

St. James's Place Group data book: 2024 full-year reporting

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Operational readiness prepayment asset

The operational readiness prepayment asset arose from the investment made into our back-office infrastructure project, as we capitalised Bluedoor development costs. The asset stood at £256.3 million at 31 December 2024 (31 December 2023: £283.5 million). It has been amortising through the IFRS Statement of Comprehensive Income and the Cash result since 2017 and will continue to do so over the remaining life of the contract, which at 31 December 2024 is 9 years. The movement schedule below demonstrates how the operational readiness prepayment has developed over the past two years.

	2024	2023
	£'Million	£'Million
Cost		
At 1 January	450.1	420.2
Additions during the year	-	29.9
At 31 December	450.1	450.1
Accumulated amortisation		
At 1 January	(166.6)	(141.9)
Amortisation during the year	(27.2)	(24.7)
At 31 December	(193.8)	(166.6)
Net book value	256.3	283.5

The amortisation expense is recognised within third-party administration expenses in the IFRS result, and within the net annual management fee line of the Cash result. It is more than offset by the lower tariff charges on Bluedoor compared to the previous system, which grew as the business grew, benefiting both the IFRS and Cash results.

New business margin

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

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

	Year ended 31 December 2024	Year ended 31 December 2023
Investment		
New business contribution (£'Million)	115.4	96.6
Gross inflows (£'Billion)	2.4	2.1
Margin (%)	4.8%	4.6%
Pension		
New business contribution (£'Million)	527.2	469.2
Gross inflows (£'Billion)	12.1	9.8
Margin (%)	4.4%	4.8%
Unit trust and DFM		
New business contribution (£'Million)	158.4	129.6
Gross inflows (£'Billion)	3.9	3.5
Margin (%)	4.0%	3.7%
Total business		
New business contribution (£'Million)	801.0	695.4
Gross inflows (£'Billion)	18.4	15.4
Margin (%)	4.4%	4.5%
Post-tax margin (%)	3.3%	3.4%

Economic assumptions

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

	Year ended 31 December 2024	Year ended 31 December 2023
Risk-free rate	4.8%	3.7%
Inflation rate	3.6%	3.5%
Risk discount rate	7.8%	6.8%
Future investment returns:		
– Gilts	4.8%	3.7%
– Equities	7.8%	6.7%
– Unit-linked funds	7.0%	6.0%

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

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

EEV sensitivities

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

	Note	Change in new business contribution		Change in EEV
		Pre-tax	Post-tax	Post-tax
		£'Million	£'Million	£'Million
Value at 31 December 2024		801.0	605.4	8,842.5
100bps reduction in risk-free rates, with corresponding change in fixed interest asset values	1	(7.9)	(6.1)	(41.9)
10% increase in withdrawal rates	2	(54.7)	(41.2)	(416.7)
10% reduction in market value of equity assets	3	-	-	(816.3)
10% increase in expenses	4	(9.4)	(7.1)	(75.6)
100bps increase in assumed inflation	5	(10.9)	(8.3)	(67.5)

Notes to the EEV sensitivities

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

	Change in new business contribution		Change in EEV
	Pre-tax	Post-tax	Post-tax
	£'Million	£'Million	£'Million
100bps reduction in risk discount rate	103.1	77.5	695.5

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.

Solvency II Balance Sheet

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.

		Other			31 December
	Life	regulated	Other	Total	2023 total
31 December 2024	£'Million	£'Million	£'Million	£'Million	£'Million
Solvency II net assets before exceptional item	419.9	408.8	611.9	1,440.6	1,456.7
Value of in-force (VIF)	2,992.4	-	-	2,992.4	2,485.2
Risk margin	(373.0)	-	-	(373.0)	(318.4)
Own funds (A) before exceptional item	3,039.3	408.8	611.9	4,060.0	3,623.5
Solvency capital requirement (B)	(1,975.7)	(128.4)		(2,104.1)	(1,727.7)
Solvency II free assets before exceptional item	1,063.6	280.4	611.9	1,955.9	1,895.8
Exceptional item: Ongoing Service Evidence provision	-	-	-	-	(323.7)
Solvency II free assets	1,063.6	280.4	611.9	1,955.9	1,572.1
Solvency ratio	154%	318%		193%	191%

We target a solvency ratio of 130% for St. James's Place UK plc, our largest insurance subsidiary. The combined solvency ratio for our life companies, after payment of the year-end intra-Group dividend, is 154% at 31 December 2024 (31 December 2023: 162%).

Solvency II sensitivities

The table below shows the estimated impact on the Solvency II free assets, the SCR and the solvency ratio of 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, due to our approach of matching unit-linked liabilities with appropriate assets, can move counter-intuitively depending on circumstances, as demonstrated by the sensitivity analysis presented below.

		Solvency II	Solvency II	Solvency II
		free assets	capital requirement	ratio
	Note	£'Million	£'Million	%
Value at 31 December 2024		1,955.9	2,104.1	193%
100bps reduction in risk-free rates, with corresponding change in fixed interest asset values	1	1,884.3	2,107.0	189%
10% increase in withdrawal rates	2	1,943.1	1,972.3	199%
10% reduction in market value of equity assets	3	1,987.7	1,765.5	213%
10% increase in expenses	4	1,910.1	2,096.7	191%
100bps increase in assumed inflation	5	1,898.7	2,100.3	190%

Notes to the Solvency II sensitivities

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