ST. JAMES'S PLACE plc

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28 July 2020

INTERIM STATEMENT
FOR THE SIX MONTHS TO 30 JUNE 2020

RESILIENT NEW BUSINESS AND FINANCIAL PERFORMANCE

St. James's Place plc ("SJP"), the wealth management group, today issues its new business and financial results for the six months ended 30 June 2020.

New investment and funds under management

- Gross inflow of funds of £7.3 billion (2019: £7.4 billion)
- Continued strong retention of client funds – 96%
- Net inflow of funds of £4.5 billion (2019: £4.4 billion)
- Group funds under management of £115.7 billion (31 December 2019: £117.0 billion)

Financial highlights

- EEV new business profit £365.3 million (2019: £386.3 million)
- EEV operating profit £418.7 million (2019: £465.7 million)
- IFRS profit before shareholder tax £221.9 million (2019: £57.3 million)
- IFRS profit after tax £178.1 million (2019: £45.8 million)
- Underlying cash result £114.4 million (2019: £125.1 million)
- Underlying cash basic earnings per share of 21.4 pence (2019: 23.7 pence)

Other highlights

- We are now represented by 4,324 qualified advisers across the Partnership
- Achieved a rapid and successful transition to remote working practises in response to the COVID-19 crisis
- Accelerated the pace of technology investment to facilitate digital processes across the Group and Partnership

Andrew Croft, Chief Executive, commented:

"The first half of 2020 has been an extraordinary period, both here in the UK and across the world, as the COVID-19 pandemic has profoundly impacted all our lives.

We began the year with renewed confidence and momentum in the business as we saw investor sentiment rise following the UK General Election in December 2019, but this gave way to a challenging external environment in the UK as COVID-19 related lockdown and associated social distancing measures impacted the way we and the Partnership conduct business. I am, though, pleased to report a robust set of results for the first six months of 2020, which is testament to the resilience of our business. This extends beyond the resilience of our business model to include our people, the Partnership, our systems and technology, and our finances, leaving us well positioned to make the most of the opportunities and challenges ahead.

Our gross inflows for the half totalled £7.3 billion, which was 2% lower than the first half of 2019. Importantly, retention of existing client investments has been particularly strong, providing for net inflows of £4.5 billion. This is equivalent to 8% of opening funds under management on an annualised basis. These net inflows, together with the impact from investment markets, results in closing funds under management of £115.7 billion.

As the population at large recovers from more than four months of lockdown we anticipate a period of recuperation for the UK. Nonetheless, from what we have experienced so far in July, we still expect new business flows for the third quarter to be similar or slightly lower in terms of value to the level of flows recorded for the second quarter.

We are then hopeful that, as the country returns from the summer break refreshed and ready for a return to the office, and supported by the high levels of client service provided by the Partnership since lockdown, we will see momentum build through the final quarter.

Overall then, 2020 is set to be another year of major net inflows as our business model proves resilient in a really difficult period. We are more confident than ever that we will deliver growth over the longer term given the strengths of St. James's Place and the dynamics of our market."

The details of the announcement are attached.

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Our Half-Year Results presentation will be held via a webcast which will commence at 10:00am. Please use the link below to join:

https://www.investis-live.com/st-jamess-place/5f08c7301e16cc0a009bd5bf/ombg

Following the presentation, a live Q&A session will commence at 10:45am. This can be viewed via the webcast, but if you wish to ask questions during the session please dial-in using the details below:

United Kingdom (Local): 020 3936 2999
All other locations: +44 20 3936 2999
Participant Access Code: 579099

The participant access code must be entered in order for participants to gain access to the conference. Participant's requested details will be taken before being placed into the conference.

Replay information:

A recording will be available until 4 August 2020:

United Kingdom: 020 3936 3001
USA: 1 845 709 8569
All other locations: + 44 20 3936 3001
Replay access code: 652295

Note: neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on this announcement (or any other website) is incorporated into, or forms part of, this announcement.

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ST. JAMES'S PLACE WEALTH MANAGEMENT
GROSS INFLOWS
FOR THE SIX MONTHS TO 30 JUNE 2020

	Unaudited three months to 30 June			Unaudited six months to 30 June		
	2020	**2019**		**2020**	**2019**	
	£'Billion	**£'Billion**		**£'Billion**	**£'Billion**	
Gross inflows						
Investment	0.39	0.57		0.93	1.07	
Pension	1.88	2.12		4.11	4.14	
Unit Trust, ISA and DFM	0.95	1.08		2.22	2.17	
	3.22	**3.77**	**-15%**	**7.26**	**7.38**	**-2%**

INTERIM MANAGEMENT STATEMENT

CHIEF EXECUTIVE'S REPORT

The first half of 2020 has been an extraordinary period, both here in the UK and across the world, as the COVID-19 pandemic has profoundly impacted all our lives.

We began the year with renewed confidence and momentum in the business as we saw investor sentiment rise following the UK General Election in December 2019, but this gave way to a challenging external environment in the UK as COVID-19 related lockdown and associated social distancing measures impacted the way we and the Partnership conduct business. I am, though, pleased to report a robust set of results for the first six months of 2020, which is testament to the resilience of our business. This extends beyond the resilience of our business model to include our people, the Partnership, our systems and technology, and our finances, leaving us well positioned to make the most of the opportunities and challenges ahead.

Our gross inflows for the half totalled £7.3 billion, which was 2% lower than the first half of 2019. Importantly, retention of existing client investments has been particularly strong, providing for net inflows of £4.5 billion. This is equivalent to 8% of opening funds under management on an annualised basis.

These net inflows, together with the impact from investment markets, result in closing funds under management of £115.7 billion.

Financial performance and dividend

Over the medium to long-term, our ability to both attract and retain new client investments, and thereby build Group funds under management, will result in increased cash profitability. However, in the short-term our profit has been impacted by a more challenging new business environment together with a planned increase in our investment expenditure and the unplanned and frustrating rising costs associated with the Financial Services Compensation Scheme (FSCS) levy. The underlying cash result for the six months at £114.4 million (six months to 30 June 2019: £125.1 million) was therefore lower than the same period last year.

Importantly, our balance sheet remains robust, enabling us to continue to drive further growth in the business and maintain our support for the Partnership over time.

Although we are currently seeing steps towards some degree of normality, there remains significant uncertainty for the world ahead.

For this reason, the Board remains satisfied with the decision that it reached in April and we will continue to retain approximately one third of the previously proposed 2019 final dividend until such a time as the financial and economic impacts of COVID-19 become clearer. In addition, as previously announced the Board will make one decision on the 2020 dividend in February 2021, when we believe we will be in a stronger position to assess the impact that COVID-19 has had on our business.

We are mindful of the importance of cash returns to shareholders and will continue to balance this with the need to ensure the business is protected even in extreme circumstances.

Clients

The first half of 2020 has been another period where the value of trusted, personal, long-term financial advice has been demonstrated as individuals sought to navigate complex, volatile and unchartered waters.

The recent crisis has demonstrated the value our clients get from having a personal financial plan. Financial advice transforms lives by helping people build well-diversified portfolios to achieve their long-term goals, and also delivers wider benefits such as responsible investing, inheritance planning and even the discovery of missing pension pots and unused tax allowances.

We are delighted that more than 760,000 clients have now entrusted St. James's Place to help them plan and manage their long-term financial affairs, and hope that they are finding reassurance in their relationships with our advisers and the broader St. James's Place business in these difficult times.

Awards

I am pleased to report that St James's Place has once again received numerous awards. A particular highlight was being voted the City of London Awards 2020 Wealth Management Company of the Year. We have now received this award in eight out of the last nine years and I would like to thank our clients who voted for us.

Investment markets and investment management approach

We have witnessed the most extraordinary period for markets in the first six months of 2020, as the global pandemic brought economies and societies to a halt. The first quarter was the worst for the S&P 500 since the global financial crisis, and for the FTSE 100, since 1987. Then, as central banks and governments pumped in support, the second quarter saw US equities post their best return for over 20 years. At the mid-year point, the S&P 500 was down around 4% year to date, however the FTSE 100 was 18% lower, while the MSCI World registered a fall of 6%. Our portfolios recovered strongly in the second quarter, but registered negative returns over the first six months.

In February, we appointed Somerset Capital Management as the new manager of our Global Emerging Markets fund and more recently we appointed Pzena Investment Management, Sanders Capital and Artisan Partners, to manage our Global Value fund. We look forward to working with all of our new managers.

The end of the period saw us publish our first quarterly Portfolio Carbon Emissions Report. This is an important step to further embed responsible investing in our investment management approach, and towards our goal of helping our clients achieve financial wellbeing in a world worth living in. The report compares the carbon footprint of our portfolios with their equivalent benchmarks. We believe it is a significant step forward in providing our clients with greater insight into their investments. In line with this goal of greater transparency, in July we also published our first Value Assessment Statement, a detailed review of the value offered by our range of unit trust funds.

Partnership

Sensitive to the fact that the first half of the year will have been a challenging external environment for many financial advice businesses across the UK, we took the deliberate step of slowing the pace of our experienced recruitment activity during the height of the crisis. This more modest external recruitment, together with the contribution to headcount from our Academy programmes, has resulted in the Partnership growing by 1.2% since 31 December 2019 to 4,324 advisers.

The merits of joining the Partnership stand clearer than ever given the support we are able to provide to our advisers in all respects, helping them to advise clients and build successful businesses within their local communities. As such, we remain confident in our ability to attract new advisers to the Partnership over time.

Our Academy programmes go from strength to strength and we have adapted well to the changing environment with existing cohorts of Academy 'students' having transitioned to virtual study, training and assessment during lockdown. We have postponed new intakes for the time being as we focus attention on ensuring the successful development of existing cohorts, but we will be resuming new enrolment in the second half of the year.

Therefore, we now expect to graduate around 165 advisers into the Partnership for 2020 and the total number of new Academy students into our programmes for the year is likely to be lower than previously targeted.

The first half has also seen good progress in our collaboration with Salesforce as we begin to roll out new technological capabilities across the Partnership. Combined with our Bluedoor back-office administration system, we are building a leading, scalable technology infrastructure. This will help us drive operational excellence and better support our advisers in delivering service to clients.

Investment for the future

We remain committed to investing for the future, building scale that will enable us to continue serving clients, the Partnership and our communities well. In addition to investing in our core operations and infrastructure, we are broadening our business, both in terms of geography and client proposition.

Asia

Net investment in Asia during the first half of the year was higher than the prior year reflecting the more difficult external environment. We are encouraged though by new business activity where gross inflows were some 22% higher year-on-year, contributing to funds under management reaching the milestone of £1.0 billion at 30 June 2020, up some 7% year-to-date.

During the first half of 2020, the focus of the business has been on delivering gains in adviser efficiency and developing the evolution of multi-adviser practices, in addition to ensuring the business has been able to adapt as well as possible to remote working practices as necessary.

Looking ahead to the remainder of the year, the business will continue to focus more on developing existing advisers, as well as explore opportunities to evolve our fund range and our high net worth proposition in our chosen markets.

Rowan Dartington (RD)

Net investment in RD in the first half of the year was a little higher than the prior year, reflecting a more challenging revenue environment for the business.

Gross new business was £213 million, 27% lower than in the first half of 2019, and funds under management closed some 7% lower at £2.6 billion due to the negative impact of investment market movements. Importantly, we have continued to see good fund retention of client investments as St. James's Place advisers and RD investment executives ensure the delivery of strong service levels amidst an uncertain external environment.

The first half has also seen progress in the development of RD's proposition with a highlight being the launch of a new Responsible Investing proposition focused on providing clients the opportunity to invest with an environmental, social and governance (ESG) focus via RD's discretionary managed portfolios. Recognising its growing importance to clients, we will continue to build on this ESG proposition going forward.

Back office infrastructure

Having successfully completed the build and subsequent migrations associated with our Bluedoor back-office administration platform in 2019, our focus this year has been on safely and carefully decommissioning legacy systems. We have made very good progress on this front and are nearing completion of this key milestone.

The project of building and integrating Bluedoor no doubt presented us with significant complexities and challenges over time, but our new systems have provided us with a great deal of operational resilience that has tangibly benefited our business in these most testing of times.

Our community

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

On behalf of the Board and shareholders I would like to thank the entire St. James's Place community for their continued hard work, dedication and commitment.

It is also important in such challenging times that we remember the hundreds of individuals and small businesses with whom we have a relationship, including the charities that rely upon our support. I am pleased with how the Group, our Charitable Foundation, and our community have responded through their generosity of both time and money.

It is at times like these that the value of coming together as a community is most evident.

Outlook

As the population at large recovers from more than four months of lockdown we anticipate a period of recuperation for the UK. Nonetheless, from what we have experienced so far in July, we still expect new business flows for the third quarter to be similar or slightly lower in terms of value to the level of flows recorded for the second quarter.

We are then hopeful that, as the country returns from the summer break refreshed and ready for a return to the office, and supported by the high levels of client service provided by the Partnership since lockdown, we will see momentum build through the final quarter.

Overall then, 2020 is set to be another year of major net inflows as our business model proves resilient in a really difficult period. We are more confident than ever that we will deliver growth over the longer term given the strengths of St. James's Place and the dynamics of our market.

Andrew Croft
Chief Executive
27 July 2020

COVID-19 UPDATE

Introduction

The COVID-19 crisis has had a profound impact on all our lives, with social distancing and other Government imposed measures resulting in real changes to our normal routines. The pace of the change too has been incredible, and we have all had to adapt rapidly, developing new habits and practices in short order.

Key to our ability to react quickly has been the investment we have made over time in our technology systems, including our back-office administration system – Bluedoor. The first half of 2020 has demonstrated the real benefit to our core UK business being fully on this system, which provides further operational resilience, not least through greater use of electronic business processing and enhanced self-service administrative functionality available for Partner businesses.

We have learned from past experience that, during times of great uncertainty and volatility, it is critical to communicate quickly, frequently and effectively with all stakeholders. This has meant that we have placed real focus on increasing the pace of our Partner, client and employee facing communications, making greater use of digital channels including webinars, video conferencing and social media, to provide relevant, valuable information at an uncertain and difficult time. We have also sought to provide greater clarity for shareholders through the publication of additional monthly new business updates for both April and May 2020, while we have frequently engaged with our regulators and other interested bodies to maintain good, open communication channels.

Today, our business continues to operate remotely, with the large majority of staff and the Partnership still making use of virtual technology to engage with colleagues and clients, but we have begun to slowly and carefully reopen our offices while ensuring we heed the latest Government guidance on such matters.

While we are proud that our business has adapted so well to this new environment, the challenges of the COVID-19 crisis have undoubtedly had some impact across our business. We know, for example, that while our advisers have smoothly transitioned to servicing clients remotely, it is more difficult for them to establish strong, trusted relationships with prospective clients in this way. We know too that, although the Partner proposition looks more attractive than ever, recruitment activity has moderated and we have also paused new intakes into our Academies. The impact of the COVID-19 crisis extends to our financials where the sharp lurch downwards in investment markets worldwide, negatively impacted the value of our funds under management, whilst also compounding a more uncertain new business environment.

Below we provide additional colour around some of the ways in which we have adapted and adjusted our business in light of the COVID-19 crisis.

Our employees

The safety of our employees is paramount, so we have made significant effort to make sure we look after their wellbeing, focusing not on just their physical but also their emotional, social and financial wellbeing. We have therefore implemented several support initiatives, ranging from providing all staff and their families with access to a virtual GP 24/7, through to ensuring our Mental Health First Aiders are equipped to support our employees as required. Emotional engagement and connectedness is critical so we have encouraged and facilitated more frequent communication within our employee community.

Having moved rapidly to remote working practices, employees have been able to continue to work effectively and safely, supporting the Partnership and clients during this critical time.

The Partnership

Our advisers have reacted with remarkable agility to ensure that they have been able to engage with clients despite the challenges presented by social distancing measures. This has meant making greater use of existing technologies already within our ecosystem, while we have also accelerated the rollout of new and complementary innovations to support advisers and their clients. This includes new, secure messaging tools, digital data capture systems, and virtual verification processes.

The Partnership remains focused on providing support and advice to clients, driving positive outcomes and experiences. This will continue to underpin strong client retention and build value for all stakeholders. In turn, we therefore remain more committed than ever to supporting the Partnership.

The Academy and other recruitment activity
Our Academy operations have moved to online programme delivery and we are continuing to work closely with the Chartered Insurance Institute to ensure that participants have access to professional examination sittings as necessary. We have though deferred new entrants but will resume accepting new cohorts later in the year.

The pace of experienced recruitment activity has been impacted in the first half for two reasons: first, we decided that it was right to moderate our outbound activity at the height of the crisis given the difficulties many experienced financial advisers will have been facing; second, social distancing restrictions will naturally have had some constraint on the ability to attract new joiners to the Partnership. We have though adapted some of our recruitment practices, including the launch of a virtual insights session for prospective recruits, as well as introducing an online Introduction to Wealth Management, which is an accreditation course for new joiners to the Partnership.

Clients
Across the UK and in Asia, our entire community of Partners, advisers and support staff have transitioned smoothly from routinely engaging in face-to-face relationships to those that can be conducted remotely, with the use of technology and a wide range of support services provided by the Group.

We know that our clients draw great comfort from their relationships with their trusted adviser, particularly in more difficult times, so we have encouraged and supported advisers in their focusing on engaging with clients to provide much needed service and counsel.

Social Value
It is important that during these times, we continue to remember the hundreds of individuals and small businesses with whom we have a relationship, including the charities that rely upon our support. The St. James’s Place Charitable Foundation has acted to help and support the many charities with which it has an association, providing funding and other forms of support as required.

We have also extended our support to those who have played such an important role in helping the response to COVID-19, raising via the St. James’s Place Charitable Foundation in excess of £550,000 across the St. James’s Place community to donate to the National Emergencies Trust and NHS Charities Together.

This fundraising supplements the existing donation of £200,000 by the Charitable Foundation to the National Emergencies Trust and a donation of £50,000 to the Trussell Trust network of food banks, which we have also supported through a £100,000 corporate donation.

Of equal importance to providing financial support, is providing the time and effort of our people, so during these unprecedented times the Company has allowed all employees unlimited volunteering days. We are very proud to have seen colleagues donate their time in support of their communities.

CHIEF FINANCIAL OFFICER'S REPORT

As already stated in the Chief Executive's Report, the six months to 30 June 2020 was a challenging period with the escalation of the COVID-19 pandemic precipitating substantial investment market falls in February and March, although markets subsequently recovered some of the lost ground. Such market falls, along with the operational changes we effected to enable the business to adapt quickly to remote working, have a number of impacts on our IFRS Financial Statements, and further information about this can be found below and throughout the Financial Review.

Despite the many challenges we faced, the partial recovery in investment markets means that our revenue, which is largely driven by the value of our funds under management (FUM), has been resilient. Our new business performance has also proved robust, with the Partnership attracting gross inflows of £7.3 billion (six months to 30 June 2019: £7.4 billion, year to 31 December 2019: £15.1 billion) and net inflows of £4.5 billion (six months to 30 June 2019: £4.4 billion, year to 31 December 2019: £9.0 billion).

Our financial results are presented in more detail on pages 23 to 42 of the Financial Review, but we provide below a summary of financial performance on a statutory IFRS basis, as well as our chosen alternative performance measures (APMs). We also summarise key developments from a balance sheet perspective and provide shareholders with an overview of capital, solvency and liquidity.

Financial results

IFRS

IFRS profit after tax was £178.1 million for the period (six months to 30 June 2019: £45.8 million, year to 31 December 2019: £146.6 million). This result has benefited from significant temporary but favourable effects linked to life insurance tax that have arisen as a result of movements in investment markets. We expect this benefit to unwind over time. Further detail on this effect, which we refer to as the impact of policyholder tax asymmetry, is included in the Financial Review on page 24.

To address the challenge of policyholder tax being included in the IFRS results we focus on IFRS profit before shareholder tax as our pre-tax measure. However, for the six months to 30 June 2020 this metric is also distorted by the temporary impact of policyholder tax asymmetry referred to above. Therefore on this basis the result was significantly higher at £221.9 million for the period (six months to 30 June 2019: £57.3 million, year to 31 December 2019: £187.1 million).

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

Cash result

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

During the period, the **net income from funds under management** was £218.9 million (six months to 30 June 2019: £199.8 million, year to 31 December 2019: £424.9 million). This represented a margin on average 'mature' FUM within our range of guidance for the full year. It is only mature FUM that contributes to this net income figure and this mature stock of FUM at any given time substantially comprises all unit trust and ISA business, as well as life and pensions business written more than six years ago. The development of mature FUM year-on-year is dependent on four principal factors:

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

Growth in gestation FUM has been more rapid than growth in mature FUM in recent years, mainly due to the strength of new pensions business. While this therefore constrains growth in net income from funds under management today, it bodes well for the future as gestation FUM matures and begins making a positive contribution. At 30 June 2020, the balance of gestation FUM stood at £39.4 billion (30 June 2019: £38.1 billion, 31 December 2019: £40.2 billion). Once this current stock of gestation FUM has all matured, it will (assuming no market movements or withdrawals) contribute in excess of £349.0 million per annum to **net income from funds under management** and hence to the Underlying cash result.

St. James's Place also generates a **margin arising from new business** where initial product charges exceed new business-related expenses. The reduction in margin arising from new business, from £61.8 million in the six months to 30 June 2019 to £58.2 million in the six months to 30 June 2020, largely reflects the decline in gross flows over the period.

Establishment expenses in the period were £98.6 million (six months to 30 June 2019: £90.9 million, year to 31 December 2019: £186.2 million), up 8% from the prior period and modestly ahead of guidance, reflecting management actions taken as the external environment deteriorated during the period. Management will continue to take a disciplined approach to expense management, deferring or delaying expenditure where possible and where long-term growth and our ability to respond to the ongoing challenges presented by COVID-19 will not be compromised.

Operational development costs were £14.1 million (six months to 30 June 2019: £8.9 million, year to 31 December 2019: £22.3 million) reflecting a period of considerable investment in the business, laying the foundations for long-term growth. This included developing our collaboration with Salesforce as previously announced. In addition, we accelerated the development of certain projects and technologies to ensure the Group and the Partnership were able to adapt effectively to the remote working environment. For example, we invested in providing seamless electronic data capture systems, electronic signature capability, and in digital platforms to enable safe and secure virtual interactions between the Partnership and clients. These investments will benefit the business in both the short and long-term. It is worth noting that we are also mindful of increasing cyber risk so continue to take appropriate action to mitigate such risks.

Our contribution to the **FSCS levy** increased substantially, and disappointingly, during the period to £27.8 million, up from £16.1 million for the six months to 30 June 2019 and £22.3 million for the year to 31 December 2019. This reflected a significantly increased rate of levy, over and above the 15% increase we expected at the beginning of the year, and our growing proportion of the FSCS funding sectors in which we operate.

Reflecting their critical role in providing a source of future organic growth in our adviser population, we continue to invest into building our **Academy** programmes in order to accommodate additional capacity with greater geographic reach. Academy operations adapted well to COVID-19, with the programme being delivered online for existing participants. However, given the uncertainty and logistical challenges, we deferred new entrants into the programmes from March onwards, which has resulted in Academy costs being broadly flat period-on-period.

We have also further invested in developing our presence in Asia, as well as in discretionary fund management via Rowan Dartington both in the UK and overseas. Both of these businesses have been adversely impacted by the market falls triggered by COVID-19 and the consequent impact on revenues. Our investment for the future also extends to our strategic development costs, with one such example being the costs associated with reconfiguring more than 2,500 Partner websites during the first half of 2020.

The **Underlying cash result**, which is a key metric that provides a good indicator of underlying performance and the impact of our investment programmes, was £114.4 million (six months to 30 June 2019: £125.1 million, year to 31 December 2019: £273.1 million).

Recognised below the Underlying cash result, our **back-office infrastructure** activity has been a critical multi-year project. Last year, the final smooth migration of business was completed which means that all of our core UK business is now administered on the Bluedoor platform. We continue to incur decommissioning expenses relating to our legacy systems, and so our back-office infrastructure costs were £6.5 million for the period (six months to 30 June 2019: £22.0 million, year to 31 December 2019: £38.8 million). As previously guided, we expect these costs to be up to £10.0 million for the full year, after which point back-office infrastructure costs will cease.

Also recognised below the Underlying cash result is the **variance**. This reflects non-recurring items, which are typically small. However, included within this figure in the first half is the significant benefit from exceptional utilisation of tax relief from capital losses during the period. This tax variance is expected to reverse in the second half of the year so we have presented the 'excess' benefit below the Underlying cash result. Further detail explaining this can be found in the Financial Review on page 32.

The **Cash result** for the period was therefore £124.7 million (six months to 30 June 2019: £99.6 million, year to 31 December 2019: £229.4 million).

EEV

The **EEV operating profit** is sensitive to new business written within the period and the 2% reduction in gross flows period-on-period is the main factor behind a reduced EEV operating profit of £418.7 million (six months to 30 June 2019: £465.7 million, year to 31 December 2019: £952.0 million). The result was also impacted by reductions in regular contribution levels by some pension clients.

The **EEV profit before tax** for the period has been significantly impacted by the negative **investment return variance** of £329.7 million. This negative return reflects reduced market values across our funds under management as markets weakened sharply during the period. This is in contrast to the £612.9 million positive impact for the prior period, which reflected market gains in the first six months of 2019.

Key financial position developments

The shareholder, or Solvency II Net Assets Balance Sheet, is one that is derived from the statutory IFRS Condensed Consolidated Statement of Financial Position and a reconciliation between the two can be found on page 33 of the Financial Review. There are several areas that are worthy of note.

Movements in business loans to Partners

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

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

	30 June 2020	30 June 2019	31 December 2019
Aggregate LTV across the total Partner lending book	35%	33%	32%
Proportion of the book where LTV is over 75%	22%	16%	15%
Net exposure to loans where LTV is over 100% (£'Million)	13.7	14.4	9.4

If FUM were to decrease by 10%, the exposure at 30 June 2020 would increase to £18.2 million.

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

During the period we have continued to facilitate business loans to Partners. As a result the balance has increased by 5% from £476.5 million at 31 December 2019 to £498.9 million at 30 June 2020. The majority of this increase is in securitised business loans to Partners.

	30 June 2020	30 June 2019	31 December 2019
	£'Million	£'Million	£'Million
Total business loans to Partners	**498.9**	464.5	476.5
Split by funding type:			
Business loans to Partners directly funded by the Group	325.0	328.4	316.0
Securitised business loans to Partners	173.9	136.1	160.5

Movements in borrowings

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

	30 June 2020	30 June 2019	31 December 2019
	£'Million	£'Million	£'Million
Total borrowing	**435.8**	451.2	403.7
Split by borrowing type:			
Senior unsecured corporate borrowings	306.7	353.4	287.1
Senior tranche of non-recourse securitisation loan notes	129.1	97.8	116.6

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

Solvency, capital and liquidity

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

Given the simplicity of our business model, our approach to managing solvency remains to hold assets to match client unit-linked liabilities plus a Management Solvency Buffer (MSB). At 30 June 2020 we held surplus assets over the MSB of £661.2 million (30 June 2019: £534.0 million, 31 December 2019: £580.6 million). We also ensure that our approach meets with the requirements of the Solvency II regime where we have an approach, agreed with the Prudential Regulatory Authority (PRA) since 2017, for our largest insurance company, the UK Life company, that targets capital equal to 110% of the standard formula requirement. This is a prudent and sustainable policy given the risk profile of our business which is largely operational.

At 30 June 2020, the solvency ratio for our Life businesses was 124%. Whilst it appears that this solvency ratio has strengthened significantly from 115% at 30 June 2019 and 112% at 31 December 2019, the ratio at 30 June 2020 benefits from two temporary effects arising from the particularly sharp investment market falls during the period:

- a 6% positive effect of the equity dampener depressing the market risk capital component; and
- a 3% positive impact from policyholder tax asymmetry, which benefits our own funds and hence solvency ratio in the same way as it benefits our IFRS result. For further details, refer to page 24.

Excluding these temporary effects which will unwind as markets improve, the solvency ratio for our Life businesses was 115%, which is closely aligned with prior periods.

These effects are not normally significant, as the following table demonstrates.

	30 June 2020	30 June 2019	31 December 2019
Underlying solvency ratio for our Life businesses	**115%**	**114%**	**112%**
Effect of the equity dampener	6%	1%	-
Impact of policyholder tax asymmetry	3%	-	-
Solvency ratio for our Life businesses	**124%**	**115%**	**112%**

Corroborating our prudent approach to managing the balance sheet, the UK Life company has recently received an A+ rating from Fitch Ratings.

Taking into account entities in the rest of the Group, the Group solvency ratio at 30 June 2020 was 140% (30 June 2019 and 31 December 2019: 132%), with the current Group result also reflecting the positive equity dampener and impact of policyholder tax asymmetry effects noted above.

The Group has £1,108.0 million of liquid assets (30 June 2019: £1,454.2 million, 31 December 2019: £1,429.8 million) largely comprising investments in AAA-rated money market funds and cash balances, as demonstrated in the table below. This continues to represent a considerable stock of liquidity and excludes the additional headroom that we have in our borrowing facilities.

	30 June 2020	30 June 2019	31 December 2019
	£'Million	£'Million	£'Million
Fixed interest securities	7.6	5.3	5.2
Investment in Collective Investment Schemes *(AAA-rated money market funds)*	810.5	1,172.4	1,131.8
Cash and cash equivalents	289.9	276.5	292.8
Total liquid assets	**1,108.0**	1,454.2	1,429.8

Dividend and concluding remarks

The Group has delivered a strong set of results delivered in a period characterised by an extraordinary range of trading and operating conditions. Although we are currently seeing steps towards some degree of normality, there remains significant uncertainty for the world ahead.

For this reason, the Board remains satisfied with the decision that it reached in April and we will continue to retain approximately one third of the previously proposed 2019 final dividend until such a time as the financial and economic impacts of COVID-19 become clearer. In addition, the Board will make one decision on the 2020 dividend in February 2021, when we believe we will be in a stronger position to assess the impact that COVID-19 has had on our business.

We are mindful of the importance of cash returns to shareholders and will continue to balance this with the need to ensure the business is protected even in extreme circumstances.

Craig Gentle
Chief Financial Officer
27 July 2020

Key financial information

	Page reference	**Six months ended 30 June 2020**	Six months ended 30 June 2019	Year ended 31 December 2019
FUM-based metrics				
Gross inflows (£'Billion)	20	7.3	7.4	15.1
Net inflows (£'Billion)	20	4.5	4.4	9.0
Total FUM (£'Billion)	20	115.7	109.3	117.0
Total FUM in gestation (£'Billion)	22	39.4	38.1	40.2
IFRS-based metrics				
IFRS profit after tax (£'Million)	24	178.1	45.8	146.6
IFRS profit before shareholder tax (£'Million)	24	221.9	57.3	187.1
Underlying profit before shareholder tax (£'Million)	25	236.3	81.5	218.9
IFRS basic earnings per share (EPS) (Pence)	84	33.4	8.7	27.6
IFRS diluted EPS (Pence)	84	33.0	8.5	27.5
IFRS net asset value per share (Pence)		189.9	175.0	177.1
Dividend per share (Pence)		-	18.49	38.49
Cash result-based metrics				
Operating cash result (£'Million)	28	134.7	140.1	310.7
Underlying cash result (£'Million)	28	114.4	125.1	273.1
Cash result (£'Million)	28	124.7	99.6	229.4
Underlying cash result basic EPS (Pence)		21.4	23.7	51.4
Underlying cash result diluted EPS (Pence)		21.2	23.2	51.1
EEV-based metrics				
EEV operating profit (£'Million)	37	418.7	465.7	952.0
EEV operating profit after tax basic EPS (Pence)		62.9	73.2	148.8
EEV operating profit after tax diluted EPS (Pence)		62.3	71.6	148.0
EEV net asset value per share (Pence)	42	1,277.8	1,245.1	1,320.1
Solvency-based metrics				
Solvency II net assets (£'Million)	43	1,135.1	1,039.9	1,056.8
Management solvency buffer (£'Million)	43	473.9	505.9	476.2
Solvency II free assets (£'Million)	44	1,159.4	941.0	999.0
Solvency ratio (Percentage)	44	140	132	132

The Cash result should not be confused with the IFRS Condensed Consolidated Statement of Cash Flows which is prepared in accordance with IAS 7.

FINANCIAL REVIEW

This Financial Review provides analysis of the Group's financial position and performance. The Review is split into the following sections:

Section 1: Funds under Management (FUM)
1.1 FUM analysis
1.2 Gestation

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

Find out more on pages 20 to 22.

Section 2: Performance measurement
2.1 International Financial Reporting Standards (IFRS)
2.2 Cash result
2.3 European Embedded Value (EEV)

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

Find out more on pages 23 to 42.

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

Find out more on pages 43 and 44.

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

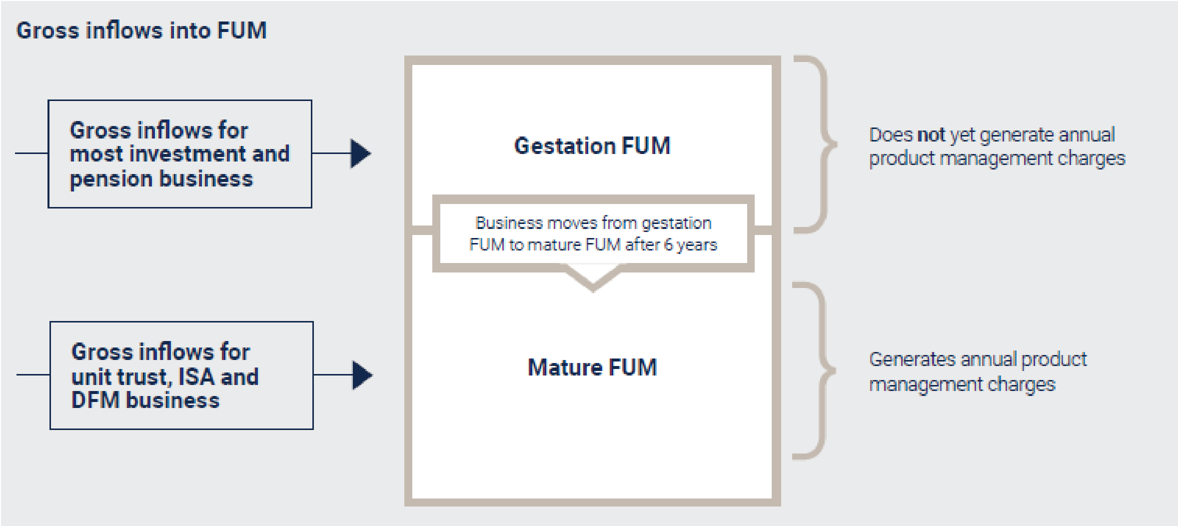
- advice charges for the provision of valuable, face-to-face advice; and
- product charges for our manufactured investment, pension and ISA/unit trust products.

A breakdown of our fee and commission income, our primary source of revenue under IFRS, is set out in Note 4 on page 59.

Most of the initial and ongoing advice charges received are offset by corresponding remuneration for Partners, and so an increase in these revenue streams will correspond with an increase in the associated expense, and vice versa. This means that advice charges are not a major driver of the Group's profitability.

Neither are initial product charges, which are levied when a client first invests into one of our products. Under IFRS initial product charges are spread over the expected life of the investment through deferred income (DIR – see pages 25 and 26 for further detail), and the contribution to the IFRS result from spreading these historic charges can be seen in Note 4 as amortisation of DIR. Initial product charges contribute immediately to our Cash result through margin arising on new business.

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



Our income is used to meet overheads, the ongoing product expenses and to invest in the business. Overhead expenditure is carefully managed with clear targets set for growth in the core costs of running the Group's infrastructure, which are known as 'establishment expenses'. Other ongoing expenses, including payments to Partners, increase with business levels and are aligned with product charges. The Group is investing to support long-term growth through St. James's Place Asia, Rowan Dartington, our back-office infrastructure programme, and other strategic initiatives.

Related Party Transactions

The related party transactions during the six-month period to 30 June 2020 are set out in Note 15 to the Condensed Consolidated Half-Year Financial Statements.

SECTION 1: FUNDS UNDER MANAGEMENT

1.1 FUM analysis

Our financial business model is to attract and retain FUM on which we receive an annual management fee. As a result, the level of income we receive is ultimately dependent on the value of our FUM, and so its growth is a clear driver of future growth in profits. The key drivers for FUM are:

- our ability to attract new funds in the form of gross inflows;
- our ability to retain FUM by keeping unplanned withdrawals at a low level; and
- net investment returns.

The following table shows how FUM evolved during the six months to 30 June 2020 and 30 June 2019, and the year to 31 December 2019. Investment return is presented net of charges.

	Six months ended 30 June 2020					
	Investment	**Pension**	**UT/ISA and DFM**	**Total**	**30 June 2019**	**31 December 2019**
	£'Billion	**£'Billion**	**£'Billion**	**£'Billion**	**£'Billion**	**£'Billion**
Opening FUM	31.22	52.84	32.93	116.99	95.55	95.55
Gross inflows	0.93	4.11	2.22	7.26	7.38	15.10
Net investment return	(1.53)	(2.32)	(1.98)	(5.83)	9.33	12.45
Regular income withdrawals and maturities	(0.13)	(0.59)	-	(0.72)	(0.90)	(1.89)
Surrenders and part surrenders	(0.61)	(0.52)	(0.89)	(2.02)	(2.04)	(4.22)
Closing FUM	**29.88**	**53.52**	**32.28**	**115.68**	109.32	116.99
Net inflows	0.19	3.00	1.33	4.52	4.44	8.99
Implied surrender rate as a percentage of average FUM	4.0%	2.0%	5.5%	3.5%	4.0%	4.0%

Included in the above table is Rowan Dartington Group and SJP Asia FUM of £3.60 billion at 30 June 2020 (30 June 2019: £3.42 billion, 31 December 2019: £3.74 billion), gross inflows of £0.36 billion for the period (six months to 30 June 2019: £0.41 billion, year to 31 December 2019: £0.77 billion) and outflows of £0.12 billion (six months to 30 June 2019: £0.09 billion, year to 31 December 2019: £0.19 billion).

The following table shows the robust growth in net inflows over the past six years, which combined with strong retention has resulted in consistent growth in FUM. FUM has more than doubled over the last five years:

	Opening FUM	**Net inflows**	**Investment return**	**Other movements[1]**	**Closing FUM**
	£'Billion	**£'Billion**	**£'Billion**	**£'Billion**	**£'Billion**
30 June 2020	117.0	4.5	(5.8)	-	115.7
30 December 2019	95.6	9.0	12.4	-	117.0
31 December 2018	90.7	10.3	(5.4)	-	95.6
31 December 2017	75.3	9.5	6.2	(0.3)	90.7
31 December 2016	58.6	6.8	8.7	1.2	75.3
31 December 2015	52.0	5.8	0.8	-	58.6

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

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

	30 June 2020		30 June 2019		31 December 2019	
	£'Billion	**%**	£'Billion	%	£'Billion	%
North American Equities	25.0	22%	23.3	21%	25.1	21%
Fixed Income Securities	20.6	18%	19.6	18%	20.9	18%
UK Equities	17.3	15%	19.0	17%	20.2	17%
Asia and Pacific Equities	14.9	13%	12.6	12%	13.6	12%
European Equities	13.4	11%	12.6	12%	13.8	12%
Alternative Investments	9.9	9%	8.7	8%	9.5	8%
Cash	8.9	8%	7.0	6%	7.5	6%
Property	2.8	2%	3.0	3%	2.9	3%
Other	2.9	2%	3.5	3%	3.5	3%
Total	**115.7**	**100%**	109.3	100%	117.0	100%

1.2 Gestation

Due to our product structure, at any given time there is a significant amount of FUM that has not yet started to contribute to the Cash result.

When we attract new FUM there is a margin arising on new business that emerges at the point of investment, which is a surplus of income over and above the initial costs incurred at the outset. Within our Cash result presentation this is recognised as it arises, but it is deferred under IFRS.

Once the margin arising on new business has been recognised the pattern of future emergence of cash from ongoing annual product management charges differs by product. Broadly, annual product management charges from unit trust and ISA business begin contributing positively to the Cash result from day one, whilst investment and pensions business enter a six-year gestation period during which no net income from FUM is included in the Cash result. Once this business has reached its six-year maturity point, it starts contributing positively to the Cash result, and will continue to do so in each year that it remains with the Group. Approximately 54% of gross inflows for 2020 to date, after initial charges, move into gestation FUM (six months to 30 June 2019: 55%, year to 31 December 2019: 56%).

The following table shows an analysis of FUM, after initial charges, split between mature FUM that is contributing net income to the Cash result and FUM in gestation which is not yet contributing, as at 30 June 2020 as well as at the year-end for the past five years. The value of both mature and gestation FUM is impacted by investment return as well as net inflows:

Position as at:	Mature FUM contributing to the Cash result £'Billion	Gestation FUM that will contribute to the Cash result in the future £'Billion	Total FUM £'Billion
30 June 2020	76.3	39.4	115.7
30 December 2019	76.8	40.2	117.0
31 December 2018	62.1	33.5	95.6
31 December 2017	60.1	30.6	90.7
31 December 2016	50.2	25.1	75.3
31 December 2015	39.4	19.2	58.6

The following table gives an indication, for illustrative purposes, of the way in which the reduction in fees in the gestation period element of the Cash result could unwind, and so how the gestation balance of £39.4 billion at 30 June 2020 may start to contribute to the Cash result over the next six years and beyond. For simplicity it assumes that FUM values remain unchanged, that there are no surrenders, and that business is written at the start of the year. Actual cash emergence will reflect varying business mix of the relevant cohort and business experience.

	Gestation FUM future contribution to the Cash result £'Million
2020	16.8
2021	57.3
2022	105.6
2023	168.3
2024	244.5
2025	314.9
2026 onwards	349.0

SECTION 2: PERFORMANCE MEASUREMENT

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

- Our IFRS Condensed Consolidated Statement of Comprehensive Income includes policyholder tax balances, which we are required to recognise as part of our corporation tax arrangements. This means that our Group IFRS profit before tax includes amounts charged to clients to meet policyholder tax expenses, which are unrelated to the underlying performance of our business; and

- Our policy is to fully match our liabilities to clients, and so policyholder liabilities increase or decrease to match increases or decreases experienced on the assets held to cover them. This means that shareholders are not exposed to any gains or losses on the £113.5 billion of policyholder assets and liabilities recognised in our IFRS Condensed Consolidated Statement of Financial Position, which represented over 97% of our IFRS total assets and liabilities at 30 June 2020.

To address this, we have developed APMs with the objective of stripping out the policyholder element to present solely shareholder impacting balances, as well as removing items such as deferred acquisition costs and deferred income to reflect Solvency II recognition requirements and to better match the way in which cash emerges from the business. We therefore present our financial performance and position under three different bases, using a range of APMs to supplement our IFRS reporting. The three different bases, which are consistent with those presented last year, are:

- International Financial Reporting Standards (IFRS);
- Cash result; and
- European Embedded Value (EEV).

APMs are not defined by the relevant financial reporting framework (which for the Group is IFRS), but we use them to provide greater insight into the financial performance, financial position and cash flows of the Group, and the way it is managed. A complete Glossary of Alternative Performance Measures is set out on pages 98 to 101, in which we define each APM used in our Financial Review, explain why it is used and, if applicable, explain how the measure can be reconciled to the IFRS Financial Statements.

2.1 International Financial Reporting Standards (IFRS)

IFRS profit after tax was £178.1 million for the period (six months to 30 June 2019: £45.8 million, year to 31 December 2019: £146.6 million), with the result significantly higher period-on-period primarily due to the impact of an exceptional life insurance tax-related effect arising from the market conditions that prevailed in the first half of 2020.

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

Under normal conditions this asymmetry is small, but market conditions have resulted in a positive movement of £98.3 million for the six months to 30 June 2020 (six months to 30 June 2019: negative movement of £7.7 million, year to 31 December 2019: negative movement of £10.0 million), which increases both IFRS profit after tax and IFRS profit before shareholder tax. Ultimately the effect will be eliminated from the Condensed Consolidated Statement of Financial Position, and so it is temporary and we expect it will reverse as markets increase.

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

- Profit before shareholder tax; and
- Underlying profit.

Further information on these IFRS-based measures is set out below, on pages 24 to 26.

Profit before shareholder tax

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

The following table demonstrates the way in which profit before shareholder tax is presented in the IFRS Condensed Consolidated Statement of Comprehensive Income on page 48.

	Six months ended 30 June 2020 £'Million	Six months ended 30 June 2019 £'Million	Year ended 31 December 2019 £'Million
IFRS (loss)/profit before tax	**(71.9)**	456.6	708.9
Policyholder tax credit/(charge)	293.8	(399.3)	(521.8)
IFRS profit before shareholder tax	**221.9**	57.3	187.1
Shareholder tax charge	(43.8)	(11.5)	(40.5)
IFRS profit after tax	**178.1**	45.8	146.6

Profit before shareholder tax has increased by more than three times period-on-period. As with the increase in profit after tax, this reflects the impact of policyholder tax asymmetry.

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

Underlying profit

This is profit before shareholder tax (as calculated above) adjusted to remove the impact of accounting for deferred acquisition costs (DAC), deferred income (DIR) and the purchased value of in-force business (PVIF).

IFRS requires certain up-front expenses incurred, and income received, to be deferred. The deferred amounts are initially recognised on the Condensed Consolidated Statement of Financial Position as a DAC asset and DIR liability, which are subsequently amortised to the Condensed Consolidated Statement of Comprehensive Income over a future period. Substantially all of the Group's deferred expenses are amortised over a 14-year period, and substantially all deferred income is amortised over a six-year period.

The impact of accounting for DAC, DIR and PVIF in the IFRS result is that there is a significant accounting timing difference between the emergence of accounting profits and actual cash-flows. For this reason, Underlying profit is considered to be a helpful metric. The following table demonstrates the way in which IFRS profit reconciles to Underlying profit.

	Six months ended 30 June 2020 £'Million	Six months ended 30 June 2019 £'Million	Year ended 31 December 2019 £'Million
IFRS profit before shareholder tax	**221.9**	57.3	187.1
Remove the impact of DAC/DIR/PVIF	14.4	24.2	31.8
Underlying profit before shareholder tax	**236.3**	81.5	218.9

The impact of movements in DAC, DIR and PVIF on IFRS profit before shareholder tax is further analysed as follows. Due to policyholder tax on DIR, the amortisation of DIR and DIR on new business for the period set out below cannot be agreed to those provided in Note 7, which is presented before both policyholder and shareholder tax:

	Six months ended 30 June 2020 £'Million	Six months ended 30 June 2019 £'Million	Year ended 31 December 2019 £'Million
Amortisation of DAC	(46.3)	(47.6)	(96.6)
DAC on new business for the year	14.9	14.1	28.1
Net impact of DAC	**(31.4)**	(33.5)	(68.5)
Amortisation of DIR	80.3	78.9	179.6
DIR on new business for the year	(61.7)	(68.0)	(139.7)
Net impact of DIR	**18.6**	10.9	39.9
Amortisation of PVIF	**(1.6)**	(1.6)	(3.2)
Movement in the period	**(14.4)**	(24.2)	(31.8)

Net impact of DAC

The scale of the £31.4 million negative overall impact of DAC on the IFRS result is largely due to changes arising from the 2013 Retail Distribution Review (RDR). After this change, the level of expenses that qualified for deferral reduced significantly, but the large balance accrued previously is still being amortised. As deferred expenses are amortised over a 14-year period there is a significant transition period, which could last for another five to six years. During this time the amortisation of pre-RDR expenses previously deferred will significantly outweigh new post-RDR expenses deferred, despite significant business growth, resulting in a net negative impact on IFRS profits.

Net impact of DIR

Reduction in new business in the period means income deferred in 2020 is lower than the equivalent period last year. Income released from the deferred income liability has remained largely static. Together, these effects mean that DIR has had a positive £18.6 million impact on the IFRS result in the six months to 30 June 2020 (six months to 30 June 2019: £10.9 million positive, year to 31 December 2019: £39.9 million positive).

2.2 Cash result

The Cash result is used by the Board to assess and monitor the level of cash profit (net of tax) generated by the business. It is based on IFRS with adjustments made to exclude certain non-cash items, such as DAC, DIR, deferred tax and non-cash-settled share option costs. Further details, including the full definition of the Cash result, can be found in the Glossary of Alternative Performance Measures on pages 98 to 101. Although the Cash result should not be confused with the IAS 7 consolidated statement of cash-flows, it provides a helpful supplementary view of the way in which cash is generated and emerges within the Group.

The Cash result reconciles to Underlying profit, as presented in Section 2.1, as follows:

	Six months ended 30 June 2020		Six months ended 30 June 2019		Year ended 31 December 2019	
	Before shareholder tax	**After tax**	Before shareholder tax	After tax	Before shareholder tax	After tax
	£'Million	**£'Million**	£'Million	£'Million	£'Million	£'Million
Underlying profit	**236.3**	**193.1**	81.5	65.7	218.9	172.8
Non-cash-settled share-based payments	3.7	3.7	14.6	14.6	28.7	28.7
Impact of deferred tax	-	23.5	-	8.1	-	10.4
Impact of policyholder tax asymmetry[1]	(98.3)	(98.3)	7.7	7.7	10.0	10.0
Other[1]	4.9	2.7	4.8	3.5	12.8	7.5
Cash result	**146.6**	**124.7**	108.6	99.6	270.4	229.4

1. The impact of policyholder tax asymmetry has been separated from other for the first time for the six months ended 30 June 2020. As a result, other has decreased by £7.7 million and £10.0 million from those amounts disclosed at 30 June 2019 and 31 December 2019 respectively. Further information on the impact of policyholder tax asymmetry can be found on page 24.

The decrease in **non-cash-settled share-based payments** reflects the reduction in expense for adviser share schemes and the impact on employee schemes of the Group's performance during the period.

The most significant **impact of deferred tax** in all periods presented is recognition in the Cash result of the benefit from realising tax relief. This has already been recognised under IFRS, and hence Underlying profit, through the establishment of deferred tax assets. More information can be found in Note 6 on pages 61 to 64.

The **impact of policyholder tax asymmetry** is a temporary effect due to the market losses experienced during the period. For further explanation, refer to page 24.

Other represents a number of other small items, including the difference between the lease expense recognised under IFRS 16 Leases and lease payments made.

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

- **Operating cash result**
  This measure represents the regular emergence of cash from day-to-day business operations.
- **Underlying cash result**
  This measure includes the cost of a number of strategic investments which are being incurred and expensed in the year, but which are expected to create long-term value.
- **Cash result**
  This measure includes the short-term costs associated with the back-office infrastructure project together with other items of a one-off nature.

Consolidated Cash result (presented post-tax)

		Six months ended 30 June 2020			Six months ended 30 June 2019	Year ended 31 December 2019
	Note	In-force	New business	Total	Total	Total
		£'Million	£'Million	£'Million	£'Million	£'Million
Operational						
Net annual management fee	1	380.7	12.7	393.4	368.2	781.2
Reduction in fees in gestation period	1	(174.5)	-	(174.5)	(168.4)	(356.3)
Net income from FUM	1	**206.2**	**12.7**	**218.9**	199.8	424.9
Margin arising from new business	2	-	58.2	58.2	61.8	127.5
Establishment expenses	3	(9.9)	(88.7)	(98.6)	(90.9)	(186.2)
Operational development expenses	3	-	(14.1)	(14.1)	(8.9)	(22.3)
Regulatory fees and FSCS levy	3	(3.2)	(29.1)	(32.3)	(20.4)	(31.2)
Academy	3	-	(4.8)	(4.8)	(5.0)	(10.9)
Shareholder interest	5	5.4	-	5.4	6.4	12.9
Tax relief from capital losses	6	10.0	-	10.0	7.2	10.3
Miscellaneous	7	(8.0)	-	(8.0)	(9.9)	(14.3)
Operating cash result		**200.5**	**(65.8)**	**134.7**	140.1	310.7
Investment						
Asia	8	-	(9.5)	(9.5)	(7.1)	(19.9)
DFM	8	-	(5.2)	(5.2)	(4.6)	(9.8)
Strategic development costs	3	-	(5.6)	(5.6)	(3.3)	(7.9)
Underlying cash result		**200.5**	**(86.1)**	**114.4**	125.1	273.1
Back-office infrastructure development	3			(6.5)	(22.0)	(38.8)
Variance	9			16.8	(3.5)	(4.9)
Cash result				**124.7**	99.6	229.4

Notes to the Cash result

1. Net income from FUM

The **net annual management fee** is the net manufacturing margin that the Group retains from FUM after payment of the associated costs, for example, investment advisory fees and Partner remuneration. Each product has standard fees, but they vary between products. Overall post-tax margin on FUM reflects business mix but also the different tax treatment, particularly Life tax on onshore investment business.

As noted on page 19 however, our investment and pension business product structure means that these products do not generate net Cash result, after the margin arising from new business, during the first six years (the gestation period). This is reflected in the **reduction in fees in gestation period** line. Further information is provided on page 22.

Net income from FUM reflects Cash result income from FUM that has reached maturity and this line is the focus of our explanatory analysis. As with net annual management fees, the average rate can vary between time periods with business mix and tax. For the six months to 30 June 2020 it represented a margin on average mature FUM that was within our range of guidance for the full year of 0.63% - 0.65%.

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

2. Margin arising from new business

This is the net positive Cash result impact of new business in the period, reflecting gross inflows and production related expenses. The driver for this income line is gross inflows and the result is expected to move directionally in line with the pattern of gross inflows attracted, subject to the timing effect associated with an element of new business costs being linked to prior year production levels.

3. Overhead expenses and development expenses

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

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

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

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

	Six months ended 30 June 2020		Six months ended 30 June 2019		Year ended 31 December 2019	
	Before tax	**After tax**	Before tax	After tax	Before tax	After tax
	£'Million	**£'Million**	£'Million	£'Million	£'Million	£'Million
Overhead expenses						
Establishment expenses	121.7	98.6	112.2	90.9	229.9	186.2
Regulatory fees and FSCS levy	39.8	32.3	25.2	20.4	38.5	31.2
Academy	5.9	4.8	6.2	5.0	13.4	10.9
Total overhead expenses	**167.4**	**135.7**	143.6	116.3	281.8	228.3
Development expenses						
Operational development costs	17.4	14.1	11.0	8.9	27.5	22.3
Strategic development costs	6.9	5.6	4.0	3.3	9.8	7.9
Back-office infrastructure costs	8.0	6.5	27.2	22.0	47.9	38.8
Total development expenses	**32.3**	**26.2**	42.2	34.2	85.2	69.0
Total expenses presented separately on the face of the Cash result	**199.7**	**161.9**	185.8	150.5	367.0	297.3

Overhead expenses

Overhead expenses represent the costs of running the Group.

Establishment costs have increased by 8% period-on-period, reflecting the continued growth in the scale of the business.

The costs of operating in a regulated sector include **regulatory fees** and the **Financial Services Compensation Scheme (FSCS) levy**. On a post-tax basis, these are as follows:

	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
	£'Million	£'Million	£'Million
FSCS levy	27.8	16.1	22.3
Regulatory fees	4.5	4.3	8.9
FSCS levy and regulatory fees	**32.3**	20.4	31.2

Our position as a market-leading provider of advice means we make a very substantial contribution to supporting the FSCS, thereby providing protection for clients of other businesses in the sector that fail. Over the last few years the levy has been at an elevated level, which was further exacerbated by the FSCS increasing the levy by more than 20% for the current funding year and the continued relative growth of the Group in the FSCS funding sectors in which we operate.

Academy expenses represent the cost of running our Academy and Next Generation Academy. They have remained largely static in 2020 as a result of new intakes into the programme being deferred following the onset of the coronavirus pandemic, offset by the costs involved with moving delivery of the programme online for those students current enrolled.

Development expenses

Operational development costs have increased in 2020 due to further investment, laying the foundations for long-term growth. This includes developing our collaboration with Salesforce as previously announced. In addition, we enhanced our capability to support the Partnership and enable them to service our clients effectively in a remote working environment.

Strategic development costs continue to increase as result of investment in the business, particularly from the creation of regional hubs to better support our Partner practices and the reconfiguration of 2,500 Partner websites.

Costs associated with our Bluedoor **back-office infrastructure** programme relate to final decommissioning work of the legacy system, following the final successful migration of business in 2019. We expect to spend up to £10.0 million in 2020, after which point this cost will cease.

4. Reconciliation to IFRS expenses

In order to reconcile the overhead and development expenses presented on separate lines in the Cash result to the total IFRS expenses set out in the Condensed Consolidated Statement of Comprehensive Income on page 48, the expenses which vary with business volumes and those which relate to investment in specific areas of the business, both of which are included in the Cash result but are netted against the relevant income lines and so cannot be seen explicitly, and certain IFRS expenses which by definition are not included in the Cash result need to be added in:

	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
	£'Million	£'Million	£'Million
Total expenses presented separately on the face of the Cash result before tax	**199.7**	185.8	367.0
Expenses which vary with business volumes			
Other performance related costs	57.3	61.8	120.4
Payments to Partners	390.6	385.0	814.7
Investment expenses	44.4	41.1	89.8
Third-party administration	61.1	53.4	110.6
Other	20.4	21.9	48.2
Expenses relating to investment in specific areas of the business			
Asia expenses	10.4	9.5	23.4
DFM expenses	14.1	13.0	26.7
Total expenses included in the Cash result	**798.0**	771.5	1,600.8
Expenses which are not included in the Cash result			
Amortisation of DAC and PVIF, net of additions	33.0	35.0	71.7
Non-cash-settled share-based payments expenses	3.7	14.8	28.7
Other	3.0	2.9	6.6
Total IFRS Group expenses before tax	**837.7**	824.2	1,707.8

Expenses which vary with business volumes

Other performance related costs, for both Partners and employees, vary with the level of new business and the operating profit performance of the business. **Payments to Partners, investment expenses** and **third-party administration** costs are met through charges to clients, and so any variation in them from changes in the volumes of new business or the level of the stock markets does not significantly impact Group profitability.

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

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

Expenses relating to investment in specific areas of the business

Asia expenses and **DFM expenses** have both increased during the year as investment is required to support their growth. Such investment will continue going forwards.

Asia and DFM expenses are presented net of the income they generate in the Asia and DFM lines of the Cash result.

Expenses which are not included in the Cash result

DAC amortisation, net of additions, PVIF amortisation and non-cash-settled share-based payment expenses are the primary expenses which are recognised under IFRS but are excluded from the Cash result.

5. Shareholder interest

This is the income accruing on the investments and cash held for regulatory purposes together with the interest received on the surplus capital held by the Group. It is presented net of funding-related expenses, including interest paid on borrowings and securitisation costs.

6. Tax relief from capital losses

In recent years, a deferred tax asset has been established in IFRS for historic capital losses which are regarded as being capable of utilisation over the medium term. The tax asset is ignored for Cash result purposes as it is not fungible, but instead the cash benefit realised when losses are utilised is shown in the **tax relief from capital losses** line.

Utilisation is determined on an annual basis based on the market conditions prevailing at 31 December each year. We expect utilisation for the full year to be in the range of £8 - £10 million, with utilisation then moderating over time. However, half-year reporting requires an assessment based on market conditions at 30 June 2020 and experience over the six-month period. This leads to an exceptional level of utilisation of £28.0 million tax value (six months to 30 June 2019: £7.2 million, year to 31 December 2019: £10.3 million). We do not expect the same circumstances to repeat in the second half of the year, and so we expect a reversal of the ‘excess’ utilisation. We have therefore presented the ‘excess’ of £18.0 million at 30 June 2020, over and above the expected utilisation for the year of c.£10 million tax value, within variances rather than tax relief from capital losses.

7. Miscellaneous

This category represents the cash flow of the business not covered in any of the other categories. It includes ongoing administration expenses and associated policy charges, utilisation of the deferred tax asset in respect of prior years’ unrelieved expenses (due to structural timing differences in the life company tax computation), and movements in the fair value of renewal income assets.

8. Asia and DFM

These lines represent the net income from Asia and DFM FUM, including the Asia and DFM expenses set out in point 4 above. Both of these businesses have seen revenue adversely impacted by the market falls triggered by COVID-19. We are continuing to invest to support their growth hence their contribution to the Cash result is currently a net expense.

9. Variance

This reflects a number of small non-recurring items incurred during the year, and for the six months to 30 June 2020 the ‘excess’ utilisation of tax relief from capital losses of £18.0 million. For further information see point 6 above.

2.2.1 Derivation of the Cash result

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

Stage 1: Solvency II Net Assets Balance Sheet

Firstly, the IFRS Condensed Consolidated Statement of Financial Position is adjusted for a number of material balances that reflect policyholder interests in unit-linked liabilities together with the underlying assets that are held to match them. Secondly, it is adjusted for a number of non-cash 'accounting' balances such as DIR, DAC and associated deferred tax. The result of these adjustments is the Solvency II Net Assets Balance Sheet and the following table shows the way in which it has been calculated at 30 June 2020.

						Solvency II Net Assets Balance Sheet	
30 June 2020		**IFRS Balance Sheet**	**Adjustment 1**	**Adjustment 2**	**Solvency II Net Assets Balance Sheet**	30 June 2019	31 December 2019
	Note	**£'Million**	**£'Million**	**£'Million**	**£'Million**	£'Million	£'Million
Assets							
Goodwill		15.6	-	(15.6)	-	-	-
Deferred acquisition costs		458.6	-	(458.6)	-	-	-
Purchased value of in-force business		19.2	-	(19.2)	-	-	-
Computer software		15.2	-	(15.2)	-	-	-
Property and equipment	1	172.9	-	-	172.9	156.4	166.3
Deferred tax assets	2	109.2	-	(34.5)	74.7	101.3	98.5
Reinsurance assets		95.8	-	(95.8)	-	-	-
Other receivables	3	2,816.7	(1,250.5)	(3.2)	1,563.0	1,414.2	1,391.9
Investment property		1,626.1	(1,626.1)	-	-	-	-
Equities		70,758.6	(70,758.6)	-	-	-	-
Fixed income securities	4	26,372.9	(26,365.3)	-	7.6	5.3	5.2
Investment in Collective Investment Schemes	4	5,891.4	(5,080.9)	-	810.5	1,172.4	1,131.8
Derivative financial instruments		1,228.2	(1,228.2)	-	-	-	-
Cash and cash equivalents	4	7,488.2	(7,198.3)	-	289.9	276.5	292.8
Total assets		**117,068.6**	**(113,507.9)**	**(642.1)**	**2,918.6**	3,126.1	3,086.5
Liabilities							
Borrowings		435.8	-	-	435.8	451.2	403.7
Deferred tax liabilities	2	195.7	-	(4.4)	191.3	371.0	436.2
Insurance contract liabilities		538.8	(438.1)	(100.7)	-	-	-
Deferred income		596.8	-	(596.8)	-	-	-
Other provisions	6	38.6	-	-	38.6	35.1	40.6
Other payables	3	2,160.8	(1,006.8)	(56.1)	1,097.9	1,064.2	1,033.7
Investment contract benefits		82,735.1	(82,735.1)	-	-	-	-
Derivative financial instruments		1,422.0	(1,422.0)	-	-	-	-
Net asset value attributable to unit holders		27,905.9	(27,905.9)	-	-	-	-
Income tax liabilities	7	19.8	-	-	19.8	164.6	115.4
Preference shares		0.1	-	-	0.1	0.1	0.1
Total liabilities		**116,049.4**	**(113,507.9)**	**(758.0)**	**1,783.5**	2,086.2	2,029.7
Net assets		**1,019.2**	**-**	**115.9**	**1,135.1**	1,039.9	1,056.8

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

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

Notes to the Solvency II Net Assets Balance Sheet

1. Property and equipment

Most of the property and equipment balance represents the right to use leased properties. It has increased period-on-period as our office footprint has grown.

2. Deferred tax assets and liabilities

Analysis of deferred tax assets and liabilities, including how they have moved period-on-period, is set out in Note 6 Income and deferred taxes. The most significant movement in the period is the decrease in deferred tax liability associated with impact of stock markets on investments and the resulting policyholder tax credit.

3. Other receivables and other payables

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

Other receivables on the Solvency II Net Assets Balance Sheet have increased from £1,391.9 million at 31 December 2019 to £1,563.0 million at 30 June 2020, principally reflecting an increase in outstanding market trade settlements in the life unit-linked funds and the consolidated unit trusts.

One of the items within other receivables is the operational readiness prepayment asset. This has arisen from the investment we have made into our back-office infrastructure project, which has been a complex, multi-year programme. In addition to expensing our internal project costs through the IFRS Statement of Comprehensive Income and Cash result as incurred, we have been capitalising Bluedoor development costs as a prepayment asset on the Statement of Financial Position. The asset, which stood at £310.8 million at 30 June 2020 (30 June 2019: £273.2 million, 31 December 2019: £299.2 million) has been amortising through the IFRS Statement of Comprehensive Income and the Cash result since 2017 and will continue to do so over the remaining life of the contract, which at 30 June 2020 is eight and a half years. The movement schedule below demonstrates how the operational readiness prepayment has built up since 1 January 2019.

	£'Million
Cost	
At 1 January 2019	268.3
Additions during the period	50.0
At 30 June 2019	318.3
Additions during the period	41.8
At 31 December 2019	**360.1**
Additions during the period	**29.3**
At 30 June 2020	**389.4**
Accumulated amortisation	
At 1 January 2019	(31.9)
Amortisation during the period	(13.2)
At 30 June 2019	(45.1)
Amortisation during the period	(15.8)
At 31 December 2019	**(60.9)**
Amortisation during the period	**(17.7)**
At 30 June 2020	**(78.6)**
Net book value	
At 30 June 2019	273.2
At 31 December 2019	299.2
At 30 June 2020	**310.8**

The amortisation expense is recognised within third-party administration expenses in the IFRS result, and within the net annual management fee and margin arising from new business lines of the Cash result. It is offset by the lower tariff charges on Bluedoor compared to the previous system. The amortisation charge will remain constant year-on-year following the final operational readiness spend, however the tariff saving benefits will grow as the business grows, benefiting both the IFRS and Cash results.

4. Liquidity

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

	30 June 2020	30 June 2019	31 December 2019
	£'Million	£'Million	£'Million
Fixed interest securities	7.6	5.3	5.2
Investment in Collective Investment Schemes *(AAA-rated money market funds)*	810.5	1,172.4	1,131.8
Cash and cash equivalents	289.9	276.5	292.8
Total liquid assets	**1,108.0**	1,454.2	1,429.8

During the period market falls have led to the return of fund tax deductions to the funds, in line with the reduction in the deferred tax liability. Consequently, our investment in Collective Investment Schemes has decreased.

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

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

Our most significant investment in the business in recent years has been the development of Bluedoor, which has had a substantial impact on our liquid assets, and borrowings positions. Since the inception of the project in 2014 we have capitalised £389.4 million of development spend on Bluedoor in our operational readiness prepayment asset. This is in addition to £191.9 million of internal project costs that we have expensed as incurred. The total cash outflow on the project is £581.3 million.

5. Borrowings

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

	30 June 2020	30 June 2019	31 December 2019
	£'Million	£'Million	£'Million
Corporate borrowings: bank loans	193.0	239.6	173.3
Corporate borrowings: loan notes	113.7	113.8	113.8
Senior unsecured corporate borrowings	**306.7**	353.4	287.1
Senior tranche of non-recourse securitisation loan notes	129.1	97.8	116.6
Total borrowings	**435.8**	451.2	403.7

After adjusting for this non-recourse debt, borrowings have increased broadly in line with the scale of the business over time, and we remain comfortable not only with our level of borrowings but also the headroom we have within our range of facilities. Further information is provided in Note 12 Borrowings and financial commitments of the IFRS Financial Statements.

6. Other provisions

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

7. Income tax liabilities

The Group has an income tax liability of £19.8 million at 30 June 2020 compared to £115.4 million at 31 December 2019. This is due to a current tax charge of £26.0 million and tax paid of £121.6 million during the period. Further detail on the current tax charge and tax paid is provided in Note 6 Income and deferred taxes.

Stage 2: Movement in Solvency II Net Assets Balance Sheet

After the Solvency II Net Asset Balance Sheet has been determined, the second stage in the derivation of the Cash result identified a number of movements in that balance sheet which do not represent cash flows for inclusion within the Cash result. The following table explains how the overall Cash result reconciles into the total movement.

	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
	£'Million	£'Million	£'Million
Opening Solvency II Net Assets	**1,056.8**	1,108.0	1,108.0
Dividend paid in period	(107.1)	(157.6)	(256.0)
Issue of share capital and exercise of options	1.1	7.4	8.7
Consideration paid for own shares	(3.8)	(0.1)	(0.1)
Proceeds from exercise of shares held in trust	-	0.2	0.2
Change in deferred tax	(23.5)	(8.1)	(10.4)
Impact of policyholder tax asymmetry	98.3	(7.7)	(10.0)
Change in goodwill, intangibles and other non-cash movements	(11.4)	(1.8)	(13.0)
Cash result	124.7	99.6	229.4
Closing Solvency II Net Assets	**1,135.1**	1,039.9	1,056.8

2.3 EUROPEAN EMBEDDED VALUE (EEV)

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

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

Many of the principles and practices underlying EEV are similar to the requirements of Solvency II. Our EEV methods and assumptions are aligned as closely as possible to Solvency II.

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

	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
	£'Million	£'Million	£'Million
Funds management business	506.2	558.4	1,121.2
Distribution business	(45.6)	(34.1)	(55.6)
Back-office infrastructure development	(8.0)	(27.2)	(47.9)
Other	(33.9)	(31.4)	(65.7)
EEV operating profit	**418.7**	465.7	952.0
Investment return variance	(329.7)	612.9	768.6
Economic assumption changes	(44.0)	(24.1)	(27.0)
EEV profit before tax	**45.0**	1,054.5	1,693.6
Tax	(13.1)	(179.4)	(286.8)
Corporation tax rate change	(126.2)	-	-
EEV (loss)/profit after tax	**(94.3)**	875.1	1,406.8

Notes to the EEV result

1. Funds management business EEV operating profit

The funds management business operating profit has decreased to £506.2 million (six months to 30 June 2019: £558.4 million, year to 31 December 2019: £1,121.2 million) and a full analysis of the result is shown below.

	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
	£'Million	£'Million	£'Million
New business contribution	365.3	386.3	793.0
Profit from existing business			
- unwind of the discount rate	139.0	125.5	248.5
- experience variance	0.1	43.0	82.1
- operating assumption change	-	-	(9.9)
Investment income	1.8	3.6	7.5
Fund management business EEV operating profit	**506.2**	558.4	1,121.2

The **new business contribution** for the period at £365.3 million (six months to 30 June 2019: £386.3 million, year to 31 December 2019: £793.0 million) was 5% lower than the prior period, primarily reflecting the decrease in new business and an element of fixed expenses which do not decrease in line with volumes.

The **unwind of the discount rate** for the period increased to £139.0 million (six months to 30 June 2019: £125.5 million, year to 31 December 2019: £248.5 million). This reflects the higher opening value of in-force business, which was a result of new business and strong investment return during 2019.

The **experience variance** during the period was £0.1 million (six months to 30 June 2019: £43.0 million, year to 31 December 2019: £82.1 million). Compared to prior periods, positive retention experience was offset by reductions in regular contribution levels by some pension clients.

2. Distribution business

The distribution loss includes the positive gross margin arising from advice income less payments to advisers, offset by the costs of investment in growing the Partnership and building the distribution capabilities in Asia. The FSCS Levy is a significant charge which increased to £23.8 million in the period (six months to 30 June 2019: £13.6 million, year to 31 December 2019: £18.9 million), resulting in the increase in the reported loss.

3. Investment return variance

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

The typical investment return on our funds during the period was negative 4.0% after charges, compared to the assumed investment return of positive 0.7%. This resulted in a negative investment return variance of £329.7 million (six months to 30 June 2019: positive £612.9 million, year to 31 December 2019: positive £768.6 million).

4. Economic assumption changes

The negative variance of £44.0 million arising in the period (six months to 30 June 2019: negative £24.1 million, year to 31 December 2019: negative £27.0 million) reflects the negative effect from the decrease in gilt yields.

New business margin

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

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

	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
Life business			
Investment			
New business contribution (£'Million)	49.8	54.7	123.0
Gross inflows (£'Billion)	0.93	1.07	2.28
Margin (%)	5.4	5.1	5.4
Pension			
New business contribution (£'Million)	199.3	205.7	434.0
Gross inflows (£'Billion)	4.11	4.14	8.66
Margin (%)	4.8	5.0	5.0
Unit Trust and DFM business			
New business contribution (£'Million)	116.2	125.9	236.0
Gross inflows (£'Billion)	2.22	2.17	4.16
Margin (%)	5.2	5.8	5.7
Total business			
New business contribution (£'Million)	365.3	386.3	793.0
Gross inflows (£'Billion)	7.26	7.38	15.10
Margin (%)	5.0	5.2	5.3
Post-tax margin (%)	4.1	4.3	4.4

The overall margin for the period was lower at 5.0% (six months to 30 June 2019: 5.2%, year to 31 December 2019: 5.3%) reflecting lower new business and growth in expenses to support the business.

Economic assumptions

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

	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
Risk free rate	0.3%	1.0%	0.9%
Inflation rate	3.2%	3.4%	3.3%
Risk discount rate (net of tax)	3.4%	4.1%	4.0%
Future investment returns:			
- Gilts	0.3%	1.0%	0.9%
- Equities	3.3%	4.0%	3.9%
- Unit-linked funds	2.6%	3.3%	3.2%
Expense inflation	3.6%	3.8%	3.7%

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

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

EEV sensitivities

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

	Note	Change in new business contribution Pre-tax £'Million	Change in new business contribution Post-tax £'Million	Change in European Embedded Value Post-tax £'Million
Value at 30 June 2020		365.3	296.6	6,859.4
100bp reduction in risk-free rates, with corresponding change in fixed interest asset values	1	(16.7)	(13.6)	(152.4)
10% increase in withdrawal rates	2	(26.7)	(21.6)	(348.2)
10% reduction in market value of equity assets	3	-	-	(704.3)
10% increase in expenses	4	(8.9)	(7.2)	(99.1)
100bp increase in assumed inflation	5	(16.3)	(13.3)	(155.1)

Notes to the EEV sensitivities

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

	Change in new business contribution Pre-tax £'Million	Change in new business contribution Post-tax £'Million	Change in European Embedded Value Post-tax £'Million
100bp reduction in risk discount rate	46.0	37.3	515.9

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

Analysis of the EEV result

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

	30 June 2020	30 June 2019	31 December 2019
	£'Million	£'Million	£'Million
Value of in-force business	5,724.3	5,571.2	6,003.0
Solvency II net assets	1,135.1	1,039.9	1,056.8
Total embedded value	**6,859.4**	6,611.1	7,059.8

	30 June 2020	30 June 2019	31 December 2019
	Pence	Pence	Pence
Net asset value per share	**1,277.8**	1,245.1	1,320.1

The EEV result above reflects the specific terms and conditions of our products. Our pension business is split between two portfolios. Our current product, the Retirement Account, was launched in 2016 and incorporates both pre-retirement and post-retirement phases of this investment in the same product. Earlier business, written in our separate Retirement Plan and Drawdown Plan products, targeted each of the two phases separately and therefore has slightly shorter terms and a lower new business margin.

Our experience is that much of our Retirement Plan business converts into Drawdown business at retirement, but, in line with the EEV guidelines, we are required to defer recognition of the additional value from the Drawdown Plan until it is crystallised. If instead we were to assess the future value of Retirement Plan business (beyond the immediate contract boundary) in a more holistic fashion, in line with Retirement Account business, this would result in an increase of approximately £343 million to our embedded value (30 June 2019: approximately £390 million, 31 December 2019: approximately £385 million).

SECTION 3: SOLVENCY

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

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

For the year ended 31 December 2019 we reviewed the level of our MSB and concluded that it was appropriate to decrease the MSB for the Life businesses from £355.0 million to £320.0 million, and it remains at this level for 30 June 2020. The decrease primarily reflected the reduction in risk in our UK Life business as we neared the end of the back-office infrastructure programme. All of this business is administered on Bluedoor following the final successful migrations in 2019.

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

30 June 2020

	Life	**Other regulated**	**Other**	**Total**	30 June 2019 Total	31 December 2019 Total
	£'Million	**£'Million**	**£'Million**	**£'Million**	£'Million	£'Million
Solvency II net assets	554.4	261.5	319.2	**1,135.1**	1,039.9	1,056.8
Management solvency buffer (MSB)	320.0	153.9	-	**473.9**	505.9	476.2
Management solvency ratio	173%	170%				

Solvency II net assets reflect the assets of the Group in excess of those matching clients' unit-linked liabilities. It includes a £74.7 million (30 June 2019: £101.3 million, 31 December 2019: £98.5 million) deferred tax asset which is not immediately fungible, although we expect it will be utilised over the next seven 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 the SCR.

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

30 June 2020	**Life**	**Other regulated**	**Other**	**Total**	30 June 2019 Total	31 December 2019 Total
	£'Million	**£'Million**	**£'Million**	**£'Million**	£'Million	£'Million
Solvency II net assets	554.4	261.5	319.2	1,135.1	1,039.9	1,056.8
Value of in-force (VIF)	4,126.1	-	-	4,126.1	3,971.3	4,303.5
Risk Margin (RM)	(1,222.1)	-	-	(1,222.1)	(1,137.7)	(1,213.3)
Own Funds (A)	**3,458.4**	**261.5**	**319.2**	**4,039.1**	3,873.5	4,147.0
Solvency capital requirement (B)	(2,781.3)	(98.4)	-	(2,879.7)	(2,932.5)	(3,148.0)
Solvency II free assets	**677.1**	**163.1**	**319.2**	**1,159.4**	941.0	999.0
Solvency ratio (A/B)	**124%**	**266%**		**140%**	132%	132%

No Group interim dividend has been proposed for the current period. The solvency ratio after payment of the Group interim dividend for the period to 30 June 2019 was 129%. The solvency ratio after payment of the Group second interim dividend for the period to 31 December 2019 was 128%.

PRINCIPAL RISKS AND UNCERTAINTIES

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

The Risk and Risk Management section on pages 60 to 65 of the 2019 Annual Report and Accounts provides a comprehensive review of the principal risks facing the business, and the Group's approach to managing these risks. The section below highlights the key changes in the risk environment since the year-end Annual Report and Accounts.

COVID-19

The emergence and impact of COVID-19 has been a major external risk event during the first half of 2020. No event of this nature can be precisely forecast and planned for, but through our approach to the fundamentals of risk management the Group has been able to demonstrate resilience, from a financial and operational perspective, against COVID-19 and we remain confident in our ability to withstand further challenges that may emerge.

The Board has been actively involved in defining the Group's strategic response to COVID-19. Timely and targeted risk-based information has been provided to the Board to support their understanding of key issues and decision making. As a result, for prudence the Board decided to withhold 11.22 pence per share, or around one-third of the proposed 2019 final dividend, until such a time as the financial and economic impacts of COVID-19 become clearer.

Some of the key risk considerations around COVID-19 for the Group have been:

- safety and wellbeing of employees, Partners, clients and others in our value chain;
- maintaining operational continuity whilst working remotely and social distancing;
- the impact on financial markets;
- impacts on new business;
- supporting Partner businesses;
- managing operational risks; and
- risks to client outcomes.

When the impacts of COVID-19 are segmented in this way, we can recognise that these are risks that the Group is familiar with and shown to be resilient to through our ongoing stress and scenario testing, as well as financial and operational risk assessments. Our stress and scenario testing looks at extreme events and provides confidence in our financial resilience, albeit we deemed the scale and uncertainty of the event sufficient to warrant withholding the above mentioned dividend. Whilst a wide degree of uncertainty remains, the financial impacts so far have been less severe than we are able to tolerate.

Although to date the financial impacts have not been as severe as those stress and scenario tests, the primary financial impact of the pandemic on the Group has been the impact on funds under management due to market performance and the reduction in new business. Our market risk exposure is limited because we hold matching assets for policyholder liabilities and a significant portion of our expenses are variable with the level of funds under management and new business. This inherent feature of the business model provides resilience to the financial performance of the Group even in challenging market conditions.

The nature of this extreme event also presented increased operational challenges, however, decision making during this time has been appropriately informed by consideration of the risks and we are confident that the Group has, and continues to, appropriately manage risks including those heightened due to COVID-19.

The situation continues to be monitored carefully and we remain focused on understanding the degree to which the various outcomes might impact the operations of the business. We remain acutely aware of the risk of a second spike in COVID-19 cases and the potential impacts this could have across our business and the broader St. James's Place community. This could further impact profitability, but we continue to be confident of the ongoing resilience to risk and the viability of the Group.

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

	Risk description	Key risks	Example controls
Administration service	We fail to deliver good quality administration services to clients and the Partnership.	• Clients and the Partnership receive poor policy administration • Failure of key administration system change projects • Administrative complexity	• Management of administrations centres to ensure key service standards are met • Continuous development of technology • Effective planning of large-scale change projects • Ongoing activity to reduce administrative complexity
Brand and competition	Challenge from competitors and the impact of reputational damage.	• Increased competitive pressure from traditional and disruptive (non-traditional) competitors • Cost and charges pressure • Negative media coverage	• Clear demonstration of value delivered to clients through advice, service and products • Investment in improving positive brand recognition • Ongoing development of client and Partner propositions • Pro-active engagement with external agencies including media, industry groups and regulators
Client proposition	Our product proposition fails to meet the needs, objectives and expectations of our clients. This includes poor relative investment performance and poor product design.	• Issues with manufactured products • Investments provide poor returns relative to their benchmarks and/or do not deliver expected client outcomes • Range of solutions does not align with the product and service requirements of our current and potential future clients • Failure to meet client expectations of a sustainable business, not least in respect of responsible investing	• Regular monitoring of manufactured products' performance • Monitoring of investment performance and selection of the most appropriate funds from a risk/net return perspective • Continuous development of the range of services offered to clients • Engagement with investment managers around principles of responsible investment
Conduct	We fail to provide quality, suitable advice or service to clients.	• Partners deliver poor quality or unsuitable advice • Failure to evidence the provision of quality service and advice	• Licensing programme ensuring appropriate standard of advice and service from advisers • Technical support helplines for advisers • Timely and clear responses to client complaints • Robust oversight process of the advice provided to clients delivered by Business Assurance, Compliance Assurance, Field Risk and Advice Guidance teams
Financial	We fail to effectively manage the business finances.	• Failure to meet client liabilities • Investment/market risk • Credit risk • Liquidity risk • Insurance risk • Expense risk	• Policyholder liabilities are fully matched • Excess assets generally invested in high-quality, high-liquidity cash and cash equivalents • Lending to the Partnership is secured on their future income streams • Reinsurance of insurance risks • Ongoing monitoring of all risk exposures and experiences • Acceptance of market and persistency risk impact on profit • Monitoring and management of individual entities solvency to minimise Group interdependency

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**Six months ended 30 June 2020**	Six months ended 30 June 2019	Year ended 31 December 2019
		£'Million	£'Million	£'Million
Insurance premium income		18.9	20.3	42.6
Less premiums ceded to reinsurers		(11.9)	(13.1)	(26.8)
Net insurance premium income		**7.0**	7.2	15.8
Fee and commission income	4	785.4	1,251.8	2,374.1
Investment return	5	(5,051.7)	10,178.9	14,173.6
Net (expense)/income		**(4,259.3)**	11,437.9	16,563.5
Policy claims and benefits				
- Gross amount		(22.8)	(29.0)	(56.0)
- Reinsurers' share		8.1	12.0	22.4
Net policyholder claims and benefits incurred		**(14.7)**	(17.0)	(33.6)
Change in insurance contract liabilities				
- Gross amount		17.9	(35.6)	(48.5)
- Reinsurers' share		7.2	5.7	5.9
Net change in insurance contract liabilities		**25.1**	(29.9)	(42.6)
Movement in investment contract benefits		**5,014.6**	(10,110.2)	(14,070.6)
Expenses		(837.6)	(824.2)	(1,707.8)
(Loss)/profit before tax	3	**(71.9)**	456.6	708.9
Tax attributable to policyholders' returns	6	293.8	(399.3)	(521.8)
Profit before tax attributable to shareholders' returns		**221.9**	57.3	187.1
Total tax credit/(expense)		250.0	(410.8)	(562.3)
Less: tax attributable to policyholders' returns	6	(293.8)	399.3	521.8
Tax attributable to shareholders' returns	6	(43.8)	(11.5)	(40.5)
Profit and total comprehensive income for the period	3	**178.1**	45.8	146.6
Profit/(loss) attributable to non-controlling interests		-	-	-
Profit attributable to equity shareholders		178.1	45.8	146.6
Profit and total comprehensive income for the period	3	**178.1**	45.8	146.6
		Pence	Pence	Pence
Basic earnings per share	14	**33.4**	8.7	27.6
Diluted earnings per share	14	**33.0**	8.5	27.5

The results relate to continuing operations.

The Notes and information below and on pages 52 to 86 form part of these Condensed Consolidated Financial Statements.

As permitted by Section 408 of the Companies Act 2006, no Statement of Comprehensive Income is presented for the Company.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to equity shareholders							
		Share capital	Share premium	Shares in trust reserve	Retained earnings	Misc reserves	Total	Non-controlling interests	Total equity
		£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
At 1 January 2019		79.4	174.5	(23.7)	787.3	2.5	1,020.0	(0.9)	1,019.1
Profit and total comprehensive income for the period					45.8		45.8		45.8
Dividends	14				(157.6)		(157.6)		(157.6)
Issue of share capital		0.1	3.9				4.0		4.0
Exercise of options		0.1	3.3				3.4		3.4
Consideration paid for own shares				(0.1)			(0.1)		(0.1)
Shares sold during the period				7.6	(7.6)		-		-
Proceeds from exercise of shares held in trust					0.2		0.2		0.2
Retained earnings credit in respect of share option charges					14.6		14.6		14.6
At 30 June 2019		79.6	181.7	(16.2)	682.7	2.5	930.3	(0.9)	929.4
At 1 January 2020		80.2	182.4	(16.4)	699.4	2.5	948.1	(0.9)	947.2
Profit and total comprehensive income for the period					178.1		178.1		178.1
Dividends	14				(107.1)		(107.1)		(107.1)
Exercise of options		0.3	0.8				1.1		1.1
Consideration paid for own shares				(3.8)			(3.8)		(3.8)
Shares sold during the period				4.1	(4.1)		-		-
Retained earnings credit in respect of share option charges					3.7		3.7		3.7
At 30 June 2020		**80.5**	**183.2**	**(16.1)**	**770.0**	**2.5**	**1,020.1**	**(0.9)**	**1,019.2**

Miscellaneous reserves represent other non-distributable reserves.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**30 June 2020**	30 June 2019	31 December 2019
		£'Million	£'Million	£'Million
Assets				
Goodwill	7	15.6	15.6	15.6
Deferred acquisition costs	7	458.6	525.0	490.0
Intangible assets				
- Purchased value of in-force business	7	19.2	22.4	20.8
- Computer software	7	15.2	1.2	8.9
Property and equipment		172.9	156.4	166.3
Deferred tax assets	6	109.2	135.7	131.1
Reinsurance assets		95.8	88.4	88.6
Other receivables	9	2,816.7	3,370.8	2,127.1
Investments				
- Investment property	8	1,626.1	1,780.1	1,750.9
- Equities	8	70,758.6	66,683.3	72,694.2
- Fixed income securities	8	26,372.9	24,601.3	26,275.6
- Investment in Collective Investment Schemes	8	5,891.4	5,627.2	5,166.4
- Derivative financial instruments	8	1,228.2	459.7	1,342.9
Cash and cash equivalents		7,488.2	7,147.6	7,013.6
Total assets	3	**117,068.6**	110,614.7	**117,292.0**
Liabilities				
Borrowings	12	435.8	451.2	403.7
Deferred tax liabilities	6	195.7	404.3	493.7
Insurance contract liabilities		538.8	543.4	556.6
Deferred income	7	596.8	638.6	614.7
Other provisions	11	38.6	35.1	40.6
Other payables	10	2,160.8	2,770.6	1,782.7
Investment contract benefits		82,735.1	77,656.0	83,558.5
Derivative financial instruments	8	1,422.0	676.2	948.8
Net asset value attributable to unit holders	8	27,905.9	26,345.2	27,830.0
Income tax liabilities		19.8	164.6	115.4
Preference shares		0.1	0.1	0.1
Total liabilities		**116,049.4**	109,685.3	116,344.8
Net assets		**1,019.2**	929.4	947.2
Shareholders' equity				
Share capital	14	80.5	79.6	80.2
Share premium		183.2	181.7	182.4
Shares in trust reserve		(16.1)	(16.2)	(16.4)
Miscellaneous reserves		2.5	2.5	2.5
Retained earnings		770.0	682.7	699.4
Equity attributable to owners of the Parent		**1,020.1**	930.3	948.1
Non-controlling interests		(0.9)	(0.9)	(0.9)
Total equity		**1,019.2**	929.4	947.2
		Pence	Pence	Pence
Net assets per share		**189.9**	175.0	177.1

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
	£'Million	£'Million	£'Million
Cash flows from operating activities			
(Loss)/profit before tax for the period	(71.9)	456.6	708.9
Adjustments for:			
Amortisation of purchased value of in-force business	1.6	1.6	3.2
Amortisation of computer software	1.6	0.3	1.4
Depreciation of property and equipment	13.0	9.2	20.7
Share-based payment charge	3.0	14.8	29.2
Interest income	(19.9)	(22.9)	(45.4)
Interest expense	6.5	5.3	12.6
(Decrease)/increase in provisions	(2.0)	2.2	6.7
Exchange rate (gains)/losses	(0.5)	(0.1)	0.4
Changes in operating assets and liabilities			
Decrease in deferred acquisition costs	31.4	33.5	68.5
Decrease in investment property	124.8	40.6	69.8
Decrease/(increase) in other investments	1,228.0	(14,062.7)	(22,170.3)
Increase in reinsurance assets	(7.2)	(5.6)	(5.8)
Increase in other receivables	(680.1)	(1,417.1)	(169.3)
(Decrease)/increase in insurance contract liabilities	(17.8)	35.3	48.5
(Decrease)/increase in financial liabilities (excluding borrowings)	(350.2)	10,018.4	16,193.8
Decrease in deferred income	(17.9)	(9.7)	(33.6)
Increase in other payables	379.5	1,364.2	369.0
Increase in net assets attributable to unit holders	75.9	3,842.3	5,327.1
Cash generated from operating activities	**697.8**	306.2	435.4
Interest received	19.9	22.9	45.4
Interest paid	(6.5)	(5.3)	(12.6)
Income taxes (paid)/received	(121.6)	5.5	(102.8)
Net cash generated from operating activities	**589.6**	329.3	365.4
Cash flows from investing activities			
Acquisition of property and equipment	(3.9)	(8.4)	(17.3)
Acquisition of intangible assets	(7.9)	-	(8.9)
Acquisition of subsidiaries and other business combinations, net of cash acquired	(9.6)	(0.5)	(3.0)
Net cash used in investing activities	**(21.4)**	(8.9)	(29.2)
Cash flows from financing activities			
Proceeds from the issue of share capital and exercise of options	1.1	7.4	8.7
Consideration paid for own shares	(3.8)	(0.1)	(0.1)
Proceeds from exercise of shares held in trust	-	0.2	0.2
Additional borrowings	230.0	265.3	390.0
Repayment of borrowings	(210.0)	(162.7)	(334.8)
Lease payments	(4.3)	(3.3)	(8.1)
Dividends paid	(107.1)	(157.6)	(256.0)
Net cash used in financing activities	**(94.1)**	(50.8)	(200.1)
Net increase in cash and cash equivalents	**474.1**	269.6	136.1
Cash and cash equivalents at beginning of period	**7,013.6**	6,877.6	6,877.6
Exchange losses on cash and cash equivalents	0.5	0.4	(0.1)
Cash and cash equivalents at end of period	**7,488.2**	7,147.6	7,013.6

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

This condensed set of Consolidated Half-Year Financial Statements for the six months ended 30 June 2020, which comprise the Half-Year Financial Statements of St. James's Place plc (the Company) and its subsidiaries (together referred to as the Group), has been prepared in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the Financial Conduct Authority and with IAS 34 'Interim Financial Reporting', an International Financial Reporting Standard (IFRS) as adopted by the European Union. The Condensed Consolidated Half-Year Financial Statements should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2019, which have been prepared in accordance with IFRSs as adopted by the European Union.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, including the impact of the COVID-19 pandemic, are set out in the Chief Executive's Report, COVID-19 Update and the Chief Financial Officer's Report on pages 5 to 17. The financial performance and financial position of the Group are described in the Financial Review on pages 18 to 44.

As shown on page 44 of the Financial Review, the Group's capital position is strong and well in excess of regulatory requirements. The underlying strength of the UK Life company at the heart of the Group was underlined by S&P recently reaffirming its A- rating, and Fitch Ratings providing an A+ rating. Further, the long-term nature of the business results in considerable positive cash flows arising from existing business.

The Directors have considered the potential impact of COVID-19 on the business, including the associated impact of the economic volatility on funds under management and the Group's financial results. Given the uncertainty, additional stress tests have been undertaken focussing particularly on reductions in new business and investment markets. This analysis complements the work undertaken and assurance gained through the ORSA process, and so the Directors believe that the Company is well placed to manage its business risks successfully.

Having assessed the principal risks, the Directors believe it remains appropriate to adopt the going concern basis of accounting in preparing the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These Condensed Consolidated Half-Year Financial Statements were prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU and interpretations issued by the IFRS Interpretations Committee.

The new and amended IFRS standards effective for periods beginning on 1 January 2020, which are relevant to the Group, are as follows. Each has been adopted in the six months ended 30 June 2020. The adopted standards have had no material impact on the Condensed Consolidated Financial Statements.

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – definition of material;
- Amendments to IFRS 3 Business Combinations – definition of a business;
- Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures – Interest Rate Benchmark Report; and
- Revised Conceptual Framework of Financial Reporting.

In preparing these Condensed Consolidated Half-Year Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the Consolidated Financial Statements for the year ended 31 December 2019.

(b) Adoption of new accounting standards

As required by the Disclosure Guidance and Transparency Rules sourcebook of the Financial Conduct Authority, this condensed set of Consolidated Financial Statements has been prepared applying the accounting policies and standards that were applied in the preparation of the Group's published Consolidated Financial Statements for the year ended 31 December 2019. The amended accounting standards adopted during the period, as set out in section (a) above, had no impact on these accounting policies.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) New and amended accounting standards not yet effective

As at 30 June 2020, the following new and amended standards, which are relevant to the Group but have not been applied in the Financial Statements, were in issue but are not yet effective. None of these standards or amendments have yet been endorsed by the EU:

- IFRS 17 Insurance Contracts including Amendments to IFRS 17;
- Amendments to IAS 1 Presentation of Financial Statements – classification of liabilities as current or non-current;
- Narrow-scope amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment and IAS 37 Provisions, Contingent Liabilities and Contingent Assets;
- Annual Improvements 2018-2020; and
- Amendment to IFRS 16 Leases – COVID-19 related rent concessions.

The Group is currently assessing the impact that the adoption of the above standards, amendments and clarifications will have on the Group's results reported within the Financial Statements. The only one expected to have a significant impact on the Group's Financial Statements is IFRS 17 Insurance Contracts including Amendments to IFRS 17. Further information on this standard is given below.

<u>IFRS 17 Insurance Contracts including Amendments to IFRS 17</u>

IFRS 17 incorporates revised principles for the recognition, measurement, presentation and disclosure of insurance contracts.

The Group closed to new insurance business, as defined under accounting standards, in 2011. At 30 June 2020, the Group has £100.7 million of non-unit-linked insurance contract liabilities, which are substantially reinsured, and £438.1 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.

The new standard is expected to be mandatory for financial years commencing on or after 1 January 2023, following EU endorsement. Management is assessing the impact of adopting the new standard, which is not expected to be material.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SEGMENT REPORTING (continued)

Underlying cash result

The measure of cash profit monitored on a monthly basis by the Board is the post-tax Underlying cash result. This reflects emergence of cash available for paying a dividend during the year. Underlying cash is based on the cash flows within the IFRS results, but with no allowance for intangibles, principally DAC, DIR, PVIF, goodwill and deferred tax, or short-term costs associated with the back-office infrastructure project. As the cost associated with non-cash-settled share-based payments is reflected in changes in shareholder equity, they are also not included in the Underlying cash result.

More detail is provided on pages 27 to 32 of the Financial Review.

The Cash result should not be confused with the IFRS Condensed Consolidated Statement of Cash Flows which is prepared in accordance with IAS 7.

	Six months ended 30 June 2020 £'Million	Six months ended 30 June 2019 £'Million	Year ended 31 December 2019 £'Million
Underlying cash result after tax	**114.4**	125.1	273.1
Non-cash-settled share-based payments	(3.7)	(14.6)	(28.7)
Deferred tax impacts	(23.5)	(8.1)	(10.4)
Back-office infrastructure	(6.5)	(22.0)	(38.8)
Impact in the period of DAC/DIR/PVIF	(15.0)	(19.8)	(26.2)
Impact of policyholder tax asymmetry[1]	98.3	(7.7)	(10.0)
Other[1]	14.1	(7.1)	(12.4)
IFRS profit after tax	**178.1**	45.8	146.6
Shareholder tax	43.8	11.5	40.5
Profit before tax attributable to shareholders' returns	**221.9**	57.3	187.1
Tax attributable to policyholder returns	(293.8)	399.3	521.8
IFRS (loss)/profit before tax	**(71.9)**	456.6	708.9

1. The impact of policyholder tax asymmetry has been separated from other for the first time for the six months ended 30 June 2020. As a result, other has decreased by £7.7 million and £10.0 million from those amounts disclosed at 30 June 2019 and 31 December 2019 respectively. Further information on the impact of policyholder tax asymmetry can be found on page 24.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SEGMENT REPORTING (continued)

EEV operating profit

EEV operating profit is monitored by the Board. The components of the EEV operating profit are included in more detail in the Financial Review section of this announcement.

	Six months ended 30 June 2020 £'Million	Six months ended 30 June 2019 £'Million	Year ended 31 December 2019 £'Million
EEV operating profit before tax	**418.7**	465.7	952.0
Investment return variance	(329.7)	612.9	768.6
Economic assumption changes	(44.0)	(24.1)	(27.0)
EEV profit before tax	**45.0**	1,054.5	1,693.6
Adjustments to IFRS basis			
Deduct: amortisation of purchased value of in-force	(1.6)	(1.6)	(3.2)
Movement of balance sheet life value of in-force (net of tax)	169.4	(594.6)	(946.6)
Movement of balance sheet unit trust and DFM value of in-force (net of tax)	104.7	(233.4)	(310.9)
Corporation tax rate change	(126.2)	-	-
Tax on movement in value of in-force excluding corporation tax rate change	30.6	(167.6)	(245.8)
Profit before tax attributable to shareholders' returns	**221.9**	57.3	187.1
Tax attributable to policyholder returns	(293.8)	399.3	521.8
IFRS (loss)/profit before tax	**(71.9)**	456.6	708.9

The movement in life, unit trust and DFM value of in-force is the difference between the opening and closing discounted value of the profits that will emerge from the in-force book over time, adjusting for DAC and DIR impacts which are already included under IFRS.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SEGMENT REPORTING (continued)

Segment assets

Funds under management (FUM)

FUM, as reported in Section 1 of the Financial Review on page 20 is the measure of segment assets which is monitored by the Board.

	30 June 2020	30 June 2019	31 December 2019
	£'Million	£'Million	£'Million
Investment	29,880.0	30,080.0	31,220.0
Pension	53,520.0	48,160.0	52,840.0
UT/ISA and DFM	32,280.0	31,080.0	32,930.0
Total FUM	**115,680.0**	109,320.0	116,990.0
Exclude client and third-party holdings in non-consolidated unit trusts and DFM	(4,643.4)	(5,069.6)	(5,185.1)
Other	2,471.3	2,548.9	1,742.0
Gross assets held to cover unit liabilities	**113,507.9**	106,799.3	113,546.9
IFRS intangible assets (see page 33 adjustment 2) including goodwill, DAC, PVIF, reinsurance and deferred tax	642.1	689.3	658.6
Shareholder gross assets (see page 33)	2,918.6	3,126.1	3,086.5
Total assets	**117,068.6**	110,614.7	117,292.0

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. FEE AND COMMISSION INCOME

	Six months ended 30 June 2020 £'Million	Six months ended 30 June 2019 £'Million	Year ended 31 December 2019 £'Million
Advice charges (post-RDR)	376.6	355.2	749.7
Third party fee and commission income	54.5	54.8	120.8
Wealth management fees[1]	429.1	339.2	734.8
Investment management fees	34.3	27.8	71.6
Fund tax (refunds)/deductions[2]	(293.8)	399.3	521.8
Impact of policyholder tax asymmetry[1]	98.3	(7.7)	(10.0)
Discretionary fund management fees	8.4	7.6	16.2
Fee and commission income before DIR amortisation	**707.4**	1,176.2	2,204.9
Amortisation of DIR	78.0	75.6	169.2
Total fee and commission income	**785.4**	1,251.8	2,374.1

1. Wealth management fees recognise charges levied on manufactured business (Investment, Pensions and UT/ISA) which are not separately identified elsewhere. These include some temporary effects relating to life insurance tax.

   Life insurance tax incorporates a policyholder tax element, and the Financial Statements of a life insurance Group need to reflect the liability to HMRC and the corresponding deductions incorporated into policy charges (see 2. below). In particular, the tax liability to HMRC is assessed using IAS 12 Income Taxes, which does not allow discounting, whereas the policy charges are designed to ensure fair outcomes between clients and so reflect a wide range of possible outcomes. This gives rise to different assessments of the current value of future cash flows and hence an asymmetry in the Condensed Consolidated Statement of Financial Position between the deferred tax position and the offsetting client balance. The positive effect of the asymmetry will be eliminated over time as future cash flows become less uncertain and are ultimately realised, so the current effect is temporary and we expect it will reverse as markets increase.

   Under normal conditions this asymmetry is small, but market conditions have resulted in a significant positive movement during the period, benefitting both profit before shareholder tax and profit after tax. The impact of policyholder tax asymmetry has therefore been separated from wealth management fees for the first time for the six months ended 30 June 2020. As a result, wealth management fees are higher by £7.7 million and £10.0 million from those amounts disclosed at 30 June 2019 and 31 December 2019 respectively.

2. Fund tax (refunds)/deductions are those charges levied on life insurance business to match the policyholder tax.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. INVESTMENT RETURN

	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
	£'Million	£'Million	£' Million
Investment return on net assets held to cover unit liabilities:			
Rental income	45.1	47.9	94.1
(Loss)/gain on revaluation of investment properties	(125.1)	(38.4)	(74.2)
Net investment return on financial instruments classified as fair value through profit and loss	(3,532.3)	7,623.8	10,741.6
	(3,612.3)	7,633.3	10,761.5
Attributable to unit-linked insurance contract liabilities	*(35.4)*	*48.8*	*65.4*
Attributable to unit-linked investment contract benefits	*(3,576.9)*	*7,584.5*	*10,696.1*
	(3,612.3)	*7,633.3*	*10,761.5*
Income attributable to third party holdings in unit trusts	(1,437.8)	2,525.7	3,374.5
	(5,050.1)	10,159.0	14,136.0
Investment return on shareholder assets:			
Net investment return on financial instruments classified as fair value through profit and loss	(10.9)	11.1	18.7
Interest income on financial instruments classified as amortised cost	9.3	8.8	18.9
	(1.6)	19.9	37.6
Total investment return	**(5,051.7)**	10,178.9	14,173.6

Included in the net investment return on financial instruments classified as fair value through profit and loss within investment return on net assets held to cover unit liabilities is dividend income of £525.0 million (six months ended 30 June 2019: £545.8 million, year ended 31 December 2019: £1,285.6 million).

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. The significant losses in global markets in the period have decreased the net asset value of the Group's unitised investment funds and hence investment return, with a corresponding decrease in the value of, and the movement in, investment contract benefits.

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. INCOME AND DEFERRED TAXES

Tax for the period

	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
	£'Million	£'Million	£'Million
Current tax			
UK corporation tax			
- Current year charge	19.0	165.1	215.7
- Adjustment in respect of prior year	-	-	1.0
Overseas taxes			
- Current year charge	7.0	3.4	11.0
- Adjustment in respect of prior year	-	0.2	0.2
	26.0	168.7	227.9
Deferred tax			
Unrealised capital (losses)/gains in unit-linked funds	(297.4)	238.9	333.8
Unrelieved expenses			
- Additional expenses recognised in the period	(4.9)	(6.0)	(11.6)
- Utilisation in the period	5.9	6.5	12.9
Capital losses			
- Revaluation in the period	-	-	1.1
- Utilisation in the period	28.0	7.2	10.3
- Adjustment in respect of prior year	-	-	(0.3)
DAC, DIR and PVIF	(4.9)	(5.6)	(11.0)
Other items	(0.5)	2.2	1.1
Overseas losses	(0.3)	(0.4)	(0.7)
Adjustment for change in tax rate	(1.9)	-	-
Adjustments in respect of prior periods	-	(0.7)	(1.2)
	(276.0)	242.1	334.4
Total tax (credit)/charge for the period	**(250.0)**	410.8	562.3
Attributable to:			
- policyholders	(293.8)	399.3	521.8
- shareholders	43.8	11.5	40.5
	(250.0)	410.8	562.3

Included within the deferred tax on other items is a charge of £1.6 million (six months to 30 June 2019: charge of £3.0 million, year to 31 December 2019: charge of £1.5 million) relating to share-based payments.

In arriving at the profit before tax attributable to shareholders' return, it is necessary to estimate the analysis of the total tax charge between that payable in respect of policyholders and that payable by shareholders. Shareholder tax is estimated by making an assessment of the effective rate of tax that is applicable to the shareholders on the profits attributable to shareholders. This is calculated by applying the appropriate effective corporate tax rates to the shareholder profits. The remainder of the tax charge represents tax on policyholders' investment returns. This calculation method is consistent with the legislation relating to the calculation of tax on shareholder profits.

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. INCOME AND DEFERRED TAXES (continued)

Reconciliation of tax charge to expected tax

	Six months ended 30 June 2020 £'Million		Six months ended 30 June 2019 £'Million		Year ended 31 December 2019 £'Million	
(Loss)/profit before tax	(71.9)		456.6		708.9	
Tax attributable to policyholders' returns	293.8		(399.3)		(521.8)	
Profit before tax attributable to shareholders' returns	**221.9**		57.3		187.1	
Shareholder tax charge at corporate tax rate of 19.0% (2019: 19.0%)	42.2	19.0%	10.9	19.0%	35.5	19.0%
Adjustments:						
Lower rate of corporation tax in overseas subsidiaries	(0.2)	(0.1%)	(0.2)	(0.3%)	(0.5)	(0.3%)
Expected shareholder tax	**42.0**	18.9%	10.7	18.7%	35.0	18.7%
Effects of:						
Non-taxable income	(0.3)		(0.8)		(1.3)	
Revaluation of historic capital losses in the Group	-		-		1.1	
Adjustment for change in tax rates	(1.9)		-		-	
Adjustment in respect of prior year						
- Current tax	-		-		1.3	
- Deferred tax	-		(0.7)		(1.5)	
Differences in accounting and tax bases in relation to employee share schemes	0.7		0.8		1.2	
Disallowable expenses	1.0		1.5		2.3	
Tax losses not recognised	1.8		0.3		2.6	
Other	0.5		(0.3)		(0.2)	
	1.8	0.8%	0.8	1.4%	5.5	2.9%
Shareholder tax charge	**43.8**	19.7%	11.5	20.1%	40.5	21.6%
Policyholder tax (credit)/charge	**(293.8)**		399.3		521.8	
Total tax (credit)/charge for the period	**(250.0)**		410.8		562.3	

The tax (credit) or charge calculated on the (loss) or profit before tax at 19% (2019: 19%) would amount to (£13.7) million (six months to 30 June 2019: £86.8 million, year to 31 December 2019: £134.7 million). The difference of (£236.3) million (six months to 30 June 2019: £324.0 million, year to 31 December 2019: £427.6 million) between this number and the total tax credit of £250 million (six months to 30 June 2019: charge of £410.8 million, year to 31 December 2019: charge of £562.3 million) is made up of the reconciling items above, which total £1.6 million (six months to 30 June 2019: £0.6 million, year to 31 December 2019: £5.0 million) and the effect of the apportionment methodology on tax applicable to policyholder returns of (£237.9) million (six months to 30 June 2019: £323.4 million, year to 31 December 2019: £422.6 million).

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. INCOME AND DEFERRED TAXES (continued)

Tax paid in the year

	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
	£'Million	£'Million	£'Million
Current tax charge for the period	26.0	168.7	227.9
Refunds due to be received/(payments to be made) in future years in respect of current year	33.3	(166.3)	(115.4)
Payments made/(refunds received) in current year in respect of prior years	63.0	(7.7)	(7.9)
Other	(0.7)	(0.2)	(1.8)
Tax paid/(recovered)	**121.6**	(5.5)	102.8
Tax paid/(recovered) can be analysed as:			
- Taxes paid/(recovered) in UK	114.1	(7.8)	91.2
- Taxes paid/(recovered) in overseas jurisdictions	0.2	(0.2)	1.9
- Withholding taxes suffered on investment income received	7.3	2.5	9.7
Tax paid/(recovered)	**121.6**	(5.5)	102.8

Deferred tax balances

Deferred tax assets

	Unrelieved expenses	**Deferred income (DIR)**	**Capital losses (available for future relief)**	**Share-based payments**	**Fixed asset temporary differences**	**Other temporary differences**	**Total**
	£'Million	**£'Million**	**£'Million**	**£'Million**	**£'Million**	**£'Million**	**£'Million**
At 1 January 2019	42.5	35.6	55.7	8.0	4.0	1.3	147.1
(Charge)/credit to the Statement of Comprehensive Income	(0.5)	(1.3)	(7.2)	(3.0)	0.9	(0.3)	(11.4)
At 30 June 2019	42.0	34.3	48.5	5.0	4.9	1.0	135.7
(Charge)/credit to the Statement of Comprehensive Income	(0.8)	(1.7)	(3.9)	1.5	-	0.3	(4.6)
At 31 December 2019	**41.2**	**32.6**	**44.6**	**6.5**	**4.9**	**1.3**	**131.1**
(Charge)/credit to the Statement of Comprehensive Income excluding the impact of tax rate change	**(1.0)**	**(1.4)**	**(28.0)**	**(1.6)**	**0.1**	**0.2**	**(31.7)**
Impact of tax rate change	**-**	**3.4**	**5.4**	**0.4**	**0.6**	**-**	**9.8**
At 30 June 2020	**40.2**	**34.6**	**22.0**	**5.3**	**5.6**	**1.5**	**109.2**

Expected utilisation period							
As at 30 June 2019	6 years	14 years	6 years	3 years	6 years		
As at 31 December 2019	6 years	14 years	7 years	3 years	6 years		
As at 30 June 2020	**6 years**	**14 years**	**7 years**	**3 years**	**6 years**		

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. INCOME AND DEFERRED TAXES (continued)

Deferred tax liabilities

	Unrealised capital gains on life insurance (BLAGAB) assets backing unit liabilities	Deferred acquisition costs (DAC)	Purchased value of in-force business (PVIF)	Renewal income assets	Other temporary differences	Total
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
At 1 January 2019	86.3	70.9	4.1	10.4	1.2	172.9
Charge/(credit) to the Statement of Comprehensive Income	238.9	(6.8)	(0.2)	(1.5)	0.1	230.5
Impact of acquisitions	-	-	-	0.9	-	0.9
At 30 June 2019	325.2	64.1	3.9	9.8	1.3	404.3
Charge/(credit) to the Statement of Comprehensive Income	94.9	(6.6)	(0.4)	(0.7)	0.2	87.4
Impact of acquisitions	-	-	-	2.0	-	2.0
At 31 December 2019	**420.1**	**57.5**	**3.5**	**11.1**	**1.5**	**493.7**
Credit to the Statement of Comprehensive Income excluding the impact of tax rate change	**(297.4)**	**(6.0)**	**(0.3)**	**(1.5)**	**(0.7)**	**(305.9)**
Impact of tax rate change	**-**	**6.3**	**0.4**	**1.1**	**0.1**	**7.9**
At 30 June 2020	**122.7**	**57.8**	**3.6**	**10.7**	**0.9**	**195.7**

Expected utilisation period						
As at 30 June 2019	6 years	14 years	7 years	20 years		
As at 31 December 2019	6 years	14 years	6 years	20 years		
As at 30 June 2020	**6 years**	**14 years**	**6 years**	**20 years**		

Appropriate investment income, gains or profits are expected to arise against which the tax assets can be utilised. Whilst the actual rates of utilisation will depend on business growth and external factors, particularly investment market conditions, they have been tested for sensitivity to experience and are resilient to a range of reasonably foreseeable scenarios.

The expected utilisation period for the deferred tax asset on capital losses was extended during 2019. The increase reflects the impact of the extension of the existing loss restriction rules to also cover capital losses, which took effect from 1 April 2020.

At the reporting date there were unrecognised deferred tax assets of £14.0 million (30 June 2019: £7.5 million, 31 December 2019: £12.0 million) in respect of £82.9 million (30 June 2019: £50.9 million, 31 December 2019: £71.5 million) of losses in companies where appropriate profits are not considered probable in the forecast period. These losses primarily relate to our Asia based businesses and can be carried forward indefinitely.

FUTURE TAX CHANGES

In the Finance Act 2016, a reduction to the UK main rate of corporation tax to 17% effective from 1 April 2020 was enacted, with the impact incorporated into the deferred tax balances in 2016. However, in the UK Budget of 11 March 2020 it was announced that the rate will remain at 19%, rather than the previously enacted reduction to 17%. This change was substantively enacted on 17 March 2020 and as a result the relevant deferred tax balances have been remeasured. The total impact of this remeasurement in the deferred tax shown above is £1.9m split as £9.8m in respect of deferred tax assets and (£7.9m) in respect of deferred tax liabilities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. GOODWILL, INTANGIBLE ASSETS, DEFERRED ACQUISITION COSTS AND DEFERRED INCOME

	Goodwill	Purchased value of in-force business	Computer software and other specific software developments	DAC	DIR
	£'Million	£'Million	£'Million	£'Million	£'Million
Cost					
At 1 January 2019[1]	15.6	73.4	16.1	1,346.7	(1,464.0)
Additions	-	-	0.1	14.1	(65.9)
Disposals[1]	-	-	-	(28.5)	27.2
At 30 June 2019[1]	15.6	73.4	16.2	1,332.3	(1,502.7)
Additions	-	-	8.8	14.0	(69.7)
Disposals[1]	-			(36.5)	33.8
At 31 December 2019[1]	**15.6**	**73.4**	**25.0**	**1,309.8**	**(1,538.6)**
Additions	-	-	**7.9**	**14.9**	**(60.1)**
Disposals	-	-	**-**	**(47.3)**	**43.6**
At 30 June 2020	**15.6**	**73.4**	**32.9**	**1,277.4**	**(1,555.1)**
Accumulated amortisation					
At 1 January 2019[1]	-	49.4	14.7	788.2	(815.7)
Charge for the period	-	1.6	0.3	47.6	(75.6)
Eliminated on disposal[1]	-	-		(28.5)	27.2
At 30 June 2019[1]	-	51.0	15.0	807.3	(864.1)
Charge for the period	-	1.6	1.1	49.0	(93.6)
Eliminated on disposal[1]	-	-		(36.5)	33.8
At 31 December 2019[1]	-	**52.6**	**16.1**	819.8	**(923.9)**
Charge for the period	-	**1.6**	**1.6**	**46.3**	**(78.0)**
Eliminated on disposal	-	-	**-**	**(47.3)**	**43.6**
At 30 June 2020	-	**54.2**	**17.7**	**818.8**	**(958.3)**
Carrying value					
At 30 June 2019	15.6	22.4	1.2	525.0	(638.6)
At 31 December 2019	15.6	20.8	8.9	490.0	(614.7)
At 30 June 2020	**15.6**	**19.2**	**15.2**	**458.6**	**(596.8)**
Outstanding amortisation period					
At 30 June 2019	n/a	6.5 years	3 years	14 years	6-14 years
At 31 December 2019	n/a	6 years	2-5 years	14 years	6-14 years
At 30 June 2020	**n/a**	**5.5 years**	**1.5-4.5 years**	**14 years**	**6-14 years**

1. The opening cost and accumulated amortisation positions at 1 January 2019 for DAC and DIR have been revised downwards by £373.4 million and £350.0 million respectively to remove business after it reaches the end of its expected life. At this point the net book value is nil, and so there is no impact on the carrying values presented on the face of the Condensed Consolidated Statement of Financial Position. Balances associated with business reaching the end of its expected life in the periods disclosed are presented as disposals.

Purchased value of in-force business/DAC/Computer software

Amortisation is charged to expenses in the Condensed Consolidated Statement of Comprehensive Income. Amortisation profiles are reassessed annually.

DIR

Amortisation is credited within fee and commission income in the Condensed Consolidated Statement of Comprehensive Income. Amortisation profiles are reassessed annually.

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. INVESTMENTS

Net assets held to cover unit liabilities

Included within the Condensed Consolidated Statement of Financial Position are the following assets and liabilities comprising the net assets held to cover unit liabilities. The net assets held to cover unit liabilities are set out in adjustment 1 of the IFRS to Solvency II Net Assets Balance Sheet reconciliation on page 33.

	30 June 2020	30 June 2019	31 December 2019
	£'Million	£'Million	£'Million
Assets			
Investment property	1,626.1	1,780.1	1,750.9
Equities	70,758.6	66,683.3	72,694.2
Fixed income securities	26,365.3	24,596.0	26,270.4
Investment in Collective Investment Schemes	5,080.9	4,454.8	4,034.6
Cash and cash equivalents	7,198.3	6,871.1	6,720.8
Other receivables	1,250.5	1,954.3	733.1
Derivative financial instruments			
- Currency forwards	*415.2*	*104.9*	*588.2*
- Interest rate swaps	*163.8*	*88.5*	*76.7*
- Index options	*42.0*	*50.4*	*23.3*
- Contract for differences	*337.1*	*9.4*	*359.3*
- Equity swaps	*100.9*	*1.8*	*8.1*
- Foreign currency options	*2.3*	*0.5*	*7.0*
- Total return swaps	*125.0*	*87.9*	*129.0*
- Fixed income options	*17.2*	*47.6*	*41.4*
- Credit default swaps	*24.7*	*68.7*	*109.9*
Total derivative financial assets	1,228.2	459.7	1,342.9
Total assets	**113,507.9**	106,799.3	113,546.9
Liabilities			
Other payables	1,006.8	1,671.5	745.4
Derivative financial instruments			
- Currency forwards	*722.1*	*289.6*	*295.2*
- Interest rate swaps	*145.3*	*126.3*	*81.5*
- Index options	*29.7*	*84.6*	*49.1*
- Contract for differences	*325.2*	*9.5*	*357.7*
- Equity swaps	*80.7*	*26.7*	*40.1*
- Foreign currency options	*0.3*	-	*6.1*
- Total return swaps	*101.9*	*85.1*	*88.3*
- Fixed income options	*0.2*	*10.6*	*6.6*
- Credit default swaps	*16.6*	*43.8*	*24.2*
Total derivative financial liabilities	1,422.0	676.2	948.8
Total liabilities	**2,428.8**	2,347.7	1,694.2
Net assets held to cover linked liabilities	**111,079.1**	104,451.6	111,852.7
Investment contract benefits	82,735.1	77,656.0	83,558.5
Net asset value attributable to unit holders	27,905.9	26,345.2	27,830.0
Unit linked insurance contract liabilities	438.1	450.4	464.2
Net unit-linked liabilities	**111,079.1**	104,451.6	111,852.7

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. OTHER RECEIVABLES

	30 June 2020	30 June 2019	31 December 2019
	£'Million	£'Million	£'Million
Receivables in relation to unit liabilities excluding policyholder interests	453.5	390.6	313.6
Other receivables in relation to insurance and unit trust business	75.0	87.2	83.6
Operational readiness prepayment	310.8	273.2	299.2
Advanced payments to Partners	61.2	53.3	59.8
Other prepayments	65.7	61.1	67.6
Business loans to Partners	498.9	464.5	476.5
Renewal income assets	89.7	76.4	85.7
Miscellaneous	8.2	7.9	5.9
Total other receivables on the Solvency II Net Assets Balance Sheet[1]	**1,563.0**	1,414.2	1,391.9
Policyholder interests in other receivables (see Note 8)	1,250.5	1,954.3	733.1
Miscellaneous (see adjustment 2 on page 33)	3.2	2.3	2.1
Total other receivables	**2,816.7**	3,370.8	2,127.1

1. This Note has been represented to include a sub-total for other receivables on the Solvency II Net Assets Balance Sheet.

All items within other receivables meet the definition of financial assets with the exception of prepayments and advanced payments to Partners. The fair value of financial assets held at amortised cost within other receivables is not materially different from amortised cost.

Receivables in relation to unit liabilities primarily relate to outstanding market trade settlements (sales) in the life unit-linked funds and the consolidated unit trusts. Other receivables in relation to insurance and unit trust business primarily relate to outstanding policy-related settlement timings. Both of these categories of receivables are short-term, typically settled within three days.

The operational readiness prepayment relates to the Bluedoor administration platform developed by our key outsourced back-office administration provider. Management has assessed the recoverability of this prepayment against the expected cost saving benefit of lower future tariff costs arising from the platform. It is believed that any reasonably possible change in the assumptions applied within this assessment, such as levels of future business, the anticipated future service tariffs and the discount rate, is highly unlikely to have a material impact on the carrying value of the asset.

Renewal income assets represent the present value of future cash flows associated with books of business acquired by the Group. Typically, they arise through business combinations, where the asset represents the value of non-Group related business at the date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. OTHER RECEIVABLES (continued)

Business loans to Partners

	30 June 2020	30 June 2019	31 December 2019
	£'Million	£'Million	£'Million
Business loans to Partners directly funded by the Group	325.0	328.4	316.0
Securitised business loans to Partners	173.9	136.1	160.5
Total business loans to Partners	**498.9**	464.5	476.5

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

The Group has securitised £173.9 million (30 June 2019: £136.1 million, 31 December 2019: £160.5 million) of the business loans to Partners portfolio. Legal ownership of the securitised business loans to Partners has been transferred to a structured entity, SJP Partner Loans No.1 Limited, which has issued loan notes secured upon them. Note 12 Borrowings and financial commitments provides information on these loan notes. The securitised business loans to Partners are ring-fenced from the other assets of the Group, which means that the cash flows associated with these business loans to Partners can only be used to purchase new loans into the structure repay the note holders, plus associated issuance fees and costs. Holders of the loan notes have no recourse to the Group's other assets.

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

The business loans to Partners balance is shown net of £3.9 million of expected credit losses (30 June 2019: £3.2 million, 31 December 2019: £3.6 million). Expected credit losses have been calculated using an expected loss impairment model, which is based on the levels of loss experienced in the portfolio with due consideration given to forward-looking information.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. OTHER PAYABLES

	30 June 2020	30 June 2019	31 December 2019
	£'Million	£'Million	£'Million
Payables in relation to unit liabilities excluding policyholder interests	175.8	189.8	106.8
Other payables in relation to insurance and unit trust business	467.9	408.9	411.0
Accruals for ongoing advice fees	109.4	116.1	118.1
Other accruals[1]	92.8	84.4	72.1
Contract payment[2]	74.0	81.6	77.9
Lease liabilities	130.0	112.4	118.6
Miscellaneous[1,2]	48.0	71.0	129.2
Total other payables on the Solvency II Net Assets Balance Sheet[2]	**1,097.9**	1,064.2	1,033.7
Policyholder interests in other payables (see Note 8)	1,006.8	1,671.5	745.4
Miscellaneous (see adjustment 2 on page 33)	56.1	34.9	3.6
Total other payables	**2,160.8**	2,770.6	1,782.7

1. Following a review of accruals during 2019, a balance of £58.6 million relating to payables to Partners at 30 June 2019 has been reclassified from other accruals to miscellaneous in order to better reflect the nature of the balance.
2. This Note has been represented to include a sub-total for other payables on the Solvency II Net Assets Balance Sheet and to separate the contract payment from miscellaneous.

Payables in relation to unit liabilities primarily relate to outstanding market trade settlements (purchases) in the life unit-linked funds and the consolidated unit trusts. Other payables in relation to insurance and unit trust business primarily relate to outstanding policy-related settlement timings. Both of these categories of payables are short-term, typically settled within three days.

The contract payment of £74.0 million (30 June 2019: £81.6 million, 31 December 2019: £77.9 million) is non-interest bearing and repayable on a straight-line basis over the life of a 12-year service agreement. The repayment period commenced on 1 January 2017.

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

The fair value of financial instruments held at amortised cost within other payables is not materially different from amortised cost.

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. OTHER PROVISIONS AND CONTINGENT LIABILITIES

	Total provisions
	£'Million
At 1 January 2019	22.7
Additional provisions	21.8
Utilised during the period	(7.4)
Release of provision	(2.0)
At 30 June 2019	35.1
Additional provisions	12.8
Utilised during the period	(7.9)
Release of provision	0.6
At 31 December 2019	40.6
Additional provisions	**12.1**
Utilised during the period	**(8.9)**
Release of provision	**(5.2)**
At 30 June 2020	**38.6**

Total provisions relate to the cost of redress for complaints, the cost to restore properties to their original state at the end of their lease term (known as the lease provision) 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 lease provision is based on the square footage of leased properties and typical costs per square foot of restoring similar buildings to their original state. The clawback provision is based on estimates of the indemnity commission that may be repaid.

Of the £12.1 million additional provisions recognised during the period (six months to 30 June 2019: £21.8 million, year to 31 December 2019: £34.6 million), £0.1 million relates to the lease provision (six months to 30 June 2019: £10.2 million, year to 31 December 2019: £11.2 million).

As more fully set out in the summary of principal risks and uncertainties on pages 45 to 47, the Group could in the course of its business be subject to legal proceedings and/or regulatory activity. Should such an event arise, the Board would consider their best estimate of the amount required to settle the obligation and, where appropriate and material, establish a provision. While there can be no assurances that circumstances will not change, based upon information currently available to them, the Directors do not believe there is any possible activity or event that could have a material adverse effect on the Group's financial position.

During the normal course of business, the Group may from time to time provide guarantees to Partners, clients or other third parties. However, based upon the information currently available to them, the Directors do not believe there are any guarantees which would have a material adverse effect on the Group's financial position, and so the fair value of any guarantees has been assessed as £nil (30 June 2019: £nil and 31 December 2019: £nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. BORROWINGS AND FINANCIAL COMMITMENTS

Borrowings

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

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

Senior unsecured corporate borrowings

	30 June 2020	30 June 2019	31 December 2019
	£'Million	£'Million	£'Million
Corporate borrowings: bank loans	**193.0**	239.6	173.3
Corporate borrowings: loan notes	**113.7**	113.8	113.8
Senior unsecured corporate borrowings	**306.7**	353.4	287.1

The primary senior unsecured corporate borrowings are:

- a £340 million revolving credit facility which is repayable at maturity in 2022 with a variable interest rate. At 30 June 2020 the undrawn credit available under this facility was £150 million (30 June 2019: £104 million, 31 December 2019: £170 million); and
- a US Dollar $160 million private shelf facility, under which the Group has issued two tranches of loan notes: one for £50 million and another for £64 million. The note issues were denominated in Sterling, eliminating any Group currency risk. The notes are repayable over ten years, ending in 2025 and 2027 respectively, with variable interest rates.

Senior tranche of non-recourse securitisation loan notes

	30 June 2020	30 June 2019	31 December 2019
	£'Million	£'Million	£'Million
Senior unsecured corporate borrowings	**306.7**	353.4	287.1
Senior tranche of non-recourse securitisation loan notes	**129.1**	97.8	116.6
Total borrowings	**435.8**	451.2	403.7

The senior tranche of securitisation loan notes are AAA-rated and repayable over the expected life of the securitisation (estimated to be five years) with a variable interest rate. £70.0 million of these loan notes were issued during 2018 with a further £50.0 million issued during 2019 and £10.8 million issued during 2020. They are held by third-party investors and are secured on a legally segregated portfolio of £173.9 million business loans to Partners, and the other net assets of the securitisation entity SJP Partner Loans No.1 Limited. For further information on business loans to Partners, including those that have been securitised, refer to Note 9 Other receivables. Holders of the securitisation loan notes have no recourse to the assets held by any other entity within the Group.

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. BORROWINGS AND FINANCIAL COMMITMENTS (continued)

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

	30 June 2020	30 June 2019	31 December 2019
	£'Million	£'Million	£'Million
Junior tranche of non-recourse securitisation loan notes	**51.7**	44.0	49.9
Senior tranche of non-recourse securitisation loan notes	**129.1**	97.8	116.6
Total non-recourse securitisation loan notes	**180.8**	141.8	166.5
Backed by:			
Securitised business loans to Partners (see Note 9)	**173.9**	136.1	160.5
Other net assets of SJP Partner Loans No.1 Limited	**6.9**	5.7	6.0
Total net assets held by SJP Partner Loans No.1 Limited	**180.8**	141.8	166.5

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

Financial commitments

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

	Loans drawn			Facility		
	30 June 2020	30 June 2019	31 December 2019	**30 June 2020**	30 June 2019	31 December 2019
	£'Million	£'Million	£'Million	**£'Million**	£'Million	£'Million
Bank of Scotland	57.9	57.9	57.7	70.0	70.0	70.0
Investec	17.6	-	18.5	25.0	-	25.0
Metro Bank	42.6	49.5	45.7	61.0	61.0	61.0
Royal Bank of Scotland	23.1	-	15.1	25.0	-	25.0
Santander	48.3	42.3	44.5	50.0	50.0	50.0
Total loans	**189.5**	149.7	181.5	**231.0**	181.0	231.0

The fair value of these guarantees has been assessed as £nil (30 June 2019 and 31 December 2019: £nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. FAIR VALUE MEASUREMENT

Fair value estimation

Financial assets and liabilities, which are held at fair value in the Financial Statements, are required to have disclosed their fair value measurements by level from the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's shareholder assets measured at fair value. There are no shareholder liabilities measured at fair value:

Shareholder assets

30 June 2020	**Level 1**	**Level 2**	**Level 3**	**Total balance**
	£'Million	**£'Million**	**£'Million**	**£'Million**
Financial assets:				
Fixed income securities	7.6	-	-	7.6
Investment in Collective Investment Schemes[1]	810.5	-	-	810.5
Renewal income assets	-	-	89.7	89.7
Total financial assets	**818.1**	**-**	**89.7**	**907.8**

30 June 2019	Level 1	Level 2	Level 3	Total balance
	£'Million	£'Million	£'Million	£'Million
Financial assets:				
Fixed income securities	5.3	-	-	5.3
Investment in Collective Investment Schemes[1]	1,172.4	-	-	1,172.4
Renewal income assets	-	-	76.4	76.4
Total financial assets	1,177.7	-	76.4	1,254.1

31 December 2019	Level 1	Level 2	Level 3	Total balance
	£'Million	£'Million	£'Million	£'Million
Financial assets:				
Fixed income securities	5.2	-	-	5.2
Investment in Collective Investment Schemes[1]	1,131.8	-	-	1,131.8
Renewal income assets	-	-	85.7	85.7
Total financial assets	1,137.0	-	85.7	1,222.7

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. FAIR VALUE MEASUREMENT (continued)

The fair value of financial instruments traded in active markets is based on quoted bid prices at the reporting date. These instruments are included in Level 1.

Level 2 financial assets are valued using observable prices for identical current arm's length transactions.

The renewal income assets are classified as Level 3 and are valued using a discounted cash flow technique. The effect of applying reasonably possible alternative assumptions of a movement of 100bps on the discount rate and a 10% movement in the lapse rate would result in an unfavourable change in valuation of £8.4 million (30 June 2019: £7.0 million, 31 December 2019: £7.9 million) and a favourable change in valuation of £9.3 million (30 June 2019: £8.0 million, 31 December 2019: £9.0 million), respectively.

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

Movement in Level 3 portfolios

Renewal income assets	**30 June 2020**	30 June 2019	31 December 2019
	£'Million	£'Million	£'Million
Opening balance	85.7	72.1	72.1
Additions during the period	13.5	5.7	17.1
Disposals during the period	-	(0.2)	-
Unrealised losses recognised in the Statement of Comprehensive Income	(9.5)	(1.2)	(3.5)
Closing balance	**89.7**	76.4	85.7

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. FAIR VALUE MEASUREMENT (continued)

Unit liabilities and associated assets

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

30 June 2019	Level 1	Level 2	Level 3	Total balance
	£'Million	£'Million	£'Million	£'Million
Financial assets and investment properties				
Investment property	-	-	1,780.1	1,780.1
Equities	66,658.3	-	25.0	66,683.3
Fixed income securities	6,954.5	17,630.6	10.9	24,596.0
Investment in Collective Investment Schemes	4,453.1	-	1.7	4,454.8
Derivative financial instruments	-	459.7	-	459.7
Cash and cash equivalents	6,871.1	-	-	6,871.1
Total financial assets and investment properties	84,937.0	18,090.3	1,817.7	104,845.0
Financial liabilities				
Investment contract benefits	-	77,656.0	-	77,656.0
Derivative financial instruments	-	676.2	-	676.2
Net asset value attributable to unit holders	26,345.2	-	-	26,345.2
Total financial liabilities	26,345.2	78,332.2	-	104,677.4

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. FAIR VALUE MEASUREMENT (continued)

31 December 2019	Level 1	Level 2	Level 3	Total balance
	£'Million	£'Million	£'Million	£'Million
Financial assets and investment properties				
Investment property	-	-	1,750.9	1,750.9
Equities	72,524.8	-	169.4	72,694.2
Fixed income securities	7,297.4	18,891.3	81.7	26,270.4
Investment in Collective Investment Schemes	4,033.1	-	1.5	4,034.6
Derivative financial instruments	-	1,342.9	-	1,342.9
Cash and cash equivalents	6,720.8	-	-	6,720.8
Total financial assets and investment properties	90,576.1	20,234.2	2,003.5	112,813.8
Financial liabilities				
Investment contract benefits	-	83,558.5	-	83,558.5
Derivative financial instruments	-	948.8	-	948.8
Net asset value attributable to unit holders	27,830.0	-	-	27,830.0
Total financial liabilities	27,830.0	84,507.3	-	112,337.3

In respect of the derivative financial liabilities, £253.9 million of collateral has been posted at 30 June 2020, comprising cash and treasury bills (30 June 2019: £693.6 million, 31 December 2019: £226.1 million), in accordance with the terms and conditions of the derivative contracts.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. FAIR VALUE MEASUREMENT (continued)

The fair value of financial instruments traded in active markets is based on quoted bid prices at the reporting date. These instruments are included in Level 1.

The Group closely monitors the valuation of assets in markets that have become less liquid. Determining whether a market is active requires the exercise of judgement and is determined based upon the facts and circumstances of the market for the instrument being measured. Where it is determined that there is no active market, fair value is established using a valuation technique. The techniques applied incorporate relevant information available and reflect appropriate adjustments for credit and liquidity risks. These valuation techniques maximise the use of observable market data where it is available, and rely as little as possible on entity specific estimates. The relative weightings given to differing sources of information and the determination of non-observable inputs to valuation models can require the exercise of significant judgement.

If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Note that all of the resulting fair value estimates are included in Level 2, except for certain equities and investments in CIS and investment properties as detailed below.

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

- The use of observable prices for identical current arm’s length transactions, specifically:
  - The fair value of unit-linked liabilities is assessed by reference to the value of the underlying net asset value of the Group’s unitised investment funds, determined on a bid value, at the reporting date.
  - The Group’s derivative financial instruments are valued using valuation techniques commonly used by market participants. These consist of discounted cash flow and options pricing models, which typically incorporate observable market data, principally interest rates, basis spreads, foreign exchange rates, equity prices and counterparty credit.

Specific valuation techniques used to value Level 3 financial assets and liabilities include:

- The use of unobservable inputs, such as expected rental values and equivalent yields;
- Other techniques, such as discounted cash flow and historic lapse rates, are used to determine fair value for the remaining financial instruments.

There were no transfers between Level 1 and Level 2 during the period.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. FAIR VALUE MEASUREMENT (continued)

Transfers into and out of Level 3 portfolios

Transfers out of Level 3 portfolios arise when inputs that could have a significant impact on the instrument's valuation become market observable; conversely, transfers into the portfolios arise when consistent sources of data cease to be available.

Transfers in of certain equities and investments in CIS occur when asset valuations can no longer be obtained from an observable market price i.e. become illiquid, in liquidation, suspended etc. The converse is true if an observable market price becomes available.

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

Six months ended 30 June 2020

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

Six months ended 30 June 2019

	Investment property	Investment in CIS
	£'Million	£'Million
Opening balance	1,820.7	1.8
Transfer into Level 3	-	-
Additions during the period	5.9	-
Disposals during the period	(8.1)	(0.1)
Losses recognised in the Statement of Comprehensive Income	(38.4)	-
Closing balance	1,780.1	1.7
Realised gains	2.4	-
Unrealised losses	(40.8)	-
Losses recognised in the Statement of Comprehensive Income	(38.4)	-

No movement schedule for the six months to 30 June 2019 is provided for fixed income securities or equities, as the Group's investment into these assets was immaterial at that date.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. FAIR VALUE MEASUREMENT (continued)

Year ended 31 December 2019

	Investment property	Fixed income securities	Equities	Investment in CIS
	£'Million	£'Million	£'Million	£'Million
Opening balance	1,820.7	-	-	1.8
Transfer into Level 3	-	-	-	(0.1)
Additions during the year	56.9	78.7	162.7	-
Disposals during the year	(52.5)	-	-	(0.2)
(Losses)/gains recognised in the Statement of Comprehensive Income	(74.2)	3.0	6.7	-
Closing balance	1,750.9	81.7	169.4	1.5
Unrealised (losses)/gains	(89.9)	3.0	6.7	-
Realised gains	15.7	-	-	-
(Losses)/gains recognised in the Statement of Comprehensive Income	(74.2)	3.0	6.7	-

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. FAIR VALUE MEASUREMENT (continued)

Level 3 valuations

Investment property
At 30 June 2020 the Group held £1,626.1 million (30 June 2019: £1,780.1 million, 31 December 2019: £1,750.9 million) of investment property, all of which is classified as Level 3 in the fair value hierarchy. It is initially measured at cost including related acquisition costs and subsequently valued monthly by professional external valuers at 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 into the future, an assessment of a property's potential to remain as an attractive technical configuration to existing and prospective tenants in a changing market and a judgement to be reached on the attractiveness of a building, its location and the surrounding environment. At 30 June 2020, due to increased levels of uncertainty in the market the professional external valuers included a 'material uncertainty' statement in their valuation report. However, management believe that the valuation provided by the professional external valuer remains the most reliable method by which to determine the fair value of investment property.

	Investment property classification			
	Office	**Industrial**	**Retail and leisure**	**All**
30 June 2020				
Gross ERV (per sq ft)[1]				
Range	£14.75 - £97.55	£4.13 - £17.50	£2.50 - £99.98	£2.50 - £99.98
Weighted average	£36.10	£8.73	£14.59	£15.24
True equivalent yield				
Range	4.2% - 8.7%	4.3% - 6.0%	4.7% - 14.1%	4.2% - 14.1%
Weighted average	5.5%	4.7%	7.2%	5.7%
30 June 2019				
Gross ERV (per sq ft)[1]				
Range	£14.66 - £97.55	£4.13 - £17.50	£4.50 - £99.98[(2)]	£4.13 - £99.98[(2)]
Weighted average	£34.72	£8.37	£15.69	£14.97
True equivalent yield				
Range	4.1% - 8.3%	4.1% - 6.7%	4.7% - 13.9%	4.1% - 13.9%
Weighted average	5.2%	4.9%	6.4%	5.5%
31 December 2019				
Gross ERV (per sq ft)[1]				
Range	£14.66 - £97.55	£4.13 - £17.50	£2.50 - £99.98[(2)]	£2.50 - £99.98[(2)]
Weighted average	£36.02	£8.28	£15.47	£15.12
True equivalent yield				
Range	4.1% - 8.5%	4.1% - 6.3%	4.7% - 13.9%	4.1% - 13.9%
Weighted average	5.3%	4.6%	6.7%	5.5%

1. Equivalent rental value (per square foot).
2. The maximum ERV per square foot for retail and leisure has decreased from £159.96 to £99.98 at 30 June 2019 and 31 December 2019 to provide comparable data following the implementation by the Group's professional external valuers of a revised model for valuing retail assets in 2020.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. FAIR VALUE MEASUREMENT (continued)

Fixed income securities and equities
At 30 June 2020 the Group held £137.7 million (31 December 2019: £81.7 million) in private credit investments, and £241.6 million (31 December 2019: £169.4 million) in private equity investments through the St. James's Place Diversified Assets (FAIF) Unit Trust. Comparatives are not provided for 30 June 2019, as the Group's investment into these assets was immaterial at that date.

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. FAIR VALUE MEASUREMENT (continued)

Sensitivity of Level 3 valuations

Investment in Collective Investment Schemes
The valuation of certain investments in CIS are based on the latest observable price available. Whilst such valuations are sensitive to estimates, it is believed that changing the price applied to a reasonably possible alternative would not change the fair value significantly.

Investment property
As set out above, investment property is initially measured at cost including related acquisition costs and subsequently valued monthly by professional external valuers at their respective fair values at each reporting date. The following table sets out the effect of applying reasonably possible alternative assumptions, being a 5% movement in estimated rental value and a 25 bps movement in the relative yield, to the valuation of the investment properties. Any change in the value of investment property is matched by the associated movement in the policyholder liability, and therefore would not impact on the shareholder net assets.

			Effect of reasonable possible alternative assumptions	
	Investment property significant unobservable inputs	**Carrying value**	**Favourable changes**	**Unfavourable changes**
		£'Million	£'Million	£'Million
30 June 2020	**Expected rental value / Relative yield**	**1,626.1**	**1,778.4**	**1,491.5**
30 June 2019	Expected rental value / Relative yield	1,780.1	1,950.1	1,628.2
31 December 2019	Expected rental value / Relative yield	1,750.9	1,917.0	1,602.3

Fixed income securities and equities
As set out above, the fair values of the Level 3 fixed income securities and equities are selected from the valuation range determined through the monthly valuation process. The following table sets out the effect of valuing each of the assets at the high and low point of the range. As for investment property, any change in the value of these fixed income securities or equities is matched by an associated movement in the policyholder liability, and therefore would not impact on the shareholder net assets. No sensitivity is provided for 30 June 2019, as the Group's investment into these assets was immaterial at that date.

			Effect of reasonable possible alternative assumptions	
		Carrying value	**Favourable changes**	**Unfavourable changes**
		£'Million	£'Million	£'Million
30 June 2020	**Fixed income securities**	**137.7**	**139.3**	**136.1**
	Equities	**241.6**	**278.0**	**216.0**
31 December 2019	Fixed income securities	81.7	82.9	80.2
	Equities	169.4	191.3	147.9

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. SHARE CAPITAL, EARNINGS PER SHARE AND DIVIDENDS

Share capital

	Number of ordinary shares	**Called up share capital £'Million**
At 1 January 2019	529,453,397	79.4
- Issue of share capital	388,783	0.1
- Exercise of options	1,128,862	0.1
At 30 June 2019	530,971,042	79.6
- Exercise of options	3,829,584	0.6
At 31 December 2019	**534,800,626**	**80.2**
- Exercise of options	**2,016,092**	**0.3**
At 30 June 2020	**536,816,718**	**80.5**

Ordinary shares have a par value of 15 pence per share (30 June 2019 and 31 December 2019: 15 pence per share) and are fully paid.

Included in the issued share capital are 3,352,963 (30 June 2019: 3,007,664, 31 December 2019: 2,894,530) shares held in the shares in trust reserve with a nominal value of £0.5 million (30 June 2019: £0.5 million, 31 December 2019: £0.4 million). The shares are held by the SJP Employee Share Trust and the St. James's Place 2010 SIP Trust to satisfy certain share-based payment schemes. The trustees of the SJP Employee Share Trust retain the right to dividends on the shares held by the Trust but have chosen to waive their entitlement to the dividends on 941,722 shares at 30 June 2020 (30 June 2019: 555,711 shares, 31 December 2019: 438,105 shares). No dividends have been waived on shares held in the St. James's Place 2010 SIP Trust in 2020 or 2019.

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. SHARE CAPITAL, EARNINGS PER SHARE AND DIVIDENDS (continued)

Earnings per share

	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
	£'Million	£'Million	£'Million
Earnings			
Profit after tax attributable to equity shareholders *(for both basic and diluted EPS)*	**178.1**	45.8	146.6

	Million	Million	Million
Weighted average number of shares			
Weighted average number of ordinary shares in issue *(for basic EPS)*	**533.8**	527.8	531.3
Adjustments for outstanding share options	**5.1**	12.2	2.7
Weighted average number of ordinary shares *(for diluted EPS)*	**538.9**	540.0	534.0

	Pence	Pence	Pence
Earnings per share (EPS)			
Basic earnings per share	**33.4**	8.7	27.6
Diluted earnings per share	**33.0**	8.5	27.5

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. SHARE CAPITAL, EARNINGS PER SHARE AND DIVIDENDS (continued)

Dividends

The following dividends have been paid by the Group:

	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
	£'Million	£'Million	£'Million
2018 final dividend – 29.73 pence per ordinary share	**-**	157.6	157.6
2019 interim dividend – 18.49 pence per ordinary share	**-**	-	98.4
2019 second interim dividend – 20.00 pence per ordinary share	107.1	-	-
Total dividends paid	**107.1**	157.6	256.0

No interim dividend will be paid for 2020 (30 June 2019: interim dividend of 18.49 pence per ordinary share, amounting to £98.4 million).

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. RELATED PARTY TRANSACTIONS

For the half-year to 30 June 2020 the nature of the related party transactions are similar to those for the year ended 31 December 2019.

Transactions with St. James's Place unit trusts

In respect of the non-consolidated St. James's Place managed unit trusts that are held as investments in the St. James's Place life and pension funds, there were losses recognised of £30.8 million (30 June 2019: gains of £6.3 million and 31 December 2019: gains of £12.3 million) and the total value of transactions with those non-consolidated unit trusts was £16.7 million (30 June 2019: £15.7 million and 31 December 2019: £28.0 million). Net management fees receivable from these unit trusts amounted to £4.2 million (30 June 2019: £3.2 million and 31 December 2019: £11.3 million). The value of the investment into the non-consolidated unit trusts at 30 June 2020 was £98.3 million (30 June 2019: £140.4 million and 31 December 2019: £139.9 million).

16. STATUTORY ACCOUNTS

The financial information shown in this publication is unaudited and does not constitute statutory accounts. The comparative figures for the financial year ended 31 December 2019 are not the Company's statutory accounts for the financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies.

The report of the auditors was unmodified and did not include a reference to any matter to which the auditors drew attention to, by way of emphasis without modifying their report, and did not contain a statement under section 498 of the Companies Act 2006.

17. APPROVAL OF HALF-YEAR REPORT

These Condensed Consolidated Half-Year Financial Statements were approved by the Board of Directors on 27 July 2020.

18. NATIONAL STORAGE MECHANISM

A copy of the Half-Year Report will be submitted shortly to the National Storage Mechanism (NSM) and will be available for inspection at the NSM, which is situated at: https://data.fca.org.uk/#/nsm/nationalstoragemechanism.

Independent review report to St. James's Place plc

Report on the condensed consolidated half year financial statements

OUR CONCLUSION

We have reviewed St. James's Place plc's condensed consolidated half year financial statements (the "interim financial statements") in the half year report of St. James's Place plc for the 6 month period ended 30 June 2020. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

WHAT WE HAVE REVIEWED

The interim financial statements comprise:

- the condensed consolidated statement of financial position as at 30 June 2020;
- the condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the half year report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

OUR RESPONSIBILITIES AND THOSE OF THE DIRECTORS

The half year report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half year report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the half year report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

WHAT A REVIEW OF INTERIM FINANCIAL STATEMENTS INVOLVES

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the half year report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London
27 July 2020

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE HALF-YEAR FINANCIAL REPORT

The Directors confirm that this consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of consolidated Financial Statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related-party transactions in the first six months and any material changes in the related party transactions described in the last Annual Report.

The Directors of St. James's Place plc are listed in the St. James's Place plc Annual Report for 31 December 2019. A list of current Directors is maintained on the St. James's Place plc website: www.sjp.co.uk

The Directors are responsible for the maintenance and integrity of the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

By order of the Board:

Andrew Croft
Chief Executive
27 July 2020

Craig Gentle
Chief Financial Officer
27 July 2020

SUPPLEMENTARY INFORMATION: CONSOLIDATED FINANCIAL STATEMENTS ON A CASH RESULT BASIS (UNAUDITED)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME ON A CASH RESULT BASIS (UNAUDITED)

	Note	**Six months ended 30 June 2020**	Six months ended 30 June 2019	Year ended 31 December 2019
		£'Million	£'Million	£'Million
Fee and commission income		657.6	1,259.5	2,355.4
Investment return	5	(1.6)	19.9	37.6
Net income		656.0	1,279.4	2,393.0
Expenses		(798.0)	(771.5)	(1,600.8)
(Loss)/profit before tax		(142.0)	507.9	792.2
Tax attributable to policyholders' returns		293.8	(399.3)	(521.8)
Tax attributable to shareholders' returns		(27.1)	(9.0)	(41.0)
Total cash result profit for the period		**124.7**	99.6	229.4
		Pence	Pence	Pence
Cash result basic earnings per share	III	23.4	18.9	43.2
Cash result diluted earnings per share	III	23.1	18.4	43.0

The Note references above cross refer to the Notes to the Condensed Consolidated Financial Statements under IFRS on pages 52 to 86, except where denoted in roman numerals.

CONSOLIDATED STATEMENT OF CHANGED IN EQUITY ON A CASH RESULT BASIS (UNAUDITED)

		Equity attributable owners of the Parent							
	Note	Share capital	Share premium	Shares in trust reserve	Retained earnings	Misc reserves	Total	Non-controlling interests	Total equity
		£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
At 1 January 2019		79.4	174.5	(23.7)	876.2	2.5	1,108.9	(0.9)	1,108.0
Cash result for the period					99.6		99.6		99.6
Dividends	14				(157.6)		(157.6)		(157.6)
Issue of share capital		0.1	3.9				4.0		4.0
Exercise of options		0.1	3.3				3.4		3.4
Consideration paid For own shares				(0.1)			(0.1)		(0.1)
Shares sold during the period				7.6	(7.6)		-		-
Proceeds from exercise of shares held in trust					0.2		0.2		0.2
Change in deferred tax					(8.1)		(8.1)		(8.1)
Impact of policyholder tax asymmetry					(7.7)		(7.7)		(7.7)
Change in goodwill and intangibles					(1.8)		(1.8)		(1.8)
At 30 June 2019		79.6	181.7	(16.2)	793.2	2.5	1,040.8	(0.9)	1,039.9
At 1 January 2020		80.2	182.4	(16.4)	809.0	2.5	1,057.7	(0.9)	1,056.8
Cash result for the period					124.7		124.7		124.7
Dividends	14				(107.1)		(107.1)		(107.1)
Exercise of options		0.3	0.8				1.1		1.1
Consideration paid for own shares				(3.8)			(3.8)		(3.8)
Shares sold during the period				4.1	(4.1)		-		-
Change in deferred tax					(23.5)		(23.5)		(23.5)
Impact of policyholder tax asymmetry					98.3		98.3		98.3
Change in goodwill, intangibles and other non-cash movements					(11.4)		(11.4)		(11.4)
At 30 June 2020		**80.5**	**183.2**	**(16.1)**	**885.9**	**2.5**	**1,136.0**	**(0.9)**	**1,135.1**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION ON A CASH RESULT BASIS (UNAUDITED)

	Note	**30 June 2020**	30 June 2019	31 December 2019
		£'Million	£'Million	£'Million
Assets				
Property and equipment		172.9	156.4	166.3
Fixed income securities	13	7.6	5.3	5.2
Investment in Collective Investment Schemes	13	810.5	1,172.4	1,131.8
Cash and cash equivalents		289.9	276.5	292.8
Other receivables		1,563.0	1,414.2	1,391.9
Deferred tax assets		74.7	101.3	98.5
Total assets		**2,918.6**	3,126.1	3,086.5
Liabilities				
Borrowings	12	435.8	451.2	403.7
Other provisions	11	38.6	35.1	40.6
Other payables		1,097.9	1,064.2	1,033.7
Income tax liabilities		19.8	164.6	115.4
Deferred tax liabilities		191.3	371.0	436.2
Preference shares		0.1	0.1	0.1
Total liabilities		**1,783.5**	2,086.2	2,029.7
Net assets		**1,135.1**	1,039.9	1,056.8
Shareholders' equity				
Share capital	14	80.5	79.6	80.2
Share premium		183.2	181.7	182.4
Shares in trust reserve		(16.1)	(16.2)	(16.4)
Miscellaneous reserves		2.5	2.5	2.5
Retained earnings		885.9	793.2	809.0
Shareholders' equity		**1,136.0**	1,040.8	1,057.7
Non-controlling interests		(0.9)	(0.9)	(0.9)
Total shareholders' equity on a cash result basis		**1,135.1**	1,039.9	1,056.8
		Pence	Pence	Pence
Net assets per share		**211.5**	195.8	197.6

The Note references above cross refer to the Notes to the Condensed Consolidated Financial Statements under IFRS on pages 52 to 86, 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 8, are policyholder balances which are removed in the Statement of Financial Position on a Cash Result Basis. No adjustment for payments in or out is required in the Statement of Comprehensive Income as this business is subject to deposit accounting, which means that policyholder deposits and withdrawals are recognised in the Statement of Financial Position under IFRS, with only marginal cash flows attributable to shareholders recognised in the Statement of Comprehensive Income. However, adjustment is required for the investment return and the movement in investment contract liabilities, which are offsetting and are both set to zero.

2. Deferred acquisition costs, the purchased value of in-force business and deferred income assets and liabilities are removed from the Statement of Financial Position on a Cash Result Basis, and the amortisation of these balances is removed in the Statement of Comprehensive Income on a Cash Result Basis. The assets, liabilities and amortisation are set out in Note 7.

3. Share-based payment expense is removed from the Statement of Comprehensive Income on a Cash Result Basis, and the equity and liability balances for equity-settled and cash-settled share-based payment schemes respectively are removed from the Statement of Financial Position on a Cash Result Basis.

4. Non-unit-linked insurance contract liabilities and reinsurance assets are removed in the Statement of Financial Position on a Cash Result Basis. The movement in these balances is removed from the Statement of Comprehensive Income on a Cash Result Basis.

5. Goodwill, computer software intangible assets and some other assets and liabilities which are inadmissible under the Solvency II regime are removed from the Statement of Financial Position on a Cash Result Basis, however the movement in these figures are included in the Statement of Comprehensive Income on a Cash Result Basis.

6. Deferred tax assets and liabilities are adjusted in the Statement of Financial Position on a Cash Result Basis to reflect the adjustments noted above and other discounting differences between tax charges and IFRS accounting. However, the impact of movements in deferred tax assets and liabilities are not included in the Statement of Comprehensive Income on a Cash Result Basis.

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 Condensed Consolidated Statement of Financial Position (on page 50), with adjustments made to accounting assets and liabilities to reflect the Solvency II regulations and the provision for insurance liabilities set equal to the associated unit liabilities.

The reconciliation between the IFRS and Solvency II Net Assets Balance Sheet as at 30 June 2020 is set out on page 33. The reconciliation as at 30 June 2019 and 31 December 2019 are provided on the following pages.

30 June 2019	**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	525.0	-	(525.0)	-
Purchased value of in-force business	22.4	-	(22.4)	-
Computer software	1.2	-	(1.2)	-
Property and equipment	156.4	-	-	156.4
Deferred tax assets	135.7	-	(34.4)	101.3
Reinsurance assets	88.4	-	(88.4)	-
Other receivables	3,370.8	(1,954.3)	(2.3)	1,414.2
Income tax assets	-	-	-	-
Investment property	1,780.1	(1,780.1)	-	-
Equities	66,683.3	(66,683.3)	-	-
Fixed income securities	24,601.3	(24,596.0)	-	5.3
Investment in Collective Investment Schemes	5,627.2	(4,454.8)	-	1,172.4
Derivative financial instruments	459.7	(459.7)	-	-
Cash and cash equivalents	7,147.6	(6,871.1)	-	276.5
Total assets	**110,614.7**	**(106,799.3)**	**(689.3)**	**3,126.1**
Liabilities				
Borrowings	451.2	-	-	451.2
Deferred tax liabilities	404.3	-	(33.3)	371.0
Insurance contract liabilities	543.4	(450.4)	(93.0)	-
Deferred income	638.6	-	(638.6)	-
Other provisions	35.1	-	-	35.1
Other payables	2,770.6	(1,671.5)	(34.9)	1,064.2
Investment contract benefits	77,656.0	(77,656.0)	-	-
Derivative financial instruments	676.2	(676.2)	-	-
Net asset value attributable to unit holders	26,345.2	(26,345.2)	-	-
Income tax liabilities	164.6	-	-	164.6
Preference shares	0.1	-	-	0.1
Total liabilities	**109,685.3**	**(106,799.3)**	**(799.8)**	**2,086.2**
Net assets	**929.4**	**-**	**110.5**	**1,039.9**

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 (CONTINUED)

31 December 2019	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	490.0	–	(490.0)	–
Purchased value of in-force business	20.8	–	(20.8)	–
Computer software	8.9	–	(8.9)	–
Property and equipment	166.3	–	–	166.3
Deferred tax assets	131.1	–	(32.6)	98.5
Reinsurance assets	88.6	–	(88.6)	–
Other receivables	2,127.1	(733.1)	(2.1)	1,391.9
Income tax assets	–	–	–	–
Investment property	1,750.9	(1,750.9)	–	–
Equities	72,694.2	(72,694.2)	–	–
Fixed income securities	26,275.6	(26,270.4)	–	5.2
Investment in Collective Investment Schemes	5,166.4	(4,034.6)	–	1,131.8
Derivative financial instruments	1,342.9	(1,342.9)	–	–
Cash and cash equivalents	7,013.6	(6,720.8)	–	292.8
Total assets	**117,292.0**	**(113,546.9)**	**(658.6)**	**3,086.5**
Liabilities				
Borrowings	403.7	–	–	403.7
Deferred tax liabilities	493.7	–	(57.5)	436.2
Insurance contract liabilities	556.6	(464.2)	(92.4)	–
Deferred income	614.7	–	(614.7)	–
Other provisions	40.6	–	–	40.6
Other payables	1,782.7	(745.4)	(3.6)	1,033.7
Investment contract benefits	83,558.5	(83,558.5)	–	–
Derivative financial instruments	948.8	(948.8)	–	–
Net asset value attributable to unit holders	27,830.0	(27,830.0)	–	–
Income tax liabilities	115.4	–	–	115.4
Preference shares	0.1	–	–	0.1
Total liabilities	**116,344.8**	**(113,546.9)**	**(768.2)**	**2,029.7**
Net assets	**947.2**	–	**109.6**	**1,056.8**

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

Adjustment 2 comprises adjustment to the IFRS Condensed Consolidated Statement of Financial Position in line with Solvency II requirements, including removal of DAC, DIR, PVIF and their associated deferred tax balances, goodwill and other intangibles.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ON A CASH RESULT BASIS (UNAUDITED) (CONTINUED)

III. EARNINGS PER SHARE

	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
	£'Million	£'Million	£'Million
Earnings			
Cash result after tax attributable to equity shareholders *(for both basic and diluted EPS)*	**124.7**	99.6	229.4
	Million	Million	Million
Weighted average number of shares			
Weighted average number of ordinary shares in issue *(for basic EPS)*	**533.8**	527.8	531.3
Adjustments for outstanding share options	**5.1**	12.2	2.7
Weighted average number of ordinary shares *(for diluted EPS)*	**538.9**	540.0	534.0
	Pence	Pence	Pence
Earnings per share (EPS)			
Basic earnings per share	**23.4**	18.9	43.2
Diluted earnings per share	**23.1**	18.4	43.0

No interim dividend will be paid for 2020 (30 June 2019: interim dividend of 18.49 pence per ordinary share, amounting to £98.4 million).

OTHER INFORMATION

GLOSSARY OF ALTERNATIVE PERFORMANCE MEASURES

Within the Half-Year Report and Accounts various alternative performance measures (APMs) are disclosed. An APM is a measure of financial performance, financial position or cash flows which is not defined by the relevant financial reporting framework, which for the Group is International Financial Reporting Standards (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:

Financial position related APMs

APM	Definition	Why is this measure used?	Reconciliation to the Financial Statements
Solvency II net assets	Based on IFRS Net Assets, but with the following adjustments: 1. Reflection of the recognition requirements of the Solvency II regulations for assets and liabilities. In particular this removes deferred acquisition costs (DAC), deferred income (DIR), purchased value of in-force (PVIF) and their associated deferred tax balances, other intangibles and some other small items which are treated as inadmissible from a regulatory perspective; and 2. Adjustment to remove the matching client assets and the liabilities as these do not represent shareholder assets. No adjustment is made to deferred tax, except for that arising on DAC, DIR and PVIF, as this is treated as an allowable asset in the Solvency II regulation.	Our ability to satisfy our liabilities to clients, and consequently our solvency, is central to our business. By removing the liabilities which are fully matched by assets, this presentation allows the reader to focus on the business operation. It also provides a simpler comparison with other wealth management companies.	Refer to page 33.
Total embedded value	A discounted cashflow valuation methodology, assessing the long-term economic value of the business. Our embedded value is determined in line with the EEV principles, originally set out by the Chief Financial Officers (CFO) Forum in 2004, and amended for subsequent changes to the principles, including those published in April 2016, following the implementation of Solvency II.	Life business and wealth management business differ from most other businesses, in that the expected shareholder income from the sale of a product emerges over a long period in the future. We therefore supplement the IFRS and Cash results by providing additional disclosure on an embedded value basis, which brings into account the net present value of expected future cash flows, as we believe that a measure of total economic value of the Group is useful to investors.	Not applicable.
Net asset value (NAV) 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.
NAV 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.

Financial performance related APMs

APM	Definition	Why is this measure used?	Reconciliation to the Financial Statements
Operating cash result, Underlying cash result and Cash result	The Cash result is defined as the movement between the opening and closing Solvency II net assets adjusted for the following items: 1. The movement in deferred tax is removed to reflect just the cash realisation from the deferred tax position; 2. The movements in goodwill and other intangibles are included; and 3. Other changes in equity, such as dividends paid in the year and non-cash-settled share option costs, are excluded. The Operating cash result reflects the regular emergence of cash from the business operations. The Underlying cash results additionally reflects the cash impact of the strategic investments we are making. Finally, the Cash result reflects all other cash items, including those whose emergence is volatile, varying over time and often influenced by markets, together with the short-term costs associated with the back-office infrastructure project. Neither the Cash result nor the underlying cash result should be confused with the IFRS Condensed Consolidated Statement of Cash Flows which is prepared in accordance with IAS 7.	IFRS income statement methodology recognises non-cash items such as deferred tax and non-cash-settled share options. By contrast, dividends can only be paid to shareholders from appropriately fungible assets. The Board therefore uses the Cash results to monitor the level of cash generated by the business. While the Cash result gives an absolute measure of the cash generated in the year, the Underlying and Operating cash results are particularly useful for monitoring the expected long-term rate of cash emergence, which supports dividends and sustainable dividend growth.	Refer to pages 27, 28 and also see Note 3 – Segment Profit to the Condensed Consolidated Financial Statements
Underlying cash basic and diluted earnings per share (EPS)	These EPS measures are calculated as Underlying cash divided by the number of shares used in the calculation of IFRS basic and diluted EPS.	As Underlying cash is the best reflection of the cash generated by the business, Underlying cash EPS measures allow analysis of the shareholder cash generated by the business by share.	Not applicable.
EEV profit	Derived as the movement in the total EEV during the year.	Both the IFRS and Cash results reflect only the cashflows in the year. However our business is long-term, and activity in the year can generate business with a long-term value. We therefore believe it is helpful to understand the full economic impact of activity in the year, which is the aim of the EEV methodology.	See Note 3 – Segment Profit to the Condensed Consolidated Financial Statements
EEV operating profit	A discounted cashflow valuation methodology, assessing the long-term economic value of the business. Our embedded value is determined in line with the EEV principles, originally set out by the Chief Financial Officers (CFO) Forum in	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	See Note 3 – Segment Profit to the Condensed Consolidated Financial Statements

APM	Definition	Why is this measure used?	Reconciliation to the Financial Statements
	2004, and amended for subsequent changes to the principles, including those published in April 2016, following the implementation of Solvency II. The EEV operating profit reflects the total EEV result with an adjustment to strip out the impact of stock market and other economic effects during the year. Within EEV operating profit is new business contribution, which is the change in embedded value arising from writing new business during the year.	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.	
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.
Policyholder and Shareholder tax	Shareholder tax is estimated by making an assessment of the effective rate of tax that is applicable to the shareholders on the profits attributable to the shareholders. This is calculated by applying the appropriate effective corporate tax rates to the shareholder profits. The remainder of the tax charge represents tax on policyholders' investment returns. This calculation method is consistent with the legislation relating to the calculation of the tax on shareholders' profits.	The UK tax regime facilitates the collection of tax from life insurance policyholders by making an equivalent charge within the corporate tax of the Company. The total tax charge for the insurance companies therefore comprises both this element and an element more closely related to normal corporation tax. Life insurance business impacted by this tax typically includes policy charges which align with the tax liability, to mitigate the impact on the corporate. As a result, when policyholder tax increases, the charges also increase. Given these offsetting items can be large, and typically do not perform in line with the business, it is beneficial to be able to identify the two elements separately. We therefore refer to that part of the overall tax charge, which is deemed attributable to policyholders, as policyholder tax, and the rest as shareholder tax.	Disclosed as separate line items in the Condensed Consolidated Statement of Comprehensive Income on page 48.
Profit before shareholder tax	A profit measure which reflects the IFRS result adjusted for policyholder tax, but before deduction of shareholder tax. Within the Condensed Consolidated Statement of Comprehensive Income the full title of this measure is 'Profit before tax attributable to shareholders' returns'.	The IFRS methodology requires that the tax recognised in the financial statements should include the tax incurred on behalf of policyholders in our UK life assurance company. Since the policyholder tax charge is unrelated to the performance of the business, we believe it is also useful to separately identify the profit before shareholder tax, which reflects the IFRS profit before tax, adjusted only for tax paid on behalf of policyholders.	Disclosed as a separate line item in the Condensed Consolidated Statement of Comprehensive Income on page 48.

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 25.