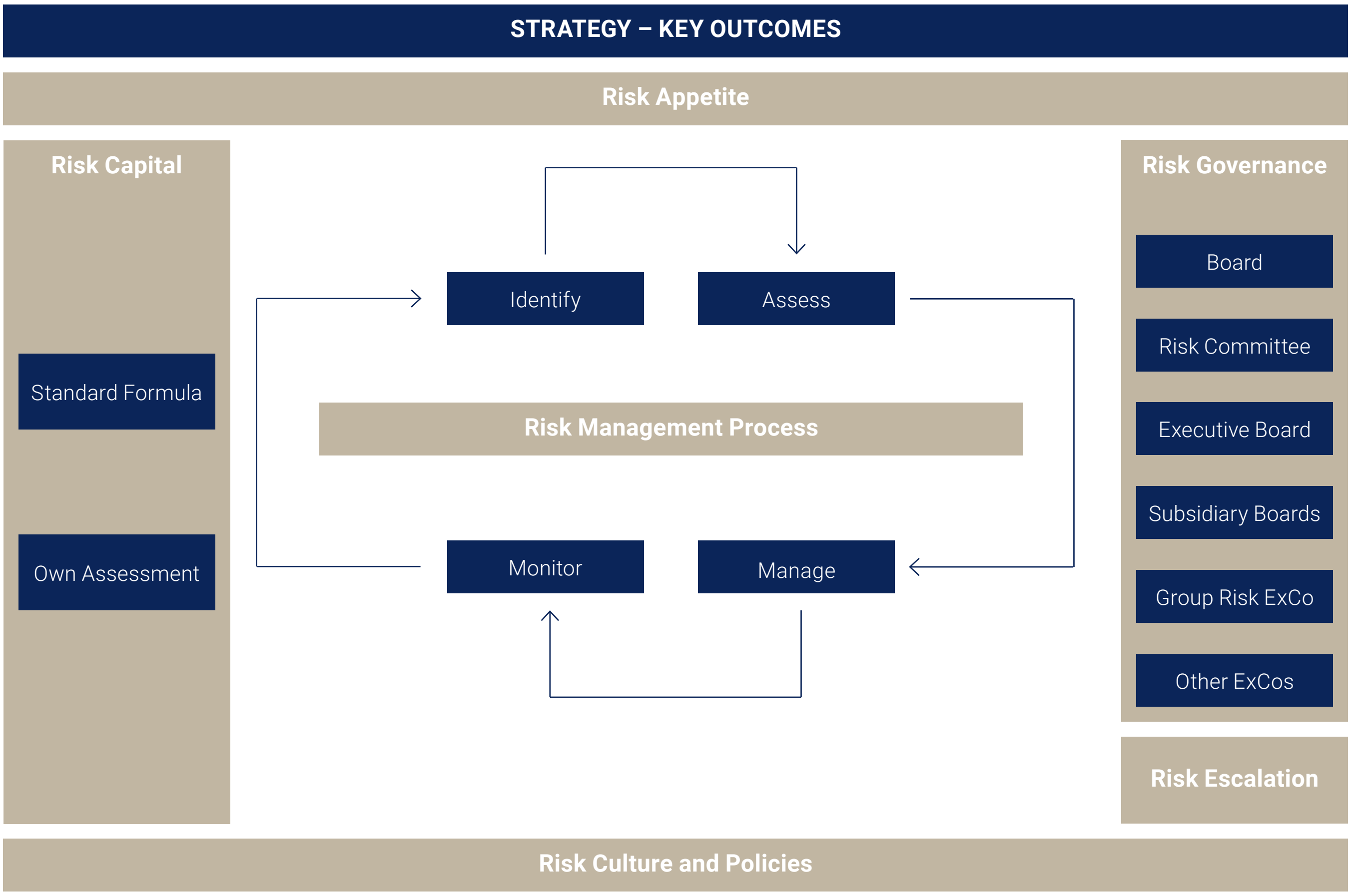
- Risks that are actively sought in pursuit of return;
- Risks that are consciously avoided;
- Risks that are reduced through transfer to other parties; and
- Risks that are minimised through controls.

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

RISK MANAGEMENT FRAMEWORK

The Board, through the 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 Own Risk and Solvency Assessment (ORSA) is a central part of this framework, the main elements of which are shown in the following diagram.



(1) For further information on governance structures, refer to page 77.

The Risk Committee 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 90 to 93.

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

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

Clients

That we deliver positive outcomes for our increasing population of clients

Advisers

That we continue to grow and develop the Partnership, both in numbers and skills

People

That we treat all of our stakeholders well

Regulators

That we are compliant, have an open and honest relationship with our regulators and protect our reputation

Financials and Shareholders

That we deliver sustainable growth in reported profits on all measures

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

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

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

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

Own Risk and Solvency Assessment (ORSA)

Many of the activities of the Group are regulated and we have relationships with regulators in the UK, Ireland, Singapore and Hong Kong. Regulation arises both as a result of our role in the provision of financial advice and also as a manufacturer. However, at Group level we are classified as an Insurance Group, and are subject to the Solvency II insurance regulation. A key part of this regulation is the expectation that there should be a consistent approach to Risk Management across the Group, and that an ORSA should be undertaken annually (considering both the Group and the individual insurance entities).

The ORSA process is directed by the Boards of the EU insurance entities (Group, SJPUK and SJPI), and comprises a comprehensive risk assessment, providing understanding of the risks each of the business units face, how those risks are managed and how those risks might change, in the context of the strategic plan. It incorporates a quantitative analysis of the capital required to protect the sustainability of the Company, and how it might develop over our planning period (five years). Similar risk based capital assessments are performed for the other regulated entities.

The activities included in these assessments range from stress and scenario testing, through loss event recording and analysis, to recovery and resolution planning. Stress testing is undertaken across a broad range of scenarios, including market shocks, mass lapse events, new business growth scenarios and particularly operational risk events. Above the regulatory solvency capital requirements, which allow for at least a 1 in 200 year risk event, we focus on reasonably foreseeable scenarios for the insights they can provide about how the business might react to stress conditions, as well as considering other, more extreme scenarios. Our results show strong levels of free assets being maintained even under extreme scenarios, which demonstrates the Group's resilience to adverse conditions. Analysis of more severe "reverse stress tests" investigating liquidity, which could be a key risk in stressed conditions, indicate that even in these circumstances the Group can reasonably expect to have sufficient liquid funds to be able to meet its liabilities over the planning period.

As a result of these activities we have considered the calculation and allocation of risk capital to all the major risks in the Group, and the insurance companies in particular, and the adequacy of the capital position. This process ensures our continued confidence that the regulated entities remain strongly capitalised.

The ORSA has proved to be a useful process for making consideration of risk appetite more prominent in decisions by management, including those reviewed by the Risk Committee. The ORSA continues to evolve and strengthen risk management processes throughout the Group.

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 strategy documents;
- An assessment of the economic, regulatory, competitive and risk environment which was carried out as part of the Board's strategy review process; and
- The Group's ORSA process, which 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. Due to our product structure, investment and pension business does not generate net cash in the first six years. By using a planning horizon of five years, we assess our viability based on revenues generated on business we have today rather than relying on assumed growth.

The ORSA was particularly useful in assessing viability as it has a similar purpose and requires a comprehensive assessment of risk management and risk capital requirements of the business in excess of a 1 in 200 year risk calibration.

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

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

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

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

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

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

The following tables summarise the principal risks and uncertainties that are inherent within both the Group's business model and the market in which we operate. These are the risks which could have a material impact on the key strategic outcomes in the five areas set out on page 47. The Group Board and the Boards of the insurance entities have responsibility for assessing their main risks and these are monitored on a regular basis by the Risk Committee, the Executive Board, the SJPUK and SJPI Boards, the SJPI Risk and Compliance Committee, the SJPI Singapore Branch Executive Management Committee and the Senior Managers-in-Charge of SJPI (Hong Kong) Limited.

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

There have been no significant changes in the principal risks for the Group in the past year. The EU Referendum in 2016, together with the General Election results of 2017, combine to form a backdrop of uncertainty for business in general, but the Group is well positioned to deal with the changes that this uncertainty may bring.

The principal risks and uncertainties, the business outcomes on which they impact, and the high level controls and processes through which we aim to mitigate them, are set out in the following tables:

Non-Financial Risks

Risk	Description	Outcome	Management and Controls
Systemic advice failure	Clients rely on their SJP Advisers for the provision of initial and ongoing advice. Failures in the quality of advice or documentation of advice could lead to redress costs, reputational damage and regulatory intervention.	Clients	There are many processes in place to mitigate this risk, including detailed advice guidance with appropriate governance around changes and updates, appropriate incentive structures, Adviser training and accreditation, compliance procedures, monitoring processes and quality checking. The Group guarantees the advice given by Advisers and also has appropriate professional indemnity insurance in place.
Outsourcing failure	The Group's business model involves the outsourcing of administration and custodial services to third parties. Poor service from, or failure of, one of these third parties could lead to disruption of services to clients, reputational damage and profit impacts.	Clients, Financials and Shareholders	We maintain close working relationships with our outsourcing partners, who are central to our business model. This enables us, in seeking to work effectively and efficiently together, to deliver the best result. Service level agreements are in place and performance is monitored against these. We also work closely with our outsourcing business partners to understand any material changes to their businesses which may impact us. In the extreme event, all our relationships are governed by formal agreements with notice periods. The business continuity arrangements of each outsourcer are also regularly tested and improved and scenario analysis is carried out.
Cyber Risk	Cyber risk, which could include loss of data, system control or system availability, continues to be one of the top risks facing individuals and organisations. A successful cyber attack could result in disruption or distress for clients, Advisers, and employees, as well as resulting in reputational damage and regulatory censure.	Clients, Advisers, Financials and Shareholders	The leading cause of information security incidents are individuals unknowingly or inadvertently enabling the attack, so awareness is the most effective defence. We maintain an active and on-going awareness programme on information security threats and how to prevent or respond to them for employees and Advisers. This is supported by system maintenance and vulnerability testing, as well as an incident reporting system to ensure rapid response if an incident does occur. We also ensure our outsourcing partners have robust information security programmes in place and use secure means for transmitting data to and from these organisations.
Investment performance fails to meet client expectations	Our approach to investment management may fail to deliver expected returns to clients of the Group or the range of products and services offered may become inappropriate for client needs.	Clients	We offer a broad range of funds, which allows client diversification and mitigates our new business, persistency and market risks. We actively manage and monitor the performance of our investment managers through the Investment Committee, which is supported by respected independent investment research consultancies. We perform ongoing due diligence and appropriateness review on third party products at least annually.

Risk and Risk Management continued

Non-Financial Risks continued

Risk	Description	Outcome	Management and Controls
Adviser proposition, recruitment and retention	Group products are distributed, and ongoing advice is provided, exclusively through the SJP Partnership. Inadequacies in the Adviser proposition, range of products, technology or services offered to the Partnership may result in inefficiencies and frustration, with consequent loss of Advisers and client impact, or inability to recruit sufficient, high-quality new Advisers or field management.	Advisers	The Adviser proposition is an area of continual focus, with outputs from regular Adviser surveys and other Adviser feedback being reflected on an ongoing basis. We employ a number of specialist managers specifically to manage the recruitment and retention of high-quality Advisers, 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 Advisers. All recruitment and retention activity is closely monitored.
Regulatory, legislative and tax environment	The nature of the Group is such that it falls under the influence of regulators and legislators in multiple jurisdictions. Transformative regulatory, or indeed political changes, could impact adversely on our current business model. The Group could face a fine or regulatory censure from failure to comply with current and/or future regulations, with increased supervisory intrusion, disruption to business and potential for changes to the business model.	Regulators	Regulatory and legislative change is largely a risk which cannot be mitigated, although the Group seeks to engage with regulators and policy makers in an open and constructive manner, with the aim that key issues impacting the Group are taken into consideration in the drafting of changes. Our governance structures, management committees and compliance monitoring activities seek to ensure we remain compliant with regulation.
Competition and charge pressure	The competitive environment in which we operate continues to evolve with the need for dependable wealth management advice increasing whilst regulation and technology changing the nature and accessibility of available information. Competitor activity in the adviser based wealth management market may result in a reduction in new business volumes, reduced retention of existing business with the resulting impact to ongoing advice fees, pressure on margins for both new and existing business, and the potential loss of Advisers 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 Advisers and seeking continual improvements to processes. Charges are benchmarked against competitors and competitor activity is monitored allowing action to be taken in a timely manner if required. The Group offers a diversified product range, including manufactured and third party products. We have a proven track record in Adviser and employee acquisition and retention. Our more established Advisers often have significant equity stakes in their practices and their ability to access these is structured to aid retention. Similarly, variable remuneration of key employees is structured to aid retention.
Funding availability	Pressure on funding availability may limit the Group's ability to provide business loans to Partners and make strategic investments.	Financials and Shareholders	A debt funding policy is in place, with committed funds available through the revolving credit facility. Credit approved bank lending facilities are available to support business loans to Partners. Further corporate borrowing requires approval at Board level.
Investor relations	Failure to communicate effectively with new and existing shareholders may lead to falls in the share price and reputational damage.	Financials and Shareholders	This risk is mitigated through the work of the investor relations team, whose remit is to ensure the maintenance of positive relationships with shareholders.
Accumulation of reputational issues	The success of the Group is closely linked to the strength of the St. James's Place brand. An accumulation of reputational issues, for example, advice failures, fraud, service issues, low client investment returns, has the potential to damage the brand, leading to reduced retention and lower levels of new business.	Financials and Shareholders	Mitigants for individual reputational events, such as systemic advice failure, cyber risk or outsourcing failure, are described above in the Management and Controls section for each risk. The Group seeks to achieve the best possible outcomes for its clients and the cultural driver of 'doing the right thing' runs through the whole organisation. However, it is recognised that isolated incidents will occur and, when this is the case, the Group seeks to rectify the issue and achieve positive outcomes for clients.
People and culture	People and the distinctive culture of the Group play an important part in its success. Poorly managed expansion, succession, culture and resourcing may lead to loss of valued individuals, increased risk of errors, and failure to deliver on the business plan.	People	This risk is mitigated through effective leadership, succession planning, the implementation of executive and management development initiatives and regular surveys and consultation groups. The latter enable us to monitor the sentiment of our staff and Advisers and identify any potential adverse impacts upon, or trends within, our culture, and respond appropriately.

Financial Risks

Risk	Description	Outcome	Management and Controls
Market Risk – Loss of Annual Management Charge (AMC) income	A reduction in funds under management owing to market shocks, poor market performance or currency and exchange rate movements would reduce future AMC income, and hence future profits.	Financials and Shareholders	The Group accepts the risk of reduced future profits as a result of market shocks, poor market performance, adverse movement in credit spreads or currency movements. This risk is mitigated to an extent by the diversified fund range.
Insurance risk	A reduction in funds under management owing to poor retention would reduce future AMC income. This may arise from factors such as changes in the economic climate, poor investment performance, competitor activity, or reputational damage to the Group. Adverse mortality or disability experience, in particular higher death claims following an incident or widespread illness, or longer-term increases in mortality rates, would reduce future profits.	Financials and Shareholders	Retention risk is managed through the long-term relationships between Advisers and clients. In particular, Advisers 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. Mortality and disability risk is substantially reduced through the use of reassurance with low retention. Mortality risk benefit on investment products are generally limited to 1% of invested assets. Most risk deductions are reviewable and an increase in reassurance rates would be passed on to clients through increases to charges and/or premiums within five years. Experience analysis is performed.
Expense risk	Increased expenses, in particular higher than expected administration costs, would reduce future profits.	Financials and Shareholders	Expenses are controlled through contracts with third party administrators and expense controls at Group level, so that growth in average per policy expenses is broadly aligned to the rate of increase in the average weekly earnings index. Administration charges are reviewable. Clients meet investment management fees directly through the product, with changes, both positive and negative also passed on.
Interest rate and credit risks	Changes in interest rates or the failure of a counterparty may reduce the value of fixed interest assets held by the shareholder. Key counterparties include reassurers, banks, money market funds, issuers of fixed interest securities, Advisers to whom loans have been granted and other debtors.	Financials and Shareholders	Generally, shareholder funds are invested in high credit rating and highly liquid cash and cash equivalent investments, and only highly rated reinsurers are used. However, in support of the business, some shareholder funds (outside the insurance companies) are used to provide business loans to Partners. These are secured against income streams on a conservative multiple and with appropriate financial monitoring. A prepayment has been made to DST 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 DST.
Liquidity risk	Liquidity issues may arise from client requests to switch or withdraw money from unit linked funds, and through events that may require immediate recourse to shareholder funds.	Financials and Shareholders	Client funds are invested in deep and liquid markets and, where investments are less liquid, contractual terms are included, allowing the flexibility to defer withdrawals. Sizeable balances of liquid shareholder assets are maintained and the emergence of cash profits is monitored. Banks' propensity to lend in support of Partner business loans is also monitored.

Corporate Responsibility Report

As a business that seeks to do the right thing for all its stakeholders, St. James's Place is committed to acting in a way that considers the long-term economic, social and environmental impacts of what we do.

We also understand that responsible management is important to all our stakeholders – shareholders, clients, the Partnership, employees, suppliers and the communities in which we operate – and appreciation of Corporate Responsibility (CR) is therefore encouraged as a core part of our culture. As a result, our people demonstrate extremely positive levels of CR engagement, both in their work and their wider engagement with our communities.

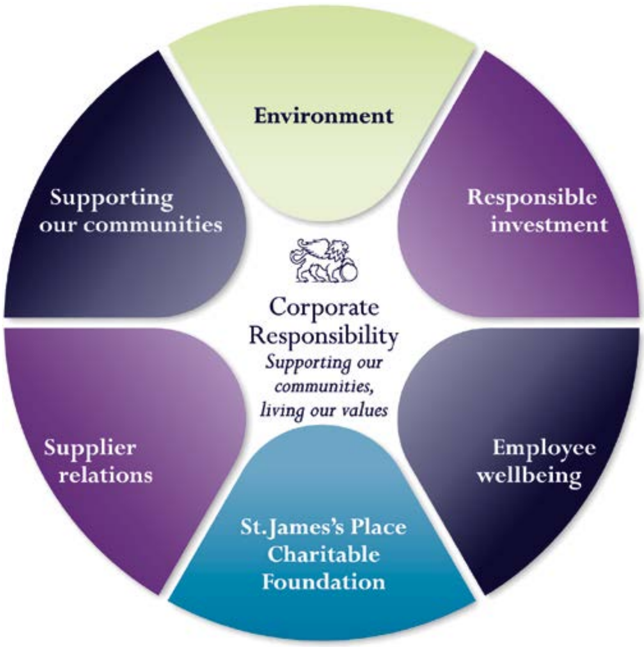
Our commitment to Corporate Responsibility was established in the founding principles of the Company and is expressed in both the "Our Approach" document, which is shared with all members of our community, and the "What it means to be a member" brochure, which sets out the expectations for Advisers in the Partnership. We actively remind and encourage our people to live by this philosophy through regular team and divisional meetings, employee and Partnership newsletters and internal publications. All new employees complete a two-day induction programme including learning about the history and culture of our Company, our Corporate Responsibility strategy and how employees can contribute, and an overview of the St. James's Place Charitable Foundation.

Our continued inclusion in the FTSE4Good Index, which comprises companies that meet globally recognised corporate responsibility criteria, recognise our positive culture and ongoing commitment to Corporate Responsibility. We also remain members of Business in the Community and are grateful to their ongoing support for excellence in CR practice.

We set out in this Report details of the approaches we take to employees, social matters, respect for human rights, anti-corruption and bribery and the environment, which helps to demonstrate our commitment in these areas. With the exception of employees, we have not included further details in this report on policies pursued or risks that arise from the Company's operations as we do not consider it necessary for an understanding of the development, performance or position of the Company's business activities.

CORPORATE RESPONSIBILITY GOVERNANCE

Our Corporate Responsibility strategy encompasses all of the following areas:



Responsibility for maintaining our culture, including our Corporate Responsibility ambitions, is a key focus of the Executive Board, with oversight by the full Board.

The Executive 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:

Responsibility	Managing Committee	Executive Board Member	Remit
Culture and Employee Wellbeing	Executive Board	Andrew Croft	To ensure the strength and maintenance of the unique culture throughout our community, and to lead and manage our employees.
Corporate Responsibility Management and Oversight	Corporate Responsibility Committee	Andrew Croft	To co-ordinate the Group's approach to CR strategy, with particular focus on promoting support for our communities and environmental matters.
Responsible Investment	Investment Committee	David Lamb	To manage our Investment Management Approach and oversee our fund managers, including our approach to responsible investing.
St. James's Place Charitable Foundation(1)	Charitable Foundation Trustees		To manage the St. James's Place Charitable Foundation, including overseeing grant-making and compliance with the charity's objectives.

(1) The St. James's Place Charitable Foundation is an independent charity, managed by the Trustees.

EMPLOYEE WELLBEING

As noted on page 18, St. James's Place is a relationship-focused business and the recognition that people are our most important asset is a core cultural belief and a fundamental element of our success. The importance of people and culture is recognised in its inclusion as one of our principal risks (see page 50 for more information).

Our approach to managing employees is designed to support Company performance through the recruitment, motivation and retention of high calibre employees, and in return to drive delivery of the Company's business objectives. Our regular employee survey suggests we have engaged and enthusiastic colleagues, which contributes to low levels of staff turnover and underpins the quality and sustainability of our proposition to Partners and clients alike.

Performance and Reward

Reward is a critical element of our employment proposition for driving delivery of business objectives. We provide market competitive rewards and benefits, that are regularly benchmarked and reviewed. We provide competitive levels of pay, combined with bonus arrangements that recognise and reward everyone's contribution to the growth of the business. Our bonus schemes help drive performance through stretching targets, and have clear checks and balances to ensure that business goals are only achieved in line with our values, and do not encourage inappropriate behaviour or risk taking.

We provide meaningful protection and wellbeing benefits, including generous pension arrangements. We encourage employee equity participation through our SAYE and SIP schemes, building a sense of ownership as well as sharing in the success of the business. In fact, it is so popular that over 80% of employees participate.

We are a living wage employer, and have committed to meeting the living wage for all our employees in the UK (and equivalent initiatives overseas, where relevant) and are encouraging our suppliers to do the same.

Diversity and Inclusion

As at 31 December 2017 we employed 2,155 people across the world (1,965 in the UK) and the breakdown of our workforce by gender is:

	Female	Male
Board Directors	2 (2016: 2)	7 (2016: 7)
Managers and decision makers	119 (2016: 92)	478 (2016: 418)
Total employees	1,021 (2016: 885)	1,134 (2016: 943)

We are firmly committed to equal pay, and for roles of a similar level and size we are confident that we do not have an equal pay issue. We regularly review and audit our pay to ensure that equal pay is maintained. However, our Gender Pay Gap report shows that we have a long way to go to close the gap between our male and female employees. The gap is being driven by there being more men than women in senior, higher rewarded roles. We are committed to closing the gap and we are undertaking a number of initiatives to support women into senior careers, and to attract and retain more senior level women. It is of course not a quick fix, but we are confident we will make significant progress.

More generally we are committed to equal opportunities for all. Age, race, colour, creed, sexuality, disability and gender are irrelevant: merit and experience are of greatest importance. Further information on our approach to diversity and the initiatives we are undertaking can be found in the Strategic Report on page 18, the Chair's Report on pages 72 and 73 and in the Report of the Nomination Committee on pages 94 to 96.

Corporate Responsibility Report continued

In relation to those disadvantaged by disability, 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.

Employee Wellbeing and Support

The wellbeing of our employees is key to maintaining engagement and commitment, and in developing a resilient Company. We provide a comprehensive formal and informal support structure for employees. At the formal end, this includes providing all employees with strong protection benefits that provide help and peace of mind when needed. This includes private medical, permanent health insurance, critical illness and life cover for all employees. We also provide an employee assistance programme, access to a second opinion referral service and counselling. Through our development we also provide workshops on building resilience and dealing with stress, and we are looking to develop these further.

We support and encourage employee sports and social clubs, and through involvement in the Charitable Foundation and through CR volunteering we know that employees develop strong bonds of friendship and support.

Underpinning all of this is our belief in a healthy, supportive working culture, where everyone is comfortable to raise issues and problems.

People Development

At St. James's Place, we have always taken a tailored approach to employee and leadership development to meet the specific needs of our business. This has led to custom programmes run using a blend of internal knowledge and external expertise, comprising stimulating classroom programmes and challenging work-based projects.

We have carefully developed programmes for those who join SJP through a specific route, for example as an apprentice or graduate. These programmes provide us with a valuable source of internal talent for junior and middle management roles, therefore we have taken great care to ensure that people joining this way are provided with insights to the business beyond their immediate role. We have an excellent retention rate for employees joining us on these programmes and they also provide a great source of talent for our Partner businesses.

For all existing employees, we have a broad offering of employee development activities available and empower everyone to take responsibility for their own development, in a supported environment. The opportunities available will reflect the nature of the role and, in 2017 have had as an area of focus, the development of a range of programmes for those who manage others. As well as general personal development, we fully support employees in both time and materials and peer support, to develop their technical professional qualifications. For 2018, we plan to invest our apprenticeship levy to enhance and extend the development opportunities for employees to include structured non-technical qualifications.

For employees identified as having potential to progress more rapidly in our organisation, we have a number of targeted programmes which aim to accelerate the development of individuals at specific levels. In this area in particular we seek to align the best of external thinking and expertise, with the particular capabilities which are critical to success at St. James's Place.

Employee Engagement

The Company has a calendar of regular communication with employees which evolves as our business grows. In 2017 this has included centrally driven programmes, including a weekly electronic newsletter which shares matters of concern to all employees as well as community-based information, weekly conference call meetings for Managers across the business, and monthly 'Directors Lunches' which invite groups of employees to a two-way discussion with a member of the senior leadership team. For the communication of business results and significant events or economic factors which may impact the business, communication is managed through a mixture of face to face and written channels. In addition, different parts of the business adopt their own local engagement events throughout the year to supplement the corporate messages and reflect the nature of the community; these give all employees the opportunity to give their views on relevant matters.

Employees are encouraged to raise issues with their managers or through HR, and we are developing direct means of involvement through Company-wide social media.

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 Board has noted the FRC's proposed inclusion of a provision in its UK Corporate Governance Code regarding workforce engagement and has begun to consider the most appropriate means, if the change comes into force.

Human Rights

We are committed to managing our business in an ethical manner and recognise that responsible management is important to all the people that come into contact with our business. We do not tolerate or condone abuse of human rights and align our policies with the principles of the UN's Universal Declaration of Human Rights.

We safeguard the welfare of our employees through a range of policies, including anti-harassment, equal opportunities and grievance policies and have in place whistleblowing procedures to provide people within SJP with a means of raising concerns in the event they believe their rights are being infringed. Through these procedures, employees, Partners and other interested parties are encouraged to report any instances of wrongdoing, anonymously, to either the Chair of the Audit Committee or the Money Laundering Reporting Officer. The approach we take to safeguarding our employees and our approach to responsible investment help to demonstrate our commitment but we have not included further details on human rights issues in this report as it is not considered necessary for an understanding of the development, performance or position of the Group's business activities.

Our Slavery and Human Trafficking Statement can be found at: https://www.sjp.co.uk/~/media/Files/S/sjp-group/documents/slavery-human-trafficking.pdf

Anti-bribery and Corruption

St. James's Place has a zero tolerance approach to bribery and corruption. The Board has responsibility for oversight of the Group's anti-bribery and corruption policy and procedures and annually carries out a review of their adequacy. Employees and Partners can access the Anti-Bribery and Corruption Policy Statement, along with other related policies and procedures via the Company's intranet and are provided with training with regards to money laundering, financial crime, fraud, bribery and corruption via online training programmes, the completion of which is compulsory.

During 2017, no employees or Partners were disciplined or dismissed due to non-compliance with the Anti-Bribery and Corruption Policy and no fines were levied against the Company in relation to bribery or corruption.

SUPPORTING OUR COMMUNITIES

Through our CR strategy we identify specific groups of people in need and aim to change or transform their lives for the better. We don't look for brand awareness, awards or commercial gain for our CR activities, we aim to do the right thing using best CR industry practice. We know that the good work we do in the community inspires our employees and not only motivates them but helps build a culture where employees are proud to work for us.

14.0 hours

the number of hours our employees receive per year for community support in work time.

5.5 hours

the average number of volunteering hours our employees gave to support our communities in 2017, during work time.

7.0 hours

the average number of hours our employees gave of their own time in support of our CR activities and the Charitable Foundation.

£672,288

the total value of all the time our employees gave in work time.

£13.1m

the total cash value we invested this year in supporting our communities and good causes through our CR programmes and the Charitable Foundation.

2,776

the number of young people our staff have worked with face to face through our Financial Awareness programme.

2017 HIGHLIGHTS

7%

the percent of pre-tax profit invested in supporting our communities and good causes

97%

of Group employees involved in some kind of citizenship activity.

Made up of:

Corporate Responsibility Report continued

The St. James's Place Charitable Foundation

We have always recognised our social responsibility to our local communities and, from the founding of the Group 26 years ago, have encouraged our staff and advisers 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 St. James's Place Charitable Foundation which continues to receive support from all parts of the St. James's Place community: employees, the Partnership, clients, suppliers and shareholders. Over 79% of our employee and adviser community donates to the Charitable Foundation every month. This has been another record year for fundraising by members of our community and, as a result, the matching grant in this 25th year (which reflected double matching as agreed by the Board), totalled £11.0 million. Since 1992, the St. James's Place Charitable Foundation has now raised £71 million for good causes.

This year a detailed impact study completed by Cranfield School of Management concluded that by the start of 2017, the St. James's Place Charitable Foundation had supported at least 3,000 organisations through 5,532 grants and these had directly supported at least 500,000 people. The aim has always been to change lives and, following the LBG methodology, the report concluded that through the 2015 grants alone, a life improvement was made with over 56,000 direct beneficiaries and a life transformation was made with over another 43,000 direct beneficiaries. Additional information from the St. James's Place Charitable Foundation about its activities is provided on pages 63 to 67 or available from its website at www.sjpfoundation.co.uk.

Cranfield School of Management

Community Engagement and Volunteering

At St. James's Place we are proud to be a leading Company when it comes to employee engagement with our communities. We are delighted to have increased the level of activity, whether it be by giving time, skills or money, from 88% in 2016 to 97% in 2017. Some of this activity is sponsored by the Company, for instance our initiative to build long-term relationships in support of a number of local charities, whilst, elsewhere, the Company is pleased to provide encouragement for self-driven activities of our employees.

In recent years, we have been pleased to build long-term relations with local charities providing support for people in need. The support provided has typically included core funding, but also access to the physical resources and skills of our organisation. The support has not been targeted at specific projects, but rather to the heart of the charity with a view to improving efficiency and sustainability. These relationships are aimed to last at least five years with decreasing funds but increasing staff ties and skills-based support.

In 2017 we added the following charities to our support network:

- Cirencester Opportunity Group, an independent pre-school charity enabling children with additional needs to play and learn with other children;
- Cirencester Signpost, a local charity that works to support people in need, focusing on hunger, homelessness, isolation, financial hardship and debt, while also directing people to other charity support in the area; and
- Cirencester Citizens Advice, specifically working to help families remain in their homes during times of crisis and financial difficulty.

Employee support has included marketing guidance, providing briefings and support in relation to the application of the new Data Protection legislation (GDPR), use of building space, volunteering and help with events. During 2018 we aim to add more charities to this initiative, and, by providing a hub of resources, we hope to empower these charities to work together as they all strive to help the same people.

Another core initiative in recent years, in support of the self-driven activities of our employees, has been our drive to link the professional skills of our employees to the professional needs of local charities. During 2017 we were able to award 118 of our staff, who already volunteer with a local community organisation, a grant of £300 to their charity as our way of recognising and supporting the 14,300 hours of volunteering they gave in their own time.

All our employees can also benefit from two days a year in work time for community engagement and volunteering. This has been used to support the Charitable Foundation, to get involved in other CR initiatives, or through giving skills directly to a charity or community organisation of their own choice. In 2017, 29.6% of employees used half a day or more of their two days with 10.4% both or more of their two days. Increasing this again remains a core objective of 2018.

In addition to their two days, we continue to provide employees with the opportunity to take part in community team challenges carefully chosen to meet a genuine need of a community organisation. Groups of colleagues undertake these projects together, which benefits the community as well as strengthening teamwork and motivation. This year we delivered 34 activities to 41 teams involving 353 employees over 1,950 hours of work time. We have established a partnership with WellChild, which is supported by the Charitable Foundation and through this we worked to deliver six garden projects around the UK, in 2017, over 12 days to improve the lives of children with life limiting conditions. In 2018 we will deliver a further 12 of these high impact projects.

Staff from our Group Risk team working on a WellChild project in Oxfordshire.

WellChild
the national charity for sick children

Some of our 2017 apprentices and graduates.

2016 apprentices with HRH The Earl of Wessex KG GCVO, The Lord Kirkham, David Bellamy, Andrew Croft and Jonathan McMahon.

Employability and Financial Education – Preparing the Next Generation for Work and Financial Confidence

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. In 2017 we have taken on dedicated resources to increase our work with long-time partner Cirencester College, and now many other schools and colleges ensuring this programme continues to grow faster even than the wider Company growth.

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 13 years. During that time, we have been able to offer 111 internships to students from Cirencester College, with 31 of them turning into full time employment opportunities often in our Apprenticeship scheme (see below). This programme is run in conjunction with the national charity 'Career Ready', each of the three 'Academy Programmes' designed for students who aspire to work in a particular market sector. The support provided includes providing paid summer internships, mentors, and business coaching to many students.

Apprenticeships

Working in conjunction with Cirencester College, South Gloucestershire and Stroud College and FWD Training which provides the training, our apprenticeship programme is now an important part of our long-term recruitment policy. Our 2017 September intake of 22 has included apprenticeships in Financial Services, Business Administration, Marketing, IT and Accountancy. Since 2016 the programme has been enriched by the addition of The Duke of Edinburgh's Award for all our apprentices with the 2016 intake meeting HRH The Earl of Wessex KG GCVO in London after achieving their Awards. This forms part of ensuring the continuation of our culture of CR engagement with all apprentices undertaking volunteering activities in their own time and, with our Graduates, organising our summer Head Office Charitable Foundation event for 450 people. A further intake of c.20 apprentices is planned for September 2018.

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 2017 we significantly increased the resourcing and delivery of our Year 9 and Sixth Form Financial Education courses with schools. Offering a mix of full day, half day and flexible modular programmes we supported PSHE (Personal, Social and Health Education) and Maths curriculum in 16 schools in Gloucestershire and London and the National Citizenship Service in Bristol. We have developed a team of employees to go into the schools to deliver our courses which brings the day to life for the students and delivers excellent engagement and positive experiences learning about tax, budgeting and understanding debt. We have also delivered these courses to our own apprentices and graduates. In all, 35 sessions have been delivered supporting over 3,300 students, 2,776 face to face through our volunteers. We have been able to both lead and support these days thanks to the 117 individual employees who volunteered to be involved, in all, giving 845 hours of work time. We will again grow this programme in 2018. We have also made more growth in including volunteers from our wider Partnership opening the programme across the UK and this second area of growth will continue in 2018.

Other Employability Skills Training

During 2017 we have begun to develop a wider employability and work skills programme for schools in Gloucestershire. The CR and HR Departments are working together to support a wide range of young people and through HR provide clearer links to St. James's Place for those interested in working for us. In addition to the numerous career workshops / evenings attended, we have supported 27 skills focused events with schools including CV workshops, networking days, assemblies, interview training and insights days for 64 young people in our offices. We have also maintained our paid internship programme with 42 summer interns and additional places through the Active Communities Network programme in our London and Manchester offices. During 2018 this employability programme will be a key area of growth.

We know that our employees cannot volunteer in every school so this year we have increased our grant support for youth development organisations like Young Enterprise, Employability UK, The Money Charity, Career Ready and Urban Stars. We have also developed a close relationship with The Duke of Edinburgh's Award, supporting their work with disadvantaged young people to bridge the gap between education and work. We were also proud to be the title sponsors of the 2017 DofE Adventure where 71 of our employees took part in a gruelling two-day fundraiser of 700 people in the Peak District.

In measuring our CR community support activities, we use the LBG measurement methodology.

St. James's Place staff from around the UK taking part in the 2017 DofE Adventure in the Peak District.

RESPONSIBLE INVESTMENT

At St. James's Place, we see Responsible Investing (RI) as an important component in both our investment process and those of our fund managers. This involves the explicit awareness of environmental, social and governance (ESG) factors alongside the traditional financial metrics, important for both risk management and long-term value creation. Being aware of these potential non-financial risks can allow investors to better understand the companies in which they are investing and take a more informed view on a corporate valuation or credit risk. As such, we believe responsible investing enables investors to look through a wider lens and helps SJP in its fiduciary duty to produce long-term sustainable returns for our clients.

2017 was a significant year for St. James's Place in this context. This saw us further integrate responsible investing principles into our investment process and in building the awareness of ESG principles within the processes of our fund managers. In addition, part of our recent work has been to increase our involvement with responsible investing bodies, signing up to both the United Nations Principles for Responsible Investment (UNPRI) and the UK Stewardship Code.

Our Responsible Investing Committee (RIC) has continued to engage with our community of fund managers in a comprehensive programme of annual due diligence and periodic manager meetings. To further strengthen our ongoing oversight, we have integrated ESG data into our internal monitoring and analysis. This will significantly enhance our monitoring of managers with the ability to analyse portfolio and company data and make managers aware of holdings that may have high reputational or non-financial risks.

Alongside this, we have engaged with all our independent investment consultants with the view to incorporating the assessment of RI principles in the research and selection of potential managers. While this is at an early stage, we believe ESG factors can play a greater role in the selection and appointment of our managers in the years ahead.

Finally, we have enhanced our reporting to help inform our stakeholders on our approach to responsible investing and the importance ESG principles have in investment decision making. This includes the publication of our Responsible Investing Policy, our Stewardship Policy, an SJPTV video and our first client-facing annual RI report.

While we have made substantial progress over the past 12 months, the incorporation of ESG factors into our investment decision making remains an evolving process. We acknowledge the need to continue this development in a controlled manner and look to further embed the principles of responsible investing into our investment philosophy over the years to come. This will include extensions to our RI policy, enhanced data analysis and reporting, and continued engagement with our fund managers.

PRI Principles for Responsible Investment

Corporate Responsibility Report continued

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 with our providers of outsourced administration services: DST, 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. This is also covered in our ongoing due diligence process with existing suppliers. Since 2014 we have been accredited with the Living Wage Foundation, which involves 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 Charitable 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 remain signatories of the Prompt Payment Code which is encouraged by the Department of Business, Energy and Industrial Strategy (BEIS) 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.

During 2018 we will be looking to review opportunities to use social enterprise suppliers, in keeping with our CR strategy of doing the right thing.

Prompt Payment Code
Approved Signatory
www.promptpaymentcode.org.uk
administered by the Chartered Institute of Credit Management on behalf of BEIS

Living Wage Foundation

THE ENVIRONMENT

St. James's Place is committed to managing our environmental impact through effective monitoring of energy systems, travel, water usage and waste recycling. Although a relatively low-impact business, we recognise that even our business can have an effect on climate change, and we manage our business activities to reduce this impact where possible. We were pleased to see these efforts recognised in 2017, when we were awarded a 'Grade B, Management' by the CDP (formerly Carbon Disclosure Project).

Oversight of our environmental strategy is through a Corporate Responsibility Committee with ultimate responsibility resting with Andrew Croft (CEO). The committee regularly reviews environmental performance and is supported by an operational Environmental Committee.

We collect and report our environmental data from October to September. The following tables summarise targets and progress, expressed in terms of both absolute and normalised CO_2e emissions for our core business activities in recent years. Core business activities are defined as those within 'Operational Control'. Our emissions are calculated in line with the Greenhouse Gas Protocol using the 2017 emission factors provided by DEFRA. The emissions were calculated by our external sustainability partner, Carbon Clear.

As our business continues to grow, we have worked to integrate the acquired entities and our offices in Asia into the Company-wide environmental reporting. Our new Head Office building in Cirencester has achieved a BREEAM rating of 'Very Good' and has been used throughout this reporting period. We are committed to recycling, with furniture recycled from offices vacated during the year saving 6,817 kg/CO_2e going to landfill.

In 2016 we committed to reducing our Scope 1 and 2 emissions by 50% between 2016 and 2020. Through purchasing renewable electricity for our UK offices, we have exceeded this ambitious target in 2017. We will continue to purchase renewable electricity in the UK, reflecting best practice and driving demand in the renewable energy market, as well as exploring carbon reduction opportunities in our Scope 1 operations.

1) Targets

Absolute Emissions Targets

ID	Scope	Description	% of Emissions in Scope	% Decrease from Base Year	Base Year	Base Year Emissions	Target Year
Abs1	1 & 2 *(Market Based)*	Gas, Owned vehicles and Electricity	100%	50%	2016	2,809	2020

2) Progress

Absolute Emissions Progress

ID	Scope	Actual Emissions in Year (tonnes CO_2e)	% Variance from Target	Comment
Abs1	1 & 2 *(Market Based)*	1,007	-28%	In 2016, we set an ambitious target to reduce our Scope 1 & 2 emissions by 50% by 2020 based on our 2016 emissions. This year, we have purchased 100% renewable electricity for our UK operations, exceeding our target. We will continue to purchase renewable electricity in the UK, reflecting best practice and driving demand in the renewable energy market.

The table below illustrates the changes in our absolute emissions over the past three years. During this time, we have taken steps to improve our data quality and calculation methodology. This has enabled us to gain a more accurate understanding of our environmental impact and therefore to take the appropriate steps to mitigate it.

3) Gross Emissions

Normalised Emissions

		Gross emissions (tonnes CO_2e)		
Scope	Activity	2015	2016	**2017**
1	Gas and owned vehicles	764	683	**876**
2 *(Market Based)*	Electricity	1,984	2,126	**130**
3	Business travel, waste, hotel stays, Electricity T&D	2,559	4,847	**8,875**
3	Property Trust and WTT	12,182	12,130	**15,101**
Total		17,489	19,786	**24,982**

Scope	Normalised Emissions in Prior Year (tonnes CO_2e per ‘000 sq ft)	Normalised Emissions in Year (tonnes CO_2e per ‘000 sq ft)	Comment
1	1.73	2.14	Our floor area has continued to increase in 2017, leading to an increase in site energy consumption. This year, our Scope 1 intensity has increased, largely driven by our new building in Cirencester being operational for the entire reporting period. However, our Scope 2 intensity has decreased significantly, due to our renewable electricity strategy in the UK. Trends in Scope 3 emissions are difficult to predict due to high variability in emissions from business travel and conferences. This year, our intensity has increased due to attendance at a number of overseas conferences.
2 *(Market Based)*	5.40	0.32	
3	12.31	21.64	

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 2 to 62 of this document, meets the statutory purpose and objectives of the Strategic Report.

On behalf of the Board:

Andrew Croft
Chief Executive
27 February 2018

Craig Gentle
Chief Financial Officer

St. James's Place Charitable Foundation

Helping others

St. James's Place Charitable Foundation

The charitable foundation celebrates its 25th year with a fundraising record.

A GRANT MAKING CHARITY WITH A DIFFERENCE

Rather than utilising funds received from an endowment or an investment, funds are raised and donated by the St. James's Place community and matched by the Company. The Company also covers all related expenses which ensures all donated funds go direct to the supported charities.

The St. James's Place Charitable Foundation celebrated its 25th anniversary in 2017 and it was therefore a cause of great delight that this milestone saw a record year for fundraising, with £16.8 million generated for good causes both here and overseas.

Since 1992, the Charitable Foundation has raised £71 million in support of thousands of charities. Some 79% of Partners and employees of St. James's Place now give to the Charitable Foundation through their pay or earnings, and no other company in the UK has this percentage of automatic payroll gifting. Additionally, many Partners and employees become involved throughout the year in a host of diverse fundraising activities. And to mark the 25th anniversary, St. James's Place double-matched all funds raised for the Charitable Foundation throughout the year.

Now firmly established as one of the most successful corporate charities in the UK, the Charitable Foundation has been committed over the last 25 years to fostering a culture of 'giving back' to those who need it most across three core themes: cherishing the children, combating cancer and supporting hospices.

ST. JAMES'S PLACE
CHARITABLE FOUNDATION

Years of giving

25

Total amount raised and distributed to good causes

£71.0m

2016: £54.0m

Organisations supported

3,000

Percentage of Partners and employees who donate each month

79%

2016: 80%

Grants

5,532

Amount raised in 2017

£16.8m

2016: £7.6m

Lives directly benefitted

500,000

A Huge Impact on People's Lives Over 25 Years

Research carried out during 2017 has shown the enormous impact of the first 25 years of grant giving has made on the lives of hundreds of thousands of people.

Cranfield University carried out research on behalf of the Charitable Foundation and findings revealed that since 1992, 500,000 lives had been changed for the better and 1.5 million individuals had been helped indirectly as a result of our grant giving.

In that time, 3,000 organisations have been supported through 5,532 grants, helping them to deliver the best possible help, support and care. The research showed that the substantial support provided for small 'grass roots' charities has helped many local bodies make a positive and lasting difference to the lives of people in need in their communities.

Our Charitable Giving

The Charitable Foundation allocates 80% of the monies raised to supporting UK charities helping children and young people, those who are socially or economically disadvantaged as well as people who have an illness or disability, both in the UK and abroad. The aim is to make a positive and lasting difference to the lives of children in need so they can reach their full potential.

Dr. Larissa Kerecuk

Spotlight on Some of the 2017 Grants

During 2017, the Charitable Foundation made 962 individual grants to carefully chosen charities and organisations committed to making a real difference to the lives of children and young people in the UK and abroad. Here are just some of the grants made during the year:

UK GIVING

A Revolution in Treatment Care and Research

The Charitable Foundation made a £1.0 million grant to help fund a Rare Disease Centre at Birmingham Children's Hospital (BCH), the first of its kind in the UK.

The grant represents a substantial donation towards BCH's £3.65 million Star Appeal to build the centre for the care of patients with rare conditions across the UK. The Charitable Foundation's grant means the Star Appeal is now close to reaching its target.

The development project is being led by Dr. Larissa Kerecuk. She said: "The new Centre is so much more than a building; it's a revolution in treatment, care and research." Louise McCathie, Director of Fundraising at BCH, added: "We are immensely grateful to St. James's Place Charitable Foundation for this substantial donation, helping the dreams of our families and patients come true."

The Rare Diseases Centre will improve diagnoses, ensure children and young people are at the forefront of research and medical advances, and enable families to spend time together, sharing experiences of living with some of the most complex conditions imaginable.

Birmingham Children's Hospital is one of the big three children's hospitals in the UK and a leading specialist paediatric centre, offering expert care to 90,000 children and young people annually. The hospital treats over 9,000 patients with 500 rare diseases each year, providing care to children from across the UK and further afield.

St. James's Place Charitable Foundation

SUPPORTING HOSPICES

The Charitable Foundation works with Hospice UK, the umbrella organisation supporting over 200 independent hospices throughout the country, who distribute funds to hospices on our behalf.

During 2017, over half a million pounds was granted to nearly 20 hospices caring for heart failure patients throughout the UK to assist developing support services, helping improve the quality of life for people and the continued improvement of end of life care services. In addition, a grant was made to the Forget Me Not Children's Hospice in Huddersfield, outlined along with the touching story of little Shalome Harwood below.

Forget Me Not Children's Hospice

The Charitable Foundation awarded £96,000 to the Forget Me Not Children's Hospice to support the costs of a nurse consultant in the Children's Palliative Care post over three years.

Forget Me Not is a pioneering Children's Hospice in West Yorkshire, providing support to children with life-shortening conditions and their families. The charity supports more than 185 children, as well as their families, through the hospice at home service and at a state-of-the-art hospice, Russell House, in Huddersfield.

One of the children is two-year-old Shalome Harwood. Before she was born, a 20-week scan revealed severe brain abnormalities that were potentially incompatible with life. "When you get that kind of news, you have no idea what to do or where to turn," said her mother Emma.

But late into her pregnancy, she and her husband Colin and daughter Faith moved to Huddersfield where a nurse put them in touch with Russell House. Today the whole family shines with courage and hope.

"The whole place is absolutely fantastic," said Emma. "It really gave us hope, and something positive to look forward to. It put the spring back in our step and took the weight off our shoulders and we looked forward to the rest of the pregnancy with excitement."

When Shalome was born, the whole family came to the hospice to meet her. "They fell in love with her just like we did, and they couldn't believe all the facilities at Russell House," said Emma. Shalome continues to defy all the odds despite her initial diagnosis. "The ongoing support from Russell House means the world to us: it's irreplaceable," said Emma.

"

The whole place is absolutely fantastic

Emma Harwood

Shalome with father Colin

OVERSEAS GIVING

The Charitable Foundation allocates about 20% of the monies raised to supporting UK charities operating overseas, particularly helping children and young people escaping poverty, malnutrition and neglect.

Through the Foundation's giving programmes, the aim is to make a positive and lasting difference to the lives of children in need so they can reach their full potential. Here are some examples of the donations made to charities operating overseas in 2017:

Hope & Homes for Children

The Charitable Foundation has supported Hope & Homes for Children for many years, and in 2017 the charity was awarded £650,000 over the next three years. The grant will help complete a transformation of the Bielone Institute for Children & Young People as well as wider child protection reform throughout Bosnia Herzegovina. This move will directly benefit 475 children and 445 childcare professionals to 2020. Hope & Homes for Children seeks to eradicate institutional care for children throughout the world, creating modern child protection systems that put the needs of children at the centre.

Education for the Children Foundation

A grant of £419,136 spread over three years was awarded to the UK charity EFTC to help fund work with young people living in poverty in Guatemala. The country has one of the lowest literacy rates in the Western Hemisphere, and EFTC focuses its efforts on the most disadvantaged children and young people by removing barriers that block their access to education. The goal is to help them break free from the cycle of poverty that has blighted generations in the Jocotenango region of Guatemala.

Supporting Nepal's Children

Following the Everest Trek in 2012, and Nepal's subsequent devastating earthquake in 2015, Partners and employees have been involved in Supporting Nepal's Children, with over £600,000 raised in total. The aim is to raise the standard of education in some of the country's more remote villages, and in 2017 a fundraising and rebuilding initiative called Build & Trek was launched to rebuild a school hit by the devastation.

Some 2017 Fundraising Highlights

The Charitable Foundation's 25th anniversary proved to be a record year for fundraising in St. James's Place. Here are some of the 2017 fundraising highlights, excluding Company matching:

- A Charitable Foundation dinner at the Grosvenor House Hotel in Park Lane to celebrate the 25th anniversary raised £1.2 million
- The annual Triathlon and Duathlon at St. Albans raised £65,000
- Big Walk 2017 took place on The Gower, Wales and raised £50,000
- The French Alps Cycle Challenge raised £50,000
- The Slovenia Julian Alps Challenge raised £20,045
- The annual Summer Swing event at Knutsford, Cheshire, raised £67,075
- A Run Across Scotland event raised £10,000

Dean Stott

THE FUTURE

2018 will be an exciting year for the Charitable Foundation with the launch of many projects that we've awarded funding to. For example, Birmingham Children's Hospital will open a Rare Disease Ward and East Anglia's Children's Hospices' (EACH) will be supported with a grant of £1.2 million to enable them in building a new hospice.

We raised a record amount in 2017 which will allow us to significantly increase our support to good causes; charities which match our main giving themes will benefit throughout the year with further grants to be announced.

The main areas of focus for the Foundation remains children and young people, those who are socially or economically disadvantaged as well as people who have an illness or disability (this applies to causes in the UK and overseas).

We have now added Improved Mental Health for all ages to that list and have joined forces with the Heads Together Campaign to support former soldier Dean Stott who plans to raise £1 million for the eight charities that make up the campaign. Together the aim is to raise awareness and challenge mental health stigma. Dean is cycling the Pan-American Highway from Argentina to Alaska beginning in February 2018 and aims to beat the current record of 117 days! We are proud supporters of Dean and wish him all the very best of luck.

Corporate governance reporting

Board of Directors

Sarah Bates
Chair

Date of Appointment:
Chair January 2014.
Non-executive Director September 2004.
Chair of the Nomination Committee.

Experience
Sarah brings over 35 years' experience from the investment and investment management sectors, in both senior executive and non-executive capacities. She served as chair of the Association of Investment companies from 2011 to 2013. She retains a range of investment related responsibilities which support her Chairship of St. James's Place. She is a Fellow of CFA UK.

External Appointments
Chair of Polar Capital Technology Trust plc, non-executive director of Worldwide Healthcare Trust plc and a special committee member on the investment committee of the Universities Superannuation Fund. On a voluntary basis, member of the investment committee of the National Heritage Memorial Fund, chair of the St. Joseph's Hospice investment panel and Trustee of the Liver Group Charity.

Andrew Croft
Chief Executive Officer

Date of Appointment:
Chief Executive Officer January 2018.
Joined St. James's Place 1993 and appointed to the Board September 2004.

Experience
Andrew joined the Company in 1993 and was Chief Financial Officer from 2004 to 2017. Having trained as an accountant with Deloitte Haskins and Sells (now part of PricewaterhouseCoopers LLP) 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 and being appointed as the Chief Executive Officer in January 2018. He is a Trustee of the St. James's Place Charitable Foundation.

External Appointments
Lay member of the Audit & Risk Committee and Finance & Investment Committee of the Royal College of Surgeons of England.

Ian Gascoigne
Managing Director

Date of Appointment:
Executive Director 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 Charitable Foundation.

External Appointments
Member of the Strategic Advisory Board of Loughborough University School of Business and Economics.

Craig Gentle
Chief Financial Officer

Date of Appointment:
Chief Financial Officer January 2018.
Joined St. James's Place 2016 and appointed to the Board January 2018.

Experience
Craig joined the Company in 2016 as the Chief Risk Officer. Prior to this, Craig spent 22 years at PricewaterhouseCoopers, 12 of which were as a Partner. During his time at PricewaterhouseCoopers, Craig held a number of roles, including as a senior audit partner.

Craig qualified as a Chartered Accountant in 1993.

External Appointments
Craig has no external appointments.

David Lamb
Managing Director

Date of Appointment:
Executive Director December 2007.
Joined St. James's Place 1992.
Chair of the Investment Committee.

Experience
David is Managing Director with responsibility for Private Client and the Group's investment businesses 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 a Trustee of the St. James's Place Charitable Foundation.

External Appointments
Non-executive director of The Henderson Smaller Companies Investment Trust plc.
Governor of the University of the West of England.

Iain Cornish

Senior Independent
Non-executive Director (SID)

Date of Appointment:

Senior Independent Director January 2014.
Non-executive Director October 2011.
Chair of the Board 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.

External Appointments

Chair of Shawbrook Group plc, non-executive director of Arrow Global Group plc and Treasurer of MacMillan Cancer Support.

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

Chair of AON UK Limited and Henderson International Income Trust plc and a non-executive director and chair of the Audit Committees of Templeton Emerging Markets Investment Trust plc and SimCorp A/S, a listed Danish financial services software company.

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. Chair of the Financial Times Appointments and Oversight Committee. Member of the House of Lords.

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 Morgan Grenfell, Invesco and Henderson Group plc, where he was chief executive officer. Most recently, he was chair of Electra Private Equity plc and a non-executive director of IG Holdings plc.

External Appointments

Non-executive director of Jupiter Fund Management PLC and J.P. Morgan Elect plc.

Full biographical details of each Director can be found on the corporate website at www.sjp.co.uk

Committee key:

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

Chair's Report

Sarah Bates
Chair

2017 was a year of robust growth for St. James's Place and of continued evolution. As already covered in both the CEO and CFO reports the business continued to expand, and delivered good results for its stakeholders: clients, Partners and Advisers, shareholders, employees and the communities in which it operates.

We continue to benefit from our consistent strategic approach together with a series of long-term external trends that have underpinned a supportive environment for UK wealth management businesses. These include the atomisation of savings, as corporate provision for pensions has shifted for many from the relative clarity of defined benefit pensions to a defined contribution environment. As a result more individuals have to bear investment risk and their own longevity risk. People are understandably concerned about provision for their care in later years, whilst at the same time, considering how best to provide for their children whose circumstances may, for the first time in generations, look less promising than for their parents. Intergenerational wealth transfer is likely to become an increasing focus of client interest, while the introduction of pensions freedoms into all this in 2016, has clearly improved flexibility and the potential options for that part of an individual's savings which are in a pensions structure. The new freedoms have also increased complexity and risk if things go wrong so the demand for financial advice has increased significantly.

Taken as a whole, the overall impact of these external trends and financial markets have been relatively supportive to St. James's Place in 2017.

SUCCESSION

At the beginning of 2017, we announced that David Bellamy would step down as CEO at the end of the year, handing over the baton to Andrew Croft, who joined St. James's Place in 1993 and who had been CFO since 2004. We also announced that Craig Gentle, who joined in 2016, would take over from Andrew as CFO at the same time. On behalf of the Board, shareholders, clients and the whole SJP community I would like to thank David Bellamy for his very considerable contribution to the evolution and success of SJP over his 26 years of service, 20 years of Board membership and 11 years as CEO.

This was just one step in a phased succession plan, with work having been undertaken over the years to strengthen and broaden the senior executive team. This has seen the expansion of the Executive Board over recent years with the promotion of Iain Rayner and Jonathan McMahon as joint Chief Operating Officers, Peter Edwards as Establishment Director, and Ian Mackenzie, as Chief Business Development and Technology Officer. Graham Coxell also joined the executive team following the acquisition of Rowan Dartington.

Succession will continue to be a key priority for the Board at both management and Board level, including Non-executive Directors and my own succession.

DIVERSITY

An area of increasing importance for our business is the matter of diversity. It is noticeable that the Executive Board is all male and this is an important contributor to SJP's gender pay gap being too high. On some measures, such as the Partnership gender balance, we are better than industry averages but that is perhaps not saying enough. We are working hard on this. The Academy intake gender balance is improving, with women representing 23% of the 2017 intake, while our apprentice programme intake is around 50% female, and our graduate intake is similar.

Two years ago, on behalf of the Nominations Committee, Ian Gascoigne was appointed to chair a steering group looking at our approach to gender diversity. Over the last year we have put in place an Inclusive Leadership Programme for the director level population and a personal and professional development programme for 40 senior women.

As a consequence of this thought and consideration, I am pleased to say that the Executive Board has now clarified our approach to flexible working, that recruitment practices will be amended with targets for women on shortlists and the Board will monitor gender related KPIs. These, and a number of other related initiatives, will be included in the Business Plan and will be part of the Executives' strategic bonus targets. These measures match up with the Women in Finance Charter which we will be applying to join.

Diversity is of course not only about gender. It is imperative that we attract and retain the best people for our business, and do not unwittingly exclude any group or individual for reasons which have nothing to do with capability and commitment.

OUR WIDER CORPORATE RESPONSIBILITIES

We take our wider corporate responsibilities seriously. Our world is complicated and the interests and expectations of our stakeholders are considerable. The approach SJP takes to its social responsibilities is set out in some detail in the Corporate Responsibility Report on pages 52 to 61, and is a very important part of the every day life of the business. Last year, the Board also agreed we would double match monies raised by the SJP community for the Charitable Foundation, which ultimately resulted in a contribution of £11.0 million.

We have also been working for some years to achieve consistency between our shareholders' expectations of us and those we have of the companies in which our clients' money is invested. Our Responsible Shareholder Committee has oversight of this and we have recently become signatories to the United Nations Principles for Responsible Investment. In addition, we have taken steps to increase our understanding and oversight of how our fund managers and consultants adopt Environmental, Social and Governance criteria into their investment processes. This will continue to be an area of focus for our business.

CONCLUDING REMARKS

In what was a landmark 25th anniversary year for St. James's Place, we once again delivered well for stakeholders and on behalf of the Board I would like to say thank you to the whole SJP community.

We look to the future with optimism, confident in our prospects as a leading wealth management business.

Sarah Bates
Chair
27 February 2018

If you would like to discuss any aspect of my report or the Corporate Governance Report please feel free to email me on: chair@sjp.co.uk

Corporate Governance Report

Sarah Bates
Chair

This report explains how your Board leads the Company's approach to corporate governance and explains how the principles of the Financial Reporting Council's UK Corporate Governance Code have been applied in practice.

The Board considers that the Company has complied with all of the provisions of the UK Corporate Governance Code (the Code, available at: www.frc.co.uk) during 2017 and this report explains how.

Detailed reporting on remuneration, as required by Section D of the Code, can be found in the Directors' Remuneration Report.

MAKE UP OF THE BOARD AND ITS COMMITTEES

The Board
Sarah Bates (Chair)
Andrew Croft (CEO)
Ian Gascoigne
Craig Gentle
David Lamb
Iain Cornish (SID)
Simon Jeffreys
Baroness Wheatcroft
Roger Yates

Audit
Simon Jeffreys (Chair)
Iain Cornish
Roger Yates

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

Nomination
Sarah Bates (Chair)
Iain Cornish
Baroness Wheatcroft

Remuneration
Roger Yates (Chair)
Simon Jeffreys
Baroness Wheatcroft

David Bellamy retired as a Director on 31 December 2017, having served as a Director throughout the financial year. Craig Gentle was appointed a Director on 1 January 2018. All of the other Directors were in office throughout the financial year and up to the date of the report and biographical details, including their membership of Board Committees, are set out on pages 70 and 71.

Members	Attendance during 2017
Sarah Bates (Chair)	6/6
Andrew Croft (CEO)	6/6
Ian Gascoigne	6/6
David Lamb	6/6
Iain Cornish (SID)	6/6
Simon Jeffreys	6/6
Baroness Wheatcroft	6/6
Roger Yates	6/6

THE ROLE OF THE BOARD

Board Leadership

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

- Provides entrepreneurial leadership and direction to the Company in setting out its strategic aims, visions and values and overseeing delivery against these;
- Monitors financial performance and reporting and approves/recommends payments of dividends;
- Sets the Company's risk appetite, assessing the principal risks facing the Company and ensuring that adequate controls are in place to manage risk effectively;
- Ensures that appropriate and effective succession planning arrangements and remuneration policies are in place;
- Implements appropriate corporate governance procedures;
- Reviews major transactions or initiatives proposed by the Executives; and
- Determines the Company's policy on charitable and political donations.

The powers of the Directors are set out in the Company's Articles of Association (the Articles), prescribed by Special Resolutions of the Company and codified in UK company law. The Articles 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. Our shareholders have also granted the Directors authority to make charitable donations and further details on the donations made can be found on page 31.

At the 2017 AGM, shareholders granted authority to the Directors for the purchase by the Company of its own shares, with such authority expiring at the end of the 2018 AGM, or 18 months from the date granted, whichever is the earlier. The Directors will propose the renewal of this authority at the 2018 AGM. During the year, the Company did not purchase any of its own shares.

Further to the powers granted above, the Board maintains a full schedule of matters reserved to it together with a Board Control Manual which sets out the primary policy and decision-making mechanisms within the Group. This includes terms of reference for the various Board Committees, a schedule of the Company's risk policies and detailed job descriptions for each of the Executive Directors and Non-executive Directors.

Culture

The Board recognises the importance of safeguarding the Company's culture and regularly considers how both employees and Partners demonstrate their commitment to the Group's culture and reviews the ways in which its prominence is maintained. Further details of how we approach the safeguarding of our culture and monitor the views and adherence by those within the St. James's Place community can be found in the Corporate Responsibility Report on pages 52 to 61 and under Principal Risks and Uncertainties on page 50.

Relations with Stakeholders

The Board considers active engagement with its key stakeholders to be fundamental to the business. The Strategic Report on pages 2 to 62 sets out in more detail how we engage with key stakeholders including our employees, the Partnership, our clients, our fund managers and our local community.

Our shareholders are another key stakeholder and we maintain close relationships with institutional shareholders through direct dialogue and frequent meetings. We also meet regularly with the Group's brokers who facilitate meetings with investors and their representatives. Non-executive Directors are appraised of the views of major shareholders via briefings at Board meetings which include material topics raised by investors. Board members also receive copies of the latest analysts' and brokers' reports on the Company, and attend shareholder and/or analyst meetings from time to time.

During 2017, shareholder interaction included holding shareholder roadshows, where the Chief Executive and the Chief Financial Officer presented the Company's full year and half year results to investors, attending investor conferences, and holding Capital Markets days for investors and analysts addressing a wide range of strategic and operational topics, investor meetings and conference calls.

The Chair wrote to major shareholders in 2017 following the publication of the Annual Report and Accounts and the announcement of a new CEO, to ensure they had contact details for her, the SID and the Chair of the Remuneration Committee and to explain the rationale for the changes to the constitution put to shareholders at the 2017 AGM. The Chair and Non-executive Directors also attended a number of shareholder meetings and forums with the Executive team.

The Chair, SID 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 23 May 2018, further details of which are set out in the Notice of Annual General Meeting.

Corporate Governance Report continued

BOARD ORGANISATION AND GOVERNANCE STRUCTURE

Composition

The Board currently comprises four Executive Directors, four independent Non-executive Directors and the Chair (who was independent on appointment). David Bellamy retired from the Board on 31 December 2017 and Craig Gentle was appointed a Director on 1 January 2018.

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.

As previously reported, the Board remains satisfied that Simon Jeffreys' role as chair of Aon UK Ltd has no bearing on his independence or that of New Bridge Street or Aon Consulting (advisers to the Remuneration and Investment Committees). Aon UK Ltd, Aon Consulting and New Bridge Street are part of the Aon group of companies. When considering their relationships to the Aon Group, the Board took into account the fact that Aon UK Ltd, Aon Consulting and New Bridge Street operate in different divisions of a large group and their reporting and ownership lines to the Aon Group board are entirely segregated.

Conflicts of Interest

The Board has in place procedures for the management of conflicts of interest. In the event a Director were to become aware that they have an actual or potential conflict of interest, they must disclose this to the Board immediately. The Board then considers the potential conflict of interest based on its particular facts, and decides whether to authorise the existence of the potential conflict and/or impose conditions on such authority 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.

The Roles of the Chair and Chief Executive

The job descriptions of the Chair and Chief Executive and the division of responsibilities between them are clearly defined and agreed by the Board. As Chair, Sarah Bates 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, Andrew Croft'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 (SID) in January 2014 and his job description has been agreed by the Board. The SID acts as a sounding board and confidant for the Chair and the Non-executive Directors (NEDs). He 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.

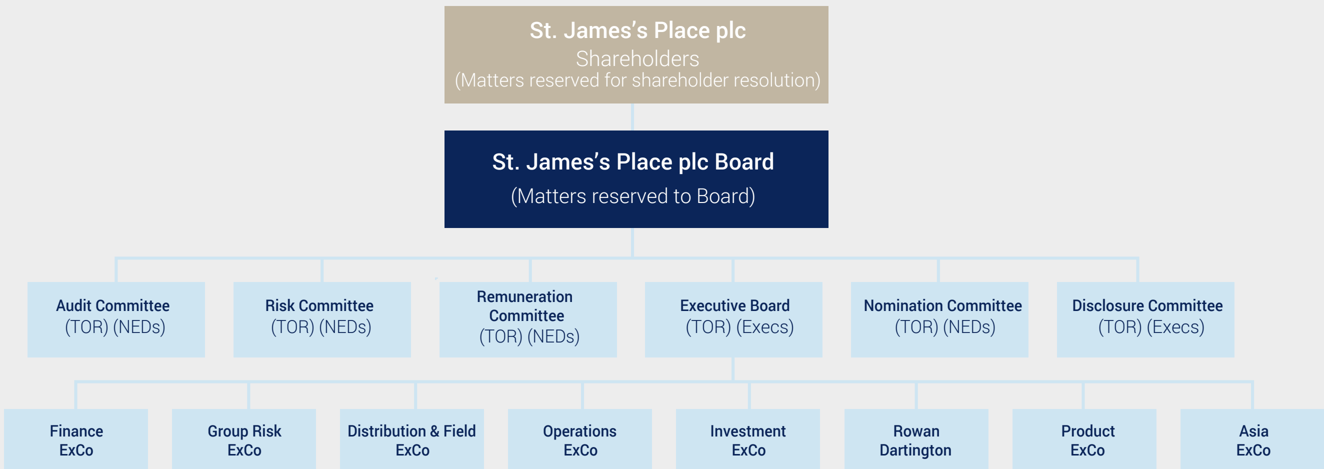
Committees

There are four wholly Non-executive Committees of the Board: Audit; Nomination; Remuneration; and Risk. The Chair of the Board is a member of, and Chairs, the Nomination Committee and the other members of these Committees are all independent Non-executive Directors. 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), or on request from the Company Secretary.

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.

A number of committees have also been established below the main Executive Board assisting it 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 chart showing the current supporting governance structure is set out on the following page.

GOVERNANCE STRUCTURE CHART



BOARD'S OPERATION

Planning

The Chair is responsible for setting the Board agenda together with the Chief Executive and the Company Secretary. Each year, the Chair and CEO discuss the forward Board agenda for the year, based on themes from the Business Plan, and potential topics are identified for strategy sessions and Board discussions. For each Board meeting, all Board members are supplied with an agenda and pack containing specific papers on particular strategic issues, as well as reports and management information on clients, the Partnership, investment matters, current trading, operational issues, compliance, risk, accounting and financial matters. The Board's forward agenda is also co-ordinated with those of its Committees and the Chairs of the various Committees report on the activity of their Committees at Board meetings, with copies of Committee meeting minutes being circulated to all Directors (where appropriate).

To ensure that there is sufficient time for the Board to discuss matters of a material or more discursive nature, Board dinners are held prior to certain scheduled Board meetings which allow the Directors greater time to discuss key topics with additional internal and external participants.

In addition to the strategic discussion at Board meetings, the Directors attend two separate strategy days each year. The Board's activity during 2017 is set out in more detail on the following pages, and the work undertaken by the Board Committees is provided in their individual Committee reports.

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.

Corporate Governance Report continued

THE BOARD'S ACTIVITY DURING 2017

During the year, six scheduled Board meetings and two ad hoc Board meetings (held at short notice) were held.

At scheduled meetings the Board receives details of performance against agreed KPIs, a report from the Chief Risk Officer (quarterly) and updates on:

- Business performance
- Developments with Regulators
- Investor feedback and recent media activity
- Client administration
- Investment performance

In addition, Directors attended two additional Board Strategy meetings.

An overview of the topics considered by the Board at its scheduled Board meetings during the year is provided below:

February

HIGHLIGHTS

- 2016 Annual Results and Annual Report & Accounts
- The draft notice for the Company's 2017 Annual General Meeting, including the proposed Remuneration Policy
- Succession planning for the roles of CEO and CFO
- The results of the 2016/17 Wealth Account Survey
- The launch of the Retirement Account on Bluedoor
- 2017 Business Plan

April

HIGHLIGHTS

- Regulatory developments, including visits from Regulators and client disclosure requirements
- Clients strategy (more details below)
- Partner strategy (more details below)
- Development of the IMA
- Insurance arrangements

May

HIGHLIGHTS

- The 2017 Annual General Meeting
- Recent developments affecting DST
- Regulatory activity
- The Group's Slavery and Human Trafficking Statement

July

HIGHLIGHTS

- Half year results and the declaration of an interim dividend
- People strategy (more details below)
- Enterprise Investment Schemes
- Partner loans and borrowing
- Media coverage during the year
- A presentation from representatives of the FCA

September

HIGHLIGHTS

- Capital Management (more details below)
- Early considerations for the 2018 Business Plan
- Developments in Asia
- Investment Strategy
- Approval of the ORSA

November

HIGHLIGHTS

- Cyber Security, Data Protection and Regulatory Update
- 2018 Business Plan and Finance Update
- Partnership update
- Investment Management Approach developments
- Administration Platform developments

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

In addition to the scheduled meetings, two ad hoc Board meetings were also held in relation to succession and to appoint a Committee to finalise revised financing arrangements.

KEY STRATEGIC CONSIDERATIONS DURING THE YEAR INCLUDED

The strategy and performance against the strategy are discussed in the Chief Executive's Report, the Chair's Report and the Strategic Report but a summary of significant topics are set out below:

DST	During the year, the Board continued its ongoing review of the arrangements with DST, the outsourced provider for the Group's administration functions of its UK life insurance company, unit trust manager, and investment administration company. Given the significance of the service DST provides to the Group, the Board monitors arrangements and approves revisions to the basis upon which they are provided.
Clients	In addition to regular reporting, a focused strategy session concentrated on our clients, including feedback from clients, safeguarding potentially vulnerable clients, future products and services and developments in technology.
Partners	The Board focused on the Group's interface with the Partnership, in particular ensuring that services provided in support of the Partnership remained effective, efficient, appropriate and relevant. An ongoing project had been established with the principal aims of preserving the existing relationship-based culture, keeping the business safe and helping Partners to operate as business people with professionalism.
Borrowing/ Securitisation	In 2017, the Board agreed to an extension to its existing revolving credit facility and entered into revised terms with the syndicate of lending banks. In addition, it agreed to a further drawdown from the private shelf facility established in 2015 and discussed the possibility of using securitisation as a means of ensuring sufficient lending capacity will exist in the future to support the growth of the Partnership.
People and Diversity	The Board received an update on progress made since its September 2016 strategy meeting and discussed key themes impacting the Group's employees as well as key areas which the business was concentrating on, including leadership development, recruitment, reward, succession, retention and diversity.
Capital Management	The Board looked at the strategy for managing the Group's capital over the next five years, giving particular consideration to the business' growth rate, investors' expectations, solvency requirements and the current level of gearing. The Board discussed opportunities that could exist to restructure borrowing and manage gearing and the ongoing appropriateness of the basis for the Group's management solvency buffer. Following a formal review and recommendation from the Risk Committee, the Board approved the Group's ORSA for the year ended 31 December 2016.
Investment Strategy	The Board met with the members of the independent Investment Committee and considered the challenges that were likely to face SJP in the coming years. In particular, the Board discussed the challenges presented by the Group's increasing scale, changes in the wider market place, the approach to monitoring investment managers, potential new funds and clients' expectations.
Cyber Risk and Data Protection	The Board received an update on (i) progress in relation to cyber security and the maturity of our resilience and (ii) progress in relation to implementing GDPR.
Regulatory Environment	Throughout the year the Board considered developments in the regulatory environment including the impact of new and changing regulation, the outcomes of market reviews (e.g. the FCA's Asset Management Market Study) and regular interactions with the Group's regulators. Representatives of the Financial Conduct Authority were also invited to, and attended, the July meeting.
Risk Management	In conjunction with the work of the Risk Committee, the Board undertook a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

BOARD EFFECTIVENESS

Appointment, Replacement and Re-Election of Directors

The Articles permit Directors to appoint additional Directors and to fill casual vacancies and any Directors appointed must stand for election at the first Annual General Meeting (AGM) following their appointment, as will be the case for Craig Gentle. All other Directors will stand for re-election at each AGM. Directors can be removed from office by an ordinary resolution of shareholders or in certain other circumstances as set out in the Articles.

Before a Director is proposed for re-election by shareholders, the Chair considers whether his or her performance continues to be effective and whether they demonstrate commitment to the role. After careful consideration, the Chair is pleased to support the re-election of all Directors at the forthcoming AGM. Each Director brings 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. As in previous years, your Board is recommending to shareholders that all the Directors retiring at the forthcoming Annual General Meeting be re-elected.

Duration of Appointments

Non-executive Directors, other than the Chair, are appointed for a specified term and the Executive Directors have service contracts (copies of the terms and conditions of appointment of all Directors are available for inspection at the registered office address and will be available for inspection at the Company's AGM).

Executive Directors' Service Agreements

The Executive Directors all have service contracts with the Company that provide for termination on twelve months' notice from either the Company or the 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 twelve months within a specified time limit). Service contracts do not contain a fixed end date. 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 2017, and remain in force at the date of this Report.

Time Commitments

Non-executive Directors are expected to commit at least 15 to 25 days per annum and in practice may 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 how the Nomination Committee assesses their contribution is set out on page 96.

Since her appointment in January 2014, the Chair has devoted a significant proportion of her time to the role. In conjunction with the SID, 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 one other non-executive role and one chair role in other publicly listed companies. Both of these directorships 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. During 2017 the Chair stepped down from the boards of JPMorgan American Investment Trust plc and Witan Pacific Investment Trust plc. She was elected as the chair of the board of directors of Polar Capital Technology Trust plc in September 2017. She has a full attendance record at the Company's Board meetings in 2017 and has also attended 25 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. Details of progress made in the year can be found in the Report of the Nomination Committee.

Inductions for New Directors

An appropriate induction programme is designed to enable all new 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. Induction plans are tailored to meet the specific requirements of incoming Directors.

Continuing Professional Development

The Chair and Company Secretary ensure the continuing professional development for all Directors, based on their individual requirements. Training attended by Directors includes presentations on topical issues, specific teach-ins, 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. Ad hoc training is also set up to deal with individual requests, external advisers are invited to deliver presentations and the Non-executive Directors are able to attend seminars or conferences which they consider will assist them in carrying out their duties. A list of training received during the year is maintained by the Company Secretary.

During the year all the Directors identified and undertook relevant training based on their individual requirements. They also attended specific training sessions covering regulatory developments, the political environment (including Brexit) and the development of executive remuneration structures. In addition, during 2017, the Board Committees and individual Directors identified a wide range of topics upon which they particularly wished to receive further training and development. As a result, individual and group sessions were held with third party advisers, Partners and employees and Directors attended externally facilitated events that were relevant to their own circumstances.

2017 BOARD EFFECTIVENESS REVIEW

The process of Board evaluation is a useful one, as it provides a regular mechanism for the Board to ask itself (or to be asked, in the case of an external evaluation) about its performance and whether it is conducting its business effectively and efficiently, for the benefit of all stakeholders.

The Board's last external evaluation, conducted by Sean O'Hare of Boardroom Dialogue, in 2015, was a helpful exercise, and the 2016 evaluation followed up on the measures which had been taken as a consequence as well as looking ahead. 2017's evaluation built on these previous discussions, and an external evaluation will be conducted at the end of 2018. This will be particularly appropriate given the changes at Board level as it will provide an opportunity to think forward and continue to develop in the light of those changes.

To an extent, the Board's approach remains consistent (albeit we seek to continue to improve where we need to) and the challenge for the Board has not changed markedly over these three evaluations. We need to make sure that there is constructive debate as ideas are developed, keep the flow of information working, keep our eyes on the horizon and stay clear sighted about the strengths and weaknesses of the Group at a time of significant growth in the business. We also need to avoid strategic errors and continue with our low strategic risk appetite, and to understand the interests of all our stakeholders and reflect those effectively in what we do. At the same time, there is considerable external uncertainty caused by a number of factors, including political upheaval and the development of Brexit, technological disruption providing opportunities and threats and a considerable amount of regulatory change.

Last year, we set ourselves some clearer aspirations as to the appropriate amount of time to be spent on business as usual and supervisory discussions and on longer term and strategic discussions. Although we have made good progress in this respect, the necessary and important oversight of regulatory changes (which necessarily included "business as usual" discussions), have probably taken up more of our time than we expected. However, we have maintained a significant focus on major topics and "blue sky" thinking in this respect including on matters such as the SJP/Partnership interface, clients, people strategy, investment strategy, capital strategy and the regulatory impact of significant regulatory change (for example client disclosures). Further, the year's forward plan worked well, in particular the development of our discussions on people strategy: our staff surveys and our diversity approaches. Over the last two evaluations we have addressed the need for improving the processes for Director training and development and, in 2017, we planned specific sessions ahead of major discussions, which have worked well, and evolved from a slightly more ad hoc approach of Non-executive Directors attending many management meetings. These sessions were open to both Non-executive Directors and Executive Directors.

We have continued to employ a variety of meeting approaches: formal Board meetings and more informal Board discussions, often involving other members of the senior management team, and believe this has worked well. Examples include discussions on (i) our investment strategy, where members of the Investment Committee joined in the debate with Board members, (ii) the SJP/Partnership interface, where at an early stage in development, the Board had an opportunity to discuss the overall direction of the project and (iii) the capital management strategy.

The Board evaluation for 2017 was conducted by means of individual discussions with each Board member which followed a consistent format and considered some key themes in relation to Board effectiveness including the cohesiveness of the Board, the balance of skills, experience, independence and diversity on the Board and development of industry and business knowledge. These discussions also addressed individual Board performance and the Senior Independent Director led the Non-executive Directors in the evaluation of the Chair. The performance of the Board's Committees was also discussed.

The conclusions of this year's evaluation were:

1 The Board had had a "business-like year", which was unsurprising given the impact of regulatory changes. We had discussed the major issues effectively and Board members felt the strategy discussions had been well presented at the strategy days. Further, the forward planning was working well and would continue in 2018 with topics put forward by Directors and the management team. It was also noted that the Directors' development sessions were effective;

2 The Board had overseen the transition of the CEO and CFO roles effectively;

3 The in-depth discussions on diversity had been helpful. This is a matter of further Board focus over the next year particularly in relation to the Executive team and its succession;

4 The Board worked well together, with a diversity of views and approaches combined with a good sense of common purpose. It was noted that there was a need to keep being clear sighted particularly when the business is doing so well; and

5 The Committees had worked well: the Risk Committee had focused well although the challenge of keeping the big picture issues at the centre of discussions was considerable, it was thought to have been well handled. The Audit Committee had overseen the change of Internal Audit Director and seen useful improvements in information flows (and the year end processes). It was noted that there was clarity of the roles of each of the Risk and Audit Committees. The Remuneration Committee had approached its role with appropriate regard to all stakeholder interests and adapted well to new regulatory requirements. The Nomination Committee had overseen the transition of the executive team and expanded its diversity and governance responsibilities.

In 2018, the Board will be considering its reporting formats, particularly in the light of the change of CEO and CFO, and the development of the roles of Executive Board members. The strategy days will focus in particular, on the development of the 2020 business plan into a 2025 plan, and the implications for the business of continued growth given the opportunities which appear to be open to the Group. Undoubtedly themes from 2017 will be carried through into 2018, particularly given changes in regulatory requirements and governance requirements for the Group. Therefore, there will be a continued need to keep our eyes on the horizon as well as overseeing the responses of the Group to the key regulatory changes (for example GDPR, Insurance Distribution Directive etc.). We will also be undertaking a considered piece of work (leading up to the external evaluation) given the changes at Board level, Board and management succession, to make sure we continue to develop the structure of Board discussions in what has become a much larger group over the years.

By order of the Board:

Sarah Bates
Chair
27 February 2018

Report of the Audit Committee

Simon Jeffreys
Chair of the
Audit Committee

The report of the Audit Committee sets out the activity during the year and details of the key responsibilities of the Committee in more detail.

ROLE OF THE COMMITTEE IN SUMMARY

- To be responsible for the accuracy and integrity of the Group's financial statements;
- To oversee the appointment of the external auditor;
- To monitor the independence, objectivity and independence of the external auditor;
- To receive and act upon the reports of the external auditor;
- 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 weaknesses or failures;
- To report to the Board on how the Committee has discharged its responsibilities; and
- To monitor arrangements whereby employees and others, may in confidence, raise matters of concern, and ensure appropriate follow up action occurs.

COMMITTEE MEMBERSHIP AND ATTENDANCE

Members	Attendance	Joined
Simon Jeffreys (Chair)	6/6	1 January 2014
Iain Cornish	6/6	1 October 2011
Roger Yates	6/6	1 July 2014

The Committee's terms of reference set out the Committee's role and authority and can be found on the corporate website at www.sjp.co.uk.

I am pleased to present the report of the Audit Committee of St. James's Place plc for the year ended 31 December 2017 which sets out the key responsibilities of the Committee in more detail, activity during the period and the Committee's work in relation to the 2017 financial statements.

The continuing evolution of reporting standards, as they are introduced in the coming years, remains a key focus of the Committee. Ahead of the 2017 year end, the Committee was keen to focus early on the likely impact of forthcoming International Financial Reporting Standards (IFRS) and, where relevant, agree in principle the disclosures to be included in the next Annual Report. IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from contracts with customers' will both be adopted from 1 January 2018 and, having completed our assessments, we have been able to confirm in the notes to the financial statements that neither standard will have a material impact on our financial statements. IFRS 16 'Leases' and IFRS 17 'Insurance Contracts' will not be adopted until later dates. We continue to assess what IFRS 16 and IFRS 17 will mean for our financial reporting. Whilst IFRS 16 is expected to have a material impact on our consolidated statement of financial position, and both standards will require presentational changes within our financial statements, we do not expect either standard to have a significant effect otherwise.

We remain mindful of the importance of ensuring that our Annual Report and Accounts present a fair, balanced and understandable financial assessment of the Company. We have focused on ensuring explanations of changes resulting from key judgements and assumptions are clear and also reflected on the APMs we use to explain the business. Having taken account of investor feedback, including the value they place on the cash result and EV, we have sought, where appropriate, to provide information in a format that enables readers to understand well the key drivers of our financial performance.

The updates we made last year following the introduction of the EU Audit Directive and the FRC's Ethical Standard are now well embedded and the Committee continues to keep all policies under regular review, making enhancements where necessary. The Directive determines that, not only the Company, but also our UK and Irish life insurance companies are classified as Public Interest Entities (PIEs). PIEs are required to have audit committees and this Committee now fulfils this function for the UK life insurer. This year end we have considered the financial statements of our UK life company and received the external auditor's report thereon. Our Irish life insurer has a separate audit committee.

Client assets remained a high profile topic during 2017 and one that the Committee has monitored closely, requesting evidence that provided the Committee with assurance that the controls and procedures in place to safeguard client assets were operating effectively. PwC's insight was also sought, both about the Group's operations, and also their experience of third party administrators working on the Group's behalf.

The new reporting requirements introduced under Solvency II have now been firmly embedded within our annual work cycle. Companies across the industry have published their first reports, and this has provided us with an opportunity to reflect on possible improvements in our own reporting.

During 2018, as well as confirming with PwC the audit partner to take over from Jeremy Jensen in 2019, the Committee will be participating in the selection of a new firm to carry out the audit of our Irish subsidiary from 2019, as required by the EU Audit Directive (further details on page 87). The Committee will also be looking to work closely with the newly appointed Chief Financial Officer and Director of Internal Audit in 2018, ensuring that their transitions are smooth and that they are appropriately supported in their roles.

Simon Jeffreys
On behalf of the Audit Committee
27 February 2018

OPERATION AND PERFORMANCE OF THE COMMITTEE

The Committee comprises three independent Non-executive Directors and membership has remained unchanged during the year. The Committee's effectiveness has been reviewed by the Board as part of its overall assessment of its effectiveness (see page 81) and it remains satisfied that the Committee as a whole has the experience and qualifications necessary to successfully perform its role, noting in particular that the Chair of the Committee is a qualified accountant and former auditor, and other members also have recent and relevant experience and expertise in the financial services sector.

A record of Committee members' attendance throughout 2017 can be found on page 83. During the year the Committee also invited the Chair, Chief Financial Officer, Director of Internal Audit, Chief Risk Officer, Chief Actuary and other members of the Finance, Internal Audit and Controls teams, as well as representatives from the external auditors and Deloitte, our internal audit co-source partner, to attend meetings, where appropriate. Private sessions are held with the external auditor after certain meetings, providing a channel for them to raise concerns in the absence of management and enabling the Senior Statutory Auditor to feed into the work of the Committee.

At each scheduled meeting the Committee:

- Receives updates from the external auditor on progress with ongoing activities;
- Receives an update on progress with the internal audit plan;
- Is provided with an update from the Finance department, including a summary of developments in financial reporting, a summary of capital management in the Group, and details of financial control breaches since the last meeting;
- Receives an update on fraud activity since the last meeting;
- Is provided with a report on whistleblowing activity; and
- Reviews and recommends relevant policies to the Board for adoption.

In addition to receiving updates from management, members of the Committee attend and contribute in industry briefings and workshops to ensure they stay abreast of topical subjects for audit committees. One such example during 2017 saw the Chair of the Audit Committee participating in the FRC's Audit and Assurance Lab on audit committee reporting.

The Committee also maintains a forward agenda which aims to ensure that the Committee's workload is balanced across the year and that key areas of focus are considered at appropriate times.

The Audit Committee is responsible for carrying out the function required under the FCA's Disclosure and Transparency Rule DTR7.1.3R (Audit committees) and complied with The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 throughout the year ended 31 December 2017.

WHISTLEBLOWING

The Chair of the Committee is a key contact in the Whistleblowing Policy and is the whistleblowers' champion under the Senior Insurance Managers' Regime. The Committee reviewed whistleblowing arrangements during the year and concluded that the arrangements were appropriate and consistently in force across the entire Group.

COMMITTEE ACTIVITIES DURING 2017

The Committee held six scheduled meetings during the year and the key topics considered at those meetings are summarised below:

January

KEY TOPICS

- **Year-end preparation** – Reviewed and approved accounting judgements and actuarial assumptions, and received an update on progress with the 2016 year-end external audit.
- **Asset Valuation** – Considered a review of the external audit of the SJP Unit Trusts and the half-yearly review of the oversight and monitoring of the activities of service providers, probing the robustness of the framework upon which valuations included in the consolidated Group accounts were based.

February

KEY TOPICS

- **Final Results** – Reviewed and recommended to the Board the draft Final Results announcement and draft Annual Report and Accounts for 2016, including the viability statement.
- **External Audit** – Received the report of the external auditor on the results of their audit and concurred with management's response to the recommendations identified.
- **Solvency II** – Reviewed compliance with the Solvency Directive, and approved the publication of the 2016 Year End Solvency and Financial Condition Report (SFCR).

May

KEY TOPICS

- **Year End Review** – Undertook a review of the 2016 Year-end process, evaluated the performance of the external auditor and carried out an annual review of the Committee's terms of reference.
- **Internal Audit** – Reviewed the performance of the Internal Audit function during 2016 and received a presentation from Deloitte, regarding the co-sourcing arrangements.
- **Bribery and Fraud Review** – Received an annual review of the Group's systems and controls for bribery and fraud.

July

KEY TOPICS

- **Half-year Results** – Reviewed and recommended to the Board the draft 2017 Half-year Results announcement.
- **External Audit** – Received and considered the external auditor's review for the half year to 30 June 2017.
- **Asset Valuation** – Received the half-yearly review of the oversight and monitoring of the activities of service providers working on the SJP Unit Trusts, considering the valuation methodologies adopted and examining the potential impacts of Brexit and new regulation.
- **Internal Controls** – Received the half-yearly review of the Group's internal controls framework.

October

KEY TOPICS

- **Internal Audit Review** – Assessed the adequacy of the skills and resource within the Internal Audit Department against current and future demands.
- **Internal Controls** – Considered planned enhancements to the controls framework for 2018 and agreed the key metrics and information required by the Committee to provide assurance of the effectiveness of management oversight.
- **Year-end preparation** – Received a progress update and considered policy changes that would arise from the introduction of new International Financial Reporting Standards.
- **External Audit Plan** – Received and agreed the external auditor's plan for the audit of the 2017 year-end.

November

KEY TOPICS

- **Year-end preparation** – Considered key developments, material accounting judgements and actuarial basis proposals, agreeing in principle the key assumptions to be adopted when preparing the 2017 Year End Annual Report and Accounts.
- **External Audit** – received an update from the external auditors on progress with the 2017 Year end audit.
- **Internal Audit Plan** – Considered the proposed 2018 internal audit plan.

In addition to the scheduled meetings, the Committee was also convened and met on three other occasions to consider the final 2016 year-end SFCR, the final 2016 year-end Regulatory Supervisory Report (RSR), and to review the processes followed prior to making attestations on CASS compliance, requested by the Regulator.

SIGNIFICANT ISSUES CONSIDERED RELATING TO THE GROUP'S FINANCIAL REPORTING

The Committee's deliberations during the year have taken account of the implications for the Group's financial reporting, in particular, the risk of misstatement of the financial statements, and also by assessment of the scale of risk in the business. The following summarises significant issues considered during the course of the Committee's meetings in 2017:

Area of Focus	Activity
Fraud in revenue recognition	During the course of its regular work, the Committee continues to review the relevant policies and receive regular reports from management and internal/external audit on the controls. This enabled the Committee to continue to scrutinise the controls in place and gain assurance of their adequacy.
Asset Valuation	The Committee received half-yearly reports on the oversight and monitoring of the activities of service providers working on the SJP Unit Trusts, and was able to challenge management on the valuation framework and methodologies adopted, and provide insight on the potential impacts of Brexit and other market developments.
Accounting Judgements and Actuarial Assumptions	As part of reviewing the half-year and year-end reporting the Committee required management to identify and explain the key judgements and assumptions, and in particular any significant changes. During the year, the operational readiness prepayment continued to be the most significant accounting judgement, whilst adaptations to align the EV methodology with Solvency II and the change in Bond persistency were important assumption developments. The setting of assumptions associated with the new Retirement Account (including the projecting of both pre- and post-crystallisation pensions in one product) was also tested.
APMs – Underlying Profit, EEV and Cash Result	In response to the FRC's continuing focus, the Committee again worked through with management the appropriateness of the APMs presented in the accounts. In particular, the Committee was satisfied with the disclosures reconciling the APMs to Generally Accepted Accounting Principles. The Committee was pleased to note evidence of the value that analyst and other market participants place on the Company's use of the Cash Result and EEV, but was also keen to ensure that these were not given undue prominence by comparison with IFRS measures.
Solvency II	2017 was the first year in which the Group was required to prepare a Group SFCR and individual RSRs. To support the review and sign-off process, the Committee held additional meetings but for the 2017 reports we considered both reports alongside the Report and Accounts for the year ended 31 December 2017 as much of the financial information is common across them all.
IFRS developments and Accounting Policies	The Committee requested and received regular updates on developments in Financial Reporting, with particular focus during the year on IFRS 9, IFRS 15, IFRS 16 and IFRS 17. As industry guidance has developed, the potential impact has become clearer. The Committee was provided with assessments of the likely impact and requested early sight of new disclosures, which, following review, were approved (see pages 130 and 131).

"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, is fair, balanced and understandable and provides 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 Annual Report and Accounts in relation to this requirement, including a consideration of the results of activities and information described above. The Committee received a detailed review of management's assessment and in particular, concentrated 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 appropriately explained and are they consistent with the Audit Committee Report and the risks the external auditor addresses in its report?
- Does the overall document 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 Annual Report and Accounts for the year ended 31 December 2017 are fair, balanced and understandable.

EXTERNAL AUDITOR

Activity During the Year

As in previous years, the external auditor attended all Committee meetings and met privately with the Committee regularly. The Chair of the Committee met regularly with the Senior Statutory Auditor both to receive updates on progress and also to discuss any private matters.

The Committee discussed the findings of the year-end audit under the headings of the major risks as set out in the original audit plan and Committee 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. Particular areas of the work of the external auditor that the Audit Committee focussed on during the early part of 2017 included the Client assets (CASS) Audit, particularly the processes of the third party administration outsource providers. The external auditor was also able to provide insight on topical issues as appropriate during the year.

Independence and Non-Audit Services

The Committee carried out its annual review of the Policy on Auditor Independence during the year and we remain committed to ensuring that the policy only permits our auditor to carry out limited non-audit work, where there is no risk of compromising independence, and the external auditor is the only supplier who could reasonably carry out the engagement. The Committee considers proposals for non-audit services as they arise and receives updates at each meeting on fees incurred with PwC for all services, along with details of 'trivial' non-audit services which the Committee has authorised management to approve. As reported last year, one of the main areas under consideration was audit work on the Group's Unit Trusts and, following further discussions with industry experts and the FRC, the Committee has established the appropriate classification. In their Audit Report to the Committee, PwC confirmed that they remain independent of the Group and, having carried out its own assessment, the Committee concluded that PwC remained independent and objective. The Policy on Auditor Independence is available on the Company's website and details of the non-audit services provided by PwC during the year can be found on page 140.

Effectiveness

As described in detail last year, a tender process was carried out in 2016 and PwC were reappointed as the Group's external auditor, ensuring that we continue to meet the relevant requirements and recommendations relating to the tenure of appointment set out in The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (the Order), Regulation (EU) No 537/2014 and the FRC's revised Ethical Standard June 2016.

PwC has served as the Company's external auditor since 2009 and regulations require that we change our audit firm by no later than the 2027 audit, although Jeremy Jensen, our Senior Statutory Auditor is required to step down in 2019 after five years in the role. The Committee will confirm, with PwC, Jeremy's replacement during the coming year. The slightly different rules in Dublin, which limit auditors' tenure to a maximum of ten years mean that we will have to change our auditor in Dublin for the 2019 audit. The Committee has begun planning the process to be followed for this change and has considered a wide range of options, making use of many of the learning points identified during the 2016 Group tender. When considering future arrangements, a key focus will be the effective working relationship between the new auditor and the Group auditor.

The Committee's annual review of the external auditor concluded that the audit service of PwC was fit for purpose and provided a robust evaluation of the risks underlying the Company's financial statements. PwC have indicated their willingness to continue in office and the Board have agreed that a Resolution that they be reappointed until the end of the 2019 Annual General Meeting will be put to shareholders at the forthcoming Annual General Meeting.

Key considerations when assessing the effectiveness, independence and objectivity of the Company's external auditor during the year included:

Area of Focus	Activity
Auditor Effectiveness and Quality	• The findings of the annual review by the FRC of the main auditing firms, which did not highlight any adverse findings that were relevant to the Group or required follow up; • The Audit Quality Review report specifically on PricewaterhouseCoopers LLP; • The experience and knowledge of the team, (with due regard to the requirement for regular rotation of audit team members); • The professional scepticism demonstrated by the external auditor; • The results of an internal survey of auditor performance; and • The findings of the external auditor's own internal review of both the firm and our audit.
Auditor Independence and Objectivity	• Review of the nature and extent of other non-audit work undertaken to confirm compliance with our policy; • Review by SJP to confirm no links or investments with the Company by the audit team; • The robustness and appropriateness of PwC's challenging of management when considering significant issues; • PwC's willingness to raise issues (and the nature thereof) with the Committee, including in Committee meetings and private sessions held in the absence of management; and • Regular rotation of audit team.
Level of Fees	• Detailed information on the break-down of fees paid to our external audit firm (see Note 5 on page 140).

The Committee satisfied itself that the audit was effective and that the external auditors remain independent and objective.

The Committee also considered the advantages of having one firm audit the Group and the unit trusts, and whether there may be a perceived conflict of interest arising from this arrangement. It concluded that appropriate safeguards exist to manage any actual conflict which could arise, in particular there are separate audit teams and the Committee reviews at high level the scope of unit trust audit work and the reasonableness of the fee.

Report of the Audit Committee continued

INTERNAL AUDIT

The Director of Internal Audit has regular one-to-one meetings with the Chair of the Audit Committee and, if necessary, the other members of the Board and is accountable to the Audit Committee. In the lead up to the retirement of the Group's previous Director of Internal Audit, the Committee met with the incoming Director of Internal Audit and invited him to attend meetings to aid his transition into his new role. The Chair of the Audit Committee participated in and agreed the appointment of the Director of Internal Audit, worked with the Remuneration Committee to agree his compensation, and also met with him regularly to ensure a seamless transition. The Chair of the Audit Committee also held an exit interview with the previous Director of Internal Audit prior to his retirement.

During the year the Committee reviewed and approved the Audit Charter, as required by the standards of the IIA (Institute of Internal Auditors). The Internal Audit function also presented periodic reviews of the skills and capabilities within the team. The Internal Audit function has continued its co-sourcing agreement with Deloitte LLP, which has been an effective relationship. Co-sourcing provides specialist expertise and additional resources to maintain and enhance the level of assurance, provided to the Audit Committee.

The work plan for the Internal Audit function was agreed at the start of the year, and has taken close account of the key risks faced by the business both initially and through the dynamic rolling plan review process. 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 at each of the quarterly review points for plan coverage. The Chair of the Committee participated in the annual internal audit strategy day and reported back to the Committee.

Risk-based internal audit work during the year has focused on key control priorities identified at the planning stage with the Committee, these being:

Area of Focus	Example Activities
Strategic Initiatives and other Major Change Projects	• Coverage of the programme to upgrade the Group's back-office systems through a combination of ongoing monitoring work and focused deep dives; • Detailed reviews of both the Singapore and Hong Kong businesses; and • Continued support of Rowan Dartington integration with the Group, with a strong focus on CASS and MiFID II.
Core Group Processes	• Review of the key HR processes and controls; • Coverage of finance areas, including actuarial processes and controls, and SJPI key financial controls; • Consideration of the supplier management framework; and • Review of the project management framework, as well as a specific look at the IT project to update identity access processes, a foundational piece of the Group's cyber roadmap.
Third Party Risk Management	• Assurance over the Investment Management Approach by looking at the arrangements for ongoing monitoring of third party fund managers; • A review of SJP's key outsourced IT developer, Intellect; and • Coverage of DST, through reviews of unit trust and ISA, client money, and operational MI.
Governance, Risk and Compliance	• Coverage on the completeness and accuracy of our Regulatory Returns; • Review of Business Assurance effectiveness through a check of sample of files; and • Ongoing assurance work over topical regulatory areas including GDPR, MiFID II, and CASS.
Client and Partner	• Review of the processes for the supervision of heightened risk Partners; • Assurance over the Group-wide controls for ongoing servicing; and • Appraisal of the processes for ensuring the appropriate management of vulnerable clients.

In addition, all audits reviewed the robustness of the operation of control self-assessments (as outlined in the following section), as well as seeking to identify points of process efficiency.

When receiving regular updates from the Director of Internal Audit in relation to the results of completed audits, the Committee paid careful attention to both organisationally recognised areas of risk focus and any specific areas where the audit led to remedial action being recommended. The actions arising were monitored to ensure completion. In practice, 95% (2016: 92%) of actions were completed in line with the original agreed deadlines, with the rest expected to be completed by appropriately agreed revised deadlines. No second revisions of deadlines were permitted during the year.

SYSTEM OF INTERNAL CONTROL

The Board has overall responsibility for the Company's system of internal controls which is aligned to the risk management framework. In practice, management will design and implement controls, and the Board will ensure management discharges this responsibility in accordance with the risk management framework and relevant risk appetite statements. The Audit Committee and Risk Committee work closely together to ensure controls mitigating major risks are appropriately designed and operating effectively. The Risk Committee therefore provides regular updates to the Audit Committee on the status of risk management in the Group.

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	• Control Self-Assessment attestation from management; • Attestation by significant third party suppliers of outsourced administration services; and • CEO attestation to the Audit Committee on the integrity of first line operations.
Second Line – Risk Management and Controls	• Control assessments: – "Risk control" self-assessments; – Compliance monitoring; and – Business assurance "thematic reviews". • Review of the control self-assessment system led by the Controls Manager at half year and year-end; • CEO attestation to the Audit Committee on the second line, risk management functions; and • Reports from the Risk Committee.
Third Line – Audit	• Internal Audit ongoing assurance activity, including reviews by external organisations, managed by Internal Audit; and • Internal Audit – Internal Control Annual Evaluation report as outlined below.

External Audit acts as a further check on the Company's processes relating to financial reporting.

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 reviews 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.

Report of the Risk Committee

Iain Cornish
Chair of the
Risk Committee

The report of the Risk Committee sets out how the Committee operates and summarises the work it has undertaken during the year.

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 direct and oversee the Own Risk and Solvency Assessment (ORSA) process and the Group's approach to capital management; and
- To report any material areas of concern to the full Board.

COMMITTEE MEMBERSHIP AND ATTENDANCE

Members	Attendance	Joined
Iain Cornish (Chair)	5/5	1 October 2011
Simon Jeffreys	5/5	1 January 2014
Baroness Wheatcroft	5/5	2 April 2012
Roger Yates	5/5	1 January 2014

The Committee's terms of reference set out the Committee's role and authority and can be found on the corporate website at www.sjp.co.uk.

Fostering a culture of effective risk management remains of the utmost importance to the Directors and the Risk Committee assists the Board in developing this culture, by providing leadership, direction and oversight of the Group's management of risk.

This report sets out how the Committee operates and summarises the work it has undertaken during the year. Key activities in 2017 included:

- Reviewing and interrogating the principal risks and uncertainties affecting the Group in the context of the Group's strategy;
- Consideration of risk appetite and associated risk reporting;
- Monitoring and reviewing the effectiveness of the Group's risk management framework and its implementation across the Group;
- Considering oversight reports produced by the Group's Risk and Compliance functions and assessing the adequacy of management's responses to actions;
- Receiving updates regarding ongoing interactions with the Group's regulators;
- Examining with members of senior management their business areas' management of the associated risks;
- Oversight and challenge to the activities underpinning the ORSA and ICAAP processes and reporting, together with other documents aligned with those processes;
- Recommending to the Board the appointment of the new Chief Risk Officer; and
- Assessing proposed changes to the capital management approach to be adopted by the Group's UK life company.

During 2017, the Committee has overseen further developments to the reporting of key risks, with appropriate coverage being given to each of these risks at Committee meetings. This work has been supported by focused reports from senior executives and external consultants on specific topics, including key corporate initiatives. Attendance by executives provides the Committee with opportunities to explore the management of the associated risks, and challenge the executives responsible.

Iain Cornish
On behalf of the Risk Committee
27 February 2018

OPERATION AND PERFORMANCE OF THE COMMITTEE

The Committee comprises four independent Non-executive Directors and membership has remained unchanged during the year. The Committee's effectiveness has been reviewed by the Board as part of its overall assessment of its effectiveness (see page 81) and it remains satisfied that all members have considerable financial, risk and/or other relevant experience and as a whole the Committee has the experience and qualifications necessary to successfully perform its role.

Regular attendees at Committee meetings during the year included the Chair, Chief Executive, Managing Director (Distribution), Chief Risk Officer and Chief Actuary. Subject matter experts and other members of senior management are invited to attend and present on specific topics throughout the year.

At each scheduled meeting the Committee receives a formal report from the Chief Risk Officer that includes:

- updates on material risks that have been prominent in the period since the previous meeting;
- interactions with Regulators during the period;
- updates on the impact of new regulations, political developments (e.g. Brexit) and the significant changes in the risk environment;
- key risk metrics; and
- summaries of thematic reviews carried out by the Business Assurance, Group Risk and Compliance Oversight functions.

The Committee maintains a rolling forward agenda which ensures that key risks are considered when appropriate and that its workload is balanced across the year. Key risk policies are reviewed throughout the year and there is a standing item at each meeting to allow the Committee to recommend relevant policies to the Board for adoption.

The Chair of the Committee met regularly with the CRO and the CEO, both individually and together to discuss key risk topics.

In addition to the scheduled meetings, the Committee was also convened on one further occasion to consider in more depth the capital management policy for the UK life company. At this meeting, the Committee considered refinements to the policy, together with proposed management actions and risk assessment reports following which the Committee confirmed that it supported the adoption of the policy by the Board of the UK life company.

Report of the Risk Committee continued

COMMITTEE ACTIVITIES DURING 2017

The Committee held five scheduled meetings during the year and a summary of some of the key topics considered is set out below:

February

KEY TOPICS

- **Cyber Security** – The Committee received an update on progress in the previous six months, noting the enhancements made, the maturity of the Group's cyber resilience and awareness and planned future developments.
- **Client Money and Client Assets** – Updates were provided by the CF10A (CASS Oversight Operation function) on interactions with the Regulator and the oversight of third party administrators' compliance with the FCA's CASS rules.
- **ORSA** – The Committee approved a revised ORSA policy and recommended it to the Board for approval and adoption. The Committee also considered and approved the ORSA stress and scenario tests and proposed operational risk assessments for 2017.

May

KEY TOPICS

- **DST** – The Committee received an update on one of the Group's main outsourced service providers (DST) and assessed their performance.
- **Business Assurance** – The Committee considered the performance of the Business Assurance function, the risks impacting the function in its day to day engagement with the Partnership and planned future developments.
- **The Partnership** – The Committee received a presentation from the CF10 (Compliance Oversight function) in relation to the principal risks associated with the Partnership and an update on the compliance review process.
- **The Group's Investment Management Approach** – The Committee received an update on recent changes made to the oversight and governance structure of the Investment Steering Group and considered the impact that the expansion in the offering was having on the business and Advisers.
- **Money Laundering** – The Group's Anti-Money Laundering Reporting Officer presented her annual report to the Committee and outlined the impact of the Fourth Anti-Money Laundering Directive on the Group and its key suppliers.

July

KEY TOPICS

- **Discretionary Fund Management** – The Committee received presentations covering the operational and regulatory control environment within Rowan Dartington.
- **Business Continuity Planning** – The Committee considered the Group's business continuity plans and the testing carried out, identified areas where enhancements should be considered.
- **ORSA 2017** – The Committee considered and agreed that the standard formula for the calculation of the Solvency Capital Requirements remained appropriate and considered the operational risk assessments and stress tests carried out alongside financial projections.
- **Risk Appetite Statement** – The Committee reviewed and agreed to recommend an updated Group Risk Appetite Statement to the Board.

ORSA

One of the key areas of focus for the Committee continues to be the Own Risk and Solvency Assessment (ORSA). Although the ORSA is borne from a regulatory requirement, as it has become embedded within the Group and has proved to be a useful tool to support the Board and its Committees in the consideration of specific risks. The Committee remains responsible for setting the strategy for the performance of a single, Group-wide, ORSA and has continued involvement in this process throughout the year. It is responsible for agreeing and proposing the ORSA Policy, and all other key risk management policies, to the Board before setting the underlying bases and assumptions and determining the extent of stress and scenario testing to be applied. Management presents the results of stress and scenario tests and the assessments of operational risks and then works with the Committee to finalise the content of the ORSA report which is recommended to the Board for approval.

As summarised above, the Committee considered in depth and agreed to the proposed changes to the capital management policy of the UK life company. As part of this, the Committee discussed with executive management the associated developments to the ORSA. These developments include focusing on reasonably foreseeable risk events for stress and scenario testing, to assess solvency and available management actions.

OVERSIGHT OF RISK

Oversight of the risk management framework is key to delivery of the responsibilities of the Committee and further information on this can be found on pages 46 to 48. The risk management framework and associated documents are subject to annual review and during 2017 the presentation of the Group's Top Risk List has continued to develop, although the risks included remain largely unchanged. The risks are mapped to the Basel framework and a "bottom-up" risk assessment process, to provide assurance that the list provides comprehensive coverage. This list, and the set of indicators used by the Committee to regularly monitor performance against risk appetite, have both been regularly reviewed by the Committee during the year and will continue to develop during 2018.

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 Chief Risk Officer and senior members of the Group Risk Division, who have direct access to the Chair of the Risk Committee should the need arise. Following the announcement that Craig Gentle would step into the Chief Financial Officer role in 2018, a process to identify and appoint a new Chief Risk Officer commenced and members of the Committee were involved. In November, the Committee recommended to the Board Mark Sutton's appointment to the role.

September

KEY TOPICS

- **Discretionary Fund Management** – The Executive Chairman and Risk and Compliance Director of Rowan Dartington presented an assessment of Rowan Dartington's top risks and the Committee evaluated the maturity of Rowan Dartington's approach to compliance and risk.
- **MiFID II** – The Chief Risk Officer provided an update on MiFID II readiness, the scope of which was also extended to encompass the disclosure requirements from the new Insurance Distribution Directive (IDD) and Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation.
- **Information Security** – The Committee considered developments within the business in relation to information security and received a presentation on the progress of the GDPR project, focusing in particular on the importance of supporting the Partnership to understand the risks and how to address them.
- **2017 ORSA** – The Committee considered the final draft of the 2017 ORSA document and agreed to recommend it to the Board for approval.

November

KEY TOPICS

- **Capital Management** – The Chief Financial Officer joined the Chief Risk Officer and Chief Actuary to explain proposed enhancements to the capital management policy for its UK life company and the Committee agreed to schedule a further meeting to examine the proposals in more detail (see page 91).
- **MiFID II** – The Committee received an update on progress made since the previous meeting and sought clarification on the practical implications and the timeline for key decisions still to be made.
- **Vulnerable Clients** – The Committee received a presentation on the management of vulnerable clients, including a detailed outline of the approach taken to identifying and handling the needs of vulnerable clients and the support provided to Advisers to determine and manage their own interaction with vulnerable clients.
- **Remuneration Risks** – The Committee considered and agreed an annual assessment of the Group's remuneration risks.
- **ORSA** – The Committee approved a revised ORSA policy and recommended it to the Board for approval and adoption. The Committee also considered and approved the ORSA stress and scenario tests and proposed operational risk assessments for 2018.

The Committee is also able to review and provide challenge on the implementation of risk mitigation in the business. When certain risks have crystallised during the year the Committee has reviewed the circumstances, confirmed the causes and assessed the response of management. None of the risks that have crystallised during the year have been material. During the year, the Committee 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 Chief Risk Officer 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.

As noted above, since most of the activity within the Group is regulated, the Committee also receives regular updates on the Group's ongoing interactions with regulators which provides further context from which it can interrogate and challenge the performance of the Group's first and second line risk functions. The Group's interaction is principally with the Prudential Regulation Authority, Financial Conduct Authority, Central Bank of Ireland, Monetary Authority of Singapore and Office of the Commissioner of Insurance in Hong Kong. Wider regulatory interactions also take place with firms in the financial services marketplace and collectively these updates assist the Committee in monitoring the Group's ongoing compliance with regulation.

Report of the Nomination Committee

Sarah Bates
Chair of the
Nomination Committee

The report of the Nomination Committee sets out the Committee's activity during the year and highlights its key areas of focus.

ROLE OF THE COMMITTEE IN SUMMARY

- To review regularly Board and committee composition and structure;
- To identify, report on and recommend for Board approval suitable candidates for appointment to the Board;
- To review the Group's approach to diversity and inclusion and oversee the governance structures of the Group and the Board evaluation process;
- To consider and review succession planning for Directors and senior management; and
- To report to the Board on the work of the Committee.

COMMITTEE MEMBERSHIP AND ATTENDANCE

Members	Attendance	Joined
Sarah Bates (Chair)	3/3	1 January 2014
Iain Cornish	3/3	1 October 2011
Baroness Wheatcroft	3/3	1 January 2014

The Committee's terms of reference set out the Committee's role and authority in full and can be found on the corporate website at www.sjp.co.uk. These terms of reference were expanded over the year to include responsibility for reviewing and overseeing the Group's corporate governance framework, the Board's effectiveness evaluation process and the Group's approach to diversity and inclusion.

One of the primary responsibilities of the Committee is identifying and recommending to the Board suitable appointments to the Board. This was a key area of focus early this year as the Committee completed the appointment process for the Chief Executive Officer and Chief Finance Officer which brought to fruition a carefully planned succession programme in relation to both these roles. The Board has also considered future Board succession at some length.

The Committee has regularly reviewed the structure and composition of the Board (including the skills, knowledge, experience and diversity required and demonstrated by it) in order that it 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 constantly reviewed, in order to ensure that there is an appropriate and talented succession pipeline. This remains a key area of focus as described in this report and has been the subject of much discussion. The development of the Executive team and the roles appropriate to deliver the Group's strategy, as well as succession and development plans, have been reviewed.

Overseeing our approach and progress in relation to diversity is another aspect of the Committee's work and the Committee takes a very active interest in this area, as has the Board as a whole. Progress in this respect is set out on page 96. A formal report was made to the Committee in November 2017 by Ian Gascoigne, who leads the executive steering group looking at this matter, and the conclusions are described further in my Chair's Report on pages 72 to 73. The Committee was pleased with the progress made and the plans for the future. Also, as Chair, I was invited to, and participated in, a number of senior management discussions on this topic.

Sarah Bates
On behalf of the Nomination Committee
27 February 2018

OPERATION AND PERFORMANCE OF THE COMMITTEE

The Committee comprises three independent Non-executive Directors and membership has remained unchanged during the year. The Committee's effectiveness has been reviewed by the Board as part of its overall assessment of its effectiveness (see page 81) and the Committee remains satisfied that, as a whole, the Committee has the experience and qualification necessary to perform its role.

Given the topics discussed, the Committee invited the two Non-executive Directors who are not members of the Committee to join all or part of Committee meetings held in the year. In addition, the following people attended to present on relevant topics during the year: David Bellamy (CEO), Andrew Croft (CFO) and Ian Gascoigne (who is leading the executive steering diversity group).

COMMITTEE ACTIVITIES DURING 2017

The Committee held three scheduled meetings during the year and the key topics considered at those meetings are summarised below.

February

KEY TOPICS
- New CEO and new CFO (recommending candidates for these roles to the Board)
- Leadership needs of the organisation in the future

July

KEY TOPICS
- Board skills and experience
- Board succession
- Executive & Senior management succession
- Diversity
- Training and development

November

KEY TOPICS
- Board composition and succession
- Non-executive Directors' independence and time commitments
- Diversity
- Training and development
- Terms of reference coverage and review

In addition, the Committee had two ad hoc meetings (in September and October), attended by all Committee members and the two Non-executive Directors who are not members of the Committee, to receive and discuss updates on Board succession. There was also a Board dinner discussion in July which focused on people and diversity across the organisation (please see details on page 96).

BOARD AND EXECUTIVE SUCCESSION

As mentioned in last year's Annual Report, in light of the decision by our current Chief Executive Officer to step down from his role and from the Board at the end of 2017, the Committee completed the appointment process for our new Chief Executive and Chief Financial Officer early in 2017 recommending Andrew Croft as the new Chief Executive Officer and Craig Gentle as new Chief Finance Officer with effect from 1 January 2018. This was announced in February 2017. As part of this process the Committee considered and approved the description of these roles and the capabilities and experience required.

The Committee focused on succession planning at the most senior executive levels, and also discussed the succession planning supporting those executives. It also discussed succession planning for the Board as a whole including for Non-executive Director and Chair succession. In relation to Board succession, a review of the skills, experience and knowledge currently represented on the Board was undertaken (see below), and consideration given to the likely requirements of the Board going forward. Searches are being undertaken for new Non-executive Directors and discussions about Chair succession are being undertaken by a relevant sub-committee of the Nomination Committee.

The development of internal talent for the Executive Board and senior management continues to be another key area of focus for the Committee. Good progress has been made in this respect including a significant focus this year on the development of internal talent, recruiting external executives (where appropriate) and structured succession plans for each Executive Board member. There has also been a focus by the Board on the appropriate people strategy (referred to on page 80).

Report of the Nomination Committee continued

BOARD AND COMMITTEE COMPOSITION

As preparation for considering the candidates for the new Chief Executive Officer and Chief Finance Officer and also for future Board succession, the Committee has discussed and considered the appropriate composition and structure of the Board paying particular attention to the existing skills, knowledge, experience, diversity and independence of the Board. This is to ensure that these remain appropriate both now and in the future, as well as considering whether there is any requirement to draw in additional skills and experience from elsewhere. It should be noted that half of the Board (excluding the Chair) is comprised of independent Non-executive Directors.

The Committee has not felt it necessary to make any recommendations to change the structure of the Board or its Committees during the current year although it has been giving detailed consideration to its plans for the future in order to plan for its own refreshment and succession in the medium and long term.

DIVERSITY

As we state in our diversity and inclusion update (on page 18), we are clear that a diverse and inclusive community at Board level and across our employee base and the Partnership, will make our business stronger and drive continued growth and innovation. This is why our aim is to have a diverse representation around the Board table as well as at ExBo and across our employee base.

The objectives to achieve the aim mentioned above in relation to diversity at Board level include regularly reviewing the Board's skills and experience matrix to assess diversity across the current Board. The Committee has spent some considerable time this year with this review given it is very conscious of the need to continue to drive diversity at this level, particularly in relation to gender diversity, but also in response to the changing and developing requirements of Board members. This has also been an important consideration in the planning of any recruitment to the Board as well as succession planning mentioned above.

Another Board objective in this respect is that each time a Director is recruited onto the Board, we will only engage search firms who have signed up to the Voluntary Code of Conduct for Executive Search Firms on gender diversity and best practice. Our instructions to these firms are, and will continue to be, very clear about the requirement to present a diverse list of candidates from a range of different industries and backgrounds with at least 50% of any long list to be female candidates as, although we are only just short of the female board representation target set out in the Davies Report, as mentioned above, we wish to increase the number of female Directors over time. We do note, however, that a number of companies who have achieved this level have a rather different balance between executives and non-executives on the board. In addition, we are exploring searching for candidates from a wider pool including those with experience outside traditional listed boards, from less "establishment" backgrounds, and also placing more emphasis on considering those outside our industry sector.

Although the Committee will continue to recommend appointments to the Board based on individual merit, measured against objective criteria and the skills and experience the individual offers, the Board will also focus on the collective performance of the Board, which benefits from a diversity of skills, experience, background and approach. Whilst, the Committee is very mindful of the contents and targets in the Davies Report, Hampton-Alexander Review and the Parker Review its focus will continue to be on improving diversity and inclusivity in a thoughtful and sustainable way whilst also removing the potential underlying barriers to achieving our aims in this respect. That means practical steps, such as, the careful development of role descriptions to avoid excluding candidates for non-evidence based reasons.

The Committee has taken a very active interest in our progress in relation to the diversity agenda at senior management and other levels and across the Partnership and, in addition to the Board discussion of progress during the July Board dinner, the Committee has received two substantial formal updates at its meetings during the year as well as regular informal progress reports through one-to-one meetings.

Our diversity programme is led by the Diversity Executive Steering Group chaired by Ian Gascoigne, an Executive Director. He is supported by a dedicated team who help to drive the diversity initiatives across the Group and the Partnership. During 2017, these initiatives have focused on gender diversity and inclusivity, and have included programmes and training on women in management and inclusive leadership, a review of people practices and the output from our employee survey to analyse the key areas that we need to address in relation to gender diversity together with further development of, and assessment against, metrics in relation to these initiatives.

I am pleased to report that we have made good progress in relation to each of these areas mentioned above and this progress is detailed further on page 18.

In 2018, our focus will be on enhancing and tracking the necessary data and information relating to diversity and inclusivity, changing our recruitment approach and processes to encourage candidates from a diverse background, reviewing our working practices to ensure we retain talented people and signing up to the HMT Women in Finance Charter. These will form part of our Executive team bonus performance criteria and Board KPIs.

The aim of these initiatives is to improve the inclusive culture within the Group and the Partnership enabling us to attract, retain and develop talented employees and Partners from all sections of the community. The Committee will continue to oversee and receive regular reports on our progress in relation to each of these initiatives.

BOARD EFFECTIVENESS

The Committee has reviewed 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. The Committee and the Board are satisfied that the Non-executive Directors are able to, and do, commit sufficient time and attention to the Company's business. In addition, the Committee reviewed and approved an assessment of the independence of each of the Non-executive Directors, concluding that each of the Non-executive Directors demonstrated that they remained independent in character and judgement.

Report of the Remuneration Committee

Roger Yates
Chair of the Remuneration Committee

Our remuneration policy supports and is aligned to the business strategy, and the remuneration outcomes for 2017 reflect the strong performance of the business.

ROLE OF THE COMMITTEE IN SUMMARY

- To determine and review the remuneration policy for the Executives (including Code Staff);
- To review and approve the implementation and operation of the remuneration policy;
- To determine the discretionary bonus schemes for Executives for each year and review performance against these;
- To determine the design and targets for any performance related plans and the grant of awards made under these plans;
- To set termination arrangements for Executives;
- To monitor and review the remuneration policies and trends for employees across the Group; and
- To appoint, set the terms of engagement for, and review the performance of, remuneration advisers.

Contents

COMMITTEE MEMBERSHIP AND ATTENDANCE

Members	Attendance	Joined
Roger Yates (Chair)	4/4	1 January 2014
Simon Jeffreys	4/4	1 January 2014
Baroness Wheatcroft	4/4	3 May 2012

SECTION 1: REMUNERATION OVERVIEW

Introduction

On behalf of the Remuneration Committee (Committee) and the Board, I am pleased to present the Directors' Remuneration Report for 2017.

At the AGM held on 4 May 2017, shareholders approved the remuneration policy (Policy) with 99.6% of votes cast in favour. No changes are proposed to the Policy for 2018 and therefore there will only be a single advisory vote at the 2018 AGM to cover this annual statement together with the Annual Report. The full Policy can be found on our website at www.sjp.co.uk and a summary is set out on pages 110 to 113 together with details as to how each element of the Policy supports the strategy.

Review of 2017

2017 has been another year of strong performance and our Executives' remuneration for 2017 reflects this. Based on the three-year performance to the end of 2017, 87.94% of the Executive Directors' Performance Share Plan awards granted in 2015 will vest in March 2018, as a result of relative Total Shareholder Return (TSR) being between median and upper quartile, and Earnings Per Share (EPS) growth being above the upper end of the performance range set by the Committee.

This Report includes disclosure of performance targets and the outcome for the annual bonus for 2017. The Committee determined that 96.67% of the maximum annual bonus should be payable for 2017, reflecting the strong financial results for 2017 and excellent 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 2018

The Committee considered the overall remuneration arrangements for the Executive Directors in 2018 in accordance with the Policy and has decided to award an increase of 3% in the base salaries of the Executive Directors for 2018 which is in line with the overall increase of base salaries for the workforce. After this increase, the base salaries remain below market median for a company of our size both in Financial Services and General Industry.

The maximum annual bonus opportunity and maximum performance share awards for 2018 will remain at the same levels as 2017.

Following a review of the fee levels for our Non-executive Directors, the fees of the Chair for 2018 will increase to £205,000 (4.8% increase), the base fees of the Non-executive Directors will increase to £65,000 (5.3% increase), the Committee Chair fees will increase to £21,750 (5.6% increase) and the Senior Independent Director fees will increase to £5,855 (5.3%) increase. Following these increases, the fees remain below the financial sector benchmarks.

Shareholding Requirements and Pension Contribution – Changes to Practice

The Committee has decided, with effect from 2018, to change the practice in relation to the shareholding requirement for Executive Directors so that 200% of salary has to be held in the Company's shares (rather than 150% in the Company's shares and the remaining 50% in the Company's shares and/or one or more St. James's Place fund portfolios). Further details are set out on page 107.

The practice in relation to the pension contribution for Executive Directors has also been changed so that, for any new Executive Director joining the Board with effect from the 2018 AGM, the pension contribution shall be aligned to that of the workforce. Please see page 110 for further details.

Changes to Executive Team

As announced in February 2017, David Bellamy stepped down from the Board of Directors with effect from 31 December 2017 and further details in relation to his new role with the Company are set out on pages 101 and 102 of this Report. As previously announced, Andrew Croft was appointed as the new CEO on 1 January 2018 on a base salary of £520,000, the same salary as that of the previous CEO and less than the market median for companies of our size. Further details of his remuneration package are set out on page 109.

Engagement with Shareholders and Best Practice

The Committee is regularly updated on the latest views of major 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 important 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.

Corporate Developments and Regulatory Change

The Committee is closely monitoring developments in remuneration regulations from European and UK authorities (including the recent proposed changes to the UK Corporate Governance Code) and also, more generally, in relation to the remuneration landscape and certain corporate events that some companies have faced. The Policy is designed to reward performance and avoid payment for failure and provides appropriate flexibility (particularly in relation to clawback/malus in exceptional circumstances as set out in the Policy). However, should there be a need to amend policy or practice in the future, 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 awards reflect the strong performance of the Company and management.

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

Roger Yates
On behalf of the Remuneration Committee
27 February 2018

REMUNERATION AT A GLANCE

How did we perform in the year?

Financial

EEV Operating Profit

£918.5m

Strategic

Number of clients	+11%
Number of advisers	+7%
Funds under management	+20%

How did we perform over 3 years?

Total Shareholder Return (TSR) (weighting = 1/3)

TSR ranking of the Company compared to the Comparator Group and % of award vesting

- Upper quartile or above – 100% pay-out
- Median – 25% pay-out
- Below median – 0% pay-out

Actual: 32nd out of 85 companies

Average annual adjusted Earnings Per Share Growth (EPS) (including the unwind of the discount rate) in excess of RPI (weighting = 1/3)

EPS growth and % of award vesting

- 16% or above – 100% pay-out
- 5% or above – 25% pay-out
- Below 5% – 0% pay-out

Actual: 24.1% p.a.

Average annual adjusted EPS Growth (excluding unwind of the discount rate in excess of RPI (weighting = 1/3)

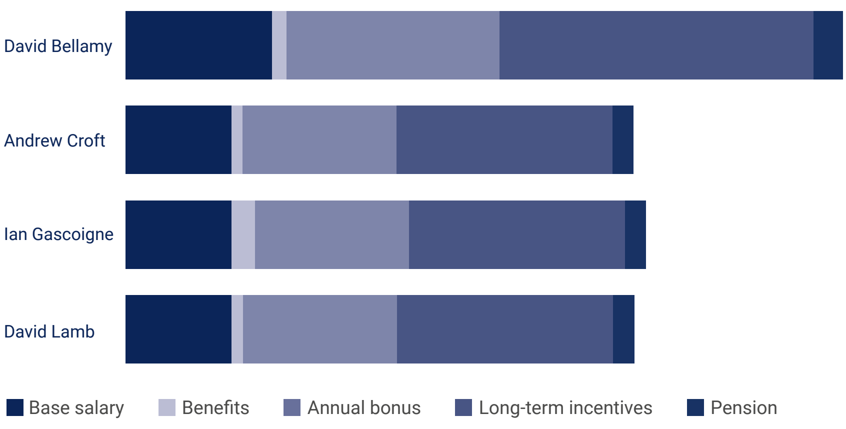
EPS growth and % of award vesting

- 16% or above – 100% pay-out
- 5% or above – 25% pay-out
- Below 5% – 0% pay-out

Actual: 35.6% p.a.

For more information; see pages 102 to 104.

How is our Executive Director pay weighted towards performance?



	Total	Change in Remuneration from 2016 to 2017	Change in Total Dividend from 2016 to 2017
David Bellamy	£2,538,709	-4%	+30%
Andrew Croft	£1,797,606	-2%	
Ian Gascoigne	£1,842,104	-3%	
David Lamb	£1,799,696	-2%	

For more information; see page 101.

How Executive pay supports alignment with shareholders

50% Of bonus deferred and held in the Company's shares for three years

100% Of PSP awards have to be held for an extra two years post vesting*

200%† Shareholding Requirement (% of salary)

50% Of all vested shares from PSP are required to be held until shareholding requirement is met

For more information; see page 110 to 112.

* and cannot be sold other than to settle tax on vesting or exercise.

† 150% in shares and 50% in fund portfolios. From 2018, 200% in shares.

SECTION 2: DIRECTORS' REMUNERATION REPORT

This Directors' Remuneration Report will be put to an advisory shareholder vote at the 2018 AGM. This part of the Report explains the work of the Remuneration Committee and how we implemented our Policy during 2017. The information on pages 101 to 110 has been audited where indicated.

Remuneration Committee

Role, Activities and Performance of the Committee

The Committee's primary purpose is to ensure that there is a clear link between reward and performance and that the policy structure and levels of remuneration for both Executive Directors and FCA Remuneration Code Staff (Code Staff) is appropriate. In particular, the Committee reviews the list of those employees who are considered to be Code Staff and monitors compliance with the Remuneration Codes in relation to that population. The key responsibilities of the Committee are set out on page 97. The full terms of reference for the Committee can be found on the Company's website www.sjp.co.uk.

The key topics that were discussed by the Committee during 2017 were:

January

KEY TOPICS

- Performance of Executives against 2016 objectives.
- Initial proposals for 2017 annual bonus for Executives.
- Final Total Shareholder Return results, Earnings Per Share results and proposed 2014 PSP Award for Executives.
- 2017 salary reviews for Executives and other employees.
- 2017 Remuneration Policies.
- Update on regulatory developments.
- Risks and mitigants in relation to Remuneration Policies and their implementation.
- Review of the Chair's fee.

February

KEY TOPICS

- Approving the following in relation to Executives:
  - 2016 annual bonus.
  - 2017 financial and strategic objectives.
  - The total vesting amount in relation to 2014 PSP awards.
  - The conditions to be met in relation to 2017 PSP awards
  - 2017 base salaries.
- Reviewing and approving the 2016 Directors' Remuneration Report.

October

KEY TOPICS

- Presentations from firms tendering for remuneration advisory work.
- Appointment of advisory firm.
- Update on performance by Executives against 2017 objectives.
- Update on performance against 2015 PSP award metrics.
- Approving remuneration packages for Executives changing roles in 2018.
- Reviewing the Committee's coverage of its terms of reference during 2017.
- Reviewing the Committee's terms of reference and 2018 forward agenda.

Note: "Executives" includes Executive Directors and Code Staff

There were two further ad hoc meetings to finalise the remuneration packages and requirements in relation to the executive changes. In addition, in September, a remuneration workshop was held and attended by the Committee together with the Chair of the Board, the Senior Independent Director and the Chief Financial Officer. The purpose of this workshop was to review and discuss our current remuneration structure, particularly in the context of the remuneration and regulatory environment.

The Committee's effectiveness was reviewed by the Board as part of its overall assessment of its effectiveness (see page 81) and it remains satisfied that, as a whole, the Committee has the experience and qualifications necessary to successfully perform its role.

Committee Membership and Attendance in 2017

This is set out on page 97. As mentioned above, there were two further ad hoc Committee meetings and these were attended by all the Committee members.

The Chair of the Board also attended all the Committee meetings during the year and the CEO and CFO were invited to attend appropriate agenda items. No Director was present when their own remuneration was considered or agreed.

Advisers to the Committee

The Committee appointed independent remuneration consultants, New Bridge Street (NBS), part of Aon plc, to advise on remuneration matters generally. 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 £54,549 (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 certain subsidiaries in the Group during 2017 for which the fees were £50,000 (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.

Towards the end of 2017, the Committee undertook a review of its advisers which included a robust formal tendering process. Following this process, NBS was reappointed as the advisers to the Committee for 2018, with the Committee remaining satisfied that NBS advice was and is objective and independent. Given his connection with Aon plc, Simon Jeffreys excluded himself from the review process and the decision to reappoint NBS.

Voting at the 2017 Annual General Meeting

The votes cast at the 2017 Annual General Meeting in respect of the resolutions on the Report of Directors' Remuneration and the Remuneration Policy are summarised below.

Annual remuneration votes	Remuneration Policy votes
Votes for: 398,266,302 (99.5% of votes cast) **Votes against:** 2,058,276 (0.5% of votes cast)	**Votes for:** 405,277,386 (99.6% of votes cast) **Votes against:** 1,591,694 (0.4% of votes cast)
Total votes cast: 400,324,578 **Total votes withheld:** 12,072,264	**Total votes cast:** 406,869,080 **Total votes withheld:** 5,529,114

How the Policy was Applied in 2017

Remuneration Payable in Respect of Performance in 2017 (Audited)

Summary of Total Remuneration

The remuneration received by Executive Directors in respect of the years ended 31 December 2016 and 2017 is set out below.

	David Bellamy		Andrew Croft		Ian Gascoigne		David Lamb	
Elements of Remuneration	2017	2016	2017	2016	2017	2016	2017	2016
	£	£	£	£	£	£	£	£
Basic salary	**517,500**	502,833	**374,125**	363,500	**374,125**	363,500	**374,125**	363,500
Benefits	**51,044**	55,294	**38,614**	38,773	**83,112**	83,020	**40,704**	46,833
Annual Bonus	**754,000**	732,250	**545,200**	529,250	**545,200**	529,250	**545,200**	529,250
Long-term incentives	**1,112,665**	1,240,723	**764,842**	826,889	**764,842**	826,889	**764,842**	826,889
Pension	**103,500**	100,567	**74,825**	72,700	**74,825**	72,700	**74,825**	72,700
Other	**–**	–	**–**	–	**–**	29,775	**–**	–
Total	**2,538,709**	2,631,667	**1,797,606**	1,831,112	**1,842,104**	1,905,134	**1,799,696**	1,839,172

Benefits

Benefits for the Executive Directors comprise the entitlement to a company car or cash equivalent, fuel, private health care, life and critical illness cover, permanent health insurance, health screening and travel costs where deemed taxable 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.

Annual Bonus

As explained on page 111, half of the annual bonus is paid in cash, with the other half being used to purchase the Company's shares which are subject to forfeiture for three years under the terms of the Deferred Bonus Scheme.

Long-term Incentives

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 2017 have been calculated using the average of the Company's share price in the three-month period to 31 December 2017, being £11.71, as the actual vesting date of the PSP award is on 26 March 2018. The figures for 2016 have been updated from the three month average figures used in last year's report (being £1,132,563 for David Bellamy and £754,804 for Andrew Croft, Ian Gascoigne and David Lamb) to take into account the Company's share price on the date of vesting on 27 March 2017, being £10.57.

Pension Contributions

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 £3,333 contribution to the money purchase Group pension scheme.

Other

The value of the SAYE options exercised by Ian Gascoigne on 24 March 2016 when the mid-market price of the Company's shares was £9.10.

David Lamb was a non-executive director of The Henderson Smaller Companies Investment Trust plc during the year and was paid and retained a fee of £23,000 in 2017 in connection with that role (2016: £23,000).

Payments to Retiring CEO

As we announced on 28 February 2017, David Bellamy has decided to step down from the Board and from the position of Chief Executive Officer, effective 31 December 2017.

Following his retirement from the Board, Mr Bellamy is continuing as an employee of the Company. He is undertaking a number of management advisory responsibilities including: advising and working on the development of the Company's international distribution business - including chairing the International Advisory Board - whilst also providing advice and mentoring to members of the Company's executive team. In addition, he will Chair the St. James's Place Charitable Foundation on a pro bono basis.

This will enable the Company to continue to benefit from Mr Bellamy's 44 years' experience in financial services including 26 years as an executive with the Group.

In this new role, Mr Bellamy will receive a total remuneration package of £230,000 per annum (which includes basic salary and the monetary value of any company fringe benefits). He will cease to be eligible for annual bonus, long-term incentive (Performance Share Plan (PSP)) awards or pension allowance.

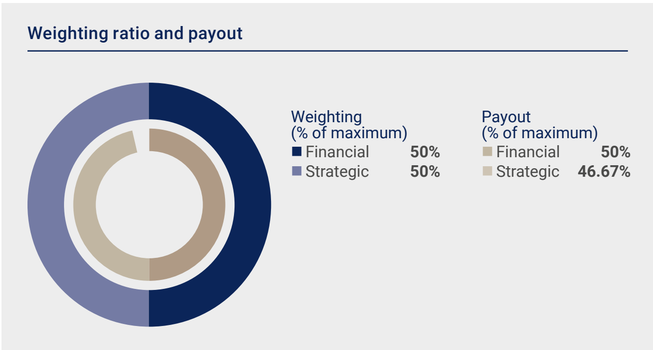
Mr Bellamy remains eligible for an annual bonus in respect of the 2017 financial year, subject to the usual performance conditions under the bonus plan; half of the bonus will be deferred into shares, in accordance with the Policy. He will not receive a PSP grant in 2018.

In accordance with the relevant plan rules, he will retain the deferred bonuses he holds which are 37,252 shares (in respect of the 2015 Deferred Bonus Scheme Award), 37,721 shares (in respect of the 2016 Deferred Bonus Scheme Award), 33,682 shares (in respect of the 2017 Deferred Bonus Scheme Award) and a number of shares to be determined (in respect of the 2018 Deferred Bonus Scheme Award). He will also retain (in accordance with the plan rules) the PSP awards he holds which are 100,280 shares (in respect of the 2015 PSP Award), 107,589 shares (in respect of the 2016 PSP Award) and 98,765 shares (in respect of the 2017 PSP Award). These awards remain subject to existing vesting dates, performance conditions (PSP) and post-vesting holding requirements (PSP).

Details of Variable Pay Earned in the Year

Summary of Total Annual Bonus for 2017 Performance

The performance conditions and weightings which applied to the annual bonus and the resulting payout were as follows:



Measure	Weighting (% of salary)	Weighting (% of maximum)	Threshold (EEV Operating Profit)	Maximum value	Actual	Payout (% of salary)	Payout (% of maximum)
Financial	75%	50%	£655m	£715m	£918.5m	75%	50%
Strategic	75%	50%	Assessment by the Committee of the performance of the Executive Directors			70%	46.67%
Total Payout						145%	96.67%

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 £47.8 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. Had these changes not been included, the performance required for the maximum annual bonus payout would still have been attained.

Summary of Payout for Executive Directors

Executive Director	Payout (% of salary)	Payout (% of maximum)	Final payment (Cash) £	Final payment (Deferred) £
David Bellamy	145	96.67	377,000	377,000
Andrew Croft	145	96.67	272,600	272,600
Ian Gascoigne	145	96.67	272,600	272,600
David Lamb	145	96.67	272,600	272,600

Annual Bonus Strategic Targets Performance Assessment

As described in other parts of the Annual Report and Accounts, the Company delivered strong performance in 2017 for our clients, shareholders and other stakeholders. The Committee considered these three groups when setting the strategic targets for 2017, together with other objectives set out in the 2017 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.

The Committee took into account the following:

	Objectives and performance
Clients	• Although we did not conduct a Wealth Account Survey in 2017/18, the results for 2016/17 were very strong (as reported last year), with 96% of clients saying they would recommend SJP to friends or contacts; • 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, 78.7% of the time. Over the three and five-year periods, the equivalent average outperformance rate was 65.4% and 73.9% 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 81.6% of all three-year periods on average; • Continued focus on customer outcomes with very encouraging results against measures in relation to disclosures and quality of documentation; • The number of advice-related complaints remained very low relative to our overall scale; • The Group won a number of industry awards, further details of which are set out on page 5, many of which were voted on by clients; and • The above factors, together with good service levels, generally contributed to excellent retention of funds under management, with 95.7% of existing funds being retained (excluding regular income withdrawals) and client numbers increasing by 11% (see page 20 for further details).
Long-term success	• The growth in the size of the Partnership (including Partners and Advisers in the UK and Asia) of more than 7%; • The success of the Academy in attracting suitable candidates to the courses run in 2017 with more than 261 active students in the Academy programme. 96 students graduated from the Academy during the year; • Continuing the integration of Rowan Dartington into the Group; • Completing the roll out of the Retirement Account across the whole Partnership; • Continuing to develop and grow our Asian operations; • Delivering some significant actions in relation to our people strategy, including launching our senior leadership programme and additional training and development opportunities for the senior management team, the Partnership and the workforce generally; • High levels of retention for both employees and members of the Partnership; • Successful transition of the new CEO and CFO and recruitment of a new CRO and Internal Audit Director; and • Continuing to maintain and reinforce the Group's distinctive culture.
Risk management	• Continuing positive and constructive engagement with the Group's regulators and responding effectively to key regulatory initiatives including MiFID II, PRIIPs and the Insurance Distribution Directive; and • Completing various objectives designed to continue to enhance and strengthen the monitoring and mitigation of key regulatory risks impacting the Group particularly in relation to systems and processes.
Other objectives	• Continuing to support Partners in building sustainable businesses (particularly in relation to IT and systems) and significant progress made in relation to Partners achieving chartered status; • Dealing effectively with the significant change agenda and the associated complexities; • Evolution of the Group's range of funds, the range of fund managers available to clients and the effective operation of the Investment Committee; and • The ongoing success of the Group's corporate responsibility objectives, including raising more than £16.8 million (including double-matching) for the Charitable Foundation and expanding the volunteering opportunities available to employees.

Taking all the above strategic objectives into account, the Committee awarded a bonus of 70% of salary (93.3% 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.

(1) 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.
(2) 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.
(3) 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.

Long-Term Incentive Awards

Vesting of Performance Share Plan (PSP) awards (audited)

On 31 December 2017, the awards made on 26 March 2015 under the PSP reached the end of their three-year performance period. These will vest on 26 March 2018, being the third anniversary of the date of grant. The performance conditions which applied to the 2015 PSP awards, and the actual performance achieved against these conditions, are set out in the tables below:

	TSR relative to the FTSE 51 to 150[(1)]		Average annual adjusted EPS growth (including the unwind of the discount rate) in excess of RPI[(2)]		Average annual adjusted EPS growth (including the unwind of the discount rate) in excess of RPI[(3)]	
Performance level hurdle	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%
Actual achieved	32 out of 85 companies	63.82%	24.1%	100%	35.6%	100%

(1) FTSE 51-150 index excluding investment trusts and companies in the FTSE oil, gas and mining sectors.
(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.
(3) 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.
(4) Straight line vesting occurs in between threshold and maximum vesting.

Therefore, the total percentage of the 2015 PSP awards vesting was 87.94%, which resulted in the following awards to the Executive Directors:

Director	Total number of shares granted	Percentage of awards vesting (%)	Number of shares vesting	Value of shares vesting (£000)[(1)]
David Bellamy	100,280	87.94	88,185	1,032
Andrew Croft	68,932	87.94	60,618	709
Ian Gascoigne	68,932	87.94	60,618	709
David Lamb	68,932	87.94	60,618	709

(1) As these awards will not actually vest until 26 March 2018, a deemed share price is used to calculate the value of shares vesting. This is taken as the three-month average to 31 December 2017 being £11.71.

Granting of PSP Awards in 2017

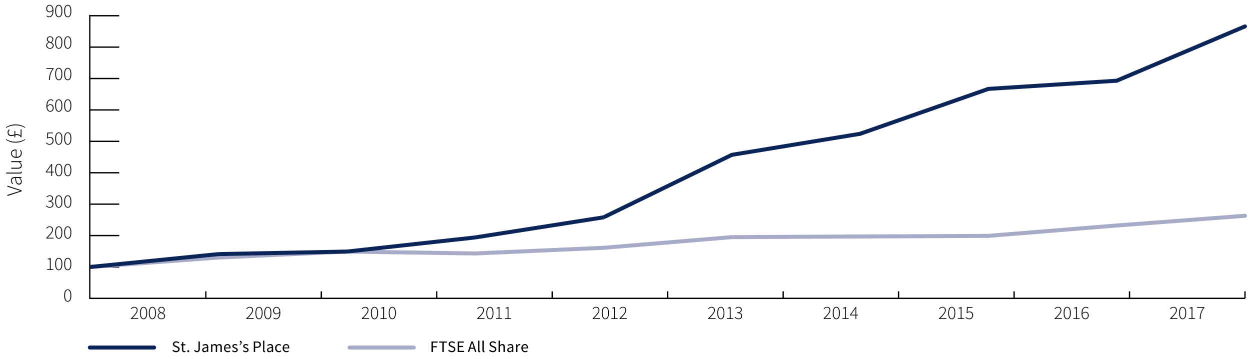
Details of PSP awards (at nil cost option) granted to the Executive Directors in 2017 is set out in the table below.

Director	Type of award	Basis of award granted	Average share price at date of grant	Number of SJP shares over which award was granted[(1)]	Face value of award (£'000)	% of face value that would vest at threshold performance
David Bellamy	Nil cost option	200% of salary of £520,000	£10.53	98,765	£1,040	25%
Andrew Croft	Nil cost option	200% of salary of £376,000	£10.53	71,405	£752	25%
Ian Gascoigne	Nil cost option	200% of salary of £376,000	£10.53	71,405	£752	25%
David Lamb	Nil cost option	200% of salary of £376,000	£10.53	71,405	£752	25%

(1) The number of shares awarded was calculated based on the average share price over a period of three days prior to the date of grant on 27 March 2017, being £10.53 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 £10.53.
(2) 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 six 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, 2 and 3 to the table above and in the Policy. These awards also have a post-vesting holding period of two years from the vesting date. During this period, the vested shares cannot normally be sold, other than to the extent necessary to settle tax on vesting or exercise.

Total Shareholder Return Performance and CEO Pay Over the Same Period

The graph below shows a comparison of the Company's TSR performance against the FTSE All-Share index over the last nine 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.



Source: Datastream (Thomson Reuters)

This graph shows the value, by 31 December 2017, of £100 invested in the Company 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.

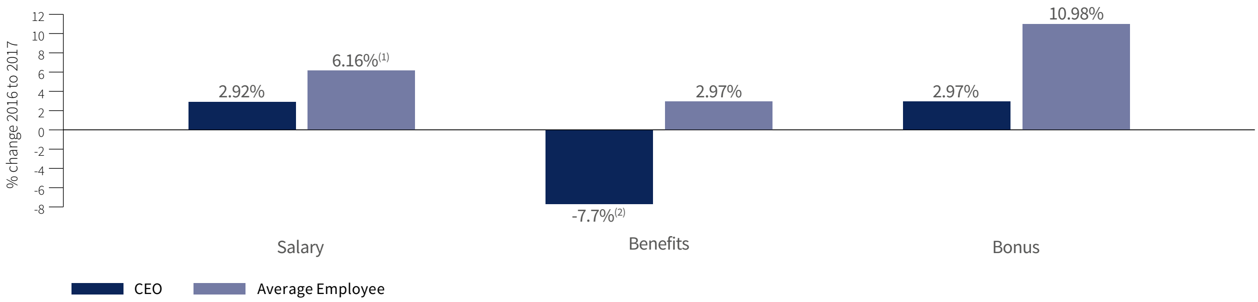
The table below shows the total remuneration figure for the Chief Executive over the last nine financial years. The total remuneration figure includes the annual bonus and long-term incentive awards which vested based on performance in those years (and ending in that year for PSP scheme awards).

	Year ending 31 December								
	2009	2010	2011	2012	2013	2014	2015	2016	**2017**
Total remuneration	£1,039,723	£1,495,600	£1,998,758	£2,410,380	£3,362,651	£3,646,514	£3,115,230	£2,631,667	**£2,538,709**
Annual bonus (% of maximum)	92%	96%	63%	46%	98%	95%	93.3%	96.67%	**96.67%**
LTIP vesting (% of maximum)	0%	57%	83%	87%	95%	96%	100%	100%	**87.94%**

(1) The deemed value of the PSP award in the table above for 2017 is £1,112,665. Of this, £167,331 is due to increases in the SJP share price over the vesting period, being an increase of 19% (the share price of the PSP award on the date of grant was £9.81 and the deemed share price on the date of vesting was £11.71 calculated as set out in Note 2 below).
(2) As the actual vesting date for the PSP (performance period ending 31 December 2017) is not until 26 March 2018, a deemed value has been listed. This is the average of the Company's share price in the three-month period to 31 December 2017, being £11.71. The 2016 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 Company's share price on the date of vesting on 27 March 2017, being £10.57.

Percentage Change in CEO Remuneration Compared to Average Employee

The graph 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.



(1) This figure is higher than the average salary increase of the workforce set out on page 98 due to salary increases in respect of promotions and role changes being taken into account.
(2) See the Benefits note on page 101 for further details.

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 2017, compared to the year ending 31 December 2016.

	2017	2016	Percentage change
	£'Million	£'Million	%
IFRS profit after tax[1]	**145.8**	111.7	31
EEV operating profit after tax[1]	**754.4**	553.5	36
Dividends	**226.4**	173.6	30
Employee remuneration costs[2]	**183.9**	150.8	22

(1) Both prior year comparatives include positive one-offs (see Financial Review).
(2) The increase in the employee remuneration costs in 2017 were 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 Company's share price.

Report of the Remuneration Committee continued

Share Awards

The tables below set out details of share awards that have been granted to individuals who were Executive Directors during 2017 and which had yet to vest or be exercised at some point during the year.

Performance Share Plan Awards Outstanding (Audited)

Director	Date of grant	Market price at grant	Share originally awarded	Face value (1)	Shares vested	Vesting date	Remaining unexercised at 31 December 2017
		£	Number	£	Number		Number
David Bellamy	26-Mar-14	8.52	109,782	934,794	109,782	26-Mar-17	109,782
	26-Mar-15	9.45	100,280	947,646	–	26-Mar-18	100,280
	24-Mar-16	9.10	107,589	979,060	–	24-Mar-19	107,589
	27-Mar-17	10.57	98,765	1,043,946	–	27-Mar-20	98,765
Andrew Croft	26-Mar-15	9.45	68,932	651,407	–	26-Mar-18	68,932
	24-Mar-16	9.10	73,874	672,253	–	24-Mar-19	73,874
	27-Mar-17	10.57	71,405	754,751	–	27-Mar-20	71,405
Ian Gascoigne	26-Mar-15	9.45	68,932	651,407	–	26-Mar-18	68,932
	24-Mar-16	9.10	73,874	672,253	–	24-Mar-19	73,874
	27-Mar-17	10.57	71,405	754,751	–	27-Mar-20	71,405
David Lamb	26-Mar-15	9.45	68,932	651,407	–	26-Mar-18	68,932
	24-Mar-16	9.10	73,874	672,253	–	24-Mar-19	73,874
	27-Mar-17	10.57	71,405	754,751	–	27-Mar-20	71,405

(1) The face value is calculated by using the market price of the shares at grant multiplied by the number of shares originally awarded.
(2) The 2014 PSP awards for David Bellamy, remained unexercised at 31 December 2017. In respect of these awards, up to 3,054 shares can be exercised via a linked award under an approved share option scheme with an exercise price of £8.52.
(3) In respect of the 2017 PSP Awards for all of the Directors, up to 379 shares can be exercised via a linked award under an approved share option scheme with an exercise price of £10.53.

Deferred Bonus Scheme – Shares Held During 2017 (Audited)

The table below sets out details of the awards held by the Directors under the deferred element of the annual bonus scheme during 2017:

Director	Balance at 1 January 2017	Released during year(1)	Awarded during year(2)	Balance at 31 December 2017(3)	Vesting date
David Bellamy	33,924	33,924	–	–	26 March 2017
	37,252	–	–	37,252	26 March 2018
	37,721	–	–	37,721	24 March 2019
	–	–	33,682	33,682	27 March 2020
Andrew Croft	24,556	24,556	–	–	26 March 2017
	26,955	–	–	26,955	26 March 2018
	27,294	–	–	27,294	24 March 2019
	–	–	24,344	24,344	27 March 2020
Ian Gascoigne	24,556	24,556	–	–	26 March 2017
	26,955	–	–	26,955	26 March 2018
	27,294	–	–	27,294	24 March 2019
	–	–	24,344	24,344	27 March 2020
David Lamb	24,556	24,556	–	–	26 March 2017
	26,955	–	–	26,955	26 March 2018
	27,294	–	–	27,294	24 March 2019
	–	–	24,344	24,344	27 March 2020

(1) These deferred share awards were awarded on 26 March 2014 equal in value to the Director's 2013 annual cash bonus. The Company's share price on the date of the award was £8.52 and the exercise price on 27 March 2017 was £10.54.
(2) These deferred share awards were awarded on 27 March 2017, equal in value to the Director's 2016 annual cash bonus. These shares will be held for a restricted period ending on 27 March 2020. The price used to calculate the award was the three-day average prior to the invitation (22nd, 23rd and 24th March 2017) which was £10.87.
(3) Outstanding awards at the year-end relate to deferred share awards awarded in 2015, 2016 and 2017 (see (2) above). The share price used to calculate the 2015 award was £9.45 and the 2016 award was £9.13.

Further details of the deferred element of the annual bonus scheme are set out on page 111. Dividends accrue to the Directors during the three-year period while the shares are subject to forfeiture.

SAYE Share Option Scheme – Shares Held During 2017 (Audited)
Details of the options held by the Directors in 2017 under the SAYE scheme and any movements during the year are as follows:

Director	Options held at 1 January 2017	Granted in year	Lapsed in year	Exercised in year	Options held at 31 December 2017	Exercise price	Dates from which exercisable
Andrew Croft	1,219	–	–	–	1,219	£7.38	1 May 2018 to 31 October 2018
Ian Gascoigne	1,243	–	–	–	1,243	£7.24	1 November 2018 to 30 April 2019
David Lamb	1,243	–	–	–	1,243	£7.24	1 November 2018 to 30 April 2019

At 31 December 2017 the mid-market price for the Company's shares was £12.26. The range of prices between 1 January 2017 and 31 December 2017 was between £10.30 and £12.38.

Share Incentive Plan – Shares Held During 2017 (Audited)
The table below sets out details of the awards held by the Directors under the Share Incentive Plan during 2017:

Director	Balance at 1 January 2017	Partnership shares allocated during year(1)	Matching shares allocated during year(2)	Dividend shares allocated during year(3)	Balance at 31 December 2017	Holding period (matching shares)
Andrew Croft	642	–	–	–	642	26 Mar 2010 to 26 Mar 2013
	325	–	–	–	325	26 Mar 2013 to 26 Mar 2016
	167	–	–	–	167	26 Mar 2015 to 26 Mar 2018
	174	–	–	–	174	24 Mar 2016 to 24 Mar 2019
	–	171	17	–	188	24 Mar 2017 to 24 Mar 2020
Ian Gascoigne	502	–	–	–	502	28 Mar 2011 to 28 Mar 2014
	210	–	–	–	210	26 Mar 2014 to 26 Mar 2017
	167	–	–	–	167	26 Mar 2015 to 26 Mar 2018
	174	–	–	–	174	24 Mar 2016 to 24 Mar 2019
	–	171	17	–	188	24 Mar 2017 to 24 Mar 2020

(1) Partnership shares are shares awarded in return for an investment of between £10 and £1,800. Partnership shares were awarded for both Directors on 24 March 2017 at a price of £10.51 per share, in return for £1,800 being deducted from pre-tax salary.
(2) For every ten partnership shares acquired, the Company awards one matching share. Matching shares were also awarded on 24 March 2017 in relation to the partnership shares mentioned above.
(3) 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 2 January 2018 and 27 February 2018 there were no exercises or other dealings in the Company's share awards by the Directors.

Shareholding Requirements and Directors' Share Interests (Audited)

Shareholding Requirements
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 requirements as shown in the table below. Note that, from 2018, the Executive Directors' shareholding requirement will change to 200% of salary in Company shares.

Director	Shares held at 1 January 2017	Shares held at 31 December 2017	% of base salary held in SJP shares as at 31 December 2017(1)
David Bellamy	1,289,203	1,306,891	3,081
Andrew Croft	674,554	700,133	2,283
Ian Gascoigne	739,773	759,286	2,476
David Lamb	501,835	501,623	1,636
Sarah Bates	13,500	13,500	
Iain Cornish	–	–	
Simon Jeffreys	18,364	18,364	
Baroness Wheatcroft	2,500	2,500	
Roger Yates	10,000	20,000	

(1) Calculated using the mid-market price at 31 December 2017 of £12.26.
(2) The interests of the Directors include those of their Connected Persons which has the meaning given to "persons closely associated" in Article 3(1)(26) of the Market Abuse Regulation. The shareholding for Andrew Croft has been restated as at 31 December 2016 due to advice being received to clarify his "persons closely associated".
(3) 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 106. The interests of the Executive Directors also include awards under the Share Incentive Plan, details of which are set out above.
(4) The Company's register of Directors' interests contains full details of Directors' shareholdings and any share awards under the Company's various share schemes.
(5) Disclosure of the Directors' interests in share awards is given on pages 106 to 107 and also in Note 22 - Related Party Transactions.

Between 2 January 2018 and 27 February 2018 there were no transactions in the Company's shares by the Directors.

Report of the Remuneration Committee continued

Executive Directors' Shareholdings and Outstanding Share Awards

Executive Director	Beneficially owned at 31 December 2017[(1)]	Outstanding PSP awards (performance conditions)[(2)]	SAYE options (no performance conditions)[(3)]	Outstanding DBS awards (no performance conditions)[(4)]	SIP shares (no performance conditions)[(5)]
David Bellamy	1,306,891	416,416	–	108,655	–
Andrew Croft	700,133	214,211	1,219	78,593	1,496
Ian Gascoigne	759,286	214,211	1,243	78,593	1,241
David Lamb	501,623	214,211	1,243	78,593	–

(1) Beneficially owned shares include those DBS Awards and SIP Shares set out in columns (4) and (5) above.
(2) Details of the PSP awards are set out on page 106.
(3) Details of the SAYE options are set on page 107.
(4) Details of DBS awards are set out on page 106.
(5) Details of the SIP shares are set out on page 107.

Dilution

Dilution limits agreed by shareholders at the time of shareholder approval of the various long-term incentive schemes allow for 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 2017, 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 2017.

Share Scheme	Number of new ordinary shares of 15 pence each	% of total issued share capital as at 31 December 2017
SAYE schemes	4,572,386	0.86%
Executive share schemes	10,641,214	2.01%
Partners' share schemes	13,789,977	2.61%
Total	**29,003,577**	**5.48%**

In addition, as at 31 December 2017, the Group's Employee Share Trust held 3,831,705 shares in the Company which were acquired to meet awards made under the PSP, Company Share Option Plan, the Deferred Bonus Scheme and the Restricted Share Plan. The number of shares in the Company held in the Share Incentive Plan Trust as at 31 December 2017 was 372,209.

Chair and Non-executive Director Remuneration

The remuneration paid to the Chair and Non-executive Directors in respect of the financial years ended 31 December 2016 and 31 December 2017 are as follows.

	Sarah Bates		Iain Cornish		Simon Jeffreys		Baroness Wheatcroft		Roger Yates	
Element of remuneration	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	£	£	**£**	£	**£**	£	**£**	£	**£**	£
Fees	**195,700**	190,000	**87,905**	82,725	**82,345**	79,945	**61,745**	59,945	**82,345**	79,945
Expenses	**3,271**	3,931	**8,801**	11,788	**2,948**	973	**1,635**	2,100	**–**	–

Expenses are for reimbursement of taxable travel expenses grossed up for the tax payable thereon.

Implementation of Policy in 2018

2018 Salary

On appointment as the Chief Executive Officer, Andrew Croft received a salary of £520,000. This salary is the same as the previous CEO and takes account of Andrew Croft's extensive experience of the Company, and its business and strategy. This salary is significantly below market median for a company of St. James's Place's size. On appointment as the Chief Finance Officer, Craig Gentle received a salary of £376,000.

The base salaries of the Executive Directors are being increased in 2018. The current salaries as at 1 March 2017 and from 1 March 2018 are as follows. The increase is in line with the percentage increase for the wider work force:

Executive Director	Salary from 1 March 2017	Salary from 1 January 2018	Salary from 1 March 2018	Increase (excluding the promotion increase for A Croft)(2)
	£	£	£	%
Andrew Croft	376,000	520,000	535,600	3%
Ian Gascoigne	376,000	376,000	387,280	3%
Craig Gentle(1)	–	376,000	387,280	3%
David Lamb	376,000	376,000	387,280	3%

(1) Craig Gentle joined the Board with effect from 1 January 2018.
(2) The percentage increase in salaries for Andrew Croft and Craig Gentle show the percentage increase in salary from 1 January 2018 when they were appointed into their new roles.

Annual Bonus for 2018

The Executive Directors' maximum bonus opportunity for 2018 will be the same as for 2017 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 2018 will be paid in cash and the remaining 50% will be deferred in the Company's 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 2018 EEV Operating Profit target, the Committee maintained the new business and expense growth objectives at the same level as in previous years.

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 2018 Remuneration Report to the extent that they do not remain commercially sensitive at that time.

The team element of the 2018 annual bonus will be assessed by reference to key strategic targets based around the 2018 business plan, including elements relating to clients, shareholders and other key stakeholders. Specific objectives include: the delivery of good service to the Group's clients as measured by surveys and other client feedback; continuing to enhance the range of investment funds and maintaining strong investment performance; the successful recruitment and retention of high-quality Partners and Advisers; successfully implementing the next phase of the administration systems and transferring certain existing assets onto that 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 2018

The Executive Directors will each receive a PSP award in 2018 of 200% of salary. These 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:

	TSR relative to the FTSE 51 to 150(1)		Average annual adjusted EPS growth (including the unwind of the discount rate) in excess of RPI(2)		Average annual adjusted EPS growth (excluding the unwind of the discount rate) in excess of RPI(3)	
Performance level hurdle	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%

(1) FTSE 51 to 150, excluding investment trusts and companies in the FTSE oil, gas producers and mining sectors.
(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.
(3) 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.
(4) Straight-line vesting occurs in between threshold and maximum vesting.

Report of the Remuneration Committee continued

Shareholding Requirement

In 2018, the Executive Directors will be required to build and maintain a shareholding equivalent to 200% of salary in the Company's shares. The ability for 50% of this shareholding to be held in one or more St. James's Place fund portfolios has been removed.

Pension Contribution

With effect from 2018, for any new Executive Director joining the Board after the 2018 AGM, the pension contribution will be 10% of salary on joining increasing to 12.5% after five years' service and 15% after ten years' service. This aligns to the pension contribution for the wider workforce.

Fees for the Chair and Non-executive Directors for 2018

The fees for the Chair and Non-executive Directors for 2018 and 2017 are as set out below. For 2018, in recognition of their increased workload, regulatory responsibilities and the size of the Group as well as a benchmarking review which revealed that fees are below the median level for companies of our size, the fees of the Chair have been increased by 4.8%, the Non-executive Directors' base fee has been increased by 5.3%, the Committee Chairs' fee has been increased by 5.6% and the Senior Independent Director fee has been increased by 5.3%.

	Fees from 1 January to 31 December 2017	Fees from 1 January to 31 December 2018	Percentage increase from 2017 (%)
Chair	£195,700	£205,000	4.8
Base fee	£61,745	£65,000	5.3
Committee Chair	£20,600	£21,750	5.6
Senior Independent Director	£5,560	£5,855	5.3

No Committee membership fees are payable

SECTION 3: SUMMARY OF REMUNERATION POLICY FOR DIRECTORS

The following table summarises each element of the Policy, explaining how each element operates and links to corporate strategy.

Base Salary

Purpose and link to strategy	To provide the core reward for the role. Sufficient level to recruit and retain individuals of the necessary calibre, taking into account the required skills, experience, demands and complexity of the role.
Operation	Normally reviewed annually from 1 March. Influenced by: Role, experience and performance of the individual: • Company performance; • External economic conditions; • Average changes in broader workforce salary; and • Periodic benchmarking for each role against similar UK listed companies.
Maximum opportunity	Percentage increases will normally be capped at the level of increases for the Company's workforce generally. Increases may be higher in exceptional circumstances, such as a change in role and/or a significant change in responsibility or role size. Where new appointees have been given a starting salary below mid-market level, increases above those granted to the wider workforce (in percentage) and development in the role. The base salaries for the Executive Directors from 1 March 2018 are set out in the Directors' Remuneration Report.
Performance metrics	Whilst there are no targets attached to the payment of base salary performance alongside those factors outlined above is considered in the annual salary review process.

Annual Bonus

Purpose and link to strategy including choice of performance metrics	Rewards the achievements of annual financial and strategic business plan targets and delivery of key, non-financial objectives. Deferred element aids retention, encourages long-term shareholding, discourages excessive risk taking and aligns with shareholder interests. Performance metrics reflects the key performance drivers of the annual business plan, achievement of which will reflect performance in line with the Group's strategy.
Operation	Performance measures, targets and weightings are reviewed annually and set in line with the annual business plan. Bonus payments are determined by the Committee after the year-end, based on performance against the targets set. Performance below threshold results in zero payment. Payments are on a scale from 20% to 100% of the maximum opportunity for performance between threshold and maximum. 50% of any bonus payable is paid in cash and the remaining 50% deferred into SJP shares, the vesting of which is normally subject to a three-year continuous service requirement but no further performance targets. Dividends that accrue on the deferred shares are paid to the Executive Directors during the three-year deferral period. All bonus payments are at the discretion of the Committee. The Committee has the overriding discretion to scale back payments under the non-financial performance scorecard if it deems them to be inappropriate in the context of the overall financial results of the Company. 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). Withholding and recovery provisions apply to bonus awards in exceptional circumstances, such as a material misstatement, error, or misconduct.
Maximum opportunity	150% of base salary
Performance metrics	Performance is measured over one year. At least half of the bonus is based on financial measures, reflecting the key priorities of the business for the relevant year. Up to half of the annual bonus can be based on the achievement of key non-financial objectives set at the start of the year. Actual measurements and weightings may change from year to year to reflect the business priorities at that time. Details of performance criteria and targets set for the year under review and performance against them are provided in the Directors' Remuneration Report.

Performance Share Plan

Purpose and link to strategy including choice of performance metrics	Supports long-term retention. Focuses the Executives on longer-term corporate performance and performance objectives. Aligns interests to those of shareholders.
Operation	Awards are normally granted annually. Vesting is usually 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. Metrics, weighting and targets take account of the business plan and are reviewed annually to ensure they remain appropriate. Awards granted from 2015 are made under the Performance Share Plan approved by shareholders at the AGM in 2014, and have a post-vesting holding period of two years on the shares vesting. During this period the vested shares cannot normally be sold, other than to the extent necessary to settle tax on vesting or exercise. 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. Awards are subject to withholding and recovery provisions. The Committee has the discretion, in certain circumstances, to grant and/or settle an award in cash. In practice, this will only be used in exceptional circumstances for Executive Directors.
Maximum opportunity	The maximum annual award under the plan rules is 250% of salary as at date of grant, although the Committee will not make awards above 200% of base salary without prior consultation with the Company's major shareholders.
Performance metrics	Awards will vest to extent of achievement of performance metrics 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. Awards in 2018 will be based on the achievement of three equally weighted metrics below: • EPS growth based on EEV adjusted profit; • 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 • Relative TSR performance. For each performance metric, a threshold and stretch level of performance is set. At threshold, 25% of the relevant element vests rising on a straight-line basis to 100% for attainment of levels of performance between threshold and maximum targets.

Pension

Purpose and link to strategy	Helps recruit and retain Executives. Provides a discrete element of the package to contribute to retirement income.
Operation	Defined contribution to a pension scheme or an equivalent cash amount via non-pensionable allowance if the Executive is affected by HMRC limits. In response to changes in legislation or similar developments, the Company may amend the form of an Executive Director's pension arrangements.
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 wellbeing 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. Executive Directors will be eligible to participate in any all-employee share plan (e.g. SIP and SAYE) operated by the Company on the same terms as other eligible employees. The maximum level of participation is subject to limits imposed by HMRC (or a lower cap set by the Company). Any reasonable business expenses (including tax thereon) may be reimbursed.
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

Purpose and link to strategy	To attract high-quality, experienced Non-executive Directors.
Operation	The Chair is paid an all-inclusive 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. Any reasonable business expenses (including tax thereon) may be reimbursed.
Maximum opportunity	There is no prescribed maximum individual fee level or 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 policy is to pay up to the mid-market level based on similar time commitments of chair and non-executives in comparable companies.
Performance metrics	Neither the Chair nor the Non-executive Directors are eligible for any performance-related remuneration.

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

Roger Yates
Chair of the Remuneration Committee
27 February 2018

Directors' Report

The Directors (as set out on pages 70 to 71) present their Report and the Annual Report and Accounts and the audited consolidated financial statements of the Group for the year ended 31 December 2017.

The content of the "Management Report" required by the UK Financial Conduct Authority's (FCA) Disclosure and Transparency Rule DTR4.1 can be found in the Strategic Report and Governance sections of the Annual Report and Accounts. An indication of likely future developments can also be found in these sections.

Information disclosed in accordance with the requirements of the sections of the UK Financial Conduct Authority's Listing Rule LR9.8 (Annual Financial Report) that are applicable can be found in the following sections:

Details of Long-Term Incentive Schemes	The Directors' Remuneration Report
Contracts of Significance	This Directors' Report
Shareholder Waivers of Dividends	This Directors' Report
Shareholder Waivers of Future Dividends	This Directors' Report
Directors' Interests in the Company's Shares	The Directors' Remuneration Report
Major Shareholders' Interests	This Directors' Report
Authority to Purchase Own Shares	Corporate Governance Statement

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 pages 176 to 177.

SHARE CAPITAL

Structure of the Company's Capital

As at 31 December 2017, the Company's issued and fully paid up share capital was 529,077,896 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 18 to the financial statements on page 169.

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.

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% 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.

Articles of Association

The full rights and obligations attaching to the ordinary shares of the Company are set out in the Company's Articles of Association (the Articles). 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.

Restrictions on Share Transfers

There are restrictions on share transfers, all of which are set out in the Articles. 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 21 February 2018, the Company had been notified of the following interests disclosed to the Company under Disclosure and Transparency Rule 5:

Shareholder	Holding at 31 Dec 2017	% held at 31 Dec 2017(1)	Holding at 21 Feb 2018	% held at 21 Feb 2018(1)
BlackRock, Inc	28,512,068	5.39	28,512,068	5.39
Prudential plc	27,682,923	5.24	27,682,923	5.24
FMR LLC	26,126,505	5.03	26,126,505	5.03
Ameriprise Financial Inc	26,288,280	4.97	26,288,280	4.97

(1) Percentage provided was correct at the date of notification

The interests of the Directors, and any persons closely associated, in the issued share capital of the Company are shown on page 107.

RESULTS AND DIVIDENDS

The consolidated statement of comprehensive income is on page 126 and IFRS profit after tax for the financial year increased to £145.8 million from £111.7 million in the prior year, principally due to increased funds under management, which are a long-term driver of profit. The profit before tax decreased from £486.3 million to £342.1 million in the current year, principally due to the decrease in charges deducted from Life Investment business in respect of policyholder tax, which is subsequently due to HMRC as explained on page 32. This movement was mainly driven by relative investment performance in the year, reflecting the fact that the investment return was less positive in 2017 than the prior year. The profit before tax was also impacted negatively by the £59.0 million movement in DAC, DIR and PVIF balances, as explained on page 34.

An interim dividend of 15.41 pence per share, which equates to £81.2 million, was paid on 29 September 2017 (2016: 12.33 pence per share/£64.8 million). The Directors recommend that shareholders approve a final dividend of 27.45 pence per share, which equates to £145.2 million (2016: final dividend of 20.67 pence per share/£108.8 million) to be paid on 1 June 2018 to shareholders on the register at the close of business on 6 April 2018.

Details of the Dividend Reinvestment Plan (DRP) are set out on page 200.

OUR PEOPLE

Details of the Company's approach to maintaining an appropriately skilled and diverse workforce, including recruitment practices, development opportunities, employee engagement and equal opportunities can be found in the Corporate Responsibility Report on pages 52 to 61.

GREENHOUSE GAS EMISSIONS

Disclosures in relation to the Group's greenhouse gas emissions can be found in the Corporate Responsibility Report on pages 60 and 61.

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 £460.5 million as at 21 February 2018 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 £170.3 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.

FINANCIAL INSTRUMENTS

An indication of the Group's use of financial instruments can be found in the notes to the financial statements on pages 156 to 166.

DIRECTORS' INDEMNITY

Details of the indemnity provisions in place for the Directors, including qualifying third party indemnity provisions, can be found on page 80.

POLITICAL AND CHARITABLE 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. During the year we have donated £11.0 million to the St. James's Place Charitable Foundation, more details of which can be found on page 31.

ANNUAL GENERAL MEETING

The Company's Annual General Meeting will be held on Wednesday, 23 May 2018 at The Royal Aeronautical Society, 4 Hamilton Place, London W1J 7BQ at 11.30am. Full details of the resolutions to be put to shareholders at the meeting, are included in a separate Notice of Annual General Meeting, which is available on our website.

GOING CONCERN

In conjunction with its assessment of longer-term viability as set out on page 48, the Board concluded that it remained appropriate to adopt the going concern basis of accounting in preparing the consolidated financial statements as it believes the Group will continue to be in business, with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations for a period of at least twelve months from the date of approval of the Group financial statements.

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 auditors are 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.

On behalf of the Board

Andrew Croft
Chief Executive
27 February 2018

Craig Gentle
Chief Financial Officer

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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, comprising FRS 101 "Reduced Disclosure Framework", 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 Parent Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Parent Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Parent Company 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.

The Directors are also responsible for safeguarding the assets of the Group and the Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Parent Company's performance, business model and strategy.

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 Parent Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law) give a true and fair view of the assets, liabilities, financial position and profit of the Parent Company;
- 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; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Parent Company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

Elizabeth Kelly
Company Secretary
27 February 2018

Consolidated Financial Statements under International Financial Reporting Standards

Independent auditors' report to the members of St. James's Place plc

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion:

- St. James's Place plc's Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2017 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the consolidated and the Parent Company statements of financial position as at 31 December 2017; the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and Parent Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

Other than those disclosed in Note 5 to the consolidated financial statements, we have provided no non-audit services to the Group or the Parent Company in the period from 1 January 2017 to 31 December 2017.

OUR AUDIT APPROACH

Overview

Materiality	• Overall Group materiality: £17.0 million (2016: £24.3 million), based on 5% of profit before tax. • Overall Parent Company materiality: £10.1 million (2016: £8.6 million), based on 1% of total assets.
Audit scope	• The Group financial statements comprise the consolidation of approximately 60 individual components, each of which represents an individual legal entity within the Group or consolidation adjustments. • We assessed each component and considered the contribution it made to the Group's profit before tax, whether it displayed any significant risk characteristics and / or whether it contributed a significant amount to any individual financial statement line item. • The above assessment resulted in us identifying eight components that required audit procedures for the purpose of the audit of the Group financial statements. • Seven of the eight components are based in the UK and were audited by the PwC UK audit team. The remaining component is based in the Republic of Ireland and was audited by PwC Dublin. • By performing audit procedures on these eight components we achieved coverage greater than 85% of each material financial statement line item within the Group's financial statements. • We performed a full scope audit of all material line items of the Parent Company.
Key audit matters	• Valuation of the prepayment asset in respect of the development of an administration platform at an outsourced provider. • Valuation of investments with a judgemental valuation, being investment property and derivatives. • We identified no key audit matters regarding the audit of the Parent Company.

The Scope of our Audit

As part of designing our audit, we determined materiality and assessed 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.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the Group and Parent Company financial statements, including the Companies Act 2006, tax legislation and the Prudential Regulation Authority's Solvency II regulations. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation, enquiries of management, review of minutes of meetings of those charged with governance for the Group and significant components and review of significant components' audit work.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key Audit Matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Valuation of the prepayment asset in respect of the development of an administration platform at an outsourced provider The Group is charged costs by DST Systems Limited (DST) in respect 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 DST. The balance of the prepayment asset at 31 December 2017 was £170.6 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 amount 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: • agreed amounts capitalised in the year back to the service agreement and cash payments to DST; and • assessed the reasonableness of the assumptions underlying management's discounted cash flow analysis calculating the anticipated future cost savings that support the valuation of the asset. We tested that the cost savings had been calculated using appropriate service tariffs. We performed a sensitivity analysis on the inflation and discount rate assumptions as well as business flow levels to determine the potential impact of changes in these assumptions to check whether they would affect the carrying value of the asset this year. We also considered the headroom available under what we considered to be reasonably possible scenarios and whether additional disclosure was necessary. We determined that the disclosure of the asset in the financial statements was supported by the evidence obtained.

Key audit matter	How our audit addressed the key audit matter
Valuation of investments with a judgemental valuation, being investment property and derivatives The Group financial statements include £80.1 billion of investments. The investments are mostly straight forward instruments and as such do not require judgement in calculating the valuation of the holdings. However £1.8 billion of the investments are in derivatives and investment properties, which require management to use estimates and judgements in order to calculate the year-end valuation. Due to the magnitude of these balances and the level of judgement involved, this was an area of focus for our audit. SJP outsources investment valuation activities for financial assets, including derivatives, to State Street. The investment property portfolio is managed by Orchard Street, with title deeds held by DLA Piper and regular valuations are performed by CBRE.	*Financial assets including derivatives* Our audit procedures focused on the evidence available over the processes outsourced to State Street. 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. We placed reliance on the controls described in the ISAE 3402 report over the valuation of the financial investments within the portfolio. We independently re-priced a sample of investments, including derivatives as at the year end. We compared our independent prices to those provided by State Street. Investment properties: We reconciled the listing of properties valued by CBRE to details provided by Orchard Street and also agreed the total valuation to that recorded by St. James's Place. We engaged our in house real estate valuation experts to review the methodology and key assumptions used by CBRE in valuing the property portfolio. We also agreed factual inputs to the calculations, such as rental income, to tenancy agreements on a sample basis. From the evidence obtained we found the assumptions and methodology used to value investments to be appropriate.

We determined that there were no key audit matters applicable to the Parent Company to communicate in our report.

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 structure of the Group and the Parent Company, the accounting processes and controls, and the industry in which they operate.

The Group is structured to reflect its vertically integrated wealth management business and operates predominantly within the United Kingdom.

Four of the components within the Group required an audit of their complete financial information. Of these, two components (St. James's Place UK plc and St. James's Place Unit Trust Group Limited) were considered financially significant as they each contributed greater than 15% of the Group's profit before tax. The remaining two components (St. James's Place International plc and the St. James's Place Unit Trusts) had specific risk characteristics which led us to include in our scope an audit of their complete financial information. St. James's Place International plc is a regulated insurance company giving rise to complex accounting entries, such as the calculation of insurance reserves and DAC and DIR balances. The St. James's Place Unit Trusts contribute materially to investments, some of which require judgemental valuations.

All components aside from St. James's Place International plc were audited by PwC UK. St. James's Place International plc is incorporated and regulated in the Republic of Ireland and was audited by PwC Dublin. At the planning stage of the audit we provided written instructions to PwC Dublin to confirm the work we required them to complete and the materiality level they should work to. We held regular phone calls and / or meetings with the PwC Dublin engagement leader and senior manager through the planning, execution and completion phases of the audit to inform them of developments at a Group level and to understand from them any local developments that were relevant for our audit of the Group. During the execution phase we obtained access to their electronic audit working papers and reviewed selected elements of their work, focusing on their work to address the significant and elevated risks identified.

In addition to the full scope audit of the four components noted above, we also performed specific audit procedures on certain financial statement line items within four other components. These financial statement line items were selected for testing to ensure that we had sufficient coverage of each financial statement line item within the Group financial statements.

Together with additional procedures performed at a Group level on the consolidation, the result of the above scoping was that we achieved greater than 85% coverage of each material financial statement line item within the Group financial statements, giving us the evidence we needed for our audit opinion.

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 in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Overall materiality	£17.0 million (2016: £24.3 million).	£10.1 million (2016: £8.6 million).
How we determined it	5% of profit before tax.	1% of total assets.
Rationale for benchmark applied	Profit before tax is a generally accepted auditing benchmark.	The purpose of the Parent Company is to hold investments in other Group companies. As such PwC considers it appropriate to use total assets as the benchmark for overall materiality.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £4.2 million and £15.7 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 £0.9 million (Group audit) (2016: £1.0 million) and £0.4 million (Parent Company audit) (2016: £0.4 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

In accordance with guidance on the audit of insurers issued in the United Kingdom issued by the Financial Reporting Council we have applied a higher materiality of £475.0 million solely for the purpose of identifying and evaluating the effect of misstatements that are likely only to lead to a reclassification between line items within assets and liabilities.

Going Concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and the Parent company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Parent Company's ability to continue as a going concern.
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report, Directors' Report and Corporate Governance Statement, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Independent auditors' report to the members of St. James's Place plc continued

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

Corporate Governance Statement

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on page 89) about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA (DTR) is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in this information. (CA06)

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on pages 75 to 77) with respect to the Parent Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR. (CA06)

We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Parent company. (CA06)

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 79 of the Annual Report 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.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 48 of the Annual Report 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.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and 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 UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 86, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Parent Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Parent Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 85 to 86 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Parent Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 117, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

OTHER REQUIRED REPORTING

COMPANIES ACT 2006 EXCEPTION REPORTING

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
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Parent Company 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.

APPOINTMENT

Following the recommendation of the Audit Committee, we were appointed by the Directors on 7 December 2009 to audit the financial statements for the year ended 31 December 2009 and subsequent financial periods. The period of total uninterrupted engagement is nine years, covering the years ended 31 December 2009 to 31 December 2017.

Jeremy Jensen (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 February 2018

Consolidated Statement of Comprehensive Income

	Note	Year Ended 31 December 2017	Year Ended 31 December 2016
		£'Million	£'Million
Insurance premium income		49.9	52.2
Less premiums ceded to reinsurers		(29.6)	(31.5)
Net insurance premium income		20.3	20.7
Fee and commission income	4	1,779.8	1,703.9
Investment return	6	7,282.5	9,630.1
Net income		9,082.6	11,354.7
Policy claims and benefits			
– Gross amount		(61.1)	(62.7)
– Reinsurers' share		23.3	21.7
Net policyholder claims and benefits incurred		(37.8)	(41.0)
Change in insurance contract liabilities			
– Gross amount		(26.5)	(64.6)
– Reinsurers' share		2.3	4.1
Net change in insurance contract liabilities		(24.2)	(60.5)
Movement in investment contract benefits	6	(7,210.9)	(9,541.8)
Expenses	5	(1,467.6)	(1,225.1)
Profit before tax	3	342.1	486.3
Tax attributable to policyholders' returns	7	(156.0)	(345.7)
Profit before tax attributable to shareholders' returns		186.1	140.6
Total tax expense	7	(196.3)	(374.6)
Less: tax attributable to policyholders' returns	7	156.0	345.7
Tax attributable to shareholders' returns	7	(40.3)	(28.9)
Profit and total comprehensive income for the year		145.8	111.7
Loss attributable to non-controlling interests		(0.1)	(0.5)
Profit attributable to equity shareholders		145.9	112.2
Profit and total comprehensive income for the year		145.8	111.7
		Pence	Pence
Basic earnings per share	18	27.8	21.5
Diluted earnings per share	18	27.4	21.3

The results relate to continuing operations.

The notes and information below and on pages 130 to 179 form part of these consolidated financial statements.

As permitted by Section 408 of the Companies Act 2006, no statement of comprehensive income is presented for the Company.

Consolidated Statement of Changes in Equity

	Note	Share Capital	Share Premium	Shares in Trust Reserve	Retained Earnings	Misc Reserves	Total	Non-controlling Interests	Total Equity
		Equity attributable owners of the Parent							
		£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
At 1 January 2016		78.7	158.3	(18.5)	874.6	2.3	1,095.4	(0.3)	1,095.1
Profit/(loss) and total comprehensive income/(expense) for the year					112.2		112.2	(0.5)	111.7
Dividends	18				(155.2)		(155.2)		(155.2)
Issue of share capital	18		0.9				0.9		0.9
Exercise of options	18	0.4	5.3				5.7		5.7
Consideration paid for own shares				(5.5)			(5.5)		(5.5)
Shares sold during the year				3.1	(3.1)		–		–
Misc reserves on acquisition						0.2	0.2		0.2
Retained earnings credit in respect of share option charges					22.7		22.7		22.7
At 31 December 2016		79.1	164.5	(20.9)	851.2	2.5	1,076.4	(0.8)	1,075.6
Profit/(loss) and total comprehensive income/(expense) for the year					145.9		145.9	(0.1)	145.8
Dividends	18				(190.0)		(190.0)		(190.0)
Issue of share capital	18	0.1	4.1				4.2		4.2
Exercise of options	18	0.2	3.1				3.3		3.3
Consideration paid for own shares				(11.3)			(11.3)		(11.3)
Shares sold during the year				5.5	(5.5)		–		–
Retained earnings credit in respect of share option charges					30.5		30.5		30.5
At 31 December 2017		**79.4**	**171.7**	**(26.7)**	**832.1**	**2.5**	**1,059.0**	**(0.9)**	**1,058.1**

The number of shares held in the Shares in Trust Reserve is given in Note 18 Share Capital, Earnings per Share and Dividends on page 169.

Miscellaneous reserves represent other non-distributable reserves.

The notes and information below and on pages 130 to 179 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

	Note	As at 31 December 2017	As at 31 December 2016
		£'Million	£'Million
Assets			
Goodwill	8	15.6	13.8
Deferred acquisition costs	8	623.0	684.8
Intangible assets			
– Purchased value of in-force business	8	27.2	30.4
– Computer software	8	2.4	3.0
Property and equipment	9	26.4	23.1
Deferred tax assets	7	182.7	199.9
Reinsurance assets	13	82.8	80.5
Other receivables	11	1,620.0	1,473.0
Investments			
– Investment property	10	1,630.9	1,462.4
– Equities	10	55,086.9	46,598.7
– Fixed income securities	10	17,180.7	12,955.7[1]
– Investment in Collective Investment Schemes	10	5,903.4	3,864.8
– Derivative financial instruments	10	343.4	218.9[1]
Cash and cash equivalents	10	7,280.6	7,413.1
Total assets		90,006.0	75,022.1
Liabilities			
Borrowings	15	279.9	281.4
Deferred tax liabilities	7	546.8	614.8
Insurance contract liabilities	13	544.6	518.2
Deferred income	8	646.3	647.6
Other provisions	14	20.0	17.1
Other payables	12	1,231.2	1,173.6
Investment contract benefits	10	64,014.3	53,307.1
Derivative financial instruments	10	190.3	281.9
Net asset value attributable to unit holders	10	21,349.1	17,032.0
Income tax liabilities	7	125.3	72.7
Preference shares		0.1	0.1
Total liabilities		88,947.9	73,946.5
Net assets		1,058.1	1,075.6
Shareholders' equity			
Share capital	18	79.4	79.1
Share premium		171.7	164.5
Shares in trust reserve		(26.7)	(20.9)
Miscellaneous reserves		2.5	2.5
Retained earnings		832.1	851.2
Equity attributable to owners of the Parent		1,059.0	1,076.4
Non-controlling interests		(0.9)	(0.8)
Total equity		1,058.1	1,075.6
		Pence	Pence
Net assets per share		200.0	203.9

(1) Fixed income securities and derivative financial assets have been represented in the comparative to reclassify collateralised mortgage obligations. See Note 10 Investments, Investment Property and Cash for further information.

The financial statements on pages 126 to 179 were approved by the Board of Directors on 27 February 2018 and signed on its behalf by:

Andrew Croft
Chief Executive

Craig Gentle
Chief Financial Officer

The notes and information on pages 130 to 179 form part of these financial statements.

Consolidated Statement of Cash Flows

	Note	Year Ended 31 December 2017	Year Ended 31 December 2016
		£'Million	£'Million
Cash flows from operating activities			
Profit before tax for the year		342.1	486.3
Adjustments for:			
Amortisation of purchased value of in-force business	8	3.2	3.2
Amortisation of computer software	8	0.9	3.4
Depreciation	9	5.2	4.4
Share-based payment charge	19	32.7	23.9
Interest income		(23.7)	(26.6)
Interest expense		4.9	4.9
Increase in provisions	14	2.9	1.7
Exchange rate losses/(gains)		1.1	(3.3)
Changes in operating assets and liabilities			
Decrease in deferred acquisition costs	8	61.8	60.2
Increase in investment property		(168.5)	(117.5)
Increase in other investments		(14,876.2)	(13,109.6)
(Increase)/decrease in reinsurance assets		(2.3)	4.5
Increase in other receivables		(146.0)	(464.4)
Increase in insurance contract liabilities		26.4	54.6
Increase in financial liabilities (excluding borrowings)		10,615.8	10,207.8
(Decrease)/increase in deferred income	8	(1.3)	234.1
Increase in other payables		48.8	407.8
Increase in net assets attributable to unit holders		4,317.1	4,475.6
Cash generated from operating activities		244.9	2,251.0
Interest received		23.7	26.6
Interest paid		(4.9)	(4.9)
Income taxes paid		(181.3)	(87.7)
Net cash generated from operating activities		82.4	2,185.0
Cash flows from investing activities			
Acquisition of property and equipment	9	(8.6)	(19.6)
Acquisition of intangible assets	8	(0.3)	(2.1)
Acquisition of subsidiaries and other business combinations, net of cash acquired		(5.0)	(23.1)
Net cash used in investing activities		(13.9)	(44.8)
Cash flows from financing activities			
Proceeds from the issue of share capital		3.3	5.7
Consideration paid for own shares		(11.3)	(5.5)
Additional borrowings	15	100.0	100.0
Repayment of borrowings	15	(101.0)	(0.9)
Dividends paid	18	(190.0)	(155.2)
Net cash used in financing activities		(199.0)	(55.9)
Net (decrease)/increase in cash and cash equivalents		(130.5)	2,084.3
Cash and cash equivalents at 1 January	10	7,413.1	5,325.1
Exchange (losses)/gains on cash and cash equivalents		(2.0)	3.7
Cash and cash equivalents at 31 December	10	7,280.6	7,413.1

The notes and information on pages 130 to 179 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 the United Kingdom, and registered 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 2017, the following amended standards, which the Group has adopted as of 1 January 2017, have not had any material impact on the Group's reported results:
- Annual Improvements 2014 – 2016 Cycle: Amendments to IFRS 12
- IAS 12 Amendment – Recognition of Deferred Tax Assets for Unrealised Losses
- IAS 7 Amendment – Disclosure Initiative

As at 31 December 2017, 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 28 Amendment – Long-term Interests in Associates and Joint Ventures
- IAS 40 Amendment – Transfers of Investment Property
- IFRS 2 Amendment – Classification and Measurement of Share-based Payment Transactions
- IFRS 4 Amendment – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- IFRS 9 Financial Instruments (and associated amendments, including to various other standards)
- IFRS 10 and IAS 28 Amendments – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- IFRS 15 Revenue from Contracts with Customers (including subsequent IFRS 15 clarification and associated amendments to various other standards)
- IFRS 16 Leases
- IFRS 17 Insurance Contracts
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Annual Improvements 2014-2016 Cycle
- Annual Improvements 2015-2017 Cycle

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

IFRS 9 Financial Instruments

IFRS 9 incorporates new classification and measurements requirements for financial assets and liabilities, the introduction of an expected credit loss impairment model, new hedge accounting requirements and enhanced disclosures in the financial statements.

The Group will adopt IFRS 9 on 1 January 2018. As a result, certain financial assets will be reclassified in the statement of financial position and the provisioning methodology for financial assets will change from an incurred loss to an expected loss basis. The Group does not use hedge accounting and so this element of the new standard is not applicable. Further detail on each of the changes relevant to the Group is provided below.

Financial Asset Reclassifications

The financial asset reclassifications will be as follows:

	Current classification	IFRS 9 classification
Renewal income assets	Available for sale	Fair value through profit and loss
Other receivables	Loans and receivables	Amortised cost
Cash & cash equivalents		
Policyholder assets	Fair value through profit and loss	Fair value through profit and loss
Shareholder assets	Loan and receivables	Amortised cost

Renewal income assets, which represent the present value of future cash flows associated with books of business acquired by the Group, are classified as fair value through profit and loss under IFRS 9. This is because the contractual cash flows associated with the assets are fees rather than payments of principal and interest. When contractual cash flows are not solely payments of principal and interest, IFRS 9 requires the assets to be classified as fair value through profit and loss.

The accounting policies for each of the reclassified financial assets will be amended to reflect IFRS 9 requirements, however there will be no material change to the underlying accounting treatment.

Expected Loss Impairment Model

Moving from an incurred loss to an expected loss impairment model will impact the impairment provision held against the business loans to Partners, which are recognised within other receivables on the statement of financial position. The expected loss model for these loans has been built based on the levels of loss experienced in the portfolio, with due consideration given to forward looking information. The output of the model is a provision which is materially consistent with the provision recognised at 31 December 2017 under IAS 39, the current financial instruments standard.

Thus, IFRS 9 will have no material impact on the statement of financial position or the statement of comprehensive income.

IFRS 15 Revenue from Contracts with Customers

The new standard establishes a principle based five-step model to be applied to revenue from all contracts with customers, except for insurance contracts, financial instruments and lease contracts. The Group will adopt IFRS 15 on 1 January 2018.

Management have carried out a detailed assessment of revenue recognised by the Group in the context of the IFRS 15 five-step model, covering advice charges (post-RDR), third party fee and commission income, wealth management fees, investment management fees, fund tax deductions and discretionary management fees (refer to Note 4). The assessment has considered the following:

- Identification of the customer in each contract;
- The services promised in a contract with customers, and whether those services are distinct such that they can be considered separate performance obligations;
- The price expected to be received from customers in return for the services promised in the contract;
- How the price should be recognised with reference to the performance obligations in the contract, including the elements of revenue that should be deferred; and
- Directly attributable acquisition costs which are deferred.

Management have concluded that the way the Group's revenue is recognised under IAS 18, the current revenue accounting standard, satisfies the requirements of IFRS 15 with no changes required upon adoption of the new standard.

IFRS 16 Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed for lessees. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are for short-term or low-value leases. The accounting for lessors will not significantly change.

The standard will affect the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of £148.7 million, see Note 15. On adoption of the standard, the right-of-use asset and liability for future payments are expected to be material to the statement of financial position, and there is expected to be a negative impact on the statement of comprehensive income initially which will reverse over time. The negative impact arises as the lease liability is accounted for using the effective interest method, which means that the interest expense on the lease liability reduces year on year, whereas under the current lease accounting standard the operating lease rentals are constant throughout the lease term.

Management are assessing the quantum of the adjustments that will be required upon transition to IFRS 16, which is mandatory for financial years commencing on or after 1 January 2019, subject to EU endorsement.

IFRS 17 Insurance Contracts

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

The Group closed to new insurance business, as defined under accounting standards, in 2009. At 31 December 2017, the Group has £85.6 million of non-unit linked insurance contract liabilities, which are substantially reinsured, and £459.0 million of unit linked insurance contract liabilities. As a result, the Group's net exposure on this business is not material.

The vast majority of the business written by the Life companies within the Group is defined as investment, rather than insurance, business under accounting standards. Investment business is outside the scope of IFRS 17: refer to Note 2 for further information on the classification of contracts between insurance and investment business.

Management are currently assessing the impacts of adopting the new standard, which is mandatory for financial years commencing on or after 1 January 2021, subject to EU endorsement.

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

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.

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

The St. James's Place Charitable Foundation is not consolidated within the financial information. This is because the Company does not control the Charitable Foundation in accordance with IFRS 10.

(b) 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 on investment contracts (including fees charged to clients to match the policyholder tax element of the insurance Company's tax liability).

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. 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, and amortised over the anticipated period in which services will be provided.

(c) Insurance and Reinsurance Premiums

Unit linked insurance contract premiums are recognised as revenue when the liabilities arising from them are recognised. All other premiums are accounted for when due for payment.

(d) Insurance Claims and Reinsurance Recoveries

Insurance contract 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. Reinsurance recoveries, in respect of insurance claims, are accounted for in the same period as the related claim.

(e) 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.

(f) Expenses

(i) Payments to Partners

Payments to Partners comprises initial commission and initial advice fees (IAF) (paid for initial advice, at policy outset and within an initial period for regular contribution), 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 (k). Fund fee commission and ongoing advice fee are recognised on an accruals basis.

(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.

(g) 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. Tax liabilities are recognised when it is considered probable that there will be a future outflow of funds to a taxing authority and are measured using a best estimate approach.

(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 on the profits attributable to shareholders. This is calculated by applying the appropriate effective corporate tax rates to the shareholder profits. The remainder of the tax charge represents tax on policyholder's investment returns. This calculation method is consistent with the legislation relating to the calculation of tax on shareholder profits.

(h) Dividends Paid

Dividend distributions to the Company's shareholders are recognised in the period in which the dividends are declared, that is when they are appropriately authorised and no longer at the discretion of the Company. The final dividend for the financial year is disclosed but unpaid and awaiting approval by the Company's shareholders at the Annual General Meeting.

(i) Investment Contract Deposits and Withdrawals

Investment contract payments in and out are not included in the statement of comprehensive income but are reported as deposits to or deductions from investment contract benefits in the statement of financial position. 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 Wealth Management plc 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 Wealth Management plc. A proportion of the charge is then paid to the St. James's Place Adviser (Partner) who provides the advice (see (f)(i) Expenses).

(j) 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.

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.

(k) Deferred 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 to expenses in the statement of comprehensive income 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 to expenses in the statement of comprehensive income on a straight-line basis over the expected lifetime of the Group's investment contracts. All other costs are recognised as expenses when incurred.

The period over which costs are expected to be recoverable are as follows:

Insurance contracts:	6 years
Investment contracts:	12 to 14 years

(l) Intangible Assets

(i) Purchased Value of In-Force Business

The purchased 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 purchased value of in-force business is expressed as a gross figure in the statement of financial position 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.

The estimated useful economic life of acquired in-force business is 20 years.

1. ACCOUNTING POLICIES CONTINUED

(ii) 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 expenses on a straight-line basis over four years, being the estimated useful life of the intangible asset.

(m) Property and Equipment

Items of property and equipment are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Land is shown at fair value, based on valuations by external independent valuers. The carrying value is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable and any assets that may have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Depreciation is charged to the statement of comprehensive income to expenses on a straight-line basis over the estimated useful lives of the property and equipment, which are as follows:

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

(n) 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 (e).

(o) 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 expenses in the statement of comprehensive income.

(p) 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.

(q) Other Receivables

Other receivables are initially recognised at fair value and subsequently held at amortised costs less impairment losses, except for renewal income assets which are classified as available for sale and 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 (ac) for information relating to the treatment of impaired amounts.

Other receivables include prepayments, which are recognised where services are paid for in advance of being received. The prepayment reduces, and an expense is recognised in the statement of comprehensive income, as the service is received.

Commission and advice fees in respect of some insurance and investment business may be paid to Partners in advance on renewal premiums and accelerated by up to five years. The unearned element of this accelerated remuneration is recognised as advanced payments to Partners within other receivables. Should the contributions reduce or stop within the initial period, any unearned amount is recovered.

(r) Cash and Cash Equivalents

Cash and 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 and cash equivalents held within unit linked and unit trust funds are classified at fair value through the profit and loss. All other cash and cash equivalents are classified as loans and receivables.

(s) 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.

(t) Investment Contract Benefits

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 benefits are recognised when units are first allocated to the policyholder; they are de-recognised 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 matching investment portfolio, that underpins the unit-linked liabilities, is managed, and its performance evaluated, on a fair value basis.

(u) Deferred Income

The initial margin on financial instruments (including dealing margins from unit trusts) is deferred and recognized on a straight-line basis over the expected lifetime of the financial instrument, which is between 6 to 14 years.

(v) 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 statement of financial position 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.

(w) 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.

(x) 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.

(y) Other Payables

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

(z) 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 for employees, Partners and Advisers. The fair value of share-based payment awards 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 and the recognition of a liability for cash-settled plans.

The total amount to be expensed is determined by reference to the fair value of the awards, measured using standard option pricing models as the fair value of the services provided by employees, Partners and Advisers cannot be reliably measured. For equity-settled plans, the fair value is determined at grant date and not subsequently remeasured. For cash-settled plans, the fair value is remeasured at each reporting date and the date of settlement, with any changes in fair value recognised in the statement of comprehensive income for the period.

At each reporting date, the Group revises its estimate of the number of awards 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, Partner and Adviser services are based on the number of awards that actually vest. The charge to the statement of comprehensive income is not revised for any changes in market vesting conditions.

(aa) Share Capital

Ordinary shares are classified as equity. Where any Group entity purchases the Company's equity share capital (shares held in trust), the consideration paid is deducted from equity attributable to shareholders, as disclosed in the Shares in Trust 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.

(ab) 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.

(ac) Impairment

(i) 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. Refer to accounting policy (j) for the Group's impairment policy for goodwill.

(ii) 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 there is objective evidence of impairment as a result of one or more loss events that have an impact on the expected future cash flows associated with the financial asset. When a loss is incurred the impairment loss recognised in the statement of comprehensive income is calculated as the carrying value of the asset less the projected future cash flows arising from the asset discounted at the original effective interest rate. The impaired assets are presented net of the impairment provision in the statement of financial position.

1. ACCOUNTING POLICIES CONTINUED

In relation to financial assets classified as loans and receivables, 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 if no impairment loss had been recognised.

(ad) 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.

(ae) 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 Board.

(af) 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.

(ag) Alternative Performance Measures

Within the financial statements, a number of alternative performance measures (APMs) are disclosed. An APM is a measure of financial performance, financial position or cash flows which is not defined by the relevant financial reporting framework, which for the Group is International Financial Reporting Standards (IFRS) as adopted by the European Union. APMs are used to provide greater insight to the performance of the Group and the way it is managed by the Directors. The Glossary of Alternative Performance Measures on page 204 defines each APM, explains why it is used and, where applicable, how the measure can be reconciled to the IFRS financial statements.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Judgements

The primary areas in which the Group has applied judgement are as follows:

Classification of Contracts Between Insurance and Investment Business

Contracts with a significant degree of insurance risk are treated as insurance. All other contracts are treated as investment contracts. It is this classification that management considers to be a critical judgement; however, due to the carrying value of the insurance contract liabilities within the statement of financial position, management does not consider insurance business to be significant to the Group.

Subsidiaries

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

Deciding the Amount of Management Expenses that are Treated as Acquisition Expenses

Certain management expenses vary with the level of new business and have been treated as acquisition costs. Each line of costs has been reviewed and its variability to new business volumes estimated on the basis of the level of costs that would be incurred if new business ceased.

Estimates

Critical accounting estimates are those which give rise to a significant risk of material adjustment to the balances recognised in the financial statements within the next twelve months. The Group's critical accounting estimates are:

- Determining the value of insurance contract liabilities;
- Determining the fair value of investment contract benefits;
- Determining the fair value of investment property; and
- Determining the value of deferred tax assets.

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 2017 and expected rates in 2018 and the long term;
- The mortality and morbidity rates, which are based on the results of an investigation of experience during the year; and
- The assumed rate of investment return, which is based on current gilt yields.

Greater detail on the assumptions applied is shown in Note 13.

Whilst the measurement of insurance contract liabilities is considered to be a critical accounting estimate for the Group, the vast majority of non-unit linked insurance business written is reinsured. As a result, the impact of a change in estimate in determining the value of insurance contract liabilities would be mitigated to a significant degree by the impact of the change in estimate in determining the value of reinsurance assets.

Determining the Fair Value of Investment Contract Benefits

In accordance with IFRS 13, the Group categorises unit-linked insurance contracts as financial liabilities, carried on the statement of financial position at fair value. The fair value of unit linked liabilities is assessed by reference to the value of the underlying net asset value of the Group's unitised investment funds, determined on a bid value, at the reporting date. As the underlying net asset value is determined using inputs other than quoted prices but which are observable, either directly (that is, as prices) or indirectly (that is, derived from prices), the liability is categorised as a level 2 financial instrument. Further details of these valuations are described in Note 16.

Determining the Fair Value of Investment Property

In accordance with IAS 40, the Group initially recognises investment properties at cost, and subsequently remeasures its portfolio to fair value in the statement of financial position. Fair value is determined monthly by professional external valuers. It is based on anticipated market values for the properties in accordance with the guidance issued by The Royal Institution of Chartered Surveyors, being the estimated amount that would be received from a sale of the assets in an orderly transaction between market participants.

The valuation of investment property is inherently subjective as it requires among other factors, assumptions to be made regarding the ability of existing tenants to meet their rental obligations over the entire life of their leases, the estimation of the expected rental income into the future, an assessment of a property's ability to remain as an attractive technical configuration to existing and prospective tenants in a changing market and a judgement to be reached on the attractiveness of a building, its location and the surrounding environment. As such, investment properties are classified as level 3 in the IFRS 13 fair value hierarchy because they are valued using techniques which are not based on observable inputs. Further details of the valuation of investment properties are described in Note 16.

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.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

3. SEGMENT REPORTING

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

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

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

Segment Revenue

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

Segment Profit

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

Underlying Cash Result

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

More detail is provided on pages 32 and 37 of the Financial Review.

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

	Year Ended 31 December 2017	Year Ended 31 December 2016
	£'Million	£'Million
Underlying cash result after tax	281.2	199.5
Non-cash-settled share-based payments	(30.5)	(23.9)
Deferred tax impacts	(15.0)	(21.1)
Back-office infrastructure	(21.7)	(16.7)
Impact in the year of DAC/DIR/PVIF	(48.1)	(16.8)
Other	(20.1)	(9.3)
IFRS profit after tax	145.8	111.7
Shareholder tax	40.3	28.9
Profit before tax attributable to shareholders' returns	186.1	140.6
Tax attributable to policyholder returns	156.0	345.7
IFRS profit before tax	342.1	486.3

EEV Operating Profit

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

	Year Ended 31 December 2017	Year Ended 31 December 2016
	£'Million	£'Million
EEV operating profit before tax	918.5	673.6
Investment return variance	340.8	537.2
Economic assumption changes	29.8	(12.4)
EEV profit before tax	1,289.1	1,198.4
Adjustments to IFRS basis		
Deduct: amortisation of purchased value of in-force	(3.2)	(3.2)
Movement of balance sheet life value of in-force (net of tax)	(586.2)	(642.7)
Movement of balance sheet unit trust and DFM value of in-force (net of tax)	(325.4)	(257.6)
Tax of movement in value of in-force	(188.2)	(154.3)
Profit before tax attributable to shareholders' returns	186.1	140.6
Tax attributable to policyholder returns	156.0	345.7
IFRS profit before tax	342.1	486.3

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

Segment Assets

Funds Under Management (FUM)

FUM, as reported in Section 1 of the Financial Review on page 27 is the measure of Segment Assets which is monitored on a monthly basis by the Board.

	31 December 2017	31 December 2016
	£'Million	£'Million
Investment	28,310.0	25,880.0(1)
Pension	36,150.0	28,250.0(1)
UT/ISA and DFM	26,290.0	21,180.0
Total FUM	90,750.0	75,310.0
Exclude client and third party holdings in non-consolidated unit trusts and DFM	(4,882.5)	(4,153.9)
Other	296.7	283.7
Gross assets held to cover unit liabilities	86,164.2	71,439.8
IFRS intangible assets (see page 35 adjustment 2) including goodwill, DAC, PVIF, reinsurance and deferred tax	811.3	917.7
Shareholder gross assets (see page 35)	3,030.5	2,664.6
Total assets	90,006.0	75,022.1

(1) Closing funds under management for Investment and Pension business at 31 December 2016 include equal and opposite adjustments of £380.0 million related to the reclassification of investment returns arising in the fourth quarter of 2016.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

4. FEE AND COMMISSION INCOME

	Year Ended 31 December 2017	Year Ended 31 December 2016
	£'Million	£'Million
Advice charges (post-RDR)	656.5	510.7
Third party fee and commission income	114.3	103.5
Wealth management fees	638.3	590.7
Investment management fees	62.4	52.6
Fund tax deductions	156.2	352.2
Discretionary fund management fees	9.4	5.3
Fee and commission income before DIR amortisation	1,637.1	1,615.0
Amortisation of DIR	142.7	88.9
Total fee and commission income	1,779.8	1,703.9

5. EXPENSES

The following items are included within the expenses disclosed in the statement of comprehensive income:

	Year Ended 31 December 2017	Year Ended 31 December 2016
	£'Million	£'Million
Payments to Partners	709.0	599.7
Payments under operating leases	17.2	11.8
Fees payable to the Company's auditors and its associates		
For the audit of the Company and consolidated financial statements	0.1	0.1
For other services:		
– The audit of the Company's subsidiaries (excluding Unit Trusts)	0.6	0.6
– Audit of the Company's Unit Trusts	0.3	0.3
– Audit-related assurance services	0.8	0.5
– Other non-audit services	–	0.1
Total fees payable to the Company's auditors and its associates	1.8	1.6
Employee costs		
Wages and salaries	138.8	113.7
Social security costs	16.5	12.8
Other pension costs in relation to defined contribution schemes	9.5	8.0
Cost of employee share awards and options	19.1	16.3
Total employee costs	183.9	150.8
Average monthly number of persons employed by the Group during the year	2,014	1,735

The above information includes Directors' remuneration. The aggregate emoluments of the highest paid Director were £0.9 million (2016: £0.9 million), cash supplement in lieu of their defined contribution pension scheme was £0.1 million (2016: £0.1 million), they exercised zero share options during 2016 (2016: 175,807) and 33,924 shares were released to them in respect of the deferred bonus scheme (2016: 24,591). Full details of the Directors' remuneration, share options, pension entitlements and interests in shares are disclosed in the Directors' Remuneration Report on pages 100 to 110.

The aggregate gains made by Directors on the exercise of share options during the year was £2.6 million (2016: £5.0 million).

6. INVESTMENT RETURN AND MOVEMENT IN INVESTMENT CONTRACT BENEFITS

The majority of the business written by the Group is unit linked investment business, and so investment contract benefits are measured by reference to the underlying net asset value of the Group's unitised investment funds. As a result, investment return on the unitised investment funds and the movement in investment contract benefits are linked.

Investment Return

	Year Ended 31 December 2017 £'Million	Year Ended 31 December 2016 £'Million
Investment return on net assets held to cover unit liabilities:		
Rental income	82.3	72.4
Gain/(loss) on revaluation of investment properties	79.2	(23.4)
Net investment return on financial instruments classified as fair value through profit and loss	5,545.1	7,456.8
	5,706.6	7,505.8
Attributable to unit linked insurance contract liabilities	43.5	58.5
Attributable to unit linked investment contract benefits	5,663.1	7,447.3
	5,706.6	7,505.8
Income attributable to third party holdings in unit trusts	1,547.8	2,094.5
	7,254.4	9,600.3
Investment return on shareholder assets:		
Net investment return on financial instruments classified as fair value through profit and loss	21.3	29.0[1]
Net investment return on financial instruments classified as available for sale	(1.8)	(6.1)[1]
Interest income on financial instruments held at amortised cost	8.6	6.9
	28.1	29.8
Total investment return	7,282.5	9,630.1

(1) The net investment return on renewal income assets has been represented in the 2016 comparative to show the £6.1 million net loss separately in the net investment return on financial instruments classified as available for sale line.

Included in the net investment return on financial instruments classified as fair value through profit and loss within investment return on net assets held to cover unit liabilities is dividend income of £825.6 million (2016: £756.2 million).

Movement in Investment Contract Benefits

	2017 £'Million	2016 £'Million
Balance at 1 January	53,307.1	43,159.8
Deposits	9,711.4	7,346.5
Withdrawals	(3,924.5)	(3,536.0)
Movement in unit-linked investment contract benefits	5,663.1	7,447.3
Less: fees and other adjustments for reassessment of unit liability	(742.8)	(1,110.5)
Balance at 31 December	64,014.3	53,307.1
Current	3,840.9	3,305.0
Non-current	60,173.4	50,002.1
	64,014.3	53,307.1
Movement in unit liabilities		
Unit-linked investment contract benefits	5,663.1	7,447.3
Third party unit trust holdings	1,547.8	2,094.5
Movement in investment contract benefits in consolidated statement of comprehensive income	7,210.9	9,541.8

See accounting policy (af) for further information on the current and non-current disclosure.

7. INCOME AND DEFERRED TAXES
Tax for the Year

	Year Ended 31 December 2017	Year Ended 31 December 2016
Current tax	£'Million	£'Million
UK corporation tax		
– Current year charge	245.7	171.8
– Adjustment in respect of prior year	(3.1)	(0.6)
Overseas taxes		
– Current year charge	6.8	4.2
– Adjustment in respect of prior year	0.1	(0.1)
	249.5	175.3
Deferred tax		
Unrealised capital (losses)/gains in unit linked funds	(55.6)	196.3
Unrelieved expenses		
– Additional expenses recognised in the year	(12.7)	(12.5)
– Utilisation in the year	17.2	18.7
Capital losses		
– Additional losses recognised in the year	–	(2.2)
– Utilisation in the year	12.1	12.6
– Adjustment in respect of prior year	0.9	0.1
DAC, DIR and PVIF	(12.7)	(11.6)
Other items	(3.5)	(4.4)
Change in tax rate	–	1.3
Overseas taxes on losses	(0.1)	0.3
Adjustments in respect of prior periods	1.2	0.7
	(53.2)	199.3
Total tax charge for the year	196.3	374.6
Attributable to:		
– policyholders	156.0	345.7
– shareholders	40.3	28.9
	196.3	374.6

The prior year adjustments in current tax above represents a credit of £3.8 million in respect of policyholder tax (2016: £1.4 million credit) and a charge of £0.8 million in respect of shareholder tax (2016: £0.7 million charge).

Included within the deferred tax on "other items" is a charge of £2.0 million (2016: £0.2 million charge) relating to share-based payments. Details of share-based payments are disclosed in Note 19 Share-based Payments.

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

Tax Paid in the Year

	Year Ended 31 December 2017	Year Ended 31 December 2016
	£'Million	£'Million
Current tax charge for the year	249.5	175.3
Payments to be made in future years in respect of current year	(125.3)	(72.6)
Payments made in current year in respect of prior years	71.3	30.6
Other	1.1	0.1
Tax paid	196.6	133.4
Tax paid can be analysed as:		
– Taxes paid in UK	188.9	129.0
– Taxes paid in overseas jurisdictions	2.7	1.9
– Withholding taxes suffered on investment income received	5.0	2.5
Tax paid	196.6	133.4

Movement in Net Deferred Tax Balance

	2017	2016
	£'Million	£'Million
Deferred tax asset	199.9	225.9
Deferred tax liability	(614.8)	(434.6)
Net deferred tax balance at 1 January	(414.9)	(208.7)
Credit/(charge) through the consolidated statement of comprehensive income	53.2	(199.3)
Arising on acquisitions during the year	(2.4)	(6.9)
Deferred tax asset	182.7	199.9
Deferred tax liability	(546.8)	(614.8)
Balance at 31 December	(364.1)	(414.9)

7. INCOME AND DEFERRED TAXES CONTINUED

Reconciliation of Tax Charge to Expected Tax

	Year Ended 31 December 2017 £'Million		Year Ended 31 December 2016 £'Million	
Profit before tax	342.1		486.3	
Tax attributable to policyholders' returns[1]	(156.0)		(345.7)	
Profit before tax attributable to shareholders' return	186.1		140.6	
Shareholder tax charge at corporate tax rate of 19.25% (2016: 20%)	35.8	19.3%	28.1	20%
Adjustments:				
Tax regime differences				
Lower rates of corporation tax in overseas subsidiaries	(0.3)	(0.2%)	(0.9)	(0.6%)
Expected shareholder tax	35.5	19.1%	27.2	19.3%
Other				
Non-taxable income	(1.2)		(1.0)	
Recognition and usage of capital losses arising in the Group	–		(2.2)	
Adjustment in respect of prior year				
– Current tax	0.8		0.7	
– Deferred tax	0.8		(0.8)	
Differences in accounting and tax bases in relation to employee share schemes	(0.7)		0.7	
Disallowable expenses	2.0		1.2	
Tax losses not recognised or past losses now recognised	3.1		2.0	
Other	–		(0.2)	
	4.8	2.6%	0.4	0.3%
Change in tax rate	–		1.3	
Shareholder tax charge	40.3	21.7%	28.9	20.6%
Policyholder tax charge	156.0		345.7	
Total tax charge for the year	196.3		374.6	

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

Tax calculated on profit before tax at 19.25% (2016: 20%) would amount to £65.9 million (2016: £97.3 million). The difference of £130.4 million (2016: £277.3 million) between this number and the total tax of £196.3 million (2016: £374.6 million) is made up of the reconciling items above which total £4.4 million (2016: £0.8 million) and the effect of the apportionment methodology on tax applicable to policyholder returns of £126.0 million (2016: £276.5 million).

Deferred Tax Assets

	Expected utilisation Years	31 December 2017 £'Million	31 December 2016 £'Million
Unrelieved expenses (life insurance business)	6	46.4	50.9
Deferred income (DIR)	13	37.9	39.7
Capital losses (available for future relief)	8	86.0	99.0
Employee share scheme costs	3	7.5	5.5
Future capital allowances	6	3.7	4.1
Other		1.2	0.7
Total deferred tax assets		182.7	199.9

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

At the reporting date there were unrecognised deferred tax assets of £5.9 million (2016: £4.1 million) in respect of losses in companies where appropriate profits are not considered probable in the forecast period. These losses primarily relate to our Asia based businesses and can be carried forward indefinitely.

Deferred Tax Liabilities

	Expected utilisation	31 December 2017	31 December 2016
	Years	£'Million	£'Million
Unrealised capital gains on life insurance (BLAGAB) assets backing unit liabilities	6	445.5	501.1
Deferred acquisition costs (DAC)	13	84.0	97.8
Purchased value of in-force business (PVIF)	10	4.8	5.4
Renewal income assets	20	10.6	8.6
Other		1.9	1.9
Total deferred tax liabilities		546.8	614.8

Future Tax Changes

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

The change announced by the Chancellor in the Autumn 2017 Budget regarding the corporate indexation allowance freeze has not been reflected in the numbers in this Note on the basis that this is yet to be substantively enacted at the balance sheet date. This is likely to increase relevant taxable gains in future years.

Other Tax Matters

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

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

	Goodwill	Purchased value of in-force business	Computer software & other specific software developments	DAC	DIR
	£'Million	£'Million	£'Million	£'Million	£'Million
Cost					
At 1 January 2016	10.1	73.4	13.6	1,611.2	(1,205.0)
Additions	3.7	–	2.1	38.6	(56.0)
Addition due to reassessment of unit liability	–	–	–	–	(267.0)
At 31 December 2016	13.8	73.4	15.7	1,649.8	(1,528.0)
At 1 January 2017	**13.8**	**73.4**	**15.7**	**1,649.8**	**(1,528.0)**
Additions	**1.8**	**–**	**0.3**	**36.9**	**(141.4)**
At 31 December 2017	**15.6**	**73.4**	**16.0**	**1,686.7**	**(1,669.4)**
Accumulated amortisation					
At 1 January 2016	–	39.8	9.3	866.2	(791.5)
Charge for the year	–	3.2	3.4	98.8	(88.9)
At 31 December 2016	–	43.0	12.7	965.0	(880.4)
At 1 January 2017	**–**	**43.0**	**12.7**	**965.0**	**(880.4)**
Charge for the year	**–**	**3.2**	**0.9**	**98.7**	**(142.7)**
At 31 December 2017	**–**	**46.2**	**13.6**	**1,063.7**	**(1,023.1)**
Net book value					
At 1 January 2016	10.1	33.6	4.3	745.0	(413.5)
At 31 December 2016	13.8	30.4	3.0	684.8	(647.6)
At 31 December 2017	**15.6**	**27.2**	**2.4**	**623.0**	**(646.3)**
Current	**–**	**3.2**	**0.9**	**97.7**	**(149.0)**
Non-current	**15.6**	**24.0**	**1.5**	**525.3**	**(497.3)**
	15.6	**27.2**	**2.4**	**623.0**	**(646.3)**
Outstanding amortisation period					
At 31 December 2016	n/a	9 years	4 years	14 years	6–14 years
At 31 December 2017	**n/a**	**8 years**	**4 years**	**14 years**	**6–14 years**

Goodwill

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

	31 December 2017	31 December 2016
	£'Million	£'Million
SJP Asia companies	**10.1**	10.1
Technical Connection Limited	**3.7**	3.7
Rowan Dartington companies	**1.8**	–
Balance at 31 December	**15.6**	13.8

Goodwill in relation to the Rowan Dartington companies, which were acquired on 8 March 2016, arose during 2017 due to a reassessment of the value of the business acquired within the measurement period, which is defined as a period of up to one year post acquisition.

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

Key assumptions based on experience:	Value of new business
Projection period:	Five years of detailed forecasts extrapolated into perpetuity using a long-term growth rate
Long-term growth rate based on economic forecasts:	1.3%
Pre-tax discount rate based on a risk-free rate plus a risk margin:	4.5%

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

Purchased Value of In-Force Business/DAC/Computer Software

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

DIR

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

9. PROPERTY AND EQUIPMENT

	Fixtures and Fittings and Office Equipment	Computer Equipment	Total
	£'Million	£'Million	£'Million
Cost			
At 1 January 2016	33.1	1.3	34.4
Additions	16.5	3.1	19.6
Disposals	(9.9)	–	(9.9)
At 31 December 2016	39.7	4.4	44.1
At 1 January 2017	39.7	4.4	44.1
Additions	7.1	1.5	8.6
Disposals	(0.6)	(0.2)	(0.8)
At 31 December 2017	46.2	5.7	51.9
Accumulated depreciation			
At 1 January 2016	25.8	0.6	26.4
Charge for the year	3.5	0.9	4.4
Eliminated on disposal	(9.8)	–	(9.8)
At 31 December 2016	19.5	1.5	21.0
At 1 January 2017	19.5	1.5	21.0
Charge for the year	3.7	1.5	5.2
Eliminated on disposal	(0.5)	(0.2)	(0.7)
At 31 December 2017	22.7	2.8	25.5
Net book value			
At 1 January 2016	7.3	0.7	8.0
At 31 December 2016	20.2	2.9	23.1
At 31 December 2017	23.5	2.9	26.4
Amortisation period (estimated useful life)	5 to 10 years	3 years	

10. INVESTMENTS, INVESTMENT PROPERTY AND CASH AND CASH EQUIVALENTS

Net Assets Held to Cover Unit Liabilities

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

	31 December 2017	31 December 2016
	£'Million	£'Million
Assets		
Investment property	1,630.9	1,462.4
Equities	55,086.9	46,598.7
Fixed income securities	17,134.6	12,908.0(1)
Investment in Collective Investment Schemes	4,486.6	2,997.4
Cash and cash equivalents	7,005.9	7,067.2
Other receivables	475.9	187.2
Derivative financial instruments		
– Currency forwards	*143.8*	*86.5*
– Interest rate swaps	*49.0*	*40.0*
– Index options	*70.9*	*17.7*
– Contracts for differences	*9.2*	*8.2*
– Equity rate swaps	*5.4*	*26.2*
– Foreign currency options	*19.1*	*18.7*
– Total return swaps	*41.0*	*18.7*
– Other derivatives	*5.0*	*2.9*
Total derivative financial assets	343.4	218.9(1)
Total assets	86,164.2	71,439.8
Liabilities		
Other payables	151.5	383.5
Derivative financial instruments		
– Currency forwards	*75.1*	*176.4*
– Interest rate swaps	*38.8*	*38.3*
– Index options	*24.0*	*5.9*
– Contracts for differences	*6.8*	*2.9*
– Equity rate swaps	*4.4*	*30.2*
– Foreign currency options	*22.9*	*10.1*
– Total return swaps	*3.1*	*8.1*
– Credit default swaps	*14.2*	*10.0*
– Other derivatives	*1.0*	–
Total derivative financial liabilities	190.3	281.9
Total liabilities	341.8	665.4
Net assets held to cover linked liabilities	85,822.4	70,774.4
Investment contract benefits	64,014.3	53,307.1
Net asset value attributable to unit holders	21,349.1	17,032.0
Unit linked insurance contract liabilities	459.0	435.3
Net unit linked liabilities	85,822.4	70,774.4

(1) Collateralised mortgage obligations (CMOs) are mortgage backed securities. Investment in CMOs was £510.2 million at 31 December 2016, which were recognised as derivative financial assets in prior year. CMOs have been reclassified to fixed income securities in the current year to better represent the nature of the investments.

Net assets held to cover linked liabilities, and third party holdings in unit trusts, are considered to have a maturity of up to one year since the corresponding unit liabilities are repayable and transferable on demand. See accounting policy (af) for further information on current and non-current disclosure.

Investment Property

	2017	2016
	£'Million	£'Million
Balance at 1 January	1,462.4	1,344.9
Additions	88.5	131.6
Capitalised expenditure on existing properties	7.0	9.3
Disposals	(6.2)	–
Changes in fair value	79.2	(23.4)
Balance at 31 December	1,630.9	1,462.4

Investment property is held within unit linked funds and is considered current, however as investment properties are not traded in an organised public market they are relatively illiquid compared with many other asset classes. There are no restrictions on the realisability of the Group's individual properties, or on the remittance of income or proceeds of disposal.

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 historical cost of investment properties held at 31 December 2017 is £1,480.6 million (2016: £1,392.5 million). This represents the price paid for investment properties, prior to any subsequent revaluation.

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 2017	Year Ended 31 December 2016
	£'Million	£'Million
Rental income	82.3	72.4
Direct operating expenses	6.8	6.3

At the year-end contractual obligations to purchase, construct or develop investment property amounted to £12.5 million (2016: £4.5 million). The most significant contractual obligation is the purchase of a new investment property for £11.3 million. This property is in construction, with the contractual obligation being dependent on the property being completed to the agreed standard by an agreed date. Contractual obligations to dispose of investment property amounted to £nil (2016: £nil).

Cash and Cash Equivalents

	31 December 2017	31 December 2016
	£'Million	£'Million
Cash at bank	274.7	341.1
Cash held by third parties	–	4.8
Cash and cash equivalents not held to cover unit liabilities	274.7	345.9
Balances held to cover unit liabilities	7,005.9	7,067.2
Total cash and cash equivalents	7,280.6	7,413.1

All cash and cash equivalents are considered current.

11. OTHER RECEIVABLES

	31 December 2017	31 December 2016
	£'Million	£'Million
Receivables in relation to unit liabilities	885.1	834.1
Other receivables in relation to insurance and unit trust business	124.0	147.3
Operational readiness prepayment	170.6	121.1
Advanced payments to Partners	39.5	31.2
Other prepayments	58.2	45.1
Business loans to Partners	263.9	212.2
Renewal income assets	71.6	58.9
Miscellaneous	7.1	23.1
Total other receivables	1,620.0	1,473.0
Current	1,168.1	1,137.9
Non-current	451.9	335.1
	1,620.0	1,473.0

All items within other receivables meet the definition of financial assets with the exception of prepayments and advanced payments to Partners.

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

The operational readiness prepayment relates to the new administration platform being developed by our key outsourced back-office administration provider. Management has assessed the recoverability of this prepayment against the expected cost saving benefit of lower future tariff costs arising from the new platform. It is believed that any reasonably possible change in the assumptions applied within this assessment, such as levels of future business, the anticipated future service tariffs and the discount rate, would have no impact on the carrying value of the asset.

Business loans to Partners are interest bearing (linked to Bank of England base rate plus a margin), repayable on demand and secured against the future renewal income streams of the Partner. The balance of lending is shown net of a £4.5 million provision (2016: £3.3 million). During the year £0.1 million of the provision was utilised (2016: £0.4 million utilised) whilst new provisions and adjustments to existing provisions increased the total by £1.3 million (2016: £0.7 million increase).

The fair value of loans and receivables included in other receivables is not materially different from amortised cost.

Movement in Renewal Income Assets

	2017	2016
	£'Million	£'Million
At 1 January	58.9	26.8
Additions	14.5	38.2
Revaluation	(1.8)	(6.1)
Total renewal income at 31 December	71.6	58.9

The key assumptions used for the assessment of the fair value of the renewal income are as follows:

	31 December 2017	31 December 2016
Lapse rate – SJP Partner renewal income(1)	5.0% to 15.0%	5.0% to 15.0%
Lapse rate – Non SJP renewal income(1)	15.0% to 25.0%	15.0% to 25.0%
Discount rate	5.0% to 7.5%	5.0% to 7.5%

(1) 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.

12. OTHER PAYABLES

	31 December 2017	31 December 2016
	£'Million	£'Million
Payables in relation to unit liabilities	420.4	558.7
Other payables in relation to insurance and unit trust business	412.2	300.0
Accruals	152.3	146.9
Accruals to Partners	87.6	74.2
Miscellaneous	158.7	93.8
Total other payables	1,231.2	1,173.6
Current	1,140.4	1,123.7
Non-current	90.8	49.9
	1,231.2	1,173.6

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

Included within miscellaneous is a Contract Payment of £92.5 million (2016: £49.8 million) which is non-interest bearing and repayable on a straight-line basis over the life of a twelve-year service agreement. The repayment period commenced on 1 January 2017.

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

13. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS

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	Unexpected movement in future profit due to more (or less) 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.

13. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS CONTINUED

Insurance Contract Liabilities

	2017	2016
	£'Million	£'Million
Balance at 1 January	518.2	463.5
Movement in unit linked liabilities	23.6	58.9
Movement in liabilities		
– New business	0.1	–
– Existing business	(1.0)	(0.4)
– Other assumption changes	1.1	3.2
– Experience variance	2.6	(7.0)
Total movement in liabilities	2.8	(4.2)
Balance at 31 December	544.6	518.2
Unit linked	459.0	435.4
Non-unit linked	85.6	82.8
	544.6	518.2
Current	86.2	81.0
Non-current	458.4	437.2
	544.6	518.2

See accounting policy (af) for further information on the current and non-current disclosure.

The movement in insurance contract liabilities in relation to new business represents the change in insurance contract liabilities for incremental business written during the year for existing policies. The Group closed to new insurance business in 2009.

Reinsurance Assets

	2017	2016
	£'Million	£'Million
Reconciliation of the movement in the net reinsurance balance:		
Reinsurance assets at 1 January	80.5	85.0
Reinsurance component of change in insurance liabilities	2.3	(4.5)
Reinsurance assets at 31 December	82.8	80.5
Current	13.1	12.6
Non-current	69.7	67.9
	82.8	80.5

The overall impact of reinsurance on the profit for the year was a net charge of £4.0 million (2016: charge of £5.7 million).

Assumptions Used in the Calculation of Insurance Liabilities and Reinsurance Assets

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 2017. The specific rates used are between 0.9% and 1.3% depending on the tax regime (1.0% and 1.4% at 31 December 2016).
Mortality	Mortality is based on Group 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 Group experience. There has been no change during 2017. Sample annual rates per £ for a male non-smoker are:

Age	Rate – 2016 and 2017
25	0.000760
35	0.001334
45	0.003189

Assumption	Description
Morbidity – Permanent Health Insurance	Morbidity is based on Group experience. There has been no change during 2017. Sample annual rates per £ income benefit p.a. for a male non-smoker are:

Age	Rate – 2016 and 2017
25	0.00366
35	0.00965
45	0.02092

Assumption	Description
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.

	Annual Cost	
Product	2017	2016
Protection business	£37.49	£36.75

Assumption	Description
Persistency	Allowance is made for a prudent level of lapses within the calculation of the liabilities. The rates have not changed in 2017. Sample annual lapse rates are:

	Lapses		
2016 and 2017	Year 1	Year 5	Year 10
Protection business	7%	9%	8%

13. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS CONTINUED

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 percentage has been applied to proportion the assumption: for example, 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 2017	Change in profit/(loss) before tax 2016	Change in net assets 2017	Change in net assets 2016
	%	£'Million	£'Million	£'Million	£'Million
Withdrawal rates	-10%	(1.0)	(1.0)	(1.0)	(0.9)
Expense assumptions	-10%	0.2	0.3	0.2	0.2
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.

14. OTHER PROVISIONS AND CONTINGENT LIABILITIES

	Total provisions
	£'Million
At 1 January 2016	15.4
Utilised during the year	(8.8)
Additional provisions	10.5
At 31 December 2016	17.1
At 1 January 2017	**17.1**
Additional provisions	**20.5**
Utilised during the year	**(16.2)**
Release of provision	**(1.4)**
At 31 December 2017	**20.0**
Current	**11.5**
Non-current	**8.5**
	20.0

Total provisions relate to the cost of redress for complaints and clawback of indemnity commission. The provision for the cost of redress for complaints is based on estimates of the total number of complaints expected to be upheld, the estimated cost of redress and the expected timing of settlement. The clawback provision is based on estimates of the indemnity commission that may be repaid.

As more fully set out in the summary of principal risks and uncertainties on pages 49 to 51, the Group could in the course of its business be subject to legal proceedings and/or regulatory activity. Should such an event arise, the Board would consider their best estimate of the amount required to settle the obligation and, where appropriate and material, establish a provision. While there can be no assurances that circumstances will not change, based upon information currently available to them, the Directors do not believe there is any possible activity or event that could have a material adverse effect on the Group's financial position.

During the normal course of business, the Group may from time to time provide guarantees to Partners, clients or other third parties. However, based upon the information currently available to them, the Directors do not believe there are any guarantees which would have a material adverse effect on the Group's financial position, and so the fair value of any guarantees has been assessed as £nil (2016: £nil).

15. BORROWINGS AND FINANCIAL COMMITMENTS

Borrowings

	31 December 2017	31 December 2016
	£'Million	£'Million
Bank borrowings	165.8	231.3
Loan notes	114.1	50.1
Total borrowings	**279.9**	**281.4**
Current	0.8	1.3
Non-current	279.1	280.1
	279.9	281.4

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

- A £340 million revolving credit facility, which includes a £90 million extension agreed in 2017 to the original £250 million facility entered into with a group of UK banks in 2015. The facility is repayable over five years to 2022 with a variable interest rate. At 31 December 2017 the undrawn credit available under this facility was £179 million (31 December 2016: £25 million); and
- A US $160 million private shelf facility, also entered into in 2015. The Group authorised the issue of £50 million of loan notes during 2015, and a further issue of £64 million of loans notes during 2017 in relation to this facility. Both note issues were denominated in Sterling, eliminating any Group currency risk. The notes are repayable over ten years, ending in 2025 and 2027 respectively, with variable interest rates.

The movement in borrowings over the year are as follows:

	2017	2016
	£'Million	£'Million
Borrowings at 1 January	281.4	181.8
Additional borrowing during the year	100.0	100.0
Repayment of borrowings during the year	(101.0)	(0.9)
Costs on additional borrowings during the year	(0.9)	–
Unwind of borrowing costs	0.4	0.5
Borrowings at 31 December	**279.9**	**281.4**

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

	Loans Drawn		Facility	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	£'Million	£'Million	£'Million	£'Million
Bank of Scotland	65.4	54.0	80.0	80.0
Metro Bank plc(1)	46.7	35.6	61.0	47.5(1)
Santander plc	55.0	47.2	75.0	50.0
Total loans	**167.1**	**136.8**	**216.0**	**177.5**

(1) The Metro Bank plc facility at 31 December 2016 has been amended to show the amount of the facility that is guaranteed by the Group, as opposed to the total facility of £95.0 million available to Partners which was previously disclosed.

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

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

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

15. BORROWINGS AND FINANCIAL COMMITMENTS CONTINUED

Financial Commitments

The Group has commitments under non-cancellable operating leases in connection with the rental of office buildings and office equipment with varying lease end dates ranging from 2017 to 2042. The following table represents the future minimum lease payments under non-cancellable operating leases:

	31 December 2017	31 December 2016
	£'Million	£'Million
Not later than one year	18.1	15.6
Later than one year and not later than five years	56.2	53.8
Later than five years	74.4	65.0
Total financial commitments	148.7	134.4

As at 31 December 2017, there was £0.2 million (2016: £0.2 million) of future minimum sublease payments expected to be received under non-cancellable sub-leases.

16. FINANCIAL RISK

Risk Management Objectives and Risk Policies

The Group's financial risk can usefully be considered in two categories of assets:

1. Assets backing unit liabilities (see Note 10); and
2. Shareholder assets.

In general, the policyholder bears the financial risk on assets backing the unitised business, and risk from shareholder assets is minimised through investment in liquid assets with a strong credit rating.

Exposure to the following risks for the two categories of assets is analysed separately in the following sections, in line with the requirements of IFRS 7:

- 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 or reduction in value	Shareholder funds are predominantly invested in AAA-rated unitised money market funds, which are classified as investments in collective investment schemes (CIS), and deposits with approved banks, but may be invested in sovereign fixed interest securities such as UK gilts where regulatory constraints on other assets apply. Maximum counterparty limits are set for each company within the Group and aggregate limits are also set at a Group level.
Reinsurance	Failure of counterparty or counterparty unable to meet liabilities	Credit ratings of potential reinsurers must meet or exceed AA-. 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 the Group	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. The Group also maintains a margin of free assets in excess of the minimum required solvency capital within its regulated entities. Further, the Group has established committed borrowing facilities (see Note 15) intended to further mitigate liquidity risk.

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 unitised business, by not providing guarantees to clients on policy values and by the matching of assets and liabilities.
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 2017, despite volatile market conditions.
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 benefit 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 direct currency risk, since all material shareholder financial assets and financial liabilities are denominated in Sterling. However, since future profits are dependent on charges based on FUM, changes in FUM as a result of currency movements will impact future profits.

16. FINANCIAL RISK CONTINUED

Shareholder Assets

Categories of Financial Assets and Financial Liabilities

The categories and carrying values of the shareholder financial assets and financial liabilities held in the Group's statement of financial position are summarised in the table below:

31 December 2017	Financial assets at fair value through profit and loss(1)	Available for sale	Loans and receivables	Financial liabilities measured at amortised cost	Total
	£'Million	£'Million	£'Million	£'Million	£'Million
Financial Assets					
Fixed income securities	46.1				46.1
Investment in Collective Investment Schemes(2)	1,416.8				1,416.8
Other receivables(3)					
– Business loans to Partners			263.9		263.9
– Renewal income assets		71.6			71.6
– Other			540.3		540.3
Total other receivables	–	71.6	804.2	–	875.8
Cash and cash equivalents			274.7		274.7
Total financial assets	1,462.9	71.6	1,078.9	–	2,613.4
Financial Liabilities					
Borrowings				279.9	279.9
Other payables				1,079.7	1,079.7
Total financial liabilities	–	–	–	1,359.6	1,359.6

31 December 2016	Financial assets at fair value through profit and loss(1)	Available for sale(4)	Loans and receivables	Financial liabilities measured at amortised cost	Total
	£'Million	£'Million	£'Million	£'Million	£'Million
Financial Assets					
Fixed income securities	47.7				47.7
Investment in Collective Investment Schemes(2)	867.4				867.4
Other receivables(3)					
– Business loans to Partners			212.2		212.2
– Renewal income assets		58.9			58.9
– Other			817.3		817.3
Total other receivables	–	58.9	1,029.5	–	1,088.4
Cash and cash equivalents			345.9		345.9
Total financial assets	915.1	58.9	1,375.4	–	2,349.4
Financial Liabilities					
Borrowings				281.4	281.4
Other payables				790.1	790.1
Total financial liabilities	–	–	–	1,071.5	1,071.5

(1) All financial assets at fair value through profit or loss are designated as such upon initial recognition.
(2) All assets included as shareholder investment in collective investment schemes are holdings of high quality, highly liquid Money Market funds, containing assets which are cash and cash equivalents.
(3) Other receivables excludes prepayments and unearned commission, which are not considered financial assets.
(4) The renewal income asset has been reclassified from fair value through profit and loss, where it was presented in 2016, to available for sale to better represent the nature of the asset. Impairment of the asset continues to be recognised in the income statement as it results from a change in the expected future cash flows.

Income, Expense, Gains and Losses Arising from Financial Assets and Financial Liabilities

The income, expense, gains and losses arising from shareholder financial assets and financial liabilities are summarised in the table below:

Year Ended 31 December 2017	Financial assets at fair value through profit and loss[(1)]	Available for sale	Loans and receivables	Financial liabilities measured at amortised cost	Total
	£'Million	£'Million	£'Million	£'Million	£'Million
Financial Assets					
Fixed income securities	0.1				0.1
Investment in Collective Investment Schemes	3.0				3.0
Other receivables					
– Business loans to Partners			6.9		6.9
– Renewal income assets		(1.8)			(1.8)
Total other receivables	–	(1.8)	6.9	–	5.1
Cash and cash equivalents			0.6		0.6
Total financial assets	3.1	(1.8)	7.5	–	8.8
Financial Liabilities					
Borrowings				(4.9)	(4.9)
Other payables				(0.8)	(0.8)
Total financial liabilities	–	–	–	(5.7)	(5.7)

Year Ended 31 December 2016	Financial assets at fair value through profit and loss[(1)]	Available for sale[(2)]	Loans and receivables	Financial liabilities measured at amortised cost	Total
	£'Million	£'Million	£'Million	£'Million	£'Million
Financial Assets					
Fixed income securities	2.3				2.3
Investment in Collective Investment Schemes	2.9				2.9
Other receivables					
– Business loans to Partners			6.3		6.3
– Renewal income assets		(6.1)			(6.1)
Total other receivables	–	(6.1)	6.3	–	0.2
Cash and cash equivalents			1.2		1.2
Total financial assets	5.2	(6.1)	7.5	–	6.6
Financial Liabilities					
Borrowings				(4.9)	(4.9)
Other payables				(0.5)	(0.5)
Total financial liabilities	–	–	–	(5.4)	(5.4)

(1) All financial assets and liabilities at fair value through profit or loss are designated as such upon initial recognition.
(2) The renewal income asset has been reclassified from fair value through profit and loss, where it was presented in 2016, to available for sale to better represent the nature of the asset. Impairment of the asset continues to be recognised in the income statement as it results from a change in the expected future cash flows.

Losses have been recognised within the investment return line in the statement of comprehensive income.

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); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

16. FINANCIAL RISK CONTINUED

Shareholder Assets continued

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

31 December 2017	Level 1	Level 2	Level 3	Total
	£'Million	£'Million	£'Million	£'Million
Financial assets				
Fixed income securities	46.1			46.1
Investment in Collective Investment Schemes[1]	1,416.8			1,416.8
Renewal income assets			71.6	71.6
Total financial assets	1,462.9	–	71.6	1,534.5

31 December 2016	Level 1	Level 2	Level 3	Total
	£'Million	£'Million	£'Million	£'Million
Financial assets				
Fixed income securities	47.7[2]			47.7
Investment in Collective Investment Schemes[1]	867.4			867.4
Renewal incomes assets			58.9	58.9
Total financial assets	915.1	–	58.9	974.0

(1) All assets included as shareholder investment in collective investment schemes are holdings of high quality, highly liquid unitised money market funds, containing assets which are cash and cash equivalents.
(2) Government bonds have been reclassified from Level 2 to Level 1 in the fair value hierarchy to reflect the fact that they are valued using an observable market price.

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 (o). These instruments are included in Level 1. Level 2 financial assets and liabilities are valued using observable prices for identical current arm's length transactions.

The Renewal income assets are Level 3 and are valued using a discounted cash flow technique and the assumptions outlined in Note 11. 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 £5.8 million and a favourable change in valuation of £6.1 million, respectively.

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

Movement in Level 3 Portfolios

Renewal income assets	2017	2016
	£'Million	£'Million
At 1 January	58.9	26.8
Additions during the year	14.5	38.2
Losses recognised in the statement of comprehensive income	(1.8)	(6.1)
At 31 December	71.6	58.9
Unrealised losses	(1.8)	(6.1)
Losses recognised in the statement of comprehensive income	(1.8)	(6.1)

Credit Risk

The following table sets out the maximum credit risk exposure and ratings of shareholder financial and other assets which are susceptible to credit risk:

31 December 2017	AAA	AA	A	BBB	Unrated	Total
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
Fixed income securities	3.9	42.2				46.1
Investment in Collective Investment Schemes(1)	1,416.8					1,416.8
Reinsurance assets		82.8				82.8
Other receivables		7.1			868.7	875.8
Cash and cash equivalents		76.2	162.2	14.2	22.1	274.7
Total	1,420.7	208.3	162.2	14.2	890.8	2,696.2

31 December 2016	AAA	AA	A	BBB	Unrated	Total
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
Fixed income securities	4.8	42.9				47.7
Investment in Collective Investment Schemes(1)	867.4					867.4
Reinsurance assets(2)		80.5				80.5
Other receivables(2)		6.3			1,082.1	1,088.4
Cash and cash equivalents		68.3	207.6	42.3	27.7	345.9
Total	872.2	198.0	207.6	42.3	1,109.8	2,429.9

(1) Investment of shareholder assets in Collective Investment Schemes refers to investment in unitised money market funds, containing assets which are cash and cash equivalents.
(2) Reinsurance assets have been added, and other receivables restated in the comparative table to correctly present the maximum exposure to credit risk on these assets. The total unrated other receivables have increased by £80.5 million to £1,021.7 million.

Other receivables includes £263.9 million (2016: £212.2 million) of loans to St. James's Place Partners, which 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 the Partner.

Impairment of these loans is determined taking into account a range of factors including 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 loan balance is presented net of a £4.5 million provision (2016: £3.3 million): see also Note 11. The movement in the impairment provision will reflect utilisation of the existing provision during the year, but the overall cost of Partner business loans (including new provisions) recognised within administration expenses in the statement of comprehensive income during the year was a charge of £1.8 million (2016: £1.8 million).

The value of the loans that are past due but not impaired is not considered to be material and has therefore not been aged.

There are no other financial assets that are impaired, would have been past due or impaired were it not for a term renegotiation, or are past due but not impaired.

16. FINANCIAL RISK CONTINUED

Shareholder Assets continued

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 2017:

31 December 2017	Up to 1 year	1 to 5 years	Over 5 years	Total
	£'Million	£'Million	£'Million	£'Million
Financial Assets				
Fixed income securities	46.1			46.1
Investment in Collective Investment Schemes	1,416.8			1,416.8
Other receivables				
– Business loans to Partners	57.0	108.8	98.1	263.9
– Renewal income assets	13.4	30.2	28.0	71.6
– Other	540.3			540.3
Total other receivables	610.7	139.0	126.1	875.8
Cash and cash equivalents	274.7			274.7
Total financial assets	2,348.3	139.0	126.1	2,613.4
Financial Liabilities				
Borrowings	1.2	185.4	95.1	281.7
Other payables	989.0	48.3	70.0	1,107.3
Total financial liabilities	990.2	233.7	165.1	1,389.0

31 December 2016	Up to 1 year	1 to 5 years	Over 5 years	Total
	£'Million	£'Million	£'Million	£'Million
Financial Assets				
Fixed income securities	47.7			47.7
Investment in Collective Investment Schemes	867.4			867.4
Other receivables				
– Business loans to Partners	62.5	114.2	35.5	212.2
– Renewal income assets	10.1	26.1	22.7	58.9
– Other	817.3			817.3
Total other receivables	889.9	140.3	58.2	1,088.4
Cash and cash equivalents	345.9			345.9
Total financial assets	2,150.9	140.3	58.2	2,349.4
Financial Liabilities				
Borrowings	1.3	228.0	53.4	282.7
Other payables	740.2	25.1	24.8	790.1
Total financial liabilities	741.5	253.1	78.2	1,072.8

Sensitivity Analysis to Market Risks

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 accounting assets and liabilities. The fixed interest securities are short-term and are held as an alternative to cash. Similarly, 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.

Unit Liabilities and Associated Assets

Categories of Financial Assets and Financial Liabilities

Assets held to cover unit liabilities are summarised in Note 10, and all are held at fair value through profit or loss. They are designated as such upon initial recognition.

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 2017	Year ended 31 December 2016
	£'Million	£'Million
Financial Assets and Investment Properties		
Investment properties	154.7	42.8
Other assets backing unit liabilities	5,545.1	7,456.7
Total financial assets and investment properties	5,699.8	7,499.5
Financial Liabilities(1)		
Unit liabilities	4,921.3	6,336.8
Total financial liabilities	4,921.3	6,336.8

(1) 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.

Losses have been recognised within the investment return line in the statement of comprehensive income.

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); or
- 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 2017	Level 1	Level 2	Level 3	Total
	£'Million	£'Million	£'Million	£'Million
Financial assets and investment properties				
Investment property			1,630.9	1,630.9
Equities	55,086.9			55,086.9
Fixed income securities	4,666.0	12,468.6		17,134.6
Investment in Collective Investment Schemes	4,483.7		2.9	4,486.6
Derivative financial instruments		343.4		343.4
Cash and cash equivalents	7,005.9			7,005.9
Total financial assets and investment properties	71,242.5	12,812.0	1,633.8	85,688.3
Financial liabilities				
Investment contract benefits		64,014.3		64,014.3
Derivative financial instruments		190.3		190.3
Net asset value attributable to unit holders	21,349.1			21,349.1
Total financial liabilities	21,349.1	64,204.6	–	85,553.7

16. FINANCIAL RISK CONTINUED

Unit Liabilities and Associated Assets continued

31 December 2016	Level 1	Level 2	Level 3	Total
	£'Million	£'Million	£'Million	£'Million
Financial assets and investment properties				
Investment property			1,462.4	1,462.4
Equities	46,598.7			46,598.7
Fixed income securities	3,450.8[1]	9,457.2[2]		12,908.0
Investment in Collective Investment Schemes	2,996.0		1.4	2,997.4
Derivative financial instruments		218.9[2]		218.9
Cash and cash equivalents	7,067.2			7,067.2
Total financial assets and investment properties	60,112.7	9,676.1	1,463.8	71,252.6
Financial liabilities				
Investment contract benefits		53,307.1		53,307.1
Derivative financial instruments		281.9		281.9
Net asset value attributable to unit holders	17,032.0			17,032.0
Total financial liabilities	17,032.0	53,589.0	–	70,621.0

(1) Government bonds have been reclassified from level 2 to level 1 in the fair value hierarchy to reflect the fact that they are valued using an observable market price.
(2) Collateralised mortgage obligations are mortgage backed securitised. These were recognised as derivative financial assets in 2016. They have been reclassified to fixed income securities in the current year to better represent the nature of the investments.

In respect of the derivative financial liabilities, £116.0 million of collateral has been posted at 31 December 2017 (2016: £171.1 million), comprising cash and treasury bills, in accordance with the terms and conditions of the derivative contracts.

The fair value of financial instruments traded in active markets is based on quoted bid prices at the reporting date, as described in the accounting policy (o). These instruments are included in Level 1.

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

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

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

Specific valuation techniques used to value Level 2 financial assets and liabilities include:
- The use of observable prices for identical current arm's length transactions, specifically:
  - The fair value of unit linked liabilities is assessed by reference to the value of the underlying net asset value of the Group's unitised investment funds, determined on a bid value basis, at the reporting date; and
  - The Group's derivative financial instruments are valued using valuation techniques commonly used by market participants. These consist of discounted cash flow and options pricing models, which typically incorporate observable market data, principally interest rates, basis spreads, foreign exchange rates, equity prices and counterparty credit.

Specific valuation techniques used to value Level 3 financial assets and liabilities include:
- The use of unobservable inputs, such as expected rental values and equivalent yields; and
- 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 CIS occur when asset valuations can no longer be obtained from an observable market price i.e. become illiquid, in liquidation, suspended etc. The converse is true if an observable market price becomes available.

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

Year Ended 31 December 2017	Investment property	CIS
	£'Million	£'Million
At 1 January 2017	1,462.4	1.4
Transfer into Level 3	–	1.6
Additions during the year	95.5	–
Disposed during the year	(6.2)	(0.1)
Gains recognised in the income statement	79.2	–
At 31 December 2017	1,630.9	2.9
Realised losses	(1.1)	–
Unrealised gains	80.3	–
Gains recognised in the income statement	79.2	0.0

Year Ended 31 December 2016	Investment property	CIS
	£'Million	£'Million
At 1 January 2016	1,344.9	2.7
Transfer into Level 3	–	0.4
Additions during the year	140.9	–
Disposed during the year	–	–
Losses recognised in the income statement	(23.4)	(1.7)
At 31 December 2016	1,462.4	1.4
Realised losses	–	–
Unrealised losses	(23.4)	(1.7)
Losses recognised in the income statement	(23.4)	(1.7)

Gains/(losses) recognised in the statement of comprehensive income are included within investment return for certain equities and investments in Collective Investment Schemes and investment property.

Level 3 Valuations

The principal assets classified as Level 3 are investment properties amounting to £1,630.9 million (2016: £1,462.4 million). Investment property is initially measured at cost including related acquisition costs and subsequently valued monthly by professional external valuers at their respective fair values at each reporting date. The fair values derived are based on anticipated market values for the properties in accordance with the guidance issued by The Royal Institution of Chartered Surveyors, being the estimated amount that would be received from a sale of the assets in an orderly transaction between market participants. The valuation of investment property is inherently subjective as it requires among other factors, assumptions to be made regarding the ability of existing tenants to meet their rental obligations over the entire life of their leases, the estimation of the expected rental income in to the future, an assessment of a property's ability to remain as an attractive technical configuration to existing and prospective tenants in a changing market and a judgement to be reached on the attractiveness of a building, its location and the surrounding environment.

16. FINANCIAL RISK CONTINUED

Unit Liabilities and Associated Assets continued

	Investment property classification			
31 December 2017	Office	Industrial	Retail & leisure	All
Gross ERV (per sq ft)[1]				
Range	£14.66 to £96.50	£3.50 to £15.75	£4.50 to £427.84	£3.50 to £427.84
Weighted average	£32.02	£7.28	£15.51	£14.12
True equivalent yield				
Range	3.9% to 8.4%	4.2% to 6.7%	4.6% to 13.8%	3.9% to 13.8%
Weighted average	5.3%	5.3%	6.0%	5.6%
31 December 2016				
Gross ERV (per sq ft)[1]				
Range	£14.66 to £96.50	£3.50 to £15.75	£4.50 to £427.84	£3.50 to £427.84
Weighted average	£31.63	£6.94	£15.05	£13.74
True equivalent yield				
Range	3.9% to 8.4%	5.3% to 7.3%	4.8% to 13.6%	3.9% to 13.6%
Weighted average	5.4%	6.1%	5.9%	5.8%

(1) Equivalent rental value (per square foot)

Sensitivity of Level 3 Valuations

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

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

			Effect of reasonable possible alternative assumptions	
	Investment property significant unobservable inputs	Carrying Value	Favourable changes	Unfavourable changes
		£'Million	£'Million	£'Million
31 December 2017	Expected rental value/Relative yield	1,630.9	1,782.1	1,496.1
31 December 2016	Expected rental value/Relative yield	1,462.4	1,598.3	1,341.9

Credit Risk

Credit risk relating to unit liabilities is borne by the unit holders.

Contractual Maturity and Liquidity Analysis

Unit liabilities (and the associated assets) are deemed to have a maturity of up to one year since they 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 unitised and the direct associated market risk is therefore borne by unit holders. For completeness, we note that there is an indirect risk associated with market performance as future shareholder income is dependent upon markets, however the direct risk has been mitigated through the Group's approach to matching assets and liabilities.

17. 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.

Regulatory Capital

The Group's Capital Management 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, recognising the regulatory requirement. For other regulated companies we generally hold capital based on the regulatory requirement uplifted by a specified margin.

The following entities are subject to regulatory supervision and have to maintain a minimum level of regulatory capital:

Entity	Regulatory Body and Jurisdiction
St. James's Place UK plc	PRA and FCA: Long-term insurance business
St. James's Place International plc	Central Bank of Ireland: Life insurance business
St. James's Place Unit Trust Group Limited	FCA: UCITS Management Company
St. James's Place Investment Administration Limited	FCA: Investment Firm
St. James's Place Wealth Management (PCIS) Limited	FCA: Securities and Futures Firm
St. James's Place Wealth Management plc	FCA: Personal Investment Firm
St. James's Place Partnership Services Limited	FCA: Consumer Credit Firm
BFS Financial Services Limited	FCA: Personal Investment Firm
Hale Financial Solutions Limited	FCA: Personal Investment Firm
Linden House Financial Services Limited	FCA: Personal Investment Firm
LP Financial Management Limited	FCA: Personal Investment Firm
St. James's Place (Hong Kong) Limited	Securities and Futures Commission (Hong Kong): A Member of The Hong Kong Confederation of Insurance Brokers
St. James's Place International (Hong Kong) Limited	Insurance Authority (Hong Kong)
St. James's Place (Singapore) Private Limited	Monetary Authority Singapore: A Member of the Association of Financial Advisers
Rowan Dartington & Co Limited	FCA: Investment Firm
St. James's Place EIS Limited	UK AIFM (Sub-threshold)

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

17. CAPITAL MANAGEMENT AND ALLOCATION CONTINUED

As an insurance Group, St. James's Place is subject to the Solvency II regulations, which were implemented on 1 January 2016. More information about capital position of the Group under Solvency II regulations is set out in the separate Solvency and Financial Condition Report document. The overall capital position for the Group at 31 December 2017, assessed on the Standard Formula basis, is presented in the following table:

	31 December 2017 £'Million	31 December 2016 £'Million
IFRS total assets	90,006.0	75,022.1
Less Solvency II valuation adjustments and unit linked liabilities	(88,910.9)	(73,952.1)
Solvency II net assets	1,095.1	1,070.0
Management Solvency Buffer (MSB)	***461.9***	*527.0*
Excess of free assets over MSB	***633.2***	*543.0*
Solvency II VIF	3,244.3	2,707.9
Risk margin	(946.1)	(779.2)
Standard formula SCR (A)	(2,449.2)	(2,046.5)
Sub-total	(151.0)	(117.8)
Solvency II Free Assets (B)	944.1	952.2
Solvency II ratio ((A + B)/A)	139%	147%

An overall internal capital assessment is required for insurance groups. This is known as an ORSA (Own Risk and Solvency Assessment) and is described in more detail in the section on Risk and Risk Management on page 47.

The capital requirement and the associated solvency of the Group are assessed and monitored by the Finance Executive Committee, a Committee of the Executive Board. The regulatory requirements for the remaining companies within the Group are assessed and monitored by the relevant subsidiary boards.

There has been no material change in the level of capital required during the year, nor in the Group's management of capital. All regulated entities exceeded the minimum solvency requirements at the reporting date and during the year.

IFRS Capital Composition

The principal forms of capital are included in the following balances on the consolidated statement of financial position:

	31 December 2017 £'Million	31 December 2016 £'Million
Share capital	79.4	79.1
Share premium	171.7	164.5
Shares in trust reserve	(26.7)	(20.9)
Miscellaneous reserves	2.5	2.5
Retained earnings	832.1	851.2
Shareholders' equity	1,059.0	1,076.4
Non-controlling interests	(0.9)	(0.8)
Total equity	1,058.1	1,075.6

The above assets do not all qualify as regulatory capital. The required minimum regulatory capital and analysis of the assets that qualify as regulatory capital are outlined in Section 4 of the Financial Review on page 40, 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.

18. SHARE CAPITAL, EARNINGS PER SHARE AND DIVIDENDS

Share Capital

	Number of Ordinary Shares	Called up Share Capital
		£'Million
At 1 January 2016	524,665,212	78.7
– Issue of share capital	108,819	–
– Exercise of options	2,708,317	0.4
At 31 December 2016	527,482,348	79.1
– Issue of share capital	372,325	0.1
– Exercise of options	1,223,223	0.2
At 31 December 2017	**529,077,896**	**79.4**

The total authorised number of ordinary shares is 605 million (2016: 605 million), with a par value of 15 pence per share (2016: 15 pence per share). All issued shares are fully paid.

Included in the issued share capital are 4,210,906 (2016: 3,954,525) shares held in the Shares in Trust Reserve with a nominal value of £0.6 million (2016: £0.6 million). The shares are held by the SJPC Employee Share Trust and the St. James's Place 2010 SIP Trust to satisfy certain share-based payment schemes. The trustees of the SJPC Employee Share Trust retain the right to dividends on the shares held by the Trust but have chosen to waive their entitlement to the dividends on 1,755,831 shares at 31 December 2017 and 1,330,156 shares at 31 December 2016. No dividends have been waived on shares held in the St. James's Place 2010 SIP Trust in 2017 or 2016.

The number of shares reserved for issue under options and contracts for sale of shares, including terms and conditions, is included within Note 19.

Earnings per Share

	Year Ended 31 December 2017	Year Ended 31 December 2016
	£'Million	£'Million
Earnings		
Profit after tax attributable to equity shareholders *(for both basic and diluted EPS)*	145.9	112.2
	Million	Million
Weighted average number of shares		
Weighted average number of ordinary shares in issue *(for basic EPS)*	524.3	522.6
Adjustments for outstanding share options	8.8	3.3
Weighted average number of ordinary shares *(for diluted EPS)*	533.1	525.9
	Pence	Pence
Earnings per share (EPS)		
Basic earnings per share	27.8	21.5
Diluted earnings per share	27.4	21.3

Dividends

The following dividends have been paid by the Group:

	Year Ended 31 December 2017	Year Ended 31 December 2016	Year Ended 31 December 2017	Year Ended 31 December 2016
	Pence per Share	Pence per Share	£'Million	£'Million
Final dividend in respect of previous financial year	20.67	17.24	108.8	90.4
Interim dividend in respect of current financial year	15.41	12.33	81.2	64.8
Total dividends	**36.08**	29.57	**190.0**	155.2

The Directors have recommended a final dividend of 27.45 pence per share (2016: 20.67 pence). This amounts to £145.2 million (2016: £108.8 million) and will, subject to shareholder approval at the Annual General Meeting, be paid on 1 June 2018 to those shareholders on the register as at 6 April 2018.

19. SHARE-BASED PAYMENTS

During the year ended 31 December 2017, the Group operated a number of different equity and cash settled share-based payment arrangements, which are aggregated as follows:

Share Option Schemes

- Save As You Earn (SAYE) plan – this is a standard HMRC approved equity-settled scheme that is available to all employees where individuals may contribute up to £250 per month over the three-year vesting period to purchase shares at a price not less than 80% of the market price at the date of the invitation to participate. 415,590 (2016: 460,065) SAYE options were granted on 23 March 2017 (2016: 24 March 2016). The are no other vesting conditions.
- Partner Share Option Schemes – these equity-settled awards were offered to the Partners of the St. James's Place Partnership and vest over three to six years subject to satisfying personal new business-related performance criteria. The last award under these schemes was made in 2007.
- Partner Performance Share Plan – under this plan 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 a specified twelve-month period and validation over the following three years. The first award under the scheme was made on 29 July 2016, when 3,385,801 shares were granted. No grants were made in 2017.
- Partner and Adviser Chartered Plan – the scheme was launched during 2015 as part of the Partner performance share plan 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 a threshold new business level in a specified twelve-month period and validation over the following three years. The first award under the scheme was made on 29 July 2016, when 1,988,648 shares were granted. No grants were made in 2017.
- Associate Partner Plan – a new equity-settled scheme was launched during 2017 whereby Partners and Advisers are entitled to purchase a set number of shares in the future at the market price at the date of the invitation if they meet the required business volumes over the following three years. 4,805,000 shares were granted under this scheme on 17 March 2017.

Share Awards

- Share Incentive Plan (SIP) – this is an HMRC approved equity-settled scheme which is available to all employees where individuals may invest up to an annual limit of £1,800 of pre-tax salary in SJP shares, to which the Group will add a further 10%. The vesting period is three years, however if the shares are held for five years they may be sold free of income tax or capital gains tax. There are no other vesting conditions. 7,100 (2016: 5,591) shares were granted under the SIP on 27 March 2017 (2016: 24 March 2016);
- Executive Deferred Bonus Schemes – under plans the deferred element of the annual bonus is used to purchase shares at market value in the Company. The shares are held in trust over the three-year vesting period and may be subject to further non-market based performance conditions. The plans are predominantly equity-settled. 694,149 (2016: 613,382) shares were granted under the deferred bonus schemes on 27 March 2017 (2016: 24 March 2016);
- 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 vesting 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 104. Awards made to senior managers are largely only subject to the earnings growth condition of the Group. This is predominantly an equity-settled scheme. 961,106 (2016: 857,125) shares were granted under the executive performance share plan across three grants made on 27 March 2017, 26 September 2017 and 7 November 2017 (2016: two grants made on 24 March 2016 and 26 September 2016);
- Restricted Share Plan – upon acquisition of the Rowan Dartington Group a new scheme was launched for eligible employees. Employees were granted shares, 50% of which vest after 18 months, and the remaining 50% vest after three years providing the individual remains in employment within the SJP Group and maintains any applicable professional qualifications. The plan is predominantly equity-settled. 323,300 shares were granted under the restricted share plan on 29 July 2016. No grants were made in 2017.

Share options and awards outstanding under the various share based payment schemes set out above at 31 December 2017, amount to 16.4 million shares (2016: 11.5 million). Of these, 10.1 million (2016: 5.4 million) are under option to Partners of the St. James's Place Partnership, 5.0 million (2016: 4.7 million) are under option to executives and senior management (including 1.4 million (2016: 1.3 million) under option to Directors as disclosed in the Remuneration Report on pages 106 to 107), 0.2 million (2016: 0.3 million) are under option to employees who became employees of the Group on acquisition of the Rowan Dartington Group and 1.2 million (2016: 1.1 million) are under option through the SAYE and SIP schemes. These are exercisable on a range of future dates.

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	Partner Performance Share Plan and Partner and Adviser Chartered Plan(4)	Restricted Share Plan	Associate Partner Plan (4)
Valuation model	Black Scholes	Black Scholes	Black Scholes	Monte Carlo	Black Scholes	Black Scholes	Black Scholes
Awards in 2017							
Fair value (pence)	244.6	1,056.0	1,061.0	628.1/1,061.0(3)	–	–	219.5
Share price (pence)	1,041.0	1,056.0	1,061.0	1,061.0	–	–	1,080.0
Exercise price (pence)	844.0	0.0	0.0	0.0	–	–	1,083.0
Expected volatility (% pa)(1)	29.0	N/A	N/A	29.0	–	–	29.0
Expected dividends (% pa)(2)	3.1	0.0	0.0	0.0	–	–	0.0
Risk-free interest rate (% pa)	0.5	N/A	N/A	N/A	–	–	0.5
Expected life (years)	3.5	3	3	3	–	–	3
Volatility of competitors (% pa)	N/A	N/A	N/A	17.0 to 59.0	–	–	N/A
Correlation with competitors (%)	N/A	N/A	N/A	20.0	–	–	N/A
Awards in 2016							
Fair value (pence)	250.7	935.5	935.5	493.9/935.5(3)	822.0	894.0	–
Share price (pence)	935.5	935.5	935.5	935.5	920.0	894.0	–
Exercise price (pence)	687.0	0.0	0.0	0.0	15.0	0.0	–
Expected volatility (% pa)(1)	27.0	N/A	N/A	27.0	29.0	N/A	–
Expected dividends (% pa)(2)	3.0	0.0	0.0	0.0	3.2	N/A	–
Risk-free interest rate (% pa)	0.6	N/A	N/A	N/A	0.1	N/A	–
Expected life (years)	3.5	3	3	3	3	3	–
Volatility of competitors (% pa)	N/A	N/A	N/A	17.0 to 44.0	N/A	N/A	–
Correlation with competitors (%)	N/A	N/A	N/A	20.0	N/A	N/A	–

(1) Expected volatility is based on an analysis of the Company's historic share price volatility over a period which is commensurate with the expected term of the options or the awards.
(2) For schemes where dividends are payable on the shares during the vesting period, the dividend yield assumption in the Black-Scholes option pricing model is set at zero.
(3) 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, which is a market based performance condition as so valued using a Monte-Carlo simulation, and the second relating to the Company's earnings growth, which is a non-market based performance condition and so valued using the Black-Scholes model.
(4) The fair value of the grants made under the Partner Performance Share plan, the Partner and Adviser Chartered plan and the Associate Partner plan have been determined using the Black-Scholes valuation model. This is the most appropriate valuation method because the value of the services that the Partners and Advisers are providing, for which they are being remunerated via the plan, cannot be readily separated from the overall value of the services provided by the Partners and Advisers.

19. SHARE-BASED PAYMENTS CONTINUED
Share Option Schemes

	Year Ended 31 December 2017 Number of options	Year Ended 31 December 2017 Weighted average exercise price	Year Ended 31 December 2016 Number of options	Year Ended 31 December 2016 Weighted average exercise price
SAYE				
Outstanding at start of year	1,030,703	£7.28	1,162,588	£6.15
Granted	415,590	£8.33	460,065	£7.48
Forfeited	(86,990)	£7.35	(272,877)	£7.19
Exercised	(210,763)	£6.77	(319,073)	£3.53
Outstanding at end of year	1,148,540	£7.73	1,030,703	£7.28
Exercisable at end of year	451	£6.77	786	£4.04
Partner Share Options				
Outstanding at start of year	19,100	£4.55	1,146,226	£3.35
Granted	–	–	–	–
Forfeited	–	–	–	–
Exercised	(19,100)	£4.55	(1,127,126)	£3.33
Outstanding at end of year	–	–	19,100	£4.55
Exercisable at end of year	–	–	19,100	£4.55
Partner Performance Share Plan				
Outstanding at start of year	3,380,289	£0.15	15,000	£0.15
Granted	–	–	3,385,801	£0.15
Forfeited	–	–	(5,512)	£0.15
Exercised	–	–	(15,000)	£0.15
Outstanding at end of year	3,380,289	£0.15	3,380,289	£0.15
Exercisable at end of year	–	–	–	–
Partner and Adviser Chartered Plan				
Outstanding at start of year	1,986,648	£0.15	–	–
Granted	–	–	1,988,648	£0.15
Forfeited	(39,648)	£0.15	(2,000)	£0.15
Exercised	–	–	–	–
Outstanding at end of year	1,947,000	£0.15	1,986,648	£0.15
Exercisable at end of year	–	–	–	–
Associate Partner Plan				
Outstanding at start of year	–	–	–	–
Granted	4,805,000	£10.83	–	–
Forfeited	(80,000)	£10.83	–	–
Exercised	–	–	–	–
Outstanding at end of year	4,725,000	£10.83	–	–
Exercisable at end of year	–	–	–	–

The average share price during the year was 1,142.0 pence (2016: 914.6 pence).

The SAYE plan options outstanding at 31 December 2017 had exercise prices of 676 pence (451 options), 792 pence (186,522 options), 669 pence (162,658 options), 748 pence (401,629 options), 833 pence (397,280 options) and a weighted average remaining contractual life of 1.37 years.

The options outstanding under the Partner Performance Share Plan and the Partner & Adviser Chartered Plan at 31 December 2017 had an exercise price of 15 pence and a weighted average remaining contractual life of 1.6 years.

The options outstanding under the Associate Partner Plan at 31 December 2017 had an exercise price of 1,083 pence and a weighted average remaining contractual life of 2.2 years.

Share Awards

All shares awards under the below schemes have exercise prices of nil.

	Year Ended 31 December 2017 Number of options	Year Ended 31 December 2016 Number of options
Share Incentive Plan		
Outstanding at start of year	27,256	24,892
Granted	7,100	5,591
Forfeited	(871)	(825)
Exercised	(3,202)	(2,402)
Outstanding at end of year	30,283	27,256
Exercisable at end of year	7,125	13,134
Executive Deferred Bonus		
Outstanding at start of year	1,833,436	1,658,301
Granted	694,149	613,382
Forfeited	(4,634)	(12,789)
Exercised	(488,150)	(425,458)
Outstanding at end of year	2,034,801	1,833,436
Exercisable at end of year	–	–
Executive Performance Share Plan		
Outstanding at start of year	2,953,269	3,187,940
Granted	961,106	857,125
Forfeited	(24,772)	(98,535)
Exercised	(915,797)	(993,261)
Outstanding at end of year	2,973,806	2,953,269
Exercisable at end of year	404,620	514,297
Restricted Share Plan		
Outstanding at start of year	321,860	–
Granted	–	323,300
Forfeited	(24,768)	(1,440)
Exercised	(138,176)	–
Outstanding at end of year	158,916	321,860
Exercisable at end of year	–	–

19. SHARE-BASED PAYMENTS CONTINUED

Early Exercise Assumptions

An allowance has been made for the impact of early exercise once options have vested in the SAYE plan where all option holders are assumed to exercise half-way through the six-month exercise window.

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% (2016: 20%) correlated and that the comparator index has volatilities ranging between 17% p.a. to 59% p.a. (2016: 17% p.a. to 44% 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 2017 therefore include an allowance for the actual performance of the Company's share price relative to the index over the period between 1 January 2017 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 2017	Year Ended 31 December 2016
	£'Million	£'Million
Equity-settled share-based payment expense	30.5	22.7
Cash-settled share-based payment expense	2.2	1.2
Total share-based payment expense	32.7	23.9

Liability Recognised in the Statement of Financial Position

The liabilities recognised in the statement of financial position in respect of the cash settled share-based payment awards, and national insurance obligations arising from share-based payment awards, are as follows. These liabilities are included within other payables on the face of the statement of financial position. None of the liability in respect of cash settled share-based payment awards at 31 December 2017 or 31 December 2016 is in respect of vested cash settled share-based payments:

	31 December 2017	31 December 2016
	£'Million	£'Million
Liability for cash-settled share-based payments	1.6	3.1

20. INTERESTS IN UNCONSOLIDATED ENTITIES

Unconsolidated Structured Entities

The Group operates investment vehicles, such as unit trusts. Clients are able to invest in these directly, but also indirectly through products offered by SJPUK and SJPI. As a result, the Group's insurance companies can be significant investors in the unit trusts. 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 unit holder liabilities. The maximum exposure to loss, prior to considering unit holder liabilities, is equal to the carrying value of the investment. This is recognised within investments in Collective Investment Schemes.

The following unit trusts are not consolidated within the Group financial statements; however, the Group does act as the fund manager of these unit trusts.

Name of entity	% of ownership interest 2017	2016	Nature of relationship	Measurement method	Net asset value as at 31 December 2017	2016
					£'Million	£'Million
St. James's Place Property Unit Trust	**0.00**	0.00	Manager of unit trust	N/A	**1,205.7**	1,005.0
St. James's Place UK High Income Unit Trust	**10.65**	10.72	Manager of unit trust	Fair value through profit or loss	**1,835.3**	1,852.5
					3,041.0	2,857.5

As at 31 December 2017 the value of the Group's interests in the individual unconsolidated unit trusts were £nil (2016: £nil) in St. James's Place Property Unit Trust and £195.5 million (2016: £198.6 million) in St. James's Place UK High Income Unit Trust.

Associates

The following unit trust, registered in England and Wales, is not consolidated within the Group financial statements; however it does meet the criteria of an associate.

Name of entity	% of ownership interest 2017	2016	Nature of relationship	Measurement method	Net asset value as at 31 December 2017	2016
					£'Million	£'Million
St. James's Place UK High Income Unit Trust	**10.65**	10.72	Manager of unit trust	Fair value through profit or loss	**1,835.3**	1,852.5
					1,835.3	1,852.5

21. SUBSIDIARY UNDERTAKINGS

Principal Subsidiaries:

Investment Holding Companies	Cirenco Limited (formerly known as St. James's Place Investment plc)(1) St. James's Place Wealth Management Group Limited (formerly known as St. James's Place Wealth Management Group plc)(1) St. James's Place DFM Holdings Limited(1)
Life Assurance	St. James's Place UK plc St. James's Place International plc (*incorporated in Ireland*)(2)
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(3)
Treasury Company	St. James's Place Partnership Services Limited
IFA Acquisitions	St. James's Place Acquisition Services Limited
Asia Distribution	St. James's Place International Distribution Limited
Discretionary Fund Management	Rowan Dartington & Co Limited

(1) Directly held by St. James's Place plc.
(2) The Company also operates a branch in Singapore.
(3) 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.

Ongoing solvency requirements within the life assurance, unit trust and financial services companies of the Group restrict their ability to distribute all their distributable reserves.

21. SUBSIDIARY UNDERTAKINGS CONTINUED

Included below is a full list of the entities within the St. James's Place plc Group at 31 December 2017:

Entity	Company number	Registered office	Country of incorporation	Principal activity	Audit exemption
Australian Expatriate Services Limited	01954254	1st Floor, Henley Building, 5 Queen's Road Central, Hong Kong	Hong Kong	Overseas Distribution	No
BFS Financial Services Limited	04609753	*	England and Wales	Financial Advice	Yes
Cabot Portfolio Nominees Limited	03636010	*	England and Wales	Nominee Company	Yes
Chapman Associates Limited	03047530	*	England and Wales	Financial Advice	Yes
Chapman Hunter Group Limited	06034452	*	England and Wales	Holding Company	Yes
Cirenco Limited (formerly known as St. James's Place Investments plc)	01773177	*	England and Wales	Holding Company	Yes
Colston Portfolio Nominees Limited	02763967	*	England and Wales	Nominee Company	N/A
Dartington Portfolio Nominees Limited	01489542	*	England and Wales	Nominee Company	Yes
G.M.B. Financial Services Limited	04074782	*	England and Wales	Non-trading	Yes
Hale Financial Solutions Limited	04373946	*	England and Wales	Financial Advice	Yes
Lansdown Place Group Holdings Limited	06390547	2 Oakfield Road, Clifton, Bristol, England, BS8 2AL, United Kingdom	England and Wales	Holding Company	Yes
Lansdown Place Wealth Management Limited	05458948	2 Oakfield Road, Clifton, Bristol, England, BS8 2AL, United Kingdom	England and Wales	Financial Advice	Yes
Linden House Financial Services Limited	02990295	*	England and Wales	Financial Advice	Yes
Linden House Group Limited	08464570	*	England and Wales	Holding Company	Yes
LP Auto Enrolment Solutions Limited	08257531	2 Oakfield Road, Clifton, Bristol, England, BS8 2AL, United Kingdom	England and Wales	Pension Auto-enrolment	Yes
LP Financial Management Limited	02195886	2 Oakfield Road, Clifton, Bristol, England, BS8 2AL, United Kingdom	England and Wales	Financial Advice	Yes
LP Holdco Limited	08323278	2 Oakfield Road, Clifton, Bristol, England, BS8 2AL, United Kingdom	England and Wales	Holding Company	No
M.H.S. (Holdings) Limited	0559995	*	England and Wales	Non-trading	Yes
PFPTime Limited	04047197	*	England and Wales	Financial Advice	Yes
RD Portfolio Nominees Limited	02752124	*	England and Wales	Nominee Company	N/A
Rowan Dartington & Co. Limited	02752304	*	England and Wales	Stockbroker and Investment Manager	No
Rowan Dartington Holdings Limited	07470226	*	England and Wales	Holding Company	Yes
Rowan Dartington Trustees Limited	05224173	*	England and Wales	Nominee Company	N/A
SJP AESOP Trustees Limited	04089795	*	England and Wales	Nominee Company	Yes
SJP Interim Services Limited	10735786	*	England and Wales	Non-trading	Yes
SJPC Corporate Investments Limited	01476292	*	England and Wales	Holding Company	Yes
Stafford House Investments Limited	03866935	*	England and Wales	Financial Advice	Yes
St. James's Place (Hong Kong) Limited	0275275	1st Floor, Henley Building, 5 Queen's Road Central, Hong Kong	Hong Kong	Overseas Distribution	No
St. James's Place (PCP) Limited	02706684	*	England and Wales	Transacts and Services SJP Income Streams	Yes
St. James's Place (Properties) Limited	06890166	*	England and Wales	Non-trading	Yes
St. James's Place (Shanghai) Limited	913100005 66573326L	Unit 2006-2007, Tower 1 (North), 1515 West Nanjing Road, Jing'an, Shanghai, China	China	Overseas Distribution	No
St. James's Place (Singapore) Private Limited	200406398R	1 Raffles Place, #15-61 One Raffles Place, Singapore 048616, Singapore	Singapore	Financial Advice	No
St. James's Place Acquisition Services Limited	07730835	*	England and Wales	IFA Acquisitions	Yes
St. James's Place Client Solutions Limited	05487108	*	England and Wales	Policy Administration	Yes
St. James's Place Corporate Secretary Limited	09131866	*	England and Wales	Corporate Secretary	Yes
St. James's Place DFM Holdings Limited	09687687	*	England and Wales	Non-trading	Yes

Entity	Company number	Registered office	Country of incorporation	Principal activity	Audit exemption
St. James's Place EIS Limited	10110255	*	England and Wales	Non-trading	Yes
St. James's Place International (Hong Kong) Limited	2207694	Unit 201, 2nd Floor Henley Building, 5 Queen's Road Central, Hong Kong	Hong Kong	Life Assurance	No
St. James's Place International Assurance Group Limited	02727326	*	England and Wales	Holding Company	No
St. James's Place International Distribution Limited	08798683	*	England and Wales	Holding Company	Yes
St. James's Place International plc	185345	Fleming Court, Flemings Place, Dublin 4, Ireland	Ireland	Life Assurance	No
St. James's Place Investment Administration Limited	08764231	*	England and Wales	Unit Trust Administration and ISA Manager	No
St. James's Place Management Services Limited	2661044	*	England and Wales	Management Services	No
St. James's Place Nominees Limited	08764214	*	England and Wales	Nominee Company	Yes
St. James's Place Partnership Services Limited	08201211	*	England and Wales	Treasury Company	No
St. James's Place UK plc	02628062	*	England and Wales	Life Assurance	No
St. James's Place Unit Trust Group Limited	0947644	*	England and Wales	Unit Trust Management	No
St. James's Place Wealth Management (PCIS) Limited	06604824	*	England and Wales	Securities and Futures Firm	No
St. James's Place Wealth Management (Shanghai) Limited	1511517	1st Floor, Henley Building, 5 Queen's Road Central, Hong Kong	Hong Kong	Overseas Distribution	No
St. James's Place Wealth Management Group Limited (formerly known as St. James's Place Wealth Management Group plc)	02627518	*	England and Wales	Holding Company	No
St. James's Place Wealth Management International Pte. Ltd	201323453N	1 Raffles Place, #15-61 One Raffles Place, Singapore 048616, Singapore	Singapore	Holding Company	No
St. James's Place Wealth Management plc	04113955	*	England and Wales	UK Distribution	No
Technical Connection Limited	03178474	*	England and Wales	Tax and Advisory Services	Yes

* Indicates that the Registered Office is St. James's Place House, 1 Tetbury Road, Cirencester, Gloucestershire GL7 1FP

M.S. Estates and Financial Services Limited was acquired by the Group on 18 January 2018.

Colston Portfolio Nominees Limited, RD Portfolio Nominees Limited and Rowan Dartington Trustees Limited were dissolved on 30 January 2018. Applications for the voluntary strike-off of Chapman Associates Limited, G.M.B. Financial Services Limited and St. James's Place (Properties) Limited had been made but the Companies were not dissolved at the date the financial statements were approved.

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 2017.

All Group companies have an accounting reference date of 31 December. Unless otherwise stated, the tax residency of each subsidiary is the same as the country of incorporation.

100% of the equity share capital is held for the above subsidiaries with the exception of LP Holdco Limited (08323278), where 43.14% of equity share capital is held (comprising 100% of the nominal value of the Class A ordinary shares, which confer 52.83% of voting rights along with the 75.62% holding of the nominal value of the Class C ordinary shares, which carry voting rights but are not defined as equity), and Lansdown Place Group Holdings Limited (06390547), where 92.40% of the equity share capital is held by LP Holdco Limited (comprising 95.29% of the nominal value of the Class A ordinary shares, 100.00% of the nominal value of the Class B and D ordinary shares, and 70.11% of the nominal value of the Class C shares).

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

21. SUBSIDIARY UNDERTAKINGS CONTINUED

In addition, the Group financial statements consolidate the following unit trusts, all of which are registered in England and Wales. The registered address of the unit trust manager, St. James's Place Unit Trust Group Limited, is St. James's Place House, 1 Tetbury Road, Cirencester, Gloucestershire GL7 1FP:

St. James's Place Adventurous Growth Unit Trust(1)
St. James's Place Adventurous International Unit Trust(1)
St. James's Place Allshare Income Unit Trust
St. James's Place Alternative Assets Unit Trust
St. James's Place Asia Pacific Unit Trust
St. James's Place Balanced Growth Unit Trust(1)
St. James's Place Balanced International Growth Unit Trust(1)
St. James's Place Balanced Managed Unit Trust
St. James's Place Conservative Growth Unit Trust(1)
St. James's Place Conservative International Growth Unit Trust(1)
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 Equity A Unit Trust(1)
St. James's Place Equity B Unit Trust(1)
St. James's Place Equity C Unit Trust(1)
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 Growth Unit Trust(1)
St. James's Place Global Smaller Companies Unit Trust
St. James's Place Global Unit Trust
St. James's Place Greater European Progressive 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 Japan Unit Trust(1)
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 Income Unit Trust
St. James's Place Worldwide Opportunities Unit Trust

(1) Denotes unit trusts which were launched during 2017.

22. 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 £10.9 million (2016: £0.3 million charge) and the total value of transactions with those non-consolidated unit trusts was £38.0 million (2016: £53.0 million). Net management fees receivable from these unit trusts amounted to £15.4 million (2016: £17.0 million). The value of the investment into the non-consolidated unit trusts at 31 December 2017 was £195.5 million (2016: £198.6 million). These transactions are all with the Group's associate as set out in Note 20.

Transactions with Key Management Personnel

Key management personnel have been defined as the Board of Directors and members of the Executive Board. The remuneration paid to the Board of Directors of St. James's Place plc is set out in the Directors' Remuneration Report on pages 100 to 110, in addition to the disclosure below.

The Remuneration Report also sets out transactions with the Directors under the Group's share-based payment schemes, together with details of the Directors' interests in the share capital of the Company.

Compensation of key management personnel is as follows:

	Year Ended 31 December 2017	Year Ended 31 December 2016
	£'Million	£'Million
Short-term employee benefits	7.4	5.4[1]
Post-employment benefits	0.5	0.4
Share-based payment	6.6	6.3[2]
Total	14.5	12.1

(1) £1.9 million of bonus costs have been reclassified from other long-term benefits to short-term benefits in the 2016 comparative.
(2) The 2016 share-based payment amount has been represented to show the share-based payment charge recognised in the consolidated statement of comprehensive income during 2016, rather than the amount of bonus deferred into shares.

The total value of Group funds under management held by related parties of the Group as at 31 December 2017 was £36.1 million (2016: £26.5 million). The total value of St. James's Place plc dividends paid to related parties of the Group during the year was £1.4 million (2016: £1.4 million).

Commission, advice fees and remuneration of £3.9 million (2016: £2.9 million) was paid, under normal commercial terms, to St. James's Place Advisers and employees who were related parties by virtue of being connected persons with key management personnel. The outstanding amount payable at 31 December 2017 was £0.5 million (2016: £0.3 million).

Outstanding at the year-end were Partner loans of £3.3 million (2016: £1.6 million) due from St. James's Place Advisers who were related parties by virtue of being connected persons with key management personnel. The Group either advanced, or guaranteed, these loans. During the year £3.7 million (2016: £0.7 million) was advanced and £2.1 million (2016: £0.3 million) was repaid by Advisers who were related parties. Business loans to Partners are interest bearing (linked to Bank of England base rate plus a margin), repayable on demand and secured against the future renewal income streams of that Adviser. Interest of £0.1 million was received during 2017 (2016: £0.1 million).

At the start of the year, related parties of key management personnel held 28,273 (2016: nil) shares and options under various St. James's Place plc share option schemes. During the year 10,000 (2016: 28,273) shares and options were granted, 1,000 (2016: nil) options lapsed and nil (2016: nil) options were exercised.

Parent Company Financial Statements under Financial Reporting Standard 101

Parent Company Statement of Financial Position

	Note	As at 31 December 2017	As at 31 December 2016
		£'Million	£'Million
Investment in subsidiaries	2	406.0	375.5
Current assets			
Amounts owed by Group undertakings	6	606.1	484.9
Cash and cash equivalents		0.1	–
Current liabilities			
Corporation tax liabilities		(2.3)	(0.7)
Amounts owed to Group undertakings	6	(188.5)	(191.4)
Other payables		(0.1)	–
Net current assets		415.3	292.8
Net assets		821.3	668.3
Equity			
Share capital	3	79.4	79.1
Share premium		171.7	164.5
Share option reserve		160.5	130.0
Miscellaneous reserves		0.1	0.1
Retained earnings		409.6	294.6
Total shareholders' funds		821.3	668.3

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. The Company's profit after tax for the financial year was £305.0 million (2016: £200.0 million) which can be seen in the statement of changes in equity on page 183.

The financial statements on pages 182 to 189 were approved by the Board of Directors on 27 February 2018 and signed on its behalf by:

Andrew Croft
Chief Executive

Craig Gentle
Chief Financial Officer

The notes and information on pages 184 to 189 form part of these financial statements.

Parent Company Statement of Changes in Equity

	Note	Share Capital	Share Premium	Share Option Reserve	Miscellaneous Reserves	Retained Earnings	Total Shareholders' Funds
		£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
At 1 January 2016		78.7	158.3	107.3	0.1	249.8	594.2
Profit and total comprehensive income for the year						200.0	200.0
Dividends	5					(155.2)	(155.2)
Issue of share capital	3		0.9				0.9
Exercise of options		0.4	5.3				5.7
Cost of share options expensed in subsidiaries				22.7			22.7
At 31 December 2016		79.1	164.5	130.0	0.1	294.6	668.3
Profit and total comprehensive income for the year						**305.0**	**305.0**
Dividends	5					**(190.0)**	**(190.0)**
Issue of share capital	3	**0.1**	**4.1**				**4.2**
Exercise of options		**0.2**	**3.1**				**3.3**
Cost of share options expensed in subsidiaries				**30.5**			**30.5**
At 31 December 2017		**79.4**	**171.7**	**160.5**	**0.1**	**409.6**	**821.3**

As at 31 December 2017 the total distributable reserves of the Company were £409.6 million (2016: £294.6 million). Information on the Company's dividend policy can be found within Note 5 on page 187.

The notes and information on pages 184 to 189 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, domiciled in the United Kingdom 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 cost convention, on a going concern basis and in accordance with Financial Reporting Standard 101 (FRS 101) 'Reduced Disclosure Framework' and the Companies Act 2006 as applicable to companies using FRS 101.

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.

FRS 101 – Reduced Disclosure Exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 *Share-based Payment;*
- 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 to 136 of IAS 1 *Presentation of Financial Statements;*
- the requirements of IAS 7 *Statement of Cash Flows;*
- the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors;*
- 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; and
- 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.

Going Concern

The Company is a non-trading investment holding Company which has positive net assets. The Board believes the Company will continue to be in business, with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations for a period of at least twelve months from the date of approval of the Company financial statements. As a result, 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 equity-settled 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

	Cost	Share awards granted	Impairment provision	Net book value
	£'Million	£'Million	£'Million	£'Million
At 1 January 2016	311.4	107.3	(65.9)	352.8
Impairment expense	(42.0)	–	42.0	–
Share awards granted	–	22.7	–	22.7
At 31 December 2016	269.4	130.0	(23.9)	375.5
Share awards granted	**–**	**30.5**	**–**	**30.5**
At 31 December 2017	**269.4**	**160.5**	**(23.9)**	**406.0**

The carrying value of the investments has been tested for impairment. The investments are supported by the value in use of the subsidiaries.

During the prior year St. James's Place Partnership Limited, a subsidiary of the Company, was dissolved. The investment in this subsidiary was carried at nil net book at 31 December 2015, with the cost of £42.0 million having been fully provided for in previous years.

The investment in subsidiaries net book value is broken down as follows:

	31 December 2017	31 December 2016[3]
	£'Million	£'Million
St. James's Place Wealth Management Group Limited[1]	87.6	87.6
Cirenco Limited[2]	157.9	157.9
Directly held investments	**245.5**	245.5
St. James's Place Management Services Limited	130.6	114.9
St. James's Place Wealth Management plc	27.4	14.0
St. James's Place International plc	0.1	–
Rowan Dartington & Co Limited	2.2	1.0
Stafford House Investments Limited	0.2	0.1
Investments held due to share awards granted	**160.5**	130.0
Total	**406.0**	375.5

(1) Formerly known as St. James's Place Wealth Management Group plc.
(2) Formerly known as St. James's Place Investments plc.
(3) The 2016 comparative has been represented to allocate the investment in subsidiaries which arises from share-based payment transactions to the indirectly held subsidiary which benefits from the services of the employees, Partners and Advisers who have been granted the share-based payments, rather than to the directly held intermediate holding company for the subsidiaries receiving the benefits.

2. INVESTMENT IN SUBSIDIARIES CONTINUED
Principal Subsidiary Undertakings at 31 December 2017

Investment Holding Companies	Cirenco Limited (formerly known as St. James's Place Investment plc)(1) St. James's Place Wealth Management Group Limited (formerly known as St. James's Place Wealth Management Group plc)(1) St. James's Place DFM Holdings Limited(1)
Life Assurance	St. James's Place UK plc St. James's Place International plc (*incorporated in Ireland*)(2)
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(3)
Treasury Company	St. James's Place Partnership Services Limited
IFA Acquisitions	St. James's Place Acquisition Services Limited
Asia Distribution	St. James's Place International Distribution Limited
Discretionary Fund Management	Rowan Dartington & Co Limited

(1) Directly held by St. James's Place plc.
(2) The Company also operates a branch in Singapore.
(3) 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. A full list of the St. James's Place plc subsidiary undertakings can be found on pages 176 to 177 of the St. James's Place Annual Report and Accounts.

All of these companies are registered in England and Wales and operate principally in the United Kingdom except where otherwise stated.

3. SHARE CAPITAL

	Number of Ordinary Shares	Called up Share Capital
		£'Million
At 1 January 2016	524,665,212	78.7
– Issue of share capital	108,819	–
– Exercise of options	2,708,317	0.4
At 31 December 2016	527,482,348	79.1
– Issue of share capital	372,325	0.1
– Exercise of options	1,223,223	0.2
At 31 December 2017	**529,077,896**	**79.4**

The total authorised number of ordinary shares is 605 million (2016: 605 million), with a par value of 15 pence per share (2016: 15 pence per share). All issued shares are fully paid.

1,595,548 shares (2016: 2,817,136) were issued in the year at a nominal value of £0.3 million (2016: £0.4 million), for which the Company received consideration of £7.5 million (2016: £6.6 million).

4. AUDITORS' REMUNERATION

The total audit fee in respect of the Group is set out in Note 5 on page 140 of the consolidated financial statements. The audit fee charged to the Company for the year ended 31 December 2017 is £1,000 (2016: £1,000), which is borne by another entity within the Group.

5. DIVIDENDS

The following dividends have been paid by the Group:

	Year Ended 31 December 2017	Year Ended 31 December 2016	Year Ended 31 December 2017	Year Ended 31 December 2016
	Pence per Share	Pence per Share	£'Million	£'Million
Final dividend in respect of previous financial year	20.67	17.24	108.8	90.4
Interim dividend in respect of current financial year	15.41	12.33	81.2	64.8
Total	36.08	29.57	190.0	155.2

The Directors have recommended a final dividend of 27.45 pence per share (2016: 20.67 pence). This amounts to £145.2 million (2016: £108.8 million) and will, subject to shareholder approval at the Annual General Meeting, be paid on 1 June 2018 to those shareholders on the register as at 6 April 2017.

Dividend Resources

The Company's expected dividend policy is based on a pay-out ratio to Underlying cash of 80%. The capacity of the Company to make dividend payments to shareholders is determined by the availability of distributable reserves and cash resources.

Distributable Reserves

The Company is a non-trading investment holding Company which derives its distributable reserves from dividends paid by its subsidiaries. The primary subsidiary which pays dividends to the Company is St. James's Place Wealth Management Group Limited (formerly known as St. James's Place Wealth Management Group plc), an intermediate holding company which in turn receives dividends primarily from St. James's Place UK plc, St. James's Place Unit Trust Group Limited and St. James's Place Investment Administration Limited. Ongoing solvency requirements within the life assurance, unit trust and financial services companies of the Group limit their ability to distribute all their distributable reserves. Analysis of solvency requirements is included in the Solvency section of the Financial Review on page 40 and further information about regulation and capital requirements is included in Note 17 on page 168.

The Directors review the distributable reserves of the Company ahead of each interim and final dividend being proposed to ensure the Company has sufficient distributable reserves to allow a lawful dividend to be paid. As at 31 December 2017, the total distributable reserves of the Company were £409.6 million (2016: £294.6 million). The Directors are satisfied that this is sufficient to support the proposed dividend of £145.2 million.

Cash Resources

The shareholder cash resources within the Group at 31 December 2017 were £274.4 million (2016: £345.9 million) as set out in Note 10 to the consolidated financial statements. These cash resources are held by the operating entities within the Group. The cash generated by the Group during the year was £281.2 million on an Underlying cash basis (2016: £199.5 million), and £252.6 million on a Cash basis (2016: £175.4 million) as set out in the Financial Review on page 37. Under both bases the cash generated during the year is sufficient to cover the total proposed dividend for 2017 of £145.2 million.

The cash and underlying cash bases should not be confused with the IFRS Statement of Cash Flows, which is presented in accordance with IAS 7 on page 129.

6. RELATED PARTY TRANSACTIONS AND BALANCES

At the year end the following related party balances existed, in addition to the investment in subsidiaries which are set out in Note 2.

	31 December 2017	31 December 2016
	£'Million	£'Million
Intra Group debtors		
St. James's Place Wealth Management Group Limited[1]	–	423.2
St. James's Place Partnership Services Limited	606.1	60.7
St. James's Place DFM Holdings Limited	–	1.0
Total	606.1	484.9
Intra Group creditors		
St. James's Place Management Services Limited	–	0.7
Cirenco Limited[2]	188.5	190.7
Total	188.5	191.4

(1) Formerly known as St. James's Place Wealth Management Group plc.
(2) Formerly known as St. James's Place Investments plc.

The intra Group debtors are loans granted by the Company which are unsecured and repayable on demand. In 2017, such loans incurred interest at an agreed rate above the Bank of England's base rate, as stated in the loan agreements. Loans did not bear interest during 2016.

During the year, the Company received £304.0 million (2016: £200.7 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 2017 was £36.1 million (2016: £26.5 million). The total value of dividends paid to related parties of the Company during the year was £1.4 million (2016: £1.4 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 2017 of:

BFS Financial Services Limited	04609753
Cabot Portfolio Nominees Limited	03636010
Chapman Associates Limited	03047530
Chapman Hunter Group Limited	06034452
Cirenco Limited (formerly known as St. James's Place Investments plc)	01773177
Dartington Portfolio Nominees Limited	01489542
G.M.B. Financial Services Limited	04074782
Hale Financial Solutions Limited	04373946
Lansdown Place Group Holdings Limited	06390547
Lansdown Place Wealth Management Limited	05458948
Linden House Financial Services Limited	02990295
Linden House Group Limited	08464570
LP Auto Enrolment Solutions Limited	08257531
LP Financial Management Limited	02195886
M.H.S. (Holdings) Limited	00559995
PFPTime Limited	04047197
Rowan Dartington Holdings Limited	07470226
SJP AESOP Trustees Limited	04089795
SJPC Corporate Investments Limited	01476292
SJP Interim Services Limited	10735786
Stafford House Investments Limited	03866935
St. James's Place (PCP) Limited	02706684
St. James's Place (Properties) Limited	06890166
St. James's Place Acquisition Services Limited	07730835
St. James's Place Client Solutions Limited	05487108
St. James's Place Corporate Secretary Limited	09131866
St. James's Place DFM Holdings Limited	09687687
St. James's Place EIS Limited	10110255
St. James's Place International Distribution Limited	08798683
St. James's Place Nominees Limited	08764214
Technical Connection Limited	03178474

7. 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 Directors' Remuneration Report on pages 100 to 110.

8. 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: Consolidated Financial Statements on a Cash Result Basis (unaudited)

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

	Note	Year Ended 31 December 2017	Year Ended 31 December 2016
		£'Million	£'Million
Fee and commission income		1,788.5	1,650.3
Investment return	6	28.1	29.8
Net income		1,816.6	1,680.1
Expenses		(1,370.1)	(1,137.0)
Profit before tax		446.5	543.1
Tax attributable to policyholders' returns		(156.2)	(352.2)
Tax attributable to shareholders' returns		(37.7)	(15.5)
Total cash result profit for the year		252.6	175.4

		Pence	Pence
Cash result basic earnings per share	III	48.2	33.6
Cash result diluted earnings per share	III	47.4	33.4

The note references above cross refer to the notes to the consolidated financial statements under IFRS on pages 130 to 179, except where denoted in roman numerals.

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

	Note	Equity attributable owners of the Parent						Non-controlling Interests	Total Equity
		Share Capital	Share Premium	Shares in Trust Reserve	Retained Earnings	Misc Reserves	Total		
		£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
At 1 January 2016		78.7	158.3	(18.5)	580.6	2.3	801.4	(0.3)	801.1
Cash result for the year					175.9		175.9	(0.5)	175.4
Dividends	18				(155.2)		(155.2)		(155.2)
Issue of share capital	18		0.9				0.9		0.9
Exercise of options	18	0.4	5.3				5.7		5.7
Consideration paid for own shares				(5.5)			(5.5)		(5.5)
Shares sold during the year				3.1	(3.1)		–		–
Misc reserves on acquisition						0.2	0.2		0.2
Change in deferred tax					(17.2)		(17.2)		(17.2)
Change in goodwill and intangibles					(2.4)		(2.4)		(2.4)
Investment contract liability reassessment					267.0		267.0		267.0
At 31 December 2016		79.1	164.5	(20.9)	845.6	2.5	1,070.8	(0.8)	1,070.0
Cash result for the year					252.7		252.7	(0.1)	252.6
Dividends	18				(190.0)		(190.0)		(190.0)
Issue of share capital	18	0.1	4.1				4.2		4.2
Exercise of options	18	0.2	3.1				3.3		3.3
Consideration paid for own shares				(11.3)			(11.3)		(11.3)
Shares sold during the year				5.5	(5.5)		–		–
Change in deferred tax					(15.0)		(15.0)		(15.0)
Change in tax discounting					(16.2)		(16.2)		(16.2)
Change in goodwill and intangibles					(2.5)		(2.5)		(2.5)
At 31 December 2017		**79.4**	**171.7**	**(26.7)**	**869.1**	**2.5**	**1,096.0**	**(0.9)**	**1,095.1**

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

	Note	As at 31 December 2017	As at 31 December 2016
		£'Million	£'Million
Assets			
Property and equipment	9	26.4	23.1
Fixed income securities	16	46.1	47.7
Investment in Collective Investment Schemes	16	1,416.8	867.4
Cash and cash equivalents	10	274.7	345.9
Other receivables		1,122.4	1,222.8
Deferred tax assets		144.1	157.7
Total assets		3,030.5	2,664.6
Liabilities			
Borrowings	15	279.9	281.4
Other provisions	14	20.0	17.1
Other payables		1,079.7	789.0
Income tax liabilities		125.3	72.7
Deferred tax liabilities		430.4	434.3
Preference shares		0.1	0.1
Total liabilities		1,935.4	1,594.6
Net assets		1,095.1	1,070.0
Shareholders' equity			
Share capital	18	79.4	79.1
Share premium		171.7	164.5
Shares in trust reserve		(26.7)	(20.9)
Miscellaneous reserves		2.5	2.5
Retained earnings		869.1	845.6
Shareholders' equity		1,096.0	1,070.8
Non-controlling interests		(0.9)	(0.8)
Total shareholders' equity on a cash result basis		1,095.1	1,070.0

		Pence	Pence
Net assets per share		207.0	202.9

The note references above cross refer to the notes to the consolidated financial statements under IFRS on pages 130 to 179, except where denoted in roman numerals.

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

I. BASIS OF PREPARATION

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

1. Unit liabilities and net assets held to cover unit liabilities, as set out in Note 10, are policyholder balances which are removed in the statement of financial position on a cash result basis. No adjustment for payments in or out is required in the statement of comprehensive income as this business is subject to deposit accounting, which means that policyholder deposits and withdrawals are recognised in the statement of financial position under IFRS, with only marginal cash flows attributable to shareholders recognised in the statement of comprehensive income. However, adjustment is required for the investment return and the movement in investment contract liabilities, which are offsetting and are both zero-ised.
2. Deferred acquisition costs, the purchased value of in-force business and deferred income assets and liabilities are removed from the statement of financial position on a cash result basis, and the amortisation of these balances is removed in the statement of comprehensive income on a cash result basis. The assets, liabilities and amortisation are set out in Note 8.
3. Share-based payment expense is removed from the statement of comprehensive income on a cash result basis, and the equity and liability balances for equity-settled and cash-settled share-based payment schemes respectively are removed from the statement of financial position on a cash result basis. Share-based payment balances are set out in Note 19.
4. Non-unit linked insurance contract liabilities and reinsurance assets, as set out in Note 13, are removed in the statement of financial position on a cash result basis. The movement in these balances is removed from the statement of comprehensive income on a cash result basis.
5. Goodwill, computer software intangible assets and some other assets and liabilities which are inadmissible under the Solvency II regime are removed from the statement of financial position on a cash result basis, however the movement in these figures are included in the statement of comprehensive income on a cash result basis.
6. Deferred tax assets and liabilities are adjusted in the statement of financial position on a cash result basis to reflect the adjustments noted above and other discounting differences between tax charges and IFRS accounting. However, the impact of movements in deferred tax assets and liabilities are not included in the statement of comprehensive income on a cash result basis.

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

II. RECONCILIATION OF THE IFRS BALANCE SHEET TO THE CASH BALANCE SHEET

The Solvency II (or Cash) balance sheet is based on the IFRS consolidated statement of financial position (on page 128), with adjustments made to accounting assets and liabilities to reflect the Solvency II regulations and the provision for insurance liabilities set equal to the associated unit liabilities. The following table sets out the full reconciliation.

31 December 2017	IFRS Balance Sheet	Adjustment 1	Adjustment 2	Solvency II Net Assets Balance Sheet
	£'Million	£'Million	£'Million	£'Million
Assets				
Goodwill	15.6	–	(15.6)	–
Deferred acquisition costs	623.0	–	(623.0)	–
Purchased value of in force business	27.2	–	(27.2)	–
Developments	2.4	–	(2.4)	–
Property and equipment	26.4	–	–	26.4
Investment property	1,630.9	(1,630.9)	–	–
Equities	55,086.9	(55,086.9)	–	–
Fixed income securities	17,180.7	(17,134.6)	–	46.1
Investment in Collective Investment Schemes	5,903.4	(4,486.6)	–	1,416.8
Derivative financial instruments	343.4	(343.4)	–	–
Reinsurance assets	82.8	–	(82.8)	–
Cash and cash equivalents	7,280.6	(7,005.9)	–	274.7
Other receivables	1,620.0	(475.9)	(21.7)	1,122.4
Deferred tax assets	182.7	–	(38.6)	144.1
Total assets	90,006.0	(86,164.2)	(811.3)	3,030.5
Liabilities				
Insurance contract liabilities	544.6	(459.0)	(85.6)	–
Borrowings	279.9	–	–	279.9
Investment contract benefits	64,014.3	(64,014.3)	–	–
Derivative financial instruments	190.3	(190.3)	–	–
Net asset value attributable to unit holders	21,349.1	(21,349.1)	–	–
Other provisions	20.0	–	–	20.0
Other payables	1,231.2	(151.5)	–	1,079.7
Income tax liabilities	125.3	–	–	125.3
Deferred tax liabilities	546.8	–	(116.4)	430.4
Deferred income	646.3	–	(646.3)	–
Preference shares	0.1	–	–	0.1
Total liabilities	88,947.9	(86,164.2)	(848.3)	1,935.4
Net assets	1,058.1	–	37.0	1,095.1

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

31 December 2016	IFRS Balance Sheet	Adjustment 1	Adjustment 2	Solvency II Net Assets Balance Sheet
	£'Million	£'Million	£'Million	£'Million
Assets				
Goodwill	13.8	–	(13.8)	–
Deferred acquisition costs	684.8	–	(684.8)	–
Purchased value of in force business	30.4	–	(30.4)	–
Developments	3.0	–	(3.0)	–
Property and equipment	23.1	–	–	23.1
Investment property	1,462.4	(1,462.4)	–	–
Equities	46,598.7	(46,598.7)	–	–
Fixed income securities	12,955.7	(12,908.0)	–	47.7
Investment in Collective Investment Schemes	3,864.8	(2,997.4)	–	867.4
Derivative financial instruments	218.9	(218.9)	–	–
Reinsurance assets	80.5	–	(80.5)	–
Cash and cash equivalents	7,413.1	(7,067.2)	–	345.9
Other receivables	1,473.0	(187.2)	(63.0)	1,222.8
Deferred tax assets	199.9	–	(42.2)	157.7
Total assets	75,022.1	(71,439.8)	(917.7)	2,664.6
Liabilities				
Insurance contract liabilities	518.2	(435.3)	(82.9)	–
Borrowings	281.4	–	–	281.4
Investment contract benefits	53,307.1	(53,307.1)	–	–
Derivative financial instruments	281.9	(281.9)	–	–
Net asset value attributable to unit holders	17,032.0	(17,032.0)	–	–
Other provisions	17.1	–	–	17.1
Other payables	1,173.6	(383.5)	(1.1)	789.0
Income tax liabilities	72.7	–	–	72.7
Deferred tax liabilities	614.8	–	(180.5)	434.3
Deferred income	647.6	–	(647.6)	–
Preference shares	0.1	–	–	0.1
Total liabilities	73,946.5	(71,439.8)	(912.1)	1,594.6
Net assets	1,075.6	–	(5.6)	1,070.0

Adjustments:

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

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

III. EARNINGS PER SHARE

	Year Ended 31 December 2017	Year Ended 31 December 2016
	£'Million	£'Million
Earnings		
Cash result after tax attributable to equity shareholders (*for both basic and diluted EPS*)	252.7	175.4

	Million	Million
Weighted average number of shares		
Weighted average number of ordinary shares in issue (*for basic EPS*)	524.3	522.6
Adjustments for outstanding share options	8.8	3.3
Weighted average number of ordinary shares (*for diluted EPS*)	533.1	525.9

	Pence	Pence
Earnings per Share (EPS)		
Basic earnings per share	48.2	33.6
Diluted earnings per share	47.4	33.4

Other information

Shareholder Information

ANALYSIS OF NUMBER OF SHAREHOLDERS

Analysis by Number of Shares	Holders	%	Shares held	%
1 to 999	2,414	45.51	878,799	0.17
1,000 to 9,999	1,998	37.67	5,907,143	1.11
10,000 to 99,999	553	10.43	17,238,899	3.26
100,000 and above	339	6.39	505,053,055	95.46
	5,304	100.00	529,077,896	100.00

2018 FINANCIAL CALENDAR

Ex-dividend date for final dividend	Thursday, 5 April 2018
Record date for final dividend	Friday, 6 April 2018
Announcement of first quarter new business	Tuesday, 24 April 2018
Annual General Meeting	Wednesday, 23 May 2018
Payment date for final dividend	Friday, 1 June 2018
Announcement of Interim Results and second quarter new business	Wednesday, 1 August 2018
Ex-dividend date for interim dividend	Thursday, 30 August 2018
Record date for interim dividend	Friday, 31 August 2018
Payment date for interim dividend	Friday, 28 September 2018
Announcement of third quarter new business	Tuesday, 23 October 2018

The above dates are subject to change and further information on the 2018 financial calendar can be found on the Company's website, www.sjp.co.uk

DIVIDEND REINVESTMENT PLAN

If you would prefer to receive new shares instead of cash dividends, please complete a Dividend Reimbursement Plan (DRIP) Form, which is available from our Registrars, Computershare Investor Services PLC. Their contact details are on page 201.

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.

An internet share dealing service is also available. Further information about share dealing services can be obtained by logging on to: www.computershare.trade.

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.investorcentre.co.uk/ecomms.

How to Contact Us and Advisers

HOW TO CONTACT US

Registered Office
St. James's Place House
1 Tetbury Road
Cirencester
Gloucestershire
GL7 1FP

Tel: 01285 640302
www.sjp.co.uk

Chair
Sarah Bates
email: chair@sjp.co.uk

Chief Executive
Andrew Croft
email: andrew.croft@sjp.co.uk

Chief Financial Officer
Craig Gentle
email: craig.gentle@sjp.co.uk

Company Secretary
Elizabeth Kelly
email: liz.kelly@sjp.co.uk

Customer Service
Caroline Hallat
Tel: 01285 717342
email: caroline.hallat@sjp.co.uk

Analyst Enquiries
Tony Dunk
Tel: 020 7514 1951
email: tony.dunk@sjp.co.uk

Media Enquiries
Brunswick Group
Tel: 020 7404 5959
Charles Pretzlik
email: cpretzlik@brunswickgroup.com
Tom Burns
email: tburns@brunswickgroup.com

Registrars and Transfer Office

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ
email: webqueries@computershare.co.uk
Tel: 0370 702 0197
www.investorcentre.co.uk/contactus

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

ADVISERS

Bankers

Bank of America Merrill Lynch International Limited
2 King Edward Street
London
EC1A 1HQ

Barclays Bank PLC
1 Churchill Place
London
E14 5HP

Citibank NA, London Branch
33 Canada Square
London
E14 5LB

HSBC Bank plc
8 Canada Square
London
E14 5HQ

Lloyds Banking Group
25 Gresham Street
London
EC2V 7HN

Metro Bank plc
One Southampton Row
London
WC1B 5HA

The Royal Bank of Scotland Group
250 Bishopsgate
London
EC2M 4AA

Santander UK plc
2 Triton Square
Kings Cross
London
NW1 3AN

Brokers

JPMorgan Cazenove Limited
25 Bank Street
London
E14 5JP

Bank of America Merrill Lynch International Limited
2 King Edward Street
London
EC1A 1HQ

St. James's Place Partnership Locations

UNITED KINGDOM

1 ABERDEEN
St. James's Place House
3 Queens Gate
Aberdeen
AB15 5YL

Mark Wyllie
Tel: 01224 202400

2 BELFAST
St. James's Place House
14 Cromac Place
Belfast
BT7 2JB

Keith Willett
Tel: 028 9072 6500

3 BRISTOL
Beech House
Brotherswood Court
Great Park Road
Bradley Stoke
Bristol
BS32 4QW

Sean Aldom
Tel: 01454 618700

4 CAMBRIDGE
8200 Cambridge Research Park
Beach Drive
Waterbeach
Cambridge
CB25 9TL

Paolo Payne
Tel: 01223 607700

5 EDINBURGH
Melville House
18 - 22 Melville Street
Edinburgh
EH3 7NS

Steve Herkes
Tel: 0131 459 9200

6 GLASGOW
St. James's Place House
168 West George Street
Glasgow
G2 2NR

Ross Cameron
Tel: 0141 304 1700

7 LEEDS
2nd Floor
Chancellor Court
The Calls
Leeds
LS2 7EH

Tim Willis
Tel: 0113 244 4054

8 LIVERPOOL
5th Floor
Walker House
Exchange Flags
Liverpool
L2 3YL

John Ronan
Tel: 0151 224 8700

9 LONDON

117 Piccadilly
117 Piccadilly
London
W1J 7JU

Damian Bradbury
Tel: 0207 399 6889

Canary Wharf
4th Floor
40 Bank Street
Canary Wharf
London
E14 5NR

Nick Froggatt
Tel: 0207 516 5700

City
St. James's Place House
3 Moorgate Place
London
EC2R 6EA

Tel: 0207 638 2400

Elstree
St. James's Place House
5 Oaks Court
Warwick Road
Borehamwood
Herts
WD6 1GS

Mark Newman
Tel: 0208 207 4000

Hamilton Place
11 Hamilton Place
Mayfair
London
W1J 7DR

Nick Brett
Tel: 0207 495 1771

Kingsway
3rd Floor
York House
23 Kingsway
London
WC2B 6UJ

Ryan McDonald
Tel: 0207 744 1600

10 MANCHESTER
7th Floor
Sunlight House
Quay Street
Manchester
M3 3JZ

Frank Gorrie
Tel: 0161 834 9480

11 NEWBURY
Montague Court
London Road
Newbury
Berks
RG14 1JL

Chris Faerber
Tel: 01635 582424

12 NEWCASTLE
One Trinity Gardens
Broad Chare
Newcastle upon Tyne
NE1 2HF

Philip Pringle
Tel: 0191 260 5373

13 NOTTINGHAM
Embankment House
Electric Avenue
Nottingham
NG2 1AS

Andy Marks
Tel: 0115 924 2899

14 SOLENT
St. James's Place House
1480 Parkway
Solent Business Park
Whitley
Fareham
Hants
PO15 7AF

Ian Grant
Tel: 01489 881400

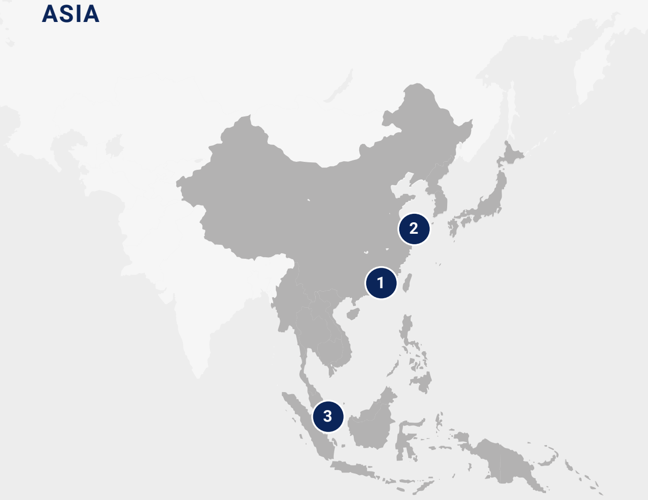
15 SOLIHULL
St. James's Place House
Central Boulevard
Blythe Valley Business Park
Shirley
Solihull
B90 8AR

Sean McKillop
Tel: 0121 733 6733

16 WESTERHAM
1st Floor
The Crown
London Road
Westerham
Kent
TN16 1DJ

David McIntosh
Tel: 01959 561 606

ASIA



1 HONG KONG
St. James's Place (Hong Kong) Limited
1/F Henley Building
5 Queen's Road Central
Hong Kong

Ian Burns
Tel: +852 2824 1083
Email: Hongkong.info@sjp.asia

2 SHANGHAI
St. James's Place (Shanghai) Limited
Suite 2006-2007
20/F, Tower 1, Jing An Kerry Centre
1515 Nanjing Road West
Shanghai
China 200040

Oliver Wickham
Tel: +86 21 8028 5300
Email: Shanghai.info@sjp.asia

3 SINGAPORE
St. James's Place (Singapore) Pte. Limited
1 Raffles Place
Tower 2
#15 – 61 Singapore 048616

Nigel Preston
Tel: +65 6536 0121
Email: Singapore.info@sjp.asia

Glossary of Alternative Performance Measures

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

APM	Definition	Why is this measure used?	Reconciliation to the financial statements
Solvency II net assets	Based on IFRS Net Assets, but with the following adjustments: 1. Reflection of the recognition requirements of the Solvency II regulations for assets and liabilities. In particular this removes deferred acquisition costs (DAC), deferred income (DIR), purchased value of in-force (PVIF) and their associated deferred tax balances, other intangibles and some other small items which are treated as inadmissible from a regulatory perspective; and 2. Adjustment to remove the matching client assets and the liabilities as these do not represent shareholder assets. No adjustment is made to deferred tax, except for that arising on DAC, DIR and PVIF, as this is treated as an allowable asset in the Solvency II regulation.	Our ability to satisfy our liabilities to clients, and consequently our solvency, is central to our business. By removing the liabilities which are fully matched by assets, this presentation allows the reader to focus on the business operation. It also provides a simpler comparison with other wealth management companies.	Refer to page 35.
Cash result, Underlying cash result and Operating cash result	The Cash result is defined as the movement between the opening and closing Solvency II net assets adjusted for the following items: 1. The movement in deferred tax is removed to reflect just the cash realisation from the deferred tax position; 2. The movements in goodwill and other intangibles, which are excluded from the Solvency II net assets, are re-instated in the Cash result; and 3. Other changes in equity, such as dividends paid in the year and share option costs, are excluded. The **Operating cash result** reflects the regular emergence of cash from the business operations. The **Underlying cash result** additionally reflects the cash impact of the strategic investments we are making. Finally, the **Cash result** reflects all other cash items, including those whose emergence is volatile, varying over time and often influenced by markets, together with the short-term costs associated with the back-office infrastructure project. Neither the cash result nor the underlying cash result should be confused with the IFRS consolidated statement of cash flows which is prepared in accordance with IAS 7.	IFRS income statement methodology recognises non-cash items such as deferred tax and share options. By contrast, dividends can only be paid to shareholders from appropriately fungible assets. The Board therefore uses the cash results to monitor the level of cash generated by the business. While the Cash result gives an absolute measure of the cash generated in the year, the Underlying and Operating cash results are particularly useful for monitoring the expected long-term rate of cash emergence, which supports dividends and sustainable dividend growth.	Refer to pages 32 and 37 and also see Note 3 – Segment Profit.
Underlying cash basic and diluted earnings per share (EPS)	These EPS measures are calculated as Underlying cash divided by the number of shares used in the calculation of IFRS basic and diluted EPS.	As Underlying cash is the best reflection of the cash generated by the business, Underlying cash EPS measures allow analysis of the shareholder cash generated by the business by share.	Not applicable.

APM	Definition	Why is this measure used?	Reconciliation to the financial statements
Total embedded value	A discounted cash flow valuation methodology, assessing the long-term economic value of the business. Our embedded value is determined in line with the EEV principles, originally set out by the Chief Financial Officers (CFO) Forum in 2004, and amended for subsequent changes to the principles, including those published in April 2016, following the implementation of Solvency II.	Life business and wealth management business differ from most other businesses, in that the expected shareholder income from the sale of a product emerges over a long period in the future. We therefore complement the IFRS and cash results by providing additional disclosure on an Embedded Value basis, which brings into account the net present value of expected future cash flows, as we believe that a measure of total economic value of the Group is useful to investors.	Not applicable.
EEV profit	Derived as the movement in the Total EEV during the year.	Both the IFRS and Cash results reflect only the cash flows in the year. However our business is long term, and activity in the year can generate business with a long-term value. We therefore believe it is helpful to understand the full economic impact of activity in the year, which is the aim of the EEV methodology.	See Note 3 – Segment Profit.
EEV operating profit	A discounted cash flow valuation methodology, assessing the long-term economic value of the business. Our embedded value is determined in line with the EEV principles, originally set out by the Chief Financial Officers (CFO) Forum in 2004, and amended for subsequent changes to the principles, including those published in April 2016, following the implementation of Solvency II. The EEV operating profit reflects the total EEV result with an adjustment to strip out the impact of stock market and other economic effects during the year.	Both the IFRS and cash results reflect only the cash flows in the year. However, our business is long term, and activity in the year can generate business with a long-term value. We therefore believe it is helpful to understand the full economic impact of activity in the year, which is the aim of the EEV methodology. Within the EEV, many of the future cash flows derive from fund charges, which change with movements in stock markets. Since the impact of these changes is typically unrelated to the performance of the business, we believe that the EEV operating profit (reflecting the EEV profit, adjusted to reflect only the expected investment performance and no change in economic basis) provides the most useful measure of embedded value performance in the year.	See Note 3 – Segment Profit.

Glossary of Alternative Performance Measures continued

APM	Definition	Why is this measure used?	Reconciliation to the financial statements
EEV operating profit basic and diluted earnings per share (EPS)	These EPS measures are calculated as EEV operating profit after tax divided by the number of shares used in the calculation of IFRS basic and diluted EPS.	As EEV operating profit is the best reflection of the EEV generated by the business, EEV operating profit EPS measures allow analysis of the long-term value generated by the business by share.	Not applicable.
Net asset value per share (EEV)	EEV net asset value per share is calculated as the EEV net assets divided by the year end number of ordinary shares.	Total embedded value provides a measure of total economic value of the Group, and assessing the NAV per share allows analysis of the overall value of the Group by share.	Not applicable.
Policyholder and Shareholder tax	Shareholder tax is estimated by making an assessment of the effective rate of tax that is applicable to the shareholders on the profits attributable to the shareholders. This is calculated by applying the appropriate effective corporate tax rates to the shareholder profits. The remainder of the tax charge represents tax on policyholder's investment returns. This calculation method is consistent with the legislation relating to the calculation of the tax on shareholder's profits.	The UK tax regime facilitates the collection of tax from life insurance policyholders by making an equivalent charge within the corporate tax of the Company. The total tax charge for the insurance companies therefore comprises both this element and an element more closely related to normal corporation tax. Life insurance business impacted by this tax typically includes policy charges which align with the tax liability, to mitigate the impact on the corporate. As a result when policyholder tax increases, the charges also increase. Given these offsetting items can be large, and typically don't perform in line with the business, it is beneficial to be able to identify the two elements separately. We therefore refer to that part of the overall tax charge, which is deemed attributable to policyholders, as policyholder tax, and the rest as shareholder tax.	Disclosed as separate line items in the statement of comprehensive income on page 126.
Profit before shareholder tax	A profit measure which reflects the IFRS result adjusted for policyholder tax, but before deduction of shareholder tax. Within the consolidated statement of comprehensive income the full title of this measure is "Profit before tax attributable to shareholders' returns".	The IFRS methodology requires that the tax recognised in the financial statements should include the tax incurred on behalf of policyholders in our UK life assurance company. Since the policyholder tax charge is unrelated to the performance of the business, we believe it is also useful to separately identify the profit before shareholder tax, which reflects the IFRS profit before tax, adjusted only for tax paid on behalf of policyholders.	Disclosed as a separate line item in the statement of comprehensive income on page 126.

APM	Definition	Why is this measure used?	Reconciliation to the financial statements
Underlying profit	A profit measure which reflects the IFRS result adjusted to remove the DAC, DIR and PVIF adjustments.	The IFRS methodology promotes recognition of profits in line with the provision of services and so, for long-term business, some of the initial cash flows are spread over the life of the contract through the use of intangible assets and liabilities (DAC and DIR). Due to the retail distribution review (RDR) regulation change in 2013, there was a step change in the progression of these items in our accounts, which resulted in significant accounting presentation changes despite the fundamentals of our vertically-integrated business remaining unchanged. We therefore believe it is useful to consider the IFRS result having removed the impact of movements in these intangibles as it better reflects the underlying performance of the business.	Refer to page 32.
Net asset value per share (IFRS)	IFRS net asset value per share is calculated as the IFRS net assets divided by the year-end number of ordinary shares.	Total IFRS net assets provides a measure of value of the Group, and assessing the NAV per share allows analysis of the overall value of the Group by share.	Not applicable.

Glossary

ADMINISTRATION PLATFORM, ALSO BLUEDOOR
A new client-centric administration system, being developed in conjunction with our third party outsourced administration provider, DST.

ADVISER OR FINANCIAL ADVISER
An individual who is authorised by an appropriate regulatory authority to provide financial advice. In the UK our advisers are authorised by the FCA.

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.

CHIEF OPERATING DECISION MAKER (CODM)
The Executive Committee of the Board (Executive Board) which is responsible for allocating resources and assessing the performance of the operating segments.

CLIENT ADVOCACY
The Company requests feedback from clients biennially through a survey distributed alongside the 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 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 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.

COMPANY
The Company refers to St. James's Place plc, which is also referred to as "St. James's Place", "St. James's Place plc" and "SJP" throughout the Annual Report and Accounts.

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.

DISCRETIONARY FUND MANAGEMENT (DFM)
A generic term for a form of investment management in which buy and sell decisions are made (or assisted) by a portfolio manager for a client's account. Within St. James's Place, the services provided by Rowan Dartington (including investment management, advisory stockbroking and wealth planning) are collectively referred to as Discretionary Fund Management, distinguishing them from the services provided by our Partners and from the IMA.

DST SYSTEMS (DST)
A provider of investor and policyholder, administration and technology services, formerly known as International Financial Data Services (IFDS). DST 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.

EUROPEAN EMBEDDED VALUE (EEV)
EEV reflects the fact that the expected shareholder income from the sale of wealth management products emerges over a long period of time by bringing into account the net present value of the expected future cash flows. EEV is calculated in accordance with the EEV principles originally issued in May 2004 by the Chief Financial Officers Forum (CFO Forum), supplemented in both October 2005 and, following the introduction of Solvency II, in April 2016.

FIELD MANAGEMENT TEAM (FMT)
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)
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 count as funds under management from the date of acquisition.

GROSS INFLOWS
Total new funds under management accepted in the period. New funds accepted by Rowan Dartington count for Gross Inflows from the date of acquisition.

GROUP
The Group refers to the Company together with its subsidiaries as listed in Note 21.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
These are accounting regulations issued by the International Accounting Standards Board (IASB) 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.

Strategic Report

St. James's Place Charitable Foundation

Governance

Financial Statements

Other Information

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, including Stamford Associates, Redington and AON Consulting. The Investment Committee is responsible for identifying fund managers for our funds, selecting from fund management firms all around the 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.

MATURITIES

Those sums paid out where the plan has reached the intended, pre-selected, maturity event (e.g. retirement).

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.

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.

REGULAR INCOME WITHDRAWALS

Those amounts, pre-selected by clients, which are paid out by way of periodic income.

RETIREMENT ACCOUNT (RA)

A pension product, launched during 2016, which incorporates both pre-retirement pension saving and post-retirement benefit receipts in the same investment product.

ROWAN DARTINGTON

A wealth management business providing investment management, advisory stockbroking and wealth planning services acquired by St. James's Place during 2016.

SOLVENCY II

Insurance regulations designed to harmonise EU insurance regulation which became effective on 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 CHARITABLE FOUNDATION

The independent grant making charity established at the same time as the Company in 1992. More information about the Charitable Foundation can be found on pages 63 to 67 or on the website 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.

SURRENDERS AND PART SURRENDERS

Those amounts where clients have chosen to withdraw money from their plan which were not pre-selected regular income withdrawals or maturities.

MIX
Paper from responsible sources
FSC® C001785
FSC
www.fsc.org

Designed and produced by emperor
Visit us at emperor.works

ST. JAMES'S PLACE PLC

St. James's Place House
1 Tetbury Road
Cirencester
Gloucestershire
GL7 1FP
T: 0800 01 38 137

www.sjp.co.uk